

1 SENATE BILL NO. 403

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4
5 A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING K-12 SCHOOL FUNDING; REVISING THE
6 DISTRIBUTION OF OIL AND NATURAL GAS PRODUCTION TAXES TO FUND SCHOOLS; CREATING THE
7 PATHWAY TO ~~IMPROVEMENT~~ EXCELLENCE PROGRAM TO STIMULATE EDUCATIONAL EXCELLENCE
8 IN SCHOOLS; AMENDING THE STRUCTURE OF ESTIMATING AND ALLOCATING OIL AND NATURAL GAS
9 PRODUCTION TAXES FOR SCHOOLS; PROVIDING FOR A TEMPORARY LIMIT ON MILL INCREASES IN
10 SCHOOL DISTRICTS RECEIVING OIL AND NATURAL GAS PRODUCTION TAXES; CREATING AN OIL AND
11 NATURAL GAS IMPACT SCHOOLS ACCOUNT; LIMITING A SCHOOL'S ENDING FUND BALANCE LIMIT;
12 LIMITING A SCHOOL DISTRICT'S FUND BALANCE REAPPROPRIATED TO 15% OF THE MAXIMUM
13 GENERAL FUND BUDGET; ALLOWING A SCHOOL DISTRICT A ONE-TIME TRANSFER OF GENERAL FUND
14 MONEY UNDER CERTAIN CONDITIONS; REQUIRING A BUDGET AMENDMENT FOR UNFORESEEN
15 PURPOSES TO BE SUBJECT TO INTERIM LOCAL GOVERNMENT COMMITTEE REVIEW; PROVIDING
16 INFLATIONARY INCREASE TO THE BASIC ENTITLEMENT, PER-ANB ENTITLEMENT, AND THE QUALITY
17 EDUCATOR PAYMENT; AMENDING THE REQUIREMENT THAT SCHOOL DISTRICT TRUSTEES PROPOSE
18 A LEVY TO THE DISTRICT ELECTORS FOR EXCEEDING THE BASE BUDGET AND INCREASING THE
19 OVER-BASE BUDGET; AMENDING BONDING PROVISIONS TO ALLOW FOR THE ISSUANCE AND
20 NEGOTIATION OF OIL AND NATURAL GAS REVENUE BONDS FOR SCHOOL PURPOSES; PROVIDING FOR
21 SECURITY FOR OIL AND NATURAL GAS PRODUCTION BONDS; ELIMINATING THE REQUIREMENT THAT
22 THE GUARANTEE ACCOUNT IS STATUTORILY APPROPRIATED; LIMITING SCHOOL DISTRICT BLOCK
23 GRANTS TO 15% OF A SCHOOL DISTRICT'S GENERAL FUND BUDGET; ELIMINATING THE SCHOOL
24 FACILITY AND TECHNOLOGY ACCOUNT AND TRANSFERRING THE FUNDS TO THE GUARANTEE
25 ACCOUNT; ~~ALLOWING A ONE-TIME TRANSFER OF EXCESS SCHOOL DISTRICT OIL AND NATURAL GAS~~
26 ~~FUNDS TO ANY SCHOOL DISTRICT FUND~~; PROVIDING RULEMAKING AUTHORITY; AMENDING SECTIONS
27 15-36-331, 15-36-332, 17-5-117, 17-6-340, 17-7-502, 20-1-101, 20-7-102, 20-9-104, 20-9-141, 20-9-161,
28 20-9-306, 20-9-308, 20-9-331, 20-9-333, 20-9-342, 20-9-343, 20-9-353, 20-9-403, 20-9-406, 20-9-408, 20-9-422,
29 20-9-423, 20-9-426, 20-9-427, 20-9-430, 20-9-437, 20-9-440, 20-9-534, 20-9-620, 20-9-622, 20-9-630, 77-1-218,
30 77-4-208, 90-6-802, AND 90-6-803, MCA; REPEALING SECTION 20-9-516, MCA; AND PROVIDING AN

1 IMMEDIATE EFFECTIVE DATE AND A TERMINATION DATE."

2

3 WHEREAS, the Legislature supports stimulation of the continued pursuit of educational excellence in
4 Montana's public schools through data-driven decisionmaking; and

5 WHEREAS, the Legislature supports a process whereby public schools work collaboratively with
6 communities to create a culture of efficient and effective actionable data use to ensure the availability of
7 role-based data access while protecting privacy and building the capacity of stakeholders to use data in an
8 ongoing effort to improve student achievement across Montana; and

9 WHEREAS, the Pathway to ~~Improvement~~ EXCELLENCE Program is implemented to recognize that
10 Montana's system of K-12 public schools is among the best in the nation, where students continue to outperform
11 students across the nation in virtually all measures of academic achievement, including average scores on the
12 ACT and SAT and the national assessment of educational progress; and

13 WHEREAS, Montana K-12 schools educate children living in poverty and are successful in narrowing
14 the achievement gap based on poverty better than most other states; and

15 WHEREAS, the achievement and efficiency of Montana's public schools is well-recognized, including that
16 Montana was named by Congressional Quarterly Press as one of the top eight states in the "smartest state"
17 award, with a ranking of third in 2002-2003 and a ranking of eighth in 2010-2011; and

18 WHEREAS, the American Legislative Exchange Council has consistently ranked Montana in its top 10
19 states for K-12 public education performance, based on the overall scores for low-income children and their gains
20 or losses on the national assessment of educational progress in 4th and 8th grade reading and math exams over
21 a several-year period; and

22 WHEREAS, Montana K-12 public education should remain focused on continuous improvement and
23 increased academic achievement for public school students; and

24 WHEREAS, the Montana Legislature facilitates the focus on continuous improvement by providing
25 funding designed to help improve the academic achievement of students in Montana's public schools through
26 funding accountability, transparency, and the tools necessary to identify and reward successful efforts while
27 supporting improvement.

28

29 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

30

1 **NEW SECTION. Section 1. Montana pathway to improvement EXCELLENCE program -- purpose.**

2 (1) [Sections 1 through 5] may be known as the pathway to improvement EXCELLENCE program.

3 (2) The purpose of the pathway to improvement EXCELLENCE program is to promote educational
4 excellence in Montana's public schools through data-driven decisionmaking.

5 (3) It is the intent of the program that Montana K-12 public education remain focused on continuous
6 improvement and increased academic achievement for students in public schools through funding assistance
7 from the legislature.

8
9 **NEW SECTION. Section 2. Transparency and public availability of public school performance**

10 **data.** (1) Each school district shall develop, implement, evaluate, and periodically revise a 5-year comprehensive
11 education plan, as defined by the board of public education, to ensure continuous education improvement for all
12 students and all schools in the school district. Each school district's comprehensive education plan must include,
13 at a minimum, the following elements:

14 (a) a school district level education profile;

15 (b) district educational goals;

16 (c) a description of planned progress toward implementing all content, performance, and program area
17 standards;

18 (d) a description of strategies for assessing student progress for meeting all content and performance
19 standards;

20 (e) a professional development plan;

21 (f) state criterion-referenced testing results; and

22 (g) for high schools, school participation rates and results for the ACT and the scholastic achievement
23 test, advanced placement, international baccalaureate, dual credit, and industry certification courses.

24 (2) Each year of the 5-year cycle, school districts and schools shall develop and implement an annual
25 action plan that systematically moves those districts and schools toward accomplishing the 5-year plan. The plan
26 must include specific goals for the ensuing year that include measurable objectives, identified strategies to meet
27 the objectives, any needed professional development to support those strategies, and a summary of the
28 resources required.

29 (3) Each school district shall prepare an annual effectiveness report outlining current status and progress
30 over the preceding school fiscal year and shall compare the school's and school district's results to statewide

1 average data provided by the superintendent of public instruction.

2 (4) ~~Each BY JUNE 30, 2012, EACH~~ school district shall make its school and district profiles publicly
3 available. If a school has a website, a link to the profile must be included.

4 (5) The superintendent of public instruction shall compute and make available statewide averages of
5 academic performance, including, at a minimum, statewide average scores by subject matter and grade level on
6 any statewide student assessment required by rule of the board of public education.

7
8 **NEW SECTION. Section 3. Rulemaking authority of board of public education.** (1) The board of
9 public education shall adopt rules to integrate expanded performance measures in its accreditation standards
10 as data collection and assessment systems become more established, accurate, and reliable.

11 (2) The rules adopted by the board must address:

12 (a) measures of student performance by grade-proficiency or advanced-performance level;

13 (b) measures of student growth ~~showing a minimum of 1 year's academic growth~~ in an academic year;

14 (c) measures of student performance of the lowest performing students in each ~~grade-level~~ SCHOOL;

15 (d) graduation rates;

16 (e) measures of career and college readiness; and

17 (f) measures of acceleration rates of college-level academic work completed during high school.

18 **(3) NOTHING IN THIS SECTION PRECLUDES THE BOARD OF PUBLIC EDUCATION FROM ADOPTING OTHER MEASURES**
19 **OF STUDENT PERFORMANCE NOT LISTED ABOVE.**

20
21 **NEW SECTION. Section 4. Determination of flexibility in use of pathway to improvement**
22 **EXCELLENCE payment.** (1) The pathway to ~~improvement~~ EXCELLENCE payment, calculated as provided in
23 20-9-306, must be used by each school district to reward successful schools and staff and to provide resources
24 that may be used, in compliance with collective bargaining agreements or district policy WHEN NO COLLECTIVE
25 BARGAINING AGREEMENT APPLIES, to provide bonuses and other incentives as well as opportunities to staff and
26 support to schools and students that are struggling.

27 (2) A school district's flexibility to apply the pathway to ~~improvement~~ EXCELLENCE payment must be
28 determined according to the performance of each school in a school district applying the results in reading and
29 math on the Montana comprehensive assessment system, based on the chart in this subsection. The percent
30 of a school's students at the proficient or advanced level in reading and math must be averaged together to

1 determine the extent of flexibility in the use of funds generated by the pathway to improvement EXCELLENCE
 2 payment according to the following table:

3 Schoolwide % of Students	4 % Full Flexibility	5 % Required to
6 Tested at Proficient		7 Be Spent on
8 or Advanced		9 Specified Support
		10 Services
11 greater than 80%	100%	0%
12 greater than 70%	60%	40%
13 greater than 60%	30%	70%
14 greater than 50%	10%	90%
15 50% or below	0%	100%

16 (3) Schools with a percentage of proficiency under the schedule in subsection (2) in the lowest ~~10%~~ 5%
 17 of all schools in the state shall enter into an agreement with the office of public instruction to receive intensive
 18 assistance. Intensive assistance may include, subject to negotiation between the school board and the office of
 19 public instruction:

- 20 (a) management of student support services funds;
- 21 (b) provision of staff from the office of public instruction at the school to provide assistance services;
- 22 (c) selection of specific professional development activities designed to improve student performance
- 23 results;
- 24 (d) selection or guidance of curricular support or instructional materials;
- 25 (e) guidance on updating local curriculum;
- 26 (f) guidance on revision to attendance policies;
- 27 (g) consultation in hiring decisions;
- 28 (h) development of a licensed staff evaluation system; or
- 29 (i) provision of strategies to improve community and parent involvement ENGAGEMENT.

30 (4) Each school board shall proportion the funding and flexibility from the pathway to improvement
EXCELLENCE payment according to each school's individual performance unless the school has been identified
 in subsection (3) as being in need of intensive assistance. Full flexibility dollars may be spent in any lawful
 manner authorized for a general fund expenditure. School boards are encouraged to use the payment to reward
 successful efforts of staff in increasing academic achievement of students in each applicable school of the district.

1 Any bonus system or other enhancement of compensation, benefits, or working conditions provided as a reward
 2 is subject to collective bargaining OR DISTRICT POLICY WHEN NO COLLECTIVE BARGAINING AGREEMENT APPLIES.

3 (5) Funding required to be spent on student support services for those schools or school districts scoring
 4 50% or below, as described in subsection (2), may be committed to any of the following research-based
 5 strategies in order to improve academic performance of students in the school:

6 (a) professional development addressing the use and application in the classroom of standards,
 7 assessment, and longitudinal data;

8 (b) data systems if needed to integrate into the longitudinal data system of the office of public instruction;

9 (c) enhanced curriculum and instructional development and support;

10 (d) tutoring;

11 (e) extended day and extended-year learning programs;

12 (f) professional development;

13 (g) early childhood educational intervention; and

14 (h) any other strategy adopted by the board of public education by rule or approved alternative standard
 15 if the strategy is research-based and focused on increased student academic achievement.

16 (6) A school district that has been certified by the superintendent of public instruction as having complied
 17 with the provisions of [section 2] on or before June 30, 2012, may spend up to \$250 for each quality educator,
 18 as defined in 20-4-502, in fiscal year 2013 from any budgeted fund of the school district, except for the county
 19 school funds supporting elementary and high school district retirement provided for in 20-9-501, to pay for
 20 enhanced assessments and data collection to improve academic achievement of students in the district.

21 (7) THE INTENT OF THIS SECTION IS TO INCREASE THE FLEXIBILITY AND EFFICIENCY OF SCHOOL DISTRICTS
 22 WITHOUT AN INCREASE IN LOCAL TAXES. IF THE PAYMENT IN SUBSECTION (6) IS MADE FROM ANY SCHOOL DISTRICT FUND
 23 SUPPORTED BY A NONVOTED LEVY, THE DISTRICT MAY NOT INCREASE ITS NONVOTED LEVY FOR THE PURPOSE OF
 24 RESTORING THE AMOUNT OF FUNDS TRANSFERRED.

25 ~~(7)~~(8) If a school's pathway to improvement EXCELLENCE payment is less than \$5,000, the school must
 26 have full flexibility for allocation of the payment.

27
 28 NEW SECTION. Section 5. Superintendent of public instruction -- duties for data collection to
 29 support pathway to improvement EXCELLENCE program. (1) The superintendent of public instruction shall
 30 continually enhance the statewide data system to support the collection of data from schools, implement a data

1 collection plan to reduce redundant data requests, increase data use from the centralized system by various
 2 functions within the office of public instruction, and promote transparency in reporting to schools, school districts,
 3 communities, and the public. Actionable data analysis must be produced to promote academic improvement.

4 (2) The superintendent of public instruction shall gather, maintain, and distribute longitudinal, actionable
 5 data in the following areas:

6 (a) statewide student identifier;

7 (b) student-level enrollment data, including average daily attendance;

8 (c) student-level statewide assessment data;

9 (d) information on untested students;

10 (e) student-level graduation and dropout data;

11 (f) ability to match student-level K-12 and higher education data;

12 (g) a statewide data audit system;

13 (h) a system to track student achievement with a direct teacher-to-student match to help track, report,
 14 and create opportunities for improved individual student performance;

15 (i) student-level course completion data, including transcripts, to assess career and college readiness;

16 and

17 (j) student-level ACT, scholastic achievement test, and advanced placement exam data.

18 (3) The superintendent of public instruction shall emphasize the creation of and distribution of individual
 19 diagnostic data for each student in a ~~timely~~ manner THAT IS TIMELY AND PROTECTS THE PRIVACY RIGHTS OF STUDENTS
 20 AND FAMILIES AS THEY RELATE TO EDUCATION so that school districts may use the data to support timely academic
 21 intervention as needed and to otherwise improve the academic achievement of the students of each school
 22 district.

23 (4) On or before June 30, 2013, the superintendent of public instruction shall begin presenting
 24 longitudinal data on academic achievement and shall develop PLANS FOR a measurement of growth for the
 25 statewide student assessment required by the board of public education.

26
 27 **NEW SECTION. Section 6. Interim monitoring and programming.** (1) The initial scope of [sections
 28 1 through 5] is intended as a beginning effort of the legislature to support and foster school district efforts to
 29 enhance the collection and use of data for the continuous improvement of academic achievement of students in
 30 Montana's public schools.

1 (2) During the 2011-2013 interim, the education and local government interim committee shall oversee
2 the implementation of [sections 1 through 5].

3 (3) The committee shall make recommendations to the legislature concerning any necessary changes
4 to [sections 1 through 5] for introduction during the 2013 regular legislative session.

5
6 **Section 7.** Section 15-36-331, MCA, is amended to read:

7 **"15-36-331. Distribution of taxes.** (1) (a) For each calendar quarter, the department shall determine
8 the amount of tax, late payment interest, and penalties collected under this part.

9 (b) For the purposes of distribution of oil and natural gas production taxes to county and school district
10 taxing units under 15-36-332 and to the state, the department shall determine the amount of oil and natural gas
11 production taxes paid on production in the taxing unit.

12 (2) (a) The amount of oil and natural gas production taxes collected for the privilege and license tax
13 pursuant to 82-11-131 must be deposited, in accordance with the provisions of 17-2-124, in the state special
14 revenue fund for the purpose of paying expenses of the board, as provided in 82-11-135.

15 (b) The amount of the tax allocated in 15-36-304(7)(b) for the oil and gas natural resource distribution
16 account established in 90-6-1001(1) must be deposited in the account.

17 (3) (a) For each tax year, the amount of oil and natural gas production taxes determined under
18 subsection (1)(b) is allocated ~~to each county~~ among the state, counties, and school districts according to the
19 following schedule and subject to the provisions of [section 11]:

20	Big Horn	45.05%
21	Blaine	58.39%
22	Carbon	48.27%
23	Chouteau	58.14%
24	Guster	69.53%
25	Daniels	50.81%
26	Dawson	47.79%
27	Fallon	41.78%
28	Fergus	69.18%
29	Garfield	45.96%
30	Glacier	58.83%

1	Golden Valley	58.37%
2	Hill	64.51%
3	Liberty	57.94%
4	McCone	49.92%
5	Musselshell	48.64%
6	Petroleum	48.04%
7	Phillips	54.02%
8	Pondera	54.26%
9	Powder River	60.9%
10	Prairie	40.38%
11	Richland	47.47%
12	Roosevelt	45.71%
13	Rosebud	39.33%
14	Sheridan	47.99%
15	Stillwater	53.51%
16	Sweet Grass	61.24%
17	Teton	46.1%
18	Toole	57.61%
19	Valley	51.43%
20	Wibaux	49.16%
21	Yellowstone	46.74%
22	All other counties	50.15%

23	<u>County</u>	<u>State</u>	<u>State</u>	<u>County</u>	<u>School</u>	<u>Elementary</u>	<u>High</u>	<u>County</u>
24			<u>Guarantee</u>		<u>Districts</u>	<u>Retirement</u>	<u>School</u>	<u>Transportation</u>
25			<u>Account</u>				<u>Retirement</u>	
26	<u>Big Horn</u>	<u>54.95%</u>	<u>1.22%</u>	<u>20.20%</u>	<u>10.94%</u>	<u>6.67%</u>	<u>4.67%</u>	<u>1.35%</u>
27	<u>Blaine</u>	<u>41.61%</u>	<u>1.44%</u>	<u>37.60%</u>	<u>13.00%</u>	<u>3.42%</u>	<u>1.35%</u>	<u>1.58%</u>
28	<u>Carbon</u>	<u>51.73%</u>	<u>2.37%</u>	<u>18.97%</u>	<u>21.37%</u>	<u>1.74%</u>	<u>3.20%</u>	<u>0.63%</u>
29		<u>51.72%</u>						
30	<u>Chouteau</u>	<u>41.86%</u>	<u>1.38%</u>	<u>35.28%</u>	<u>12.45%</u>	<u>4.71%</u>	<u>2.51%</u>	<u>1.81%</u>

1	<u>Custer</u>	<u>30.47%</u>	<u>2.17%</u>	<u>39.81%</u>	<u>19.56%</u>	<u>4.80%</u>	<u>2.36%</u>	<u>0.83%</u>
2	<u>Daniels</u>	<u>49.19%</u>	<u>2.46%</u>	<u>20.24%</u>	<u>22.17%</u>	<u>0.00%</u>	<u>3.95%</u>	<u>1.99%</u>
3	<u>Dawson</u>	52.21%	<u>1.70%</u>	<u>26.41%</u>	<u>15.31%</u>	<u>2.64%</u>	<u>1.19%</u>	<u>0.53%</u>
4		<u>52.22%</u>						
5	<u>Fallon</u>	<u>58.22%</u>	<u>1.78%</u>	<u>20.28%</u>	<u>16.01%</u>	<u>0.00%</u>	<u>3.19%</u>	<u>0.52%</u>
6	<u>Fergus</u>	30.82%	<u>3.68%</u>	<u>22.10%</u>	<u>33.15%</u>	<u>5.45%</u>	<u>3.35%</u>	<u>1.44%</u>
7		<u>30.83%</u>						
8	<u>Garfield</u>	<u>54.04%</u>	<u>1.20%</u>	<u>28.20%</u>	<u>10.83%</u>	<u>1.86%</u>	<u>1.44%</u>	<u>2.43%</u>
9	<u>Glacier</u>	<u>41.17%</u>	<u>2.71%</u>	<u>20.48%</u>	<u>24.41%</u>	<u>6.59%</u>	<u>2.87%</u>	<u>1.77%</u>
10	<u>Golden Valley</u>	<u>41.63%</u>	<u>3.19%</u>	<u>18.13%</u>	<u>28.71%</u>	<u>0.00%</u>	<u>6.72%</u>	<u>1.62%</u>
11	<u>Hill</u>	35.49%	<u>3.22%</u>	<u>24.37%</u>	<u>28.95%</u>	<u>4.32%</u>	<u>2.63%</u>	<u>1.03%</u>
12		<u>35.48%</u>						
13	<u>Liberty</u>	42.06%	<u>2.04%</u>	<u>31.39%</u>	<u>18.37%</u>	<u>2.84%</u>	<u>2.64%</u>	<u>0.67%</u>
14		<u>42.05%</u>						
15	<u>McCone</u>	<u>50.08%</u>	<u>2.16%</u>	<u>23.38%</u>	<u>19.41%</u>	<u>2.09%</u>	<u>1.59%</u>	<u>1.29%</u>
16	<u>Musselshell</u>	<u>51.36%</u>	<u>1.56%</u>	<u>26.39%</u>	<u>14.08%</u>	<u>2.91%</u>	<u>1.98%</u>	<u>1.72%</u>
17	<u>Petroleum</u>	51.96%	<u>2.67%</u>	<u>13.46%</u>	<u>23.99%</u>	<u>0.00%</u>	<u>5.73%</u>	<u>2.21%</u>
18		<u>51.94%</u>						
19	<u>Phillips</u>	45.98%	<u>2.23%</u>	<u>27.33%</u>	<u>20.07%</u>	<u>0.23%</u>	<u>3.57%</u>	<u>0.58%</u>
20		<u>45.99%</u>						
21	<u>Pondera</u>	45.74%	<u>2.45%</u>	<u>22.18%</u>	<u>22.06%</u>	<u>3.78%</u>	<u>2.75%</u>	<u>1.05%</u>
22		<u>45.73%</u>						
23	<u>Powder River</u>	39.10%	<u>1.36%</u>	<u>40.35%</u>	<u>12.20%</u>	<u>2.41%</u>	<u>1.81%</u>	<u>2.78%</u>
24		<u>39.09%</u>						
25	<u>Prairie</u>	59.62%	<u>1.49%</u>	<u>21.24%</u>	<u>13.41%</u>	<u>0.00%</u>	<u>3.59%</u>	<u>0.66%</u>
26		<u>59.61%</u>						
27	<u>Richland</u>	<u>52.53%</u>	<u>2.08%</u>	<u>21.81%</u>	<u>18.70%</u>	<u>1.95%</u>	<u>1.86%</u>	<u>1.07%</u>
28	<u>Roosevelt</u>	<u>54.29%</u>	<u>1.87%</u>	<u>17.84%</u>	<u>16.84%</u>	<u>4.54%</u>	<u>3.37%</u>	<u>1.25%</u>
29	<u>Rosebud</u>	60.67%	<u>2.87%</u>	<u>7.81%</u>	<u>25.83%</u>	<u>1.52%</u>	<u>0.88%</u>	<u>0.41%</u>
30		<u>60.68%</u>						

1	<u>Sheridan</u>	<u>52.04%</u>	<u>2.29%</u>	<u>22.44%</u>	<u>20.57%</u>	<u>0.00%</u>	<u>1.63%</u>	<u>1.07%</u>
2		<u>52.00%</u>						
3	<u>Stillwater</u>	<u>46.49%</u>	<u>2.20%</u>	<u>24.34%</u>	<u>19.82%</u>	<u>3.68%</u>	<u>2.60%</u>	<u>0.87%</u>
4	<u>Sweet Grass</u>	<u>38.76%</u>	<u>2.28%</u>	<u>29.25%</u>	<u>20.51%</u>	<u>3.75%</u>	<u>3.98%</u>	<u>1.47%</u>
5	<u>Teton</u>	<u>53.90%</u>	<u>1.36%</u>	<u>23.83%</u>	<u>12.21%</u>	<u>3.17%</u>	<u>3.78%</u>	<u>1.75%</u>
6	<u>Toole</u>	<u>42.39%</u>	<u>2.51%</u>	<u>27.41%</u>	<u>22.59%</u>	<u>1.60%</u>	<u>2.75%</u>	<u>0.75%</u>
7	<u>Valley</u>	<u>48.57%</u>	<u>2.11%</u>	<u>20.26%</u>	<u>19.03%</u>	<u>1.16%</u>	<u>6.49%</u>	<u>2.38%</u>
8	<u>Wibaux</u>	<u>50.84%</u>	<u>1.55%</u>	<u>31.30%</u>	<u>13.92%</u>	<u>0.00%</u>	<u>2.02%</u>	<u>0.38%</u>
9		<u>50.83%</u>						
10	<u>Yellowstone</u>	<u>53.26%</u>	<u>2.47%</u>	<u>15.71%</u>	<u>22.20%</u>	<u>3.73%</u>	<u>2.13%</u>	<u>0.50%</u>
11	<u>All other counties</u>	<u>49.85%</u>	<u>2.06%</u>	<u>22.82%</u>	<u>18.52%</u>	<u>1.91%</u>	<u>3.93%</u>	<u>0.91%</u>

12 (b) The oil and natural gas production taxes allocated to ~~each county~~ counties and school districts must
 13 be deposited in the state special revenue fund and transferred to each county for distribution, as provided in
 14 15-36-332 and in accordance with the schedule set forth in this section.

15 (c) The oil and natural gas production taxes allocated to the guarantee account must be deposited in the
 16 guarantee account as provided in 20-9-622.

17 (4) The department shall, in accordance with the provisions of 17-2-124, distribute the state portion of
 18 oil and natural gas production taxes ~~remaining after the distributions~~ pursuant to subsections (2) and (3) as
 19 follows:

20 (a) for each fiscal year through the fiscal year ending June 30, 2011, to be distributed as follows:

21 (i) 1.23% to the coal bed methane protection account established in 76-15-904;

22 (ii) 1.45% to the natural resources projects state special revenue account established in 15-38-302;

23 (iii) 1.45% to the natural resources operations state special revenue account established in 15-38-301;

24 (iv) 2.99% to the orphan share account established in 75-10-743;

25 (v) 2.65% to the state special revenue fund to be appropriated to the Montana university system for the
 26 purposes of the state tax levy as provided in 15-10-108; and

27 (vi) all remaining proceeds to the state general fund;

28 (b) for fiscal years beginning after June 30, 2011, to be distributed as follows:

29 (i) 2.16% to the natural resources projects state special revenue account established in 15-38-302;

30 (ii) 2.02% to the natural resources operations state special revenue account established in 15-38-301;

- 1 (iii) 2.95% to the orphan share account established in 75-10-743;
- 2 (iv) 2.65% to the state special revenue fund to be appropriated to the Montana university system for the
- 3 purposes of the state tax levy as provided in 15-10-108; and
- 4 (v) all remaining proceeds to the state general fund."

5
6 **Section 8.** Section 15-36-332, MCA, is amended to read:

7 **"15-36-332. Distribution of taxes to taxing units -- appropriation.** (1) (a) By SUBJECT TO [SECTION 11],
8 BY the dates referred to in subsection (6), the department shall distribute oil and natural gas production taxes
9 allocated under 15-36-331(3) to each eligible county and school district.

10 (b) By the dates referred to in subsection (6), the department shall distribute the amount deposited in
11 the oil and gas natural resource distribution account under 15-36-331(2)(b) as provided in subsection (8) of this
12 section.

13 (2) (a) Each county treasurer shall distribute the amount of oil and natural gas production taxes
14 designated under subsection (1)(a), including the amounts referred to in subsection (2)(b), to the countywide
15 elementary and high school retirement funds, countywide transportation funds, and eligible school districts
16 according to the following schedule: set forth in 15-36-331(3).

	Elementary	High School	Countywide	School
	Retirement	Retirement	Transportation	Districts
19 Big Horn	14.81%	10.36%	2.99%	26.99%
20 Blaine	5.86%	2.31%	2.71%	24.73%
21 Carbon	3.6%	6.62%	1.31%	49.18%
22 Chouteau	8.1%	4.32%	3.11%	23.79%
23 Custer	6.9%	3.4%	1.19%	31.25%
24 Daniels	0	7.77%	3.92%	48.48%
25 Dawson	5.53%	2.5%	1.11%	35.6%
26 Fallon	0	7.63%	1.24%	42.58%
27 Fergus	7.88%	4.84%	2.08%	53.25%
28 Garfield	4.04%	3.13%	5.29%	26.19%
29 Glacier	11.2%	4.87%	3.01%	46.11%
30 Golden Valley	0	11.52%	2.77%	54.65%

1	Hill	6.7%	4.07%	1.59%	49.87%
2	Liberty	4.9%	4.56%	1.15%	35.22%
3	McCone	4.18%	3.19%	2.58%	43.21%
4	Musselshell	5.98%	4.07%	3.53%	32.17%
5	Petroleum	0	11.92%	4.59%	55.48%
6	Phillips	0.43%	6.6%	1.08%	41.29%
7	Pondera	6.96%	5.06%	1.94%	45.17%
8	Powder River	3.96%	2.97%	4.57%	22.25%
9	Prairie	0	8.88%	1.63%	36.9%
10	Richland	4.1%	3.92%	2.26%	43.77%
11	Roosevelt	9.93%	7.37%	2.74%	40.94%
12	Rosebud	3.87%	2.24%	1.05%	72.97%
13	Sheridan	0	3.39%	2.22%	47.63%
14	Stillwater	6.87%	4.86%	1.63%	41.16%
15	Sweet Grass	6.12%	6.5%	2.4%	37.22%
16	Teton	6.88%	8.19%	3.8%	29.43%
17	Toole	2.78%	4.78%	1.3%	43.56%
18	Valley	2.26%	12.61%	4.63%	41.11%
19	Wibaux	0	4.1%	0.77%	31.46%
20	Yellowstone	7.98%	4.56%	1.07%	52.77%
21	All other counties	3.81%	7.84%	1.81%	41.04%

22 (b) (i) The county treasurer shall distribute 9.8% of the Custer County share to the countywide community
 23 college district in Custer County.

24 (ii) The county treasurer shall distribute 14.5% of the Dawson County share to the countywide community
 25 college district in Dawson County.

26 (3) The remaining oil and natural gas production taxes for each county, as provided in 15-36-331(3),
 27 must be used for the exclusive use and benefit of the county, including districts within the county established by
 28 the county.

29 (4) (a) The county treasurer shall distribute oil and natural gas production taxes to school districts in each
 30 county referred to in subsection (2) based on the schedule in 15-36-331(3) as provided in subsections (4)(b)

1 through (4)(d) of this section and subject to the provisions of [section 11].

2 (b) The amount distributed to each K-12 district within the county is equal to oil and natural gas
3 production taxes in the county multiplied by the ratio that oil and natural gas production taxes attributable to oil
4 and natural gas production in the K-12 school district bear to total oil and natural gas production taxes attributable
5 to total oil and natural gas production in the county and multiply that amount by the school district percentage
6 figure for the county referred to in ~~subsection (2)(a) 20-9-331(3)(a)~~ 15-36-331(3)(A).

7 (c) For the amount to be distributed to each elementary school district and to each high school district
8 under subsection (4)(d), the department shall first determine the amount of oil and natural gas production taxes
9 in the high school district that is attributable to oil and natural gas production in each elementary school district
10 that is located in whole or in part within the exterior boundaries of a high school district and multiply that amount
11 by the school district percentage figure for the county referred to in ~~subsection (2)(a) 20-9-331(3)(a)~~
12 15-36-331(3)(A).

13 (d) (i) The amount distributed to each elementary school district that is located in whole or in part within
14 the exterior boundaries of a high school district is equal to the amount determined in subsection (4)(c) multiplied
15 by the ratio that the total mills of the elementary school district bear to the sum of the total mills of the elementary
16 school district and the total mills of the high school district.

17 (ii) The amount distributed to the high school district is equal to the amount determined in subsection
18 (4)(c) multiplied by the ratio that the total mills of the high school district bear to the sum of the total mills of each
19 elementary school district referred to in subsection (4)(c) and the total mills of the high school district.

20 (5) ~~(a)~~ Oil and natural gas production taxes calculated for each school district under subsections (4)(b)
21 through (4)(d) must be distributed to each school district ~~in the relative proportion of the mill levy for each fund~~
22 as provided in [section 11].

23 ~~(b) If a distribution under subsection (5)(a) exceeds the total budget for a school district fund, the board~~
24 ~~of trustees of an elementary or high school district may reallocate the excess to any budgeted fund of the school~~
25 ~~district.~~

26 (6) ~~The~~ SUBJECT TO [SECTION 11], THE department shall remit the amounts to be distributed in this section
27 to the county treasurer by the following dates:

28 (a) On or before August 1 of each year, the department shall remit to the county treasurer oil and natural
29 gas production tax payments received for the calendar quarter ending March 31 of the current year.

30 (b) On or before November 1 of each year, the department shall remit to the county treasurer oil and

1 natural gas production tax payments received for the calendar quarter ending June 30 of the current year.

2 (c) On or before February 1 of each year, the department shall remit to the county treasurer oil and
3 natural gas production tax payments received for the calendar quarter ending September 30 of the previous year.

4 (d) On or before May 1 of each year, the department shall remit to the county treasurer oil and natural
5 gas production tax payments received for the calendar quarter ending December 31 of the previous year.

6 (7) The department shall provide to each county by May 31 of each year the amount of gross taxable
7 value represented by all types of production taxed under 15-36-304 for the previous calendar year multiplied by
8 60%. The resulting value must be treated as taxable value for county classification purposes under 7-1-2111.

9 (8) The department shall distribute the funds received under 15-36-331(2)(b) to counties based on
10 county oil and gas production. Of the distribution to a county, one-third must be distributed to the county
11 government and two-thirds must be distributed to incorporated cities and towns within the county. If there is more
12 than one incorporated city or town within the county, the city and town allocation must be distributed to the cities
13 and towns based on their relative populations.

14 (9) The distributions to taxing units and to counties and incorporated cities and towns under this section,
15 except for distributions to the guarantee account provided in 20-9-622, are statutorily appropriated, as provided
16 in 17-7-502, from the state special revenue fund."

17

18 **Section 9.** Section 17-5-117, MCA, is amended to read:

19 **"17-5-117. Tax credit bonds.** (1) As used in this section, "tax credit bond" means any general obligation
20 bond, impact aid revenue bond, oil and natural gas revenue bond, special improvement district bond, revenue
21 bond, industrial development bond, tax increment bond, or any other bond of the state or a political subdivision
22 that has been duly authorized and is eligible for designation as and has been designated as a qualified tax credit
23 bond under section 54A, section 54D, section 54E, section 54F, or section 54AA of the Internal Revenue Code,
24 26 U.S.C. 54A, 54D, 54E, 54F, or 54AA.

25 (2) Any bond issued as a tax credit bond may be issued and sold at public or private sale, may be
26 payable and mature as to principal and interest, if any, on any date or dates, may be subject to redemption in
27 whole or in part as determined by the governing body of the issuer, and may have other terms and conditions that
28 the issuer considers to be necessary and appropriate.

29 (3) The governing body of the issuer of any tax credit bond is authorized to enter into agreements and
30 make covenants that may be necessary to provide for the sale and security of the bond, including investment of

1 funds and accounts to repay the bond."
 2

3 **Section 10.** Section 17-6-340, MCA, is amended to read:

4 **"17-6-340. Purchase of permanent fund mineral estate.** The department of natural resources and
 5 conservation may purchase the mineral production rights held by the public school fund established in Article X,
 6 section 2, of the Montana constitution for fair market value. If the department of natural resources and
 7 conservation purchases mineral production rights, any royalty payments received by the board that are not used
 8 to reimburse the coal severance tax trust fund for the loan used for purchasing the mineral production rights must
 9 be deposited in the guarantee account provided for in 20-9-622 ~~and transferred to the school facility and~~
 10 ~~technology account provided for in 20-9-516."~~

11
 12 NEW SECTION. **Section 11. Oil and natural gas production taxes for school districts --**
 13 **estimation, allocation, and limits.** (1) In accordance with ~~20-9-131~~ 20-9-141, the trustees of a district receiving
 14 oil and natural gas production taxes shall adopt an estimate of those taxes anticipated to be received by the
 15 district in any given school fiscal year. THE ESTIMATED REVENUE MUST BE ALLOCATED IN THE DISTRICT BUDGET IN
 16 ACCORDANCE WITH SUBSECTION (7).

17 (2) (a) The maximum amount of oil and natural gas production taxes a school district may retain is
 18 calculated according to the greater of the school district's maximum or adopted budget, determined in accordance
 19 with 20-9-308 and subject to the limitations in subsections (2)(b) and (2)(c).

20 (b) If a school district's maximum or adopted budget is \$1.25 million or less, the amount of oil and natural
 21 gas production taxes that a school district may retain is the greater of the school district's maximum or adopted
 22 budget.

23 (c) If a school district's maximum or adopted budget is greater than \$1.25 million, the amount of oil and
 24 natural gas production taxes that a school district may retain is limited to \$1.25 million plus 50% of the ~~remaining~~
 25 ~~oil and natural gas production taxes received up to~~ AMOUNT BY WHICH the greater of the school district's maximum
 26 or adopted budget EXCEEDS \$1.25 MILLION.

27 (3) ~~The amount of oil and natural gas production taxes received by a county in excess of the retention~~
 28 ~~limits allowed in subsection (2) must be remitted by the county treasurer to the state no later than June 30. UPON~~
 29 RECEIPT OF SCHOOL DISTRICT BUDGET REPORTS REQUIRED UNDER 20-9-134, THE SUPERINTENDENT OF PUBLIC
 30 INSTRUCTION SHALL PROVIDE THE DEPARTMENT OF REVENUE WITH A LIST INDICATING, FOR EACH SCHOOL DISTRICT, THE

1 LIMITATION IN SUBSECTION (2). THE DEPARTMENT OF REVENUE SHALL MAKE THE FULL QUARTERLY DISTRIBUTION OF OIL
 2 AND NATURAL GAS PRODUCTION TAXES AS REQUIRED UNDER 15-36-332(6) UNTIL THE AMOUNT DISTRIBUTED REACHES
 3 THE LIMITATION IN SUBSECTION (2).

4 (4) All amounts ~~received from school districts' excess~~ OF oil and natural gas production taxes ALLOCATED
 5 TO SCHOOL DISTRICTS UNDER 15-36-331 BUT RETAINED BY THE DEPARTMENT OF REVENUE IN COMPLIANCE WITH THE
 6 RESTRICTIONS IN SUBSECTIONS (2) AND (3) OF THIS SECTION must be deposited into the state guarantee account as
 7 provided in 20-9-622.

8 (5) If the total oil and natural gas production ~~tax revenue remitted to~~ TAXES ALLOCATED TO THE GUARANTEE
 9 ACCOUNT IN 15-36-331(3) PLUS THE AMOUNTS RETAINED BY the state ~~from all school districts~~ UNDER SUBSECTION (3)
 10 OF THIS SECTION exceeds \$27 million in any school fiscal year, the amount in excess of \$27 million must be
 11 allocated as follows:

12 (a) 50% of the amount in excess of \$27 million must be deposited in the oil and natural gas impact
 13 schools account as provided in [section 13]; and

14 (b) except as provided in subsection (6), 50% of the amount in excess of \$27 million must be deposited
 15 in the guarantee account as provided in 20-9-622.

16 (6) In any year in which the teachers' retirement board determines that the teachers' retirement system
 17 is not funded on an actuarially sound basis, 50% of the amount in subsection (5)(b) must be deposited in the
 18 teachers' retirement system investment accounts for continuing the actuarial soundness of the funds.

19 (7) The trustees shall allocate a school district's share calculated under subsection (2) as follows:

20 (a) The lesser of 50% of the school district's oil and natural gas production tax share or an amount equal
 21 to the over-BASE portion of the school district's general fund budget must be directed to support the over-BASE
 22 portion of the school district's general fund budget.

23 (b) The remainder of a school district's share may be allocated by the trustees to any fund, except that
 24 the trustees may not allocate more than one-half of the remainder to the school district's flexibility fund.

25 ~~(8) For fiscal years 2012, 2013, and 2014, a school district's estimate of anticipated oil and natural gas~~
 26 ~~production taxes must be adjusted downward by 10% to account for the state's allocation of that amount as~~
 27 ~~provided in 15-36-331 and 15-36-332 to the guarantee account.~~

28
 29 **NEW SECTION. Section 12. Temporary limit on mill increase in certain districts receiving oil and**
 30 **natural gas production taxes.** (1) If a school district with oil and natural gas production taxes transfers oil and

1 natural gas production tax revenue to the state under [section 11(3)] in an amount that is equal to or in excess
 2 of the amount it retains under [section 11(2)], the district may retain additional oil and natural gas production taxes
 3 during the 2012, 2013, 2014, 2015, and 2016 school fiscal years only in an amount calculated pursuant to
 4 subsection (2) of this section.

5 (2) The additional oil and natural gas production taxes that a district qualifying under subsection (1) may
 6 retain must be used to reduce local property taxes. The amount that may be retained is any increase in BASE
 7 mills caused by eliminating oil and natural gas production taxes as a BASE budget revenue source under
 8 20-9-141, minus any reduction in over-BASE mills that result from the allocation in [section 11(7)(a)] if the net
 9 increase in BASE and over-BASE general fund mills from fiscal year 2011 to fiscal year 2012 would exceed 15
 10 mills for an elementary or high school district or 30 mills for a K-12 school district.

11
 12 **NEW SECTION. Section 13. Oil and natural gas impact schools account.** (1) There is an oil and
 13 natural gas impact schools account in the state special revenue fund provided for in 17-2-102. The purpose of
 14 the account is to provide money to ~~the oil and natural gas impact schools~~ SCHOOL DISTRICTS RECEIVING OIL AND
 15 NATURAL GAS PRODUCTION TAXES UNDER 15-36-331 to help defray the costs of:

- 16 (a) major deferred maintenance;
 17 (b) improving energy efficiency in schools;
 18 (c) critical infrastructure in schools;
 19 (d) emergency facility needs;
 20 (e) technological improvements; and
 21 (f) conservation-related energy savings.

22 (2) There must be deposited in the account oil and natural gas production taxes, if any, pursuant to
 23 [section ~~11(7)(a)~~ 11(5)(A)].

24 (3) ~~By October 1, the superintendent of public instruction shall calculate an oil and natural gas impact~~
 25 ~~payment for each school district that remitted funds to the state under [section 11] in the previous school year.~~
 26 ~~The~~ ANY AMOUNTS APPROPRIATED BY THE LEGISLATURE FOR DISTRIBUTION TO SCHOOL DISTRICTS RECEIVING OIL AND
 27 NATURAL GAS PRODUCTION TAXES PURSUANT TO 15-36-331 MUST BE DISTRIBUTED BY THE superintendent of public
 28 instruction ~~shall calculate the payment~~ to each QUALIFYING district. THE AMOUNT MUST BE CALCULATED as follows:

- 29 (a) add the total number of quality educators as defined in 20-4-501 and calculated as provided in
 30 20-9-327 in the ~~oil and natural gas impact school districts that remitted funds~~ SCHOOL DISTRICTS RECEIVING OIL AND

1 NATURAL GAS PRODUCTION TAXES PURSUANT TO 15-36-331 in the prior school year;

2 (b) divide the ~~account balance in the oil and natural gas impact schools account for the fiscal year that~~
3 ~~ended on June 30~~ AMOUNT APPROPRIATED by the number of quality educators determined in subsection (3)(a);
4 and

5 (c) multiply the amount determined in subsection (3)(b) by the number of quality educators in the school
6 district as provided in 20-9-327.

7 (4) ~~By October 31, the~~ THE superintendent of public instruction shall distribute the amounts determined
8 in subsection (3)(c) to QUALIFYING school districts for deposit in the fund established under [section 14].
9

10 NEW SECTION. Section 14. Oil and natural gas reserve fund. (1) The trustees of a school district
11 receiving a payment under [section 13] may establish an oil and natural gas reserve fund to be used to hold the
12 payments. The trustees may hold money in the fund for any time period considered appropriate by the trustees.
13 ~~Money held in the fund may not be considered as fund balance for the purpose of reducing mill levies.~~

14 (2) Money may be expended from the fund for any ~~purpose provided by law~~ OF THE PURPOSES SET FORTH
15 IN [SECTION 13(1)].

16 (3) Money in the fund must be invested as provided by law. Interest and income from the investment of
17 the oil and natural gas reserve fund must be credited to the fund.

18 (4) The fund must be financially administered as a nonbudgeted fund under the provisions of ~~this title~~
19 20-9-210.
20

21 NEW SECTION. Section 15. Ending fund balance limits. (1) Beginning July 1, ~~2014~~ 2016, the
22 combined ending fund balance of any school for all budgeted ~~and nonbudgeted~~ funds of a school district may not
23 exceed 300% of the maximum general fund budget. The 300% limit is not applicable to the ~~building fund, the~~
24 ~~impact aid fund, or~~ DEBT SERVICE FUND OR the bus depreciation reserve fund.

25 (2) The county superintendent shall, upon completion of a school fiscal year ~~and a school district audit~~
26 ~~provided for in 20-9-203~~, redistribute any amounts in excess of the 300% limit among any other school districts
27 in the same county whose ~~budget~~ COMBINED ENDING FUND BALANCE FOR ALL BUDGETED FUNDS INCLUDED IN
28 SUBSECTION (1) has not exceeded the 300% limit. The county superintendent shall redistribute funds equally to
29 the school districts qualifying for redistribution on a per-quality-educator basis, calculated by dividing the total
30 funds by the total number of quality educators, as defined in 20-4-502, employed by the qualifying school districts

1 in the county in the immediate preceding fiscal year. School districts receiving the funds may place the funds in
 2 any budgeted fund of the district, at the discretion of the board of trustees in each district.

3 (3) Unless an exception is granted under subsection ~~(4)~~ (5), upon completion of a school fiscal year ~~and~~
 4 ~~the school district audit provided for in 20-9-203~~, a school district with ~~reserves~~ COMBINED ENDING FUND BALANCES
 5 in excess of the 300% limit shall cooperate with the county superintendent in effectuating the redistribution of
 6 excess ~~reserves~~ FUNDS as provided in (2). A school district may make the payment required under this subsection
 7 from any fund or funds of the district other than ~~those funds referred to in subsection (1)~~ THE DEBT SERVICE FUND,
 8 THE BUILDING RESERVE FUND, AND BUS DEPRECIATION RESERVE FUND.

9 (4) ANY FUNDS THAT CANNOT BE REDISTRIBUTED WITHIN A COUNTY WITHOUT CAUSING ANY SCHOOL DISTRICT
 10 IN THE COUNTY TO EXCEED THE 300% LIMIT MUST BE REMITTED BY THE COUNTY TREASURER TO THE STATE FOR DEPOSIT
 11 IN THE GUARANTEE ACCOUNT.

12 ~~(4)~~(5) In accordance with 20-9-161, a school district shall report to the education and local government
 13 interim committee for any exception taken to the subsection (1) limits.

14 (6) THIS SECTION DOES NOT APPLY TO SCHOOL DISTRICTS THAT ARE IN A NONOPERATING STATUS UNDER
 15 20-9-505 OR ARE IN THE FIRST YEAR OF OPERATION AFTER REOPENING UNDER 20-6-502 OR 20-6-503.

16

17 **Section 16.** Section 17-7-502, MCA, is amended to read:

18 **"17-7-502. Statutory appropriations -- definition -- requisites for validity.** (1) A statutory
 19 appropriation is an appropriation made by permanent law that authorizes spending by a state agency without the
 20 need for a biennial legislative appropriation or budget amendment.

21 (2) Except as provided in subsection (4), to be effective, a statutory appropriation must comply with both
 22 of the following provisions:

23 (a) The law containing the statutory authority must be listed in subsection (3).

24 (b) The law or portion of the law making a statutory appropriation must specifically state that a statutory
 25 appropriation is made as provided in this section.

26 (3) The following laws are the only laws containing statutory appropriations: 2-17-105; 5-11-120;
 27 5-11-407; 5-13-403; 7-4-2502; 10-1-108; 10-1-1202; 10-1-1303; 10-2-603; 10-3-203; 10-3-310; 10-3-312;
 28 10-3-314; 10-4-301; 15-1-121; 15-1-218; 15-31-906; 15-35-108; 15-36-332; 15-37-117; 15-39-110; 15-65-121;
 29 15-70-101; 15-70-369; 15-70-601; 16-11-509; 17-3-106; 17-3-112; 17-3-212; 17-3-222; 17-3-241; 17-6-101;
 30 18-11-112; 19-3-319; 19-6-404; 19-6-410; 19-9-702; 19-13-604; 19-17-301; 19-18-512; 19-19-305; 19-19-506;

1 19-20-604; 19-20-607; 19-21-203; 20-8-107; 20-9-534; ~~20-9-622~~; 20-26-1503; 22-3-1004; 23-4-105; 23-5-306;
 2 23-5-409; 23-5-612; 23-7-301; 23-7-402; 37-43-204; 37-51-501; 39-71-503; 41-5-2011; 42-2-105; 44-4-1101;
 3 44-12-206; 44-13-102; 50-4-623; 53-1-109; 53-9-113; 53-24-108; 53-24-206; 60-11-115; 61-3-415; 69-3-870;
 4 75-1-1101; 75-5-1108; 75-6-214; 75-11-313; 77-1-108; 77-2-362; 80-2-222; 80-4-416; 80-11-518; 81-10-103;
 5 82-11-161; 87-1-230; 87-1-603; 87-1-621; 90-1-115; 90-1-205; 90-1-504; 90-3-1003; 90-6-331; and 90-9-306.

6 (4) There is a statutory appropriation to pay the principal, interest, premiums, and costs of issuing,
 7 paying, and securing all bonds, notes, or other obligations, as due, that have been authorized and issued
 8 pursuant to the laws of Montana. Agencies that have entered into agreements authorized by the laws of Montana
 9 to pay the state treasurer, for deposit in accordance with 17-2-101 through 17-2-107, as determined by the state
 10 treasurer, an amount sufficient to pay the principal and interest as due on the bonds or notes have statutory
 11 appropriation authority for the payments. (In subsection (3): pursuant to sec. 10, Ch. 360, L. 1999, the inclusion
 12 of 19-20-604 terminates when the amortization period for the teachers' retirement system's unfunded liability is
 13 10 years or less; pursuant to sec. 10, Ch. 10, Sp. L. May 2000, secs. 3 and 6, Ch. 481, L. 2003, and sec. 2, Ch.
 14 459, L. 2009, the inclusion of 15-35-108 terminates June 30, 2019; pursuant to sec. 17, Ch. 593, L. 2005, and
 15 sec. 1, Ch. 186, L. 2009, the inclusion of 15-31-906 terminates January 1, 2015; pursuant to sec. 73, Ch. 44, L.
 16 2007, the inclusion of 19-6-410 terminates upon the death of the last recipient eligible under 19-6-709(2) for the
 17 supplemental benefit provided by 19-6-709; pursuant to sec. 14, Ch. 374, L. 2009, the inclusion of 53-9-113
 18 terminates June 30, 2015; pursuant to sec. 8, Ch. 427, L. 2009, the inclusion of 87-1-230 terminates June 30,
 19 2013; and pursuant to sec. 5, Ch. 442, L. 2009, the inclusion of 90-6-331 terminates June 30, 2019.)"

20

21 **Section 17.** Section 20-1-101, MCA, is amended to read:

22 **"20-1-101. Definitions.** As used in this title, unless the context clearly indicates otherwise, the following
 23 definitions apply:

24 (1) "Accreditation standards" means the body of administrative rules governing standards such as:

- 25 (a) school leadership;
- 26 (b) educational opportunity;
- 27 (c) academic requirements;
- 28 (d) program area standards;
- 29 (e) content and performance standards;
- 30 (f) school facilities and records;

1 (g) student assessment; and

2 (h) general provisions.

3 (2) "Aggregate hours" means the hours of pupil instruction for which a school course or program is
4 offered or for which a pupil is enrolled.

5 (3) "Agricultural experiment station" means the agricultural experiment station established at Montana
6 state university-Bozeman.

7 (4) "At-risk student" means any student who is affected by environmental conditions that negatively
8 impact the student's educational performance or threaten a student's likelihood of promotion or graduation.

9 (5) "Average daily attendance" means the aggregate hours of pupil attendance during a school year
10 divided by the number of minimum aggregate hours of pupil instruction required by grade under 20-1-301.

11 ~~(5)(6)~~ "Average number belonging" or "ANB" means the average number of regularly enrolled, full-time
12 pupils physically attending or receiving educational services at an offsite instructional setting from the public
13 schools of a district.

14 ~~(6)(7)~~ "Board of public education" means the board created by Article X, section 9, subsection (3), of the
15 Montana constitution and 2-15-1507.

16 ~~(7)(8)~~ "Board of regents" means the board of regents of higher education created by Article X, section
17 9, subsection (2), of the Montana constitution and 2-15-1505.

18 ~~(8)(9)~~ "Commissioner" means the commissioner of higher education created by Article X, section 9,
19 subsection (2), of the Montana constitution and 2-15-1506.

20 ~~(9)(10)~~ "County superintendent" means the county government official who is the school officer of the
21 county.

22 ~~(10)(11)~~ "District superintendent" means a person who holds a valid class 3 Montana teacher certificate
23 with a superintendent's endorsement that has been issued by the superintendent of public instruction under the
24 provisions of this title and the policies adopted by the board of public education and who has been employed by
25 a district as a district superintendent.

26 ~~(11)(12)~~ (a) "Educational program" means a set of educational offerings designed to meet the program
27 area standards contained in the accreditation standards.

28 (b) The term does not include an educational program or programs used in 20-4-121 and 20-25-803.

29 ~~(12)(13)~~ "K-12 career and vocational/technical education" means organized educational activities that
30 have been approved by the office of public instruction and that:

1 (a) offer a sequence of courses that provide a pupil with the academic and technical knowledge and skills
2 that the pupil needs to prepare for further education and for careers in the current or emerging employment
3 sectors; and

4 (b) include competency-based applied learning that contributes to the academic knowledge, higher-order
5 reasoning and problem-solving skills, work attitudes, general employability skills, technical skills, and
6 occupation-specific skills of the pupil.

7 ~~(13)~~(14) (a) "Minimum aggregate hours" means the minimum hours of pupil instruction that must be
8 conducted during the school fiscal year in accordance with 20-1-301 and includes passing time between classes.

9 (b) The term does not include lunch time and periods of unstructured recess.

10 ~~(14)~~(15) "Offsite instructional setting" means an instructional setting at a location, separate from a main
11 school site, where a school district provides for the delivery of instruction to a student who is enrolled in the
12 district.

13 ~~(15)~~(16) "Principal" means a person who holds a valid class 3 Montana teacher certificate with an
14 applicable principal's endorsement that has been issued by the superintendent of public instruction under the
15 provisions of this title and the policies adopted by the board of public education and who has been employed by
16 a district as a principal. For the purposes of this title, any reference to a teacher must be construed as including
17 a principal.

18 ~~(16)~~(17) "Pupil" means a child who is 6 years of age or older on or before September 10 of the year in
19 which the child is to enroll or has been enrolled by special permission of the board of trustees under 20-5-101(3)
20 but who has not yet reached 19 years of age and who is enrolled in a school established and maintained under
21 the laws of the state at public expense. For purposes of calculating the average number belonging pursuant to
22 20-9-311, the definition of pupil includes a person who has not yet reached 19 years of age by September 10 of
23 the year and is enrolled under 20-5-101(3) in a school established and maintained under the laws of the state
24 at public expense.

25 ~~(17)~~(18) "Pupil instruction" means the conduct of organized instruction of pupils enrolled in public schools
26 while under the supervision of a teacher.

27 ~~(18)~~(19) "Qualified and effective teacher or administrator" means an educator who is licensed and
28 endorsed in the areas in which the educator teaches, specializes, or serves in an administrative capacity as
29 established by the board of public education.

30 ~~(19)~~(20) "Regents" means the board of regents of higher education.

1 ~~(20)~~(21) "School food services" means a service of providing food for the pupils of a district on a nonprofit
2 basis and includes any food service financially assisted through funds or commodities provided by the United
3 States government.

4 ~~(24)~~(22) "State board of education" means the board composed of the board of public education and the
5 board of regents as specified in Article X, section 9, subsection (1), of the Montana constitution.

6 ~~(22)~~(23) "State university" means Montana state university-Bozeman.

7 ~~(23)~~(24) "Student with limited English proficiency" means any student:

8 (a) (i) who was not born in the United States or whose native language is a language other than English;

9 (ii) who is an American Indian and who comes from an environment in which a language other than
10 English has had a significant impact on the individual's level of English proficiency; or

11 (iii) who is migratory, whose native language is a language other than English, and who comes from an
12 environment in which a language other than English is dominant; and

13 (b) whose difficulties in speaking, reading, writing, or understanding the English language may be
14 sufficient to deny the student:

15 (i) the ability to meet the state's proficiency assessments;

16 (ii) the ability to successfully achieve in classrooms where the language of instruction is English; or

17 (iii) the opportunity to participate fully in society.

18 ~~(24)~~(25) "Superintendent of public instruction" means that state government official designated as a
19 member of the executive branch by the Montana constitution.

20 ~~(25)~~(26) "System" means the Montana university system.

21 ~~(26)~~(27) "Teacher" means a person, except a district superintendent, who holds a valid Montana teacher
22 certificate that has been issued by the superintendent of public instruction under the provisions of this title and
23 the policies adopted by the board of public education and who is employed by a district as a member of its
24 instructional, supervisory, or administrative staff. This definition of a teacher includes a person for whom an
25 emergency authorization of employment has been issued under the provisions of 20-4-111.

26 ~~(27)~~(28) "Textbook" means a book or manual used as a principal source of study material for a given
27 class or group of students.

28 ~~(28)~~(29) "Textbook dealer" means a party, company, corporation, or other organization selling, offering
29 to sell, or offering for adoption textbooks to districts in the state.

30 ~~(29)~~(30) "Trustees" means the governing board of a district.

1 ~~(30)~~(31) "University" means the university of Montana-Missoula.

2 ~~(31)~~(32) "Vocational-technical education" means vocational-technical
3 students that is conducted by a unit of the Montana university system, a community college, or a tribally controlled
4 community college, as designated by the board of regents."
5

6 **Section 18.** Section 20-7-102, MCA, is amended to read:

7 **"20-7-102. Accreditation of schools.** (1) The conditions under which each elementary school, each
8 middle school, each junior high school, 7th and 8th grades funded at high school rates, and each high school
9 operates must be reviewed by the superintendent of public instruction to determine compliance with the standards
10 of accreditation. The accreditation status of each school must then be established by the board of public
11 education upon the recommendation of the superintendent of public instruction. Notification of the accreditation
12 status for the applicable school year or years must be given to each district by the superintendent of public
13 instruction.

14 (2) A school may be accredited for a period consisting of 1, 2, 3, 4, or 5 school years, except that
15 multiyear accreditation may be granted only to schools that are in compliance with 20-4-101.

16 (3) A nonpublic school may, through its governing body, request that the board of public education
17 accredit the school. Nonpublic schools may be accredited in the same manner as provided in subsection (1).

18 (4) As used in this section, "7th and 8th grades funded at high school rates" means an elementary school
19 district or K-12 district elementary program whose 7th and 8th grades are funded as provided in
20 20-9-306~~(14)(c)(ii)~~(15)(c)(ii)."
21

22 **Section 19.** Section 20-9-104, MCA, is amended to read:

23 **"20-9-104. General fund operating reserve.** (1) At the end of each school fiscal year, the trustees of
24 each district shall designate the portion of the general fund end-of-the-year fund balance that is to be earmarked
25 as operating reserve for the purpose of paying general fund warrants issued by the district from July 1 to
26 November 30 of the ensuing school fiscal year. Except as provided in subsections ~~(5) and (6)~~ (6) and (7), the
27 amount of the general fund balance that is earmarked as operating reserve may not exceed 10% of the final
28 general fund budget for the ensuing school fiscal year.

29 (2) The amount held as operating reserve may not be used for property tax reduction in the manner
30 permitted by 20-9-141(1)(b) for other receipts.

1 (3) Excess reserves as provided in subsection ~~(5)~~ (6) may be appropriated to reduce the BASE budget
2 levy, the over-BASE budget levy, or the additional levy provided by 20-9-353.

3 (4) Any portion of the general fund end-of-the-year fund balance that is not reserved under subsection
4 (2) or reappropriated under subsection (3) is fund balance reappropriated and must be used for property tax
5 reduction as provided in 20-9-141(1)(b): up to an amount not exceeding 15% of a school district's maximum
6 general fund budget.

7 (5) (A) PRIOR TO JUNE 30, 2011, A SCHOOL DISTRICT MAY TRANSFER ANY GENERAL FUND MONEY IN EXCESS
8 OF 15% OF THE FISCAL YEAR 2011 GENERAL FUND BUDGET THAT IS NOT NEEDED TO FUND THE BUDGET TO ANY BUDGETED
9 FUND CONSIDERED APPROPRIATE BY THE TRUSTEES.

10 (B) For any fund balance reappropriated exceeding 15% of a school district's maximum general fund
11 budget, any excess amount must be remitted to the state for deposit into the guarantee account provided for in
12 20-9-622 no later than 90 days after the end of the fiscal year.

13 ~~(5)(6)~~ The limitation of subsection (1) does not apply when the amount in excess of the limitation is equal
14 to or less than the unused balance of any amount:

15 (a) received in settlement of tax payments protested in a prior school fiscal year;

16 (b) received in taxes from a prior school fiscal year as a result of a tax audit by the department of
17 revenue or its agents; or

18 (c) received in delinquent taxes from a prior school fiscal year.

19 ~~(6)(7)~~ The limitation of subsection (1) does not apply when the amount earmarked as operating reserve
20 is \$10,000 or less."

21

22 **Section 20.** Section 20-9-141, MCA, is amended to read:

23 **"20-9-141. Computation of general fund net levy requirement by county superintendent.** (1) ~~if the~~
24 ~~trustees of a district propose to adopt a general fund budget that exceeds the BASE budget for the district, the~~
25 ~~The~~ THE county superintendent shall compute the levy requirement for each district's general fund on the basis
26 of the following procedure:

27 (a) Determine the funding required for the district's final general fund budget less the sum of direct state
28 aid, THE PATHWAY TO EXCELLENCE PAYMENT, THE PAYMENTS UNDER 20-9-327 THROUGH 20-9-330, and the special
29 education allowable cost payment for the district by totaling:

30 (i) the district's nonisolated school BASE budget requirement to be met by a district levy as provided in

1 20-9-303; and

2 (ii) any general fund budget amount adopted by the trustees of the district under the provisions of
3 20-9-308 and 20-9-353.

4 (b) Determine the money available for the reduction of the property tax on the district for the general
5 fund by totaling:

6 (i) the general fund balance reappropriated, as established under the provisions and subject to the
7 limitations of 20-9-104;

8 (ii) amounts received in the last fiscal year for which revenue reporting was required for each of the
9 following:

10 (A) interest earned by the investment of general fund cash in accordance with the provisions of
11 20-9-213(4); and

12 (B) any other revenue received during the school fiscal year that may be used to finance the general
13 fund, excluding any guaranteed tax base aid;

14 ~~(iii) anticipated oil and natural gas production taxes;~~

15 ~~(iv)~~(iii) pursuant to subsection (4), anticipated revenue from coal gross proceeds under 15-23-703; and

16 ~~(v)~~(iv) school district block grants distributed under and subject to the limitations of 20-9-630.

17 (c) Notwithstanding the provisions of subsection (2), subtract the money available to reduce the property
18 tax required to finance the general fund that has been determined in subsection (1)(b) from any general fund
19 budget amount adopted by the trustees of the district, up to the BASE budget amount, to determine the general
20 fund BASE budget levy requirement.

21 (d) Determine the sum of any amount remaining after the determination in subsection (1)(c), ANY
22 ANTICIPATED OIL AND NATURAL GAS PRODUCTION TAXES RECEIVED UNDER [SECTION 11(7)(A)], and any tuition payments
23 for out-of-district pupils to be received under the provisions of 20-5-320 through 20-5-324, except the amount of
24 tuition received for a pupil who is a child with a disability in excess of the amount received for a pupil without
25 disabilities, as calculated under 20-5-323(2).

26 (e) Subtract the amount determined in subsection (1)(d) from any additional funding requirement to be
27 met by an over-BASE budget amount, a district levy as provided in 20-9-303, and any additional financing as
28 provided in 20-9-353 to determine any additional general fund levy requirements.

29 (2) The county superintendent shall calculate the number of mills to be levied on the taxable property
30 in the district to finance the general fund levy requirement for any amount that does not exceed the BASE budget

1 amount for the district by dividing the amount determined in subsection (1)(c) by the sum of:

2 (a) the amount of guaranteed tax base aid that the district will receive for each mill levied, as certified
3 by the superintendent of public instruction; and

4 (b) the current total taxable valuation of the district, as certified by the department of revenue under
5 15-10-202, divided by 1,000.

6 (3) The net general fund levy requirement determined in subsections (1)(c) and (1)(d) must be reported
7 to the county commissioners on the fourth Monday of August by the county superintendent as the general fund
8 net levy requirement for the district, and a levy must be set by the county commissioners in accordance with
9 20-9-142.

10 (4) For each school district, the department of revenue shall calculate and report to the county
11 superintendent the amount of revenue anticipated for the ensuing fiscal year from revenue from coal gross
12 proceeds under 15-23-703."

13

14 **Section 21.** Section 20-9-161, MCA, is amended to read:

15 **"20-9-161. Definition of budget amendment for budgeting purposes.** As used in this title, unless
16 the context clearly indicates otherwise, the term "budget amendment" for the purpose of school budgeting means
17 an amendment to an adopted budget of the district for the following reasons:

18 (1) an increase in the enrollment of an elementary or high school district that is beyond what could
19 reasonably have been anticipated at the time of the adoption of the budget for the current school fiscal year
20 whenever, because of the enrollment increase, the district's budget for any or all of the regularly budgeted funds
21 does not provide sufficient financing to properly maintain and support the district for the entire current school
22 fiscal year;

23 (2) the destruction or impairment of any school property necessary to the maintenance of the school,
24 by fire, flood, storm, riot, insurrection, or act of God, to an extent rendering school property unfit for its present
25 school use;

26 (3) a judgment for damages against the district issued by a court after the adoption of the budget for
27 the current year;

28 (4) an enactment of legislation after the adoption of the budget for the current year that imposes an
29 additional financial obligation on the district;

30 (5) the receipt of:

- 1 (a) a settlement of taxes protested in a prior school fiscal year;
- 2 (b) taxes from a prior school fiscal year as the result of a tax audit by the department of revenue or its
3 agents;
- 4 (c) delinquent taxes from a prior school fiscal year; and
- 5 (d) a determination by the trustees that it is necessary to expend all or a portion of the taxes received
6 under subsection (5)(a), (5)(b), or (5)(c) for a project or projects that were deferred from a previous budget of
7 the district; or
- 8 (6) any other unforeseen need of the district that cannot be postponed until the next school year without
9 dire consequences affecting:
- 10 (a) the safety of the students and district employees; or
- 11 (b) the educational functions of the district. Any budget amendment adopted pursuant to this subsection
12 (6)(b) that exceeds 5% of a school district's adopted general fund budget must be reported by the school district
13 to the education and local government interim committee justifying why the amendment is necessary."

14

15 **Section 22.** Section 20-9-306, MCA, is amended to read:

16 **"20-9-306. Definitions.** As used in this title, unless the context clearly indicates otherwise, the following
17 definitions apply:

- 18 (1) "BASE" means base amount for school equity.
- 19 (2) "BASE aid" means:
- 20 (a) direct state aid for 44.7% of the basic entitlement, ~~44.7% of the pathway to improvement payment,~~
21 and 44.7% of the total per-ANB entitlement for the general fund budget of a district;
- 22 (b) guaranteed tax base aid for an eligible district for any amount up to 35.3% of the basic entitlement,
23 ~~up to 35.3% of the pathway to improvement payment,~~ up to 35.3% of the total per-ANB entitlement budgeted
24 in the general fund budget of a district, and 40% of the special education allowable cost payment;
- 25 (c) the total quality educator payment;
- 26 (d) the total at-risk student payment;
- 27 (e) the total Indian education for all payment; ~~and~~
- 28 (f) the total American Indian achievement gap payment; ~~AND~~
- 29 (G) THE TOTAL PATHWAY TO EXCELLENCE PAYMENT.
- 30 (3) "BASE budget" means the minimum general fund budget of a district, which includes 80% of the

1 basic entitlement, 80% of the total per-ANB entitlement, ~~80%~~ 100% of the pathway to improvement EXCELLENCE
 2 payment, 100% of the total quality educator payment, 100% of the total at-risk student payment, 100% of the
 3 total Indian education for all payment, 100% of the total American Indian achievement gap payment, and 140%
 4 of the special education allowable cost payment.

5 (4) "BASE budget levy" means the district levy in support of the BASE budget of a district, which may
 6 be supplemented by guaranteed tax base aid if the district is eligible under the provisions of 20-9-366 through
 7 20-9-369.

8 (5) "BASE funding program" means the state program for the equitable distribution of the state's share
 9 of the cost of Montana's basic system of public elementary schools and high schools, through county
 10 equalization aid as provided in 20-9-331 and 20-9-333 and state equalization aid as provided in 20-9-343, in
 11 support of the BASE budgets of districts and special education allowable cost payments as provided in 20-9-321.

12 (6) "Basic entitlement" means:

13 (a) for each high school district:

14 (i) ~~\$246,085~~ \$258,284 for fiscal year ~~2010~~ 2012; and

15 (ii) ~~\$253,468~~ \$262,236 for each succeeding fiscal year;

16 (b) for each elementary school district or K-12 district elementary program without an approved and
 17 accredited junior high school, 7th and 8th grade program, or middle school:

18 (i) ~~\$22,144~~ \$23,238 for fiscal year ~~2010~~ 2012;

19 (ii) ~~\$22,805~~ \$23,594 for each succeeding fiscal year; and

20 (c) for each elementary school district or K-12 district elementary program with an approved and
 21 accredited junior high school, 7th and 8th grade program, or middle school:

22 (i) for kindergarten through grade 6 elementary program:

23 (A) ~~\$22,144~~ \$23,238 for fiscal year ~~2010~~ 2012; and

24 (B) ~~\$22,805~~ \$23,594 for each succeeding fiscal year; plus

25 (ii) for an approved and accredited junior high school program, 7th and 8th grade program, or middle
 26 school:

27 (A) ~~\$62,704~~ \$65,812 for fiscal year ~~2010~~ 2012; and

28 (B) ~~\$64,585~~ \$66,819 for each succeeding fiscal year.

29 (7) "Budget unit" means the unit for which the ANB of a district is calculated separately pursuant to
 30 20-9-311.

1 (8) "Direct state aid" means 44.7% of the basic entitlement and 44.7% of the total per-ANB entitlement
2 for the general fund budget of a district and funded with state and county equalization aid.

3 (9) "Maximum general fund budget" means a district's general fund budget amount calculated from the
4 basic entitlement for the district, the total per-ANB entitlement for the district, the total pathway to improvement
5 EXCELLENCE payment, the total quality educator payment, the total at-risk student payment, the total Indian
6 education for all payment, the total American Indian achievement gap payment, and the greater of:

7 (a) 175% of special education allowable cost payments; or

8 (b) the ratio, expressed as a percentage, of the district's special education allowable cost expenditures
9 to the district's special education allowable cost payment for the fiscal year that is 2 years previous, with a
10 maximum allowable ratio of 200%.

11 (10) "Over-BASE budget levy" means the district levy in support of any general fund amount budgeted
12 that is above the BASE budget and below the maximum general fund budget for a district.

13 ~~(11) "Pathway to improvement payment" means a maximum rate of \$500 for fiscal year 2012 and \$1,000~~
14 ~~"PATHWAY TO EXCELLENCE PAYMENT" MEANS \$315 FOR FISCAL YEAR 2012 AND \$630 for each succeeding fiscal year~~
15 ~~multiplied by the number of full-time equivalent educators as provided in 20-9-327(3).~~

16 ~~(12)~~ (12) "Total American Indian achievement gap payment" means the payment resulting from
17 multiplying \$200 times the number of American Indian students enrolled in the district as provided in 20-9-330.

18 ~~(13)~~ (13) "Total at-risk student payment" means the payment resulting from the distribution of any funds
19 appropriated for the purposes of 20-9-328.

20 ~~(14)~~ (14) "Total Indian education for all payment" means the payment resulting from multiplying \$20.40
21 times the ANB of the district or \$100 for each district, whichever is greater, as provided for in 20-9-329.

22 ~~(15)~~ (15) "Total per-ANB entitlement" means the district entitlement resulting from the following
23 calculations and using either the current year ANB or the 3-year ANB provided for in 20-9-311:

24 (a) for a high school district or a K-12 district high school program, a maximum rate of ~~\$6,097~~ \$6,399
25 for fiscal year ~~2010~~ 2012 and ~~\$6,280~~ \$6,497 for each succeeding fiscal year for the first ANB, decreased at the
26 rate of 50 cents per ANB for each additional ANB of the district up through 800 ANB, with each ANB in excess
27 of 800 receiving the same amount of entitlement as the 800th ANB;

28 (b) for an elementary school district or a K-12 district elementary program without an approved and
29 accredited junior high school, 7th and 8th grade program, or middle school, a maximum rate of ~~\$4,763~~ \$4,999
30 for fiscal year ~~2010~~ 2012 and ~~\$4,906~~ \$5,075 for each succeeding fiscal year for the first ANB, decreased at the

1 rate of 20 cents per ANB for each additional ANB of the district up through 1,000 ANB, with each ANB in excess
2 of 1,000 receiving the same amount of entitlement as the 1,000th ANB; and

3 (c) for an elementary school district or a K-12 district elementary program with an approved and
4 accredited junior high school, 7th and 8th grade program, or middle school, the sum of:

5 (i) a maximum rate of ~~\$4,763~~ \$4,999 for fiscal year ~~2010~~ 2012 and ~~\$4,906~~ \$5,075 for each succeeding
6 fiscal year for the first ANB for kindergarten through grade 6, decreased at the rate of 20 cents per ANB for each
7 additional ANB up through 1,000 ANB, with each ANB in excess of 1,000 receiving the same amount of
8 entitlement as the 1,000th ANB; and

9 (ii) a maximum rate of ~~\$6,097~~ \$6,399 for fiscal year ~~2010~~ 2012 and ~~\$6,280~~ \$6,497 for each succeeding
10 fiscal year for the first ANB for grades 7 and 8, decreased at the rate of 50 cents per ANB for each additional
11 ANB for grades 7 and 8 up through 800 ANB, with each ANB in excess of 800 receiving the same amount of
12 entitlement as the 800th ANB.

13 ~~(15)(16)~~ "Total quality educator payment" means the payment resulting from multiplying ~~\$3,036~~ \$3,042
14 for fiscal year ~~2008~~ 2012 and ~~\$3,042~~ \$3,089 for each succeeding fiscal year times the number of full-time
15 equivalent educators as provided in 20-9-327."
16

17 **Section 23.** Section 20-9-308, MCA, is amended to read:

18 **"20-9-308. BASE budgets and maximum general fund budgets.** (1) (a) The trustees of a district shall
19 adopt a general fund budget that is at least equal to the BASE budget established for the district. The trustees
20 of a district may adopt a general fund budget up to the maximum general fund budget or the previous year's
21 general fund budget, whichever is greater.

22 (b) For purposes of the budget limitation in subsection (1)(a), the trustees may add any increase in state
23 funding for the general fund payments in 20-9-327 through 20-9-330 AND ANY INCREASE IN THE PATHWAY TO
24 EXCELLENCE PAYMENT to the district's previous year's general fund budget.

25 (2) Whenever the trustees of a district propose to adopt a general fund budget that exceeds the BASE
26 budget for the district and to increase the over-BASE budget levy over tax revenue previously OVER ANNUAL TAX
27 REVENUE LEVELS PREVIOUSLY COLLECTED OR authorized by the electors of the district in THE HIGHEST OF the
28 previous 5 years to support the general fund budget, the trustees shall submit a proposition to the electors of
29 the district, as provided in 20-9-353.

30 (3) The BASE budget for the district must be financed by the following sources of revenue:

- 1 (a) state equalization aid, as provided in 20-9-343, including any guaranteed tax base aid for which the
 2 district may be eligible, as provided in 20-9-366 through 20-9-369;
- 3 (b) county equalization aid, as provided in 20-9-331 and 20-9-333;
- 4 (c) a district levy for support of a school not approved as an isolated school under the provisions of
 5 20-9-302;
- 6 (d) payments in support of special education programs under the provisions of 20-9-321;
- 7 (e) nonlevy revenue, as provided in 20-9-141; and
- 8 (f) a BASE budget levy on the taxable value of all property within the district.
- 9 (4) The over-BASE budget amount of a district must be financed by a levy on the taxable value of all
 10 property within the district or other revenue available to the district, as provided in 20-9-141."

11

12 **Section 24.** Section 20-9-331, MCA, is amended to read:

13 **"20-9-331. Basic county tax for elementary equalization and other revenue for county**
 14 **equalization of elementary BASE funding program.** (1) Subject to 15-10-420, the county commissioners of
 15 each county shall levy an annual basic county tax of 33 mills on the dollar of the taxable value of all taxable
 16 property within the county, except for property subject to a tax or fee under 61-3-321(2) or (3), 61-3-529,
 17 61-3-537, 61-3-562, 61-3-570, and 67-3-204, for the purposes of elementary equalization and state BASE
 18 funding program support. The revenue collected from this levy must be apportioned to the support of the
 19 elementary BASE funding programs of the school districts in the county and to the state general fund in the
 20 following manner:

21 (a) In order to determine the amount of revenue raised by this levy that is retained by the county, the
 22 sum of the estimated revenue identified in subsection (2) must be subtracted from the total of the BASE funding
 23 programs of all elementary districts of the county.

24 (b) If the basic levy and other revenue prescribed by this section produce more revenue than is required
 25 to repay a state advance for county equalization, the county treasurer shall remit the surplus funds to the
 26 department of revenue, as provided in 15-1-504, for deposit to the state general fund immediately upon
 27 occurrence of a surplus balance and each subsequent month, with any final remittance due no later than June
 28 20 of the fiscal year for which the levy has been set.

29 (2) The revenue realized from the county's portion of the levy prescribed by this section and the revenue
 30 from the following sources must be used for the equalization of the elementary BASE funding program of the

1 county as prescribed in 20-9-335, and a separate accounting must be kept of the revenue by the county
2 treasurer in accordance with 20-9-212(1):

3 (a) the portion of the federal Taylor Grazing Act funds designated for the elementary county equalization
4 fund under the provisions of 17-3-222;

5 (b) the portion of the federal flood control act funds distributed to a county and designated for
6 expenditure for the benefit of the county common schools under the provisions of 17-3-232;

7 (c) all money paid into the county treasury as a result of fines for violations of law, except money paid
8 to a justice's court, and the use of which is not otherwise specified by law;

9 (d) any money remaining at the end of the immediately preceding school fiscal year in the county
10 treasurer's accounts for the various sources of revenue established or referred to in this section;

11 (e) any federal or state money distributed to the county as payment in lieu of property taxation, including
12 federal forest reserve funds allocated under the provisions of 17-3-213; and

13 (f) gross proceeds taxes from coal under 15-23-703; ~~and~~

14 ~~—— (g) oil and natural gas production taxes."~~

15

16 **Section 25.** Section 20-9-333, MCA, is amended to read:

17 **"20-9-333. Basic county tax for high school equalization and other revenue for county**
18 **equalization of high school BASE funding program.** (1) Subject to 15-10-420, the county commissioners of
19 each county shall levy an annual basic county tax of 22 mills on the dollar of the taxable value of all taxable
20 property within the county, except for property subject to a tax or fee under 61-3-321(2) or (3), 61-3-529,
21 61-3-537, 61-3-562, 61-3-570, and 67-3-204, for the purposes of high school equalization and state BASE
22 funding program support. The revenue collected from this levy must be apportioned to the support of the BASE
23 funding programs of high school districts in the county and to the state general fund in the following manner:

24 (a) In order to determine the amount of revenue raised by this levy that is retained by the county, the
25 sum of the estimated revenue identified in subsection (2) must be subtracted from the sum of the county's high
26 school tuition obligation and the total of the BASE funding programs of all high school districts of the county.

27 (b) If the basic levy and other revenue prescribed by this section produce more revenue than is required
28 to repay a state advance for county equalization, the county treasurer shall remit the surplus funds to the
29 department of revenue, as provided in 15-1-504, for deposit to the state general fund immediately upon
30 occurrence of a surplus balance and each subsequent month, with any final remittance due no later than June

1 20 of the fiscal year for which the levy has been set.

2 (2) The revenue realized from the county's portion of the levy prescribed in this section and the revenue
3 from the following sources must be used for the equalization of the high school BASE funding program of the
4 county as prescribed in 20-9-335, and a separate accounting must be kept of the revenue by the county
5 treasurer in accordance with 20-9-212(1):

6 (a) any money remaining at the end of the immediately preceding school fiscal year in the county
7 treasurer's accounts for the various sources of revenue established in this section;

8 (b) any federal or state money distributed to the county as payment in lieu of property taxation, including
9 federal forest reserve funds allocated under the provisions of 17-3-213; and

10 (c) gross proceeds taxes from coal under 15-23-703; ~~and~~

11 ~~—— (d) oil and natural gas production taxes."~~

12

13 **Section 26.** Section 20-9-342, MCA, is amended to read:

14 **"20-9-342. Deposit of interest and income money by state board of land commissioners.** ~~Except~~
15 ~~as provided in 20-9-516, the~~ The state board of land commissioners shall annually deposit the interest and
16 income money for each calendar year into the guarantee account, provided for in 20-9-622, for state equalization
17 aid by the last business day of February following the calendar year in which the money was received."
18

18

19 **Section 27.** Section 20-9-343, MCA, is amended to read:

20 **"20-9-343. Definition of and revenue for state equalization aid.** (1) As used in this title, the term
21 "state equalization aid" means revenue as required in this section for:

22 (a) distribution to the public schools for guaranteed tax base aid, BASE aid, and state reimbursement
23 for school facilities; and

24 (b) negotiated payments authorized under 20-7-420(3) up to \$500,000 a biennium.

25 (2) The superintendent of public instruction may spend throughout the biennium funds appropriated for
26 the purposes of guaranteed tax base aid, BASE aid for the BASE funding program, state reimbursement for
27 school facilities, and negotiated payments authorized under 20-7-420(3).

28 (3) The following money must be paid into the guarantee account provided for in 20-9-622 for the public
29 schools of the state as indicated:

30 (a) ~~subject to 20-9-516(2)(a),~~ interest and income money described in 20-9-341 and 20-9-342; and

1 (b) investment income earned by investing interest and income money described in 20-9-341 and
2 20-9-342."

3

4 **Section 28.** Section 20-9-353, MCA, is amended to read:

5 **"20-9-353. Additional financing for general fund -- election for authorization to impose.** (1) The
6 trustees of a district may propose to adopt an over-BASE budget amount for the district general fund that does
7 not exceed the general fund budget limitations, as provided in 20-9-308.

8 (2) When the trustees of the district propose to adopt an over-BASE budget under subsection (1), any
9 increase in local property taxes authorized by 20-9-308(4) ~~over tax levels previously~~ OVER ANNUAL TAX REVENUE
10 LEVELS PREVIOUSLY COLLECTED OR authorized by the electors of the district in THE HIGHEST OF the previous 5 years
11 must be submitted to a vote of the qualified electors of the district, as provided in 15-10-425. The trustees are
12 not required to submit to the qualified electors any increase in state funding of the basic or per-ANB entitlements
13 or of the general fund payments established in 20-9-327 through 20-9-330 approved by the legislature. When
14 the trustees of a district determine that a voted amount of financing is required for the general fund budget, the
15 trustees shall submit the proposition to finance the voted amount to the electors who are qualified under
16 20-20-301 to vote upon the proposition. The election must be called and conducted in the manner prescribed
17 by this title for school elections and must conform to the requirements of 15-10-425. The ballot for the election
18 must conform to the requirements of 15-10-425.

19 (3) If the proposition on any additional financing for the general fund is approved by a majority vote of
20 the electors voting at the election, the proposition carries and the trustees may use any portion or all of the
21 authorized amount in adopting the final general fund budget. The trustees shall certify any additional levy amount
22 authorized by the election on the budget form that is submitted to the county superintendent, and the county
23 commissioners shall levy the authorized number of mills on the taxable value of all taxable property within the
24 district, as prescribed in 20-9-141.

25 (4) All levies adopted under this section must be authorized by the election conducted before August
26 1 of the school fiscal year for which it is effective.

27 (5) If the trustees of a district are required to submit a proposition to finance an over-BASE budget
28 amount, as allowed by 20-9-308, to the electors of the district, the trustees shall comply with the provisions of
29 subsections (2) through (4) of this section."

30

1 **Section 29.** Section 20-9-403, MCA, is amended to read:

2 **"20-9-403. Bond issues for certain purposes.** (1) The trustees of a school district may issue and
3 negotiate general obligation bonds, oil and natural gas revenue bonds, or impact aid bonds of the school district
4 for the purpose of:

5 (a) building, altering, repairing, buying, furnishing, equipping, purchasing lands for, or obtaining a water
6 supply for a school, teacherage, dormitory, gymnasium, other building, or combination of buildings for school
7 purposes;

8 (b) buying a school bus or buses;

9 (c) providing the necessary money to redeem matured bonds, maturing bonds, or coupons appurtenant
10 to bonds when there is not sufficient money to redeem them;

11 (d) providing the necessary money to redeem optional or redeemable bonds when it is for the best
12 interest of the school district to issue refunding bonds;

13 (e) funding a judgment against the district, including the repayment of tax protests lost by the district;
14 or

15 (f) funding a debt service reserve account that may be required for oil and natural gas revenue bonds
16 or impact aid revenue bonds.

17 (2) Money realized from the sale of bonds issued on the credit of a high school district may not be used
18 for any of the purposes listed in subsection (1) in an elementary school district, and the money may be used for
19 any of the purposes listed in subsection (1) for a junior high school but only to the extent that the 9th grade of
20 the high school is served.

21 (3) If applicable, the trustees shall specify whether the bonds are qualified school construction bonds
22 as described in 17-5-116(1) or tax credit bonds as provided in 17-5-117."

23

24 **Section 30.** Section 20-9-406, MCA, is amended to read:

25 **"20-9-406. Limitations on amount of bond issue -- definition of federal impact aid basic support**
26 **payment and oil and natural gas payment.** (1) (a) Except as provided in subsection (1)(c), the maximum
27 amount for which an elementary district or a high school district may become indebted by the issuance of
28 general obligation bonds, including all indebtedness represented by outstanding general obligation bonds of
29 previous issues, registered warrants, outstanding obligations under 20-9-471, and any other loans or notes
30 payable that are held as general obligations of the district, is 50% of the taxable value of the property subject

1 to taxation, as ascertained by the last assessment for state, county, and school taxes previous to the incurring
2 of the indebtedness.

3 (b) Except as provided in subsection (1)(c), the maximum amount for which a K-12 school district, as
4 formed pursuant to 20-6-701, may become indebted by the issuance of general obligation bonds, including all
5 indebtedness represented by outstanding general obligation bonds of previous issues, registered warrants,
6 outstanding obligations under 20-9-471 and 20-9-502, and any other loans or notes payable that are held as
7 general obligations of the district, is up to 100% of the taxable value of the property subject to taxation, as
8 ascertained by the last assessment for state, county, and school taxes previous to the incurring of the
9 indebtedness.

10 (c) (i) The maximum amount for which an elementary district or a high school district with a district mill
11 value per elementary ANB or per high school ANB that is less than the facility guaranteed mill value per
12 elementary ANB or high school ANB under 20-9-366 may become indebted by the issuance of general obligation
13 bonds, including all indebtedness represented by outstanding general obligation bonds of previous issues,
14 registered warrants, outstanding obligations under 20-9-471 and 20-9-502, and any other loans or notes payable
15 that are held as general obligations of the district, is 50% of the corresponding facility guaranteed mill value per
16 ANB times 1,000 times the ANB of the district. For a K-12 district, the maximum amount for which the district
17 may become indebted is 50% of the sum of the facility guaranteed mill value per elementary ANB times 1,000
18 times the elementary ANB of the district and the facility guaranteed mill value per high school ANB times 1,000
19 times the high school ANB of the district. For the purpose of calculating ANB under this subsection, a district may
20 use the greater of the current year ANB or the 3-year ANB calculated under 20-9-311.

21 (ii) If mutually agreed upon by the affected districts, for the purpose of calculating its maximum bonded
22 indebtedness under this subsection (1)(c), a district may include the ANB of the district plus the number of
23 students residing within the district for which the district or county pays tuition for attendance at a school in an
24 adjacent district. The receiving district may not use out-of-district ANB for the purpose of calculating its maximum
25 indebtedness if the out-of-district ANB has been included in the ANB of the sending district pursuant to the
26 mutual agreement. For the purpose of calculating ANB under this subsection, a district may use the greater of
27 the current year ANB or the 3-year ANB calculated under 20-9-311.

28 (2) The maximum amounts determined in subsection (1) do not pertain to indebtedness imposed by
29 special improvement district obligations or assessments against the school district or to general obligation bonds
30 issued for the repayment of tax protests lost by the district. All general obligation bonds issued in excess of the

1 amount are void, except as provided in this section.

2 (3) The maximum amount of impact aid revenue bonds that an elementary district, high school district,
3 or K-12 school district may issue may not exceed a total aggregate amount equal to three times the average of
4 the school district's annual federal impact aid basic support payments for the 5 years immediately preceding the
5 issuance of the bonds. However, at the time of issuance of the bonds, the average annual payment of principal
6 and interest on the impact aid bonds each year may not exceed 35% of the total federal impact aid basic support
7 payments of the school district for the current year.

8 (4) The maximum amount of oil and natural gas revenue bonds that an elementary district, high school
9 district, or K-12 school district may issue may not exceed a total aggregate amount equal to three times the
10 average of the school district's annual oil and natural gas payments PRODUCTION TAXES RECEIVED pursuant to
11 15-36-331(3) AND [SECTION 11] for the 5 years immediately preceding the issuance of the bonds. However, at
12 the time of issuance of the bonds, the average annual payment of principal and interest on the oil and natural
13 gas revenue bonds each year may not exceed 25% 35% of the total oil and natural gas revenue payments of
14 PRODUCTION TAXES RECEIVED BY the school district UNDER THE LIMITATIONS IN [SECTION 11] for the current year.

15 ~~(4)~~(5) When the total indebtedness of a school district has reached the limitations prescribed in this
16 section, the school district may pay all reasonable and necessary expenses of the school district on a cash basis
17 in accordance with the financial administration provisions of this chapter.

18 ~~(5)~~(6) Whenever bonds are issued for the purpose of refunding bonds, any money to the credit of the
19 debt service fund for the payment of the bonds to be refunded is applied toward the payment of the bonds and
20 the refunding bond issue is decreased accordingly.

21 ~~(6)~~(7) As used in this part, ~~it~~

22 ~~— (a)~~ (a) "federal impact aid basic support payment" means the annual impact aid revenue received by a
23 district under 20 U.S.C. 7703(b) but excludes revenue received for impact aid special education under 20 U.S.C.
24 7703(d) and impact aid construction under 20 U.S.C. 7707 ~~;~~ and

25 ~~— (b)~~ (b) ~~"oil and natural gas payment" means the annual payment received by a school district under~~
26 15-36-331(3)."

27

28 **Section 31.** Section 20-9-408, MCA, is amended to read:

29 **"20-9-408. Definition of forms of bonds.** As used in this part, the following definitions apply:

30 (1) "Amortization bond" means that form of bond on which a part of the principal is required to be paid

1 each time that interest becomes due and payable. The part payment of principal increases with each following
 2 installment in the same amount that the interest payment decreases, so that the combined amount payable on
 3 principal and interest is the same on each payment date. However, the payment on the initial interest payment
 4 date may be less or greater than the amount of other payments on the bond, reflecting the payment of interest
 5 only or the payment of interest for a period different from that between other interest payment dates. The final
 6 payment may vary from prior payments in amount as a result of rounding prior payments.

7 (2) "General obligation bonds" means bonds that pledge the full faith and credit and the taxing power
 8 of a school district.

9 (3) "Impact aid revenue bonds" means bonds that pledge and are payable solely from federal impact
 10 aid basic support payments received and deposited to the credit of the fund established in 20-9-514.

11 (4) "Oil and natural gas revenue bonds" means bonds that pledge and are payable solely from oil and
 12 natural gas payments PRODUCTION TAXES received by the school district pursuant to 15-36-331(3) [SECTION 11].

13 ~~(4)~~(5) "Serial bonds" means a bond issue payable in annual installments of principal commencing not
 14 more than 2 years from the date of issue, any one installment consisting of one or more bonds, with the principal
 15 amount of bonds maturing or subject to mandatory sinking fund redemption in each installment, commencing
 16 with the installment payable in the fourth year after the date of issue, not exceeding three times the principal
 17 amount of the bonds payable in the immediately preceding installment."

18

19 **Section 32.** Section 20-9-422, MCA, is amended to read:

20 "**20-9-422. Additional requirements for trustees' resolution calling bond election.** (1) In addition
 21 to the requirements for calling an election that are prescribed in 20-20-201 and 20-20-203, the trustees'
 22 resolution calling a school district bond election must:

23 (a) specify whether the bonds will be general obligation bonds, oil and natural gas revenue bonds, or
 24 impact aid revenue bonds;

25 (b) fix the exact amount of the bonds proposed to be issued, which may be more or less than the
 26 amounts estimated in a petition;

27 (c) fix the maximum number of years in which the proposed bonds would be paid;

28 (d) in the case of initiation by a petition, state the essential facts about the petition and its presentation;

29 and

30 (e) state the amount of the state advance for school facilities estimated, pursuant to subsection (2), to

1 be received by the district in the first school fiscal year in which a debt service payment would be due on the
2 proposed bonds.

3 (2) Prior to the adoption of the resolution calling for a school bond election for a general obligation bond,
4 the trustees of a district may request from the superintendent of public instruction a statement of the estimated
5 amount of state advance for school facilities that the district will receive for debt service payments on the
6 proposed general obligation bonds in the first school fiscal year in which a debt service payment is due. The
7 district shall provide the superintendent with an estimate of the debt service payment due in the first school fiscal
8 year. The superintendent shall estimate the state advance for the general obligation bond issue pursuant to
9 20-9-371(2)."

10

11 **Section 33.** Section 20-9-423, MCA, is amended to read:

12 **"20-9-423. Form, contents, and circularization of petition proposing school district bond**
13 **election.** Any petition for the calling of an election on the proposition of issuing school district bonds must:

14 (1) specify whether the bonds will be general obligation bonds, oil and natural gas revenue bonds, or
15 impact aid revenue bonds;

16 (2) plainly state each purpose of the proposed bond issue and the estimated amount of the bonds that
17 would be issued for each purpose;

18 (3) be signed by not less than 20% of the school district electors qualified to vote under the provisions
19 of 20-20-301 in order to constitute a valid petition;

20 (4) be a single petition or it may be composed of more than one petition, all being identical in form, and
21 after being circulated and signed, they must be fastened together to form a single petition when submitted to
22 the county registrar;

23 (5) be circulated by any one or more qualified electors of the school district; and

24 (6) contain an affidavit of each registered elector circulating a petition attached to the portion of the
25 petition circulated. The affidavit must attest to the authenticity of the signatures and that the signers knew the
26 contents of the petition at the time of signing it."

27

28 **Section 34.** Section 20-9-426, MCA, is amended to read:

29 **"20-9-426. Preparation and form of ballots for bond election.** (1) The school district shall cause
30 ballots to be prepared for all bond elections, and whenever bonds for more than one purpose are to be voted

1 upon at the same election, separate ballots must be prepared for each purpose.

2 (2) For bond elections that are not held in conjunction with a school election, the ballots for absentee
3 voting must be printed and made available at least 30 days before the bond election.

4 (3) All ballots must be substantially in the following form:

5 OFFICIAL BALLOT

6 SCHOOL DISTRICT BOND ELECTION

7 INSTRUCTIONS TO VOTERS: Make an X or similar mark in the vacant square before the words
8 "BONDS--YES" if you wish to vote for the bond issue; if you are opposed to the bond issue, make an X or similar
9 mark in the square before the words "BONDS--NO".

10 Shall the board of trustees be authorized to issue and sell (state type of bonds here: general obligation,
11 oil and natural gas revenue, or impact aid revenue) bonds of this school district in the amount of dollars
12 (\$.....), bearing interest at a rate not more than percent (.....%) a year, payable semiannually, during a period
13 not more than..... years, for the purpose..... (here state the purpose the same way as in the notice of election)?

14 BONDS -- YES.

15 BONDS -- NO."

16

17 **Section 35.** Section 20-9-427, MCA, is amended to read:

18 **"20-9-427. Notice of bond election by separate purpose.** (1) A school district bond election must be
19 conducted in accordance with the school election provisions of this title, except that the election notice must be
20 in substantially the following form:

21 NOTICE OF SCHOOL DISTRICT BOND ELECTION

22 Notice is hereby given by the trustees of School District No..... of County, state of Montana, that
23 pursuant to a certain resolution adopted at a meeting of the board of trustees of the school district held on the
24 day of,, an election of the registered electors of School District No. of County, state of
25 Montana, will be held on the day of,, at for the purpose of voting upon the question of
26 whether or not the trustees may issue and sell (state here: general obligation, oil and natural gas revenue, or
27 impact aid revenue) bonds of the school district in the amount of dollars (\$), bearing interest at a rate
28 not more than percent (.....%) a year, payable semiannually, for the purpose of (here state purpose).
29 The bonds to be issued will be payable in installments over a period not exceeding (state number) years.

30 The polls will be open from o'clockm. and until o'clockm. of the election day.

1 Dated and posted this day of,

2

3 Presiding officer, School District No.

4 of County

5 Address.....

6 (2) If the bonds proposed to be issued are for more than one purpose, then each purpose must be
7 separately stated in the notice, together with the proposed amount of bonds for each purpose.

8 (3) The notice must specify whether the bonds will be general obligation bonds, oil and natural gas
9 revenue bonds, or impact aid revenue bonds."

10

11 **Section 36.** Section 20-9-430, MCA, is amended to read:

12 **"20-9-430. Notice of sale of school district bonds.** The trustees shall give notice of the sale of school
13 district bonds. The notice must state the purpose for which the bonds are to be issued and the amount proposed
14 to be issued and must be substantially in the following form:

15 NOTICE OF SALE OF SCHOOL DISTRICT BONDS

16 Notice is hereby given by the trustees of School District No. of County, state of Montana, that
17 the trustees will on the day of,, at the hour of o'clockm. at, in the school district,
18 sell to the highest and best bidder for cash (state here: general obligation, oil and natural gas revenue, or impact
19 aid revenue) bonds of the school district in the total amount of dollars (\$), for the purpose of

20 The bonds will be issued and sold in the aggregate principal amount of dollars (\$) each and
21 will become payable according to the maturity schedule set forth below (set forth maturity schedule adopted by
22 the school district). (If the bonds are to be issued as amortization bonds, indicate that here.)

23 The bonds will bear an original issue date of,, will pay interest commencing on the day
24 of(month),, will be payable semiannually on the day of (month) and (month) in each
25 year thereafter, and will be redeemable in full. (Here insert optional provisions, if any, to be recited on the
26 bonds.)

27 The bonds will be sold for not less than \$, with accrued interest on the principal amount of the
28 bonds to the date of their delivery, and all bidders shall state the lowest rate of interest at which they will
29 purchase the bonds at the price specified for the bonds. The trustees reserve the right to reject any bids and to
30 sell the bonds at private sale.

1 All bids must be accompanied by (insert appropriate bid security as permitted by 18-1-202) in the sum
2 of dollars (\$) payable to the order of the district, which will be forfeited by the successful bidder in the
3 event that the bidder refuses to purchase the bonds.

4 All bids should be addressed to the undersigned district.

5
6 Presiding officer, School District No.
7 of County
8 Address:

9 ATTEST:

10 Subscribed and sworn to before me this day of,; Notary Public for the State
11 residing at, Montana. My commission expires"

12

13 **Section 37.** Section 20-9-437, MCA, is amended to read:

14 **"20-9-437. School district liable on bonds.** (1) The full faith, credit, and taxable resources of a school
15 district issuing general obligation bonds under the provisions of this title are pledged for the repayment of the
16 bonds with interest according to the terms of the bonds. For the purpose of making the provisions of this part
17 enforceable, each school district is a body corporate that may sue and be sued by or in the name of the trustees
18 of the school district.

19 (2) A school district may use up to 25% of its federal impact aid funds received pursuant to 20-9-514
20 or 25% of its oil and natural gas payments PRODUCTION TAXES received UNDER THE LIMITATIONS IN [SECTION 11]
21 AND pursuant to 15-36-331(3) for repayment of general obligation bonds.

22 (3) Impact aid revenue bonds must be payable solely from the federal impact aid basic support payment
23 received by the school district and deposited to the credit of the impact aid fund established in 20-9-514 and do
24 not constitute a general obligation of the school district. The school district's taxing power is not pledged for the
25 repayment of impact aid revenue bonds.

26 (4) Oil and natural gas revenue bonds must be payable solely from the oil and natural gas payment
27 PRODUCTION TAXES received by the school district UNDER THE LIMITATIONS IN [SECTION 11] and deposited to the
28 debt service fund and do not constitute a general obligation of the school district. The school district's taxing
29 power is not pledged for the repayment of oil and natural gas revenue bonds."

30

1 **Section 38.** Section 20-9-440, MCA, is amended to read:

2 **"20-9-440. Payment of debt service obligations -- termination of interest.** (1) The school district
3 shall provide the county treasurer with a general obligation bond, oil and natural gas revenue bond, or impact
4 aid revenue bond debt services schedule. The county treasurer shall maintain a separate debt service fund for
5 each school district and, if bonds are to be issued as either impact aid revenue bonds or oil and natural gas
6 revenue bonds, a separate impact aid revenue bond debt service fund or oil and natural gas revenue bond debt
7 service fund, as applicable, and an impact aid revenue bond debt service reserve account or oil and natural gas
8 revenue bond debt service reserve account, if required, and shall credit all tax money, oil and natural gas
9 revenue, or impact aid revenue collected for debt service to the appropriate fund and use the money credited
10 to the fund for the payment of debt service obligations in accordance with the school financial administration
11 provisions of this title.

12 (2) The county treasurer shall pay from the debt service fund all amounts of interest and principal on
13 school district bonds as the interest or principal becomes due when the coupons or bonds are presented and
14 surrendered for payment and shall pay all special improvement district assessments as they become due. If the
15 bonds are held by the state of Montana, then all payments must be remitted to the state treasurer who shall
16 cancel the coupons or bonds and return the coupons or bonds to the county treasurer with the state treasurer's
17 receipt. If the bonds are not held by the state of Montana and the interest or principal is made payable at some
18 designated bank or financial institution, the county treasurer shall remit the amount due for interest or principal
19 to the bank or financial institution for payment against the surrender of the canceled coupons or bonds.

20 (3) Whenever any school district bond or installment on school district bonds becomes due and payable,
21 interest ceases on that date unless sufficient funds are available to pay the bond when it is presented for
22 payment or when payment of an installment is demanded. In either case, interest on the bond or installment
23 continues until payment is made.

24 (4) Any installment on interest and principal on bonds held by the state that is not promptly paid when
25 due draws interest at an annual rate of 6% from the date due until actual payment, irrespective of the rate of
26 interest on the bonds."

27
28 NEW SECTION. **Section 39. Security for oil and natural gas revenue bonds.** (1) To secure the
29 payment of principal and interest on oil and natural gas revenue bonds, the trustees of a school district, by
30 resolution or indenture of trust, may provide that oil and natural gas revenue bonds are secured by a first lien

1 on the oil and natural gas production revenue received pursuant to the ~~schedule set forth in 15-36-331(3)~~
 2 PROVISIONS OF [SECTION 11] and pledge to the holders of the oil and natural gas revenue bonds all of the oil and
 3 natural gas revenue deposited in the district's ~~building~~ DEBT SERVICE fund.

4 (2) Upon receipt of oil and natural gas revenue, the county treasurer shall deposit in the district's
 5 ~~building~~ DEBT SERVICE fund the amount that is required to pay the principal and interest on the oil and natural gas
 6 revenue bonds due in the next 12-month period. All other oil and natural gas revenue must be deposited as
 7 directed by the board of trustees as provided in [section 11]. The school district and county treasurer may
 8 designate a trustee for holders of the bonds to receive the school district's oil and natural gas revenue for
 9 purposes of making the annual debt service payments on oil and natural gas revenue bonds.

10 (3) Any pledge made pursuant to this section is valid and binding from the time the pledge is made, and
 11 the money pledged and received by the county treasurer on behalf of the school district to be placed in the
 12 ~~building~~ DEBT SERVICE fund is immediately subject to the lien of the pledge without any future physical delivery
 13 or further act. A lien of any pledge is valid and binding against all parties that have claims of any kind against
 14 the school district, regardless of whether the parties have notice of the lien. The bond resolution or indenture
 15 of trust that creates the pledge, when adopted by the trustees of any district, is notice of the creation of the
 16 pledge, and those instruments are not required to be recorded in any other place to perfect the pledge.

17 (4) The state may not limit, alter, or impair the ability of a school district to qualify for oil and natural gas
 18 revenue or in any way impair the rights and remedies of the bondholders until all bonds issued under this
 19 section, together with interest on the bonds, interest on any unpaid installments of principal or interest, and all
 20 costs and expenses in connection with any action or proceedings by or on behalf of the bondholders, are fully
 21 met and discharged. The trustees of any district, as agents for the state, may include a pledge and undertaking
 22 in resolutions and indentures authorizing and securing the bonds as described in this subsection.

23

24 **Section 40.** Section 20-9-534, MCA, is amended to read:

25 **"20-9-534. Statutory appropriation for school technology purposes.** (1) The amount of \$1 million
 26 a year is statutorily appropriated, as provided in 17-7-502, from the ~~school facility and technology account~~
 27 ~~established in 20-9-516 for grants for school technology purposes~~ guarantee account as provided in 20-9-622.

28 (2) By September 1, the superintendent of public instruction shall allocate the annual statutory
 29 appropriation for school technology purposes to each district based on the ratio that each district's BASE budget
 30 bears to the statewide BASE budget amount for all school districts multiplied by the amount of money provided

1 in 20-9-343 for the purposes of 20-9-533 in the prior fiscal year."

2

3 **Section 41.** Section 20-9-620, MCA, is amended to read:

4 **"20-9-620. Definition.** (1) As used in ~~20-9-621~~; 20-9-622; and this section, "distributable revenue"
5 means, except for that portion of revenue described in ~~20-9-516(2)(a)~~ and 77-1-109, 95% of all revenue from
6 the management of school trust lands and the permanent fund, including timber sale proceeds, lease fees,
7 interest, dividends, and net realized capital gains.

8 (2) The term does not include mineral royalties or land sale proceeds that are deposited directly in the
9 permanent fund or net unrealized capital gains that remain in the permanent fund until realized."

10

11 **Section 42.** Section 20-9-622, MCA, is amended to read:

12 **"20-9-622. Guarantee account.** ~~(1)~~ There is a guarantee account in the state special revenue fund.
13 The guarantee account is intended to:

14 ~~(a)(1)~~ stabilize the long-term growth of the permanent fund; and

15 ~~(b)(2)~~ maintain a constant and increasing distributable revenue stream. All realized capital gains and
16 all distributable revenue must be deposited in the guarantee account AND MUST BE APPROPRIATED ONLY FOR K-12
17 PUBLIC EDUCATION PURPOSES. INTEREST AND INCOME EARNINGS ON THE GUARANTEE ACCOUNT MUST BE DEPOSITED
18 IN THE ACCOUNT. ~~Except as provided in subsection (2), the guarantee account is statutorily appropriated, as~~
19 ~~provided in 17-7-502, for distribution to school districts through school equalization aid as provided in 20-9-343.~~

20 ~~(2) As long as a portion of the coal severance tax loan authorized in section 8, Chapter 418, Laws of~~
21 ~~2001, is outstanding, the department of natural resources and conservation shall monthly transfer from the~~
22 ~~guarantee account to the general fund an amount that represents the amount of interest income that would be~~
23 ~~earned from the investment of the amount of the loan that is currently outstanding. When the loan is fully paid,~~
24 ~~all mineral royalties deposited in the guarantee account must be transferred to the school facility and technology~~
25 ~~account pursuant to 17-6-340."~~

26

27 **Section 43.** Section 20-9-630, MCA, is amended to read:

28 **"20-9-630. School district block grants.** (1) (a) The office of public instruction shall provide a block
29 grant to each school district based on the revenue received by each district in fiscal year 2001 from vehicle taxes
30 and fees, corporate license taxes paid by financial institutions, aeronautics fees, state land payments in lieu of

1 taxes, and property tax reimbursements pursuant to sections 167(1) through (5) and 169(6), Chapter 584, Laws
2 of 1999.

3 (b) Block grants must be calculated using the electronic reporting system that is used by the office of
4 public instruction and school districts. The electronic reporting system must be used to allocate the block grant
5 amount into each district's budget as an anticipated revenue source by fund.

6 (c) With the exception of vehicle taxes and fees, the office of public instruction shall use the amount
7 actually received from the sources listed in subsection (1)(a) in fiscal year 2001 in its calculation of the block
8 grant for fiscal year 2002 budgeting purposes. For vehicle taxes and fees, the office of public instruction shall
9 use 93.4% of the amount actually received in fiscal year 2001 in calculating the block grant for fiscal year 2002.

10 (2) If the fiscal year 2003 appropriation provided in section 248(1), Chapter 574, Laws of 2001, is
11 insufficient to fund the school district block grants in fiscal year 2003 at the fiscal year 2002 level, the office of
12 public instruction shall prorate the block grants to meet the remaining appropriation. School districts shall
13 anticipate the prorated block grant amounts provided by the office of public instruction in their budgets for fiscal
14 year 2003.

15 (3) Each year, 70% of each district's block grant must be distributed in November and 30% of each
16 district's block grant must be distributed in May at the same time that guaranteed tax base aid is distributed.

17 (4) (a) The block grant for the district general fund is equal to the average amount received in fiscal
18 years 2002 and 2003 by the district general fund from the block grants provided for in subsection (1). ~~The block~~
19 ~~grant and~~ must be increased by 0.76% in fiscal year years 2004 ~~and in each succeeding fiscal year~~ through
20 2011.

21 (b) The block grant for the district transportation fund is equal to one-half of the average amount
22 received in fiscal years 2002 and 2003 by the district transportation fund from the block grants provided for in
23 subsection (1). The block grant must be increased by 0.76% in fiscal year years 2004 ~~and in each succeeding~~
24 fiscal year through 2011.

25 (c) (i) The combined fund block grant is equal to the average amount received in fiscal years 2002 and
26 2003 by the district tuition, bus depreciation reserve, building reserve, nonoperating, and adult education funds
27 from the block grants provided for in subsection (1). The block grant must be increased by 0.76% in fiscal year
28 years 2004 ~~and in each succeeding fiscal year~~ through 2011.

29 (ii) The school district may deposit the combined fund block grant into any budgeted fund of the district.

30 (5) A school district's block grant IN SUBSECTION (4) may not exceed 15% of the school district's

1 maximum general fund budget. The superintendent of public instruction shall calculate the amount in excess
 2 of the 15%, REDUCE THE GRANTS PROPORTIONATELY UNDER SUBSECTIONS (4)(A) THROUGH (4)(C), and transfer that
 3 excess amount from the state general fund to the guarantee account as provided in 20-9-622.

4 (6) THIS SECTION DOES NOT APPLY TO SCHOOL DISTRICTS THAT ARE IN A NONOPERATING STATUS UNDER
 5 20-9-505 OR IN THE FIRST YEAR OF OPERATION AFTER REOPENING UNDER 20-6-502 OR 20-6-503."

6

7 **Section 44.** Section 77-1-218, MCA, is amended to read:

8 **"77-1-218. Public school land acquisition account.** (1) There is a public school land acquisition
 9 account in the state special revenue fund established in 17-2-102. The account must be administered by the
 10 department.

11 (2) Money in the account may be used only for the purpose of purchasing and managing interests in
 12 and appurtenances to real property in accordance with 77-1-219.

13 (3) After deductions are made pursuant to 77-1-109 and 77-1-613, the net interest and income earned
 14 on real property and appurtenances purchased with funds from the account must be distributed to the ~~school~~
 15 ~~facility improvement~~ guarantee account provided for in ~~20-9-516~~ 20-9-622."

16

17 **Section 45.** Section 77-4-208, MCA, is amended to read:

18 **"77-4-208. Rental for power sites -- deposit of rental money in proper accounts.** (1) The rental
 19 payment to the state for power sites must be paid annually or semiannually, and the rental may not be less than
 20 the full market value of the estate or interest disposed of through the granting of the lease or license. The value
 21 must be carefully ascertained from all available sources.

22 (2) Ninety-five percent of all rental payments received under this section must be deposited in the
 23 ~~school facility and technology account provided for in 20-9-516~~ guarantee account provided for in 20-9-622. The
 24 remaining 5% of the rental payments received must be deposited annually in the public school permanent fund
 25 provided for in 20-9-621."

26

27 **Section 46.** Section 90-6-802, MCA, is amended to read:

28 **"90-6-802. Purpose.** The purpose of this part is to establish a mechanism to distribute grants to public
 29 school districts for school facility and technology projects from APPROPRIATIONS MADE FROM the school facility and
 30 technology account established in 20-9-516 guarantee account provided for in 20-9-622. ~~The account is to~~

1 ~~Money in the account~~ APPROPRIATIONS MADE FROM THE GUARANTEE ACCOUNT FOR GRANTS UNDER THIS SECTION
 2 ~~may~~ be used to assist schools in addressing major deferred maintenance, energy efficiency, critical
 3 infrastructure needs, emergency facility needs, and technological improvements ~~and establishes an ongoing flow~~
 4 ~~of state revenue into the account.~~ Grants must be distributed for projects that:

5 (1) enhance the quality of life and protect the health, safety, and welfare of Montana's public school
 6 students;

7 (2) ensure the successful delivery of an educational system that meets the accreditation standards
 8 provided for in 20-7-111;

9 (3) extend the life of Montana's existing public school facilities;

10 (4) promote energy conservation and reduction;

11 (5) integrate technology into Montana's education framework to support student educational needs for
 12 the 21st century; and

13 (6) are fiscally responsible by considering both long-term and short-term needs of the public school
 14 district, the local community, and the state."
 15

16 **Section 47.** Section 90-6-803, MCA, is amended to read:

17 **"90-6-803. Definitions.** As used in this part, the following definitions apply:

18 (1) "Account" means the ~~school facility and technology account provided for in 20-9-516~~ guarantee
 19 account provided for in 20-9-622.

20 (2) "Department" means the department of commerce established in 2-15-1801.

21 (3) "Emergency" means the imminent threat or actual occurrence of an event causing immediate peril
 22 to life, property, or the environment that can be averted or minimized with timely action.

23 (4) "Program" means the quality schools facility grant program established in 90-6-809.

24 (5) "Public school district" means a district as defined in 20-6-101 or a K-12 school district as defined
 25 in 20-6-701.

26 (6) "School" has the meaning provided for in 20-6-501.

27 (7) "School facility project" means a project to support a basic system of free quality public elementary
 28 and secondary schools under 20-9-309 that involves:

29 (a) construction of a school facility;

30 (b) major repairs or deferred maintenance to an existing school facility;

- 1 (c) major improvements or enhancements to an existing school facility; or
 2 (d) information technology infrastructure, including installations, upgrades, or improvements to an
 3 existing school facility or facilities."

4
 5 **NEW SECTION. Section 48. Repealer.** The following section of the Montana Code Annotated is
 6 repealed:

7 20-9-516. School facility and technology account.

8
 9 ~~NEW SECTION. Section 49. One-time fund transfer.~~ A school district with excess general fund
 10 reserves as defined in 20-9-104 may transfer the excess amounts to any fund considered appropriate by the
 11 trustees. A transfer must be completed no later than June 30, 2011.

12
 13 **NEW SECTION. Section 49. Fund transfer -- transition.** The closure of the school facility and
 14 technology account as a result of the repeal of 20-9-516 must occur by September 1, 2011, to allow for transfer
 15 of unencumbered funds and booked anticipated revenue to the guarantee account as provided in 20-9-622.

16
 17 **NEW SECTION. Section 50. Notification to tribal governments.** The secretary of state shall send
 18 a copy of [this act] to each tribal government located on the seven Montana reservations and to the Little Shell
 19 Chippewa tribe.

20
 21 **NEW SECTION. Section 51. Codification instruction.** (1) [Sections 1 through 5 and 11 through 15]
 22 are intended to be codified as an integral part of Title 20, chapter 9, and the provisions of Title 20, chapter 9,
 23 apply to [sections 1 through 5 and 11 through 15].

24 (2) [Section 39] is intended to be codified as an integral part of Title 20, chapter 9, part 4, and the
 25 provisions of Title 20, chapter 9, part 4, apply to [section 39].

26
 27 **NEW SECTION. Section 52. Effective date.** [This act] is effective on passage and approval.

28
 29 **NEW SECTION. Section 53. Termination.** [Section 12] terminates June 30, 2016.

30 - END -