EXHIBIT 4
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HB 39

Office of Public Instruction
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House Education Committee
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House Bill 39: School Finance Clean-up

Senate Bill 329 from the 2011 Legislative Session contained a number of new provisions for school finance. As with many new laws, there are details related to the implementation that need to be clarified following the passage of the law. The purpose of HB 39 is to resolve a number of issues that currently exist in Title 20.

Section	Change	Key Point
1	Amends Section 20-3-363, MCA to prohibit transfers from the retirement fund and debt service fund. The retirement fund is financed with a countywide levy. Therefore, districts should not be allowed to use the money for any other purpose. The debt service fund is established to finance debt service payments, which are legal obligations approved by the taxpayer for a specific dollar amount. Districts should not be allowed to transfer the money out of the fund except to close the fund, which is provided for in MCA, 20-9-443.	Protect the taxpayers. Higher standard for retirement and debt service funds.
1	Amends Section 20-3-363, MCA to allow transfers from non-budgeted funds other than the compensated absence fund. Several districts belong to a multidistrict cooperative for health insurance premiums. School districts employ teachers and individuals whose salaries and benefits (including health insurance premiums) are paid from federal grants. The federal grants are tracked in the miscellaneous programs fund (15), school food services fund (12), or impact aid fund (26), which are not budgeted funds. Therefore, transfers cannot be made from these funds. This amendment provides for more flexibility for school districts.	Provides more flexibility to transfer funds as long as transfers comply with any restrictions or conditions on the funds.
1	Amends Section 20-3-363, MCA to eliminate the April 1 deadline for making transfers. Districts belonging to the multidistrict cooperative for health insurance premiums process the payments made to the prime agent through their payroll system. Transfers must be made to the prime agent before payroll for the months of April, May, and June have been processed. This amendment provides more flexibility for school districts.	Provides more flexibility. The April 1 deadline has proven to be confusing and unnecessarily restrictive.

2	Amends Section 20-9-104, MCA to eliminate the distribution of excess fund balance payments to the county school oil and natural gas impact fund. The criteria to access the money in the county school oil and natural gas impact fund are all related to oil and natural gas production. Not all counties receive oil and natural gas production taxes. If a county does not receive oil and natural gas production tax revenue, but receives a distribution under this section, they will not be able to access the money. The money will stay in the county school oil and natural gas impact fund indefinitely.	Eliminates the possibility of funds being allocated to funds that do not exist.
2	Amends Section 20-9-104, MCA law to include a statement that amounts remitted to the state under this section do not count against budget authority. The payments made to the state are mandatory and not within the trustees discretion.	Clarification
3	Amends Section 20-9-208, MCA to specifically prohibit transfers from the retirement fund. The retirement fund is financed with a countywide levy. Therefore, districts should not be allowed to use the money for any other purpose.	Protects the taxpayer
3	Amends Section 20-9-208, MCA to specifically prohibit transfers from the debt service fund. The debt service fund is established to finance debt service payments, which are legal obligations approved by the taxpayer for a specific dollar amount. Districts should not be allowed to transfer the money out of the fund except to close the fund, which is provided for in MCA, 20-9-443.	Protects the taxpayer
4	Amends Section 20-9-235, MCA to include the state transportation reimbursement payment in the exception under subsection 5. MCA, 20-10-145(2) requires the state to make the transportation payment to the county treasurer.	Coordinates two sections of statute
5	Amends Section 20-9-310, MCA to state that only counties where production has occurred will receive the distribution. Current statute does not clearly define what counties should receive the distribution.	Clarifies how the distribution will be determined
6	Amends Section 20-9-323, MCA to ensure that any payments made to the state under this section are made from legally available funds.	Clarification
7	Amends Section 20-9-517, MCA to include unanticipated enrollment as an impact factor. The current law only references the statute for anticipated enrollment.	Clarification

7	Amends Section 20-9-517, MCA to include unusual enrollment decreases as an impact factor. Some districts are losing enrollment due to the development of oil and natural gas in neighboring areas. Families are relocating as result of change in employment.	Provides more flexibility. Broadens the scope of impacts that a district may experience.
7	Amends Section 20-9-517, MCA to include higher rates of student mobility as an impact factor. High impacted districts may not be experiencing continued unusual enrollment increases, but the mobility of students is high.	Provides more flexibility. Broadens the scope of impacts that a district may experience.
8	Creates a new section of law, effective July 1, 2016. Under the current law MCA, 20-9-517, sunsets in 2016. The new statute is necessary in order to distribute the money in the state school oil and natural gas impact fund after 2016.	Allows remaining funds to be distributed after the section sunsets.
9	Amends Section 20-9-518, MCA to eliminate the reference to MCA, 20-9-104. The amendment in Section 2 will eliminate payments of excess fund balance to the county school oil and natural gas impact fund.	Coordination
9	Amends Section 20-9-518, MCA to establish the measurement standard used to determine average price for a barrel of oil. The current law has no basis for determining the average price for a barrel of oil.	Clarifies how the distribution will be triggered.
9	Amends Section 20-9-518, MCA to eliminate the decrease in production of oil in a county as one of the criteria to access the money in the county school oil and natural gas impact fund.	This criteria is too hard to measure
9	Amends Section 20-9-518, MCA to allow for 120 days to determine if any of the events required to access the money have occurred, clarifies that the determination will be made annually, and defines what agency is responsible for making the determination. The statute does not state when the determination should be made. Distributions are made quarterly. A district could potentially meet the condition defined in section 2(a) after the first quarter distribution and, within 30 days, the county would have to distribute the money in the fund. One district could potentially receive the entire balance in the fund even though other districts made contributions and could potentially meet the condition at a later date during the year. In addition, the amendments clearly identify who is responsible for making the determination.	Clarifies the process for determining if a trigger is met.

9	Amends Section 20-9-518, MCA to clarify that the county governing body is responsible for determining the appropriate distribution method to schools. The current law states that the money must be distributed proportionately to the school districts. However, the basis for measurement is not defined. There are a number of appropriate options for distributing the money to districts. The most appropriate method should be left up to the county governing body to decide.	County governing body determines how monies will be allocated.
10	Creates a new section of law, effective July 1, 2016. Under the current law MCA, 20-9-518, sunsets in 2016. The new statute is necessary in order to distribute the money in the county school oil and natural gas impact account after 2016.	Allows remaining funds to be distributed after the section sunsets.
11	Amends Section 20-9-534, MCA to use the current year budget information for the purpose of calculating the school technology allocation. Current year budget information is available for the calculation. OPI has always used current year information for the calculation.	Clarification