HOUSE BILL NO. 39

INTRODUCED BY B. MCCHESNEY

BY REQUEST OF THE OFFICE OF PUBLIC INSTRUCTION

A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING SCHOOL FINANCE LAWS; CLARIFYING WHICH FUNDS MAY BE TRANSFERRED INTO THE INTERLOCAL COOPERATIVE FUND; REVISING THE ALLOCATION OF EXCESS FUND BALANCE FUNDS; PROHIBITING TRANSFERS FROM THE RETIREMENT FUND OR THE DEBT SERVICE FUND TO ANOTHER FUND; PROHIBITING THE TRANSFER OF STATE TRANSPORTATION REIMBURSEMENT PAYMENTS INTO A SCHOOL DISTRICT'S INVESTMENT ACCOUNT; ~~REVISING THE ALLOCATION OF OIL AND NATURAL GAS PRODUCTION TAXES; REVISING THE CIRCUMSTANCES IN WHICH A SCHOOL DISTRICT MAY APPLY FOR FUNDS FROM THE STATE SCHOOL OIL AND NATURAL GAS IMPACT ACCOUNT;~~ CLARIFYING THE DISTRIBUTION OF FUNDS FROM THE COUNTY SCHOOL OIL AND NATURAL GAS IMPACT FUND; REVISING THE METHOD FOR ALLOCATING THE SCHOOL FACILITY AND TECHNOLOGY ACCOUNT FUNDS; AMENDING SECTIONS 20-3-363, 20-9-104, 20-9-208, 20-9-235, ~~20-9-310, 20-9-323, 20-9-517,~~ 20-9-518, AND 20-9-534, MCA; AND PROVIDING AN EFFECTIVE ~~DATES,~~ DATE AND AN APPLICABILITY DATE~~, AND A TERMINATION DATE~~."

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

Section 1. Section 20-3-363, MCA, is amended to read:

"20-3-363. Multidistrict agreements -- fund transfers. (1) The boards of trustees of any two or more school districts may enter into a multidistrict agreement to create a multidistrict cooperative to perform any services, activities, and undertakings of the participating districts and to provide for the joint funding and operation and maintenance of all participating districts upon the terms and conditions as may be mutually agreed to by the districts subject to the conditions of this section. An agreement must be approved by the boards of trustees of all participating districts ~~by April 1 of the year in which the agreement is executed and by April 1 in any subsequent year to which the agreement applies.~~ AND MUST INCLUDE A PROVISION SPECIFYING TERMS UPON WHICH A DISTRICT MAY EXIT THE MULTIDISTRICT COOPERATIVE. THE AGREEMENT MAY BE FOR A PERIOD OF UP TO 3 YEARS.

(2) All expenditures in support of the multidistrict agreement may be made from the interlocal cooperative fund as specified in 20-9-703 and 20-9-704. Each participating district of the multidistrict cooperative may transfer

funds into the interlocal cooperative fund from the district's general fund, ~~or any other budgeted fund of the district.~~ budgeted funds other than the retirement fund or debt service fund, or nonbudgeted funds other than the compensated absence liability fund. Transfers to the interlocal cooperative fund from each participating school district's general fund are limited to an amount not to exceed the direct state aid in support of the respective school district's general fund. ~~All transfers must be completed by April 1 of the year in which the agreement is executed and by April 1 in any subsequent year to which the agreement applies.~~ Transfers from the retirement fund and debt service fund are prohibited. Transfers may not be made with funds restricted by ~~state or~~ federal law unless the transfer is in compliance with any restrictions or conditions imposed by ~~state or~~ federal law.

(3) Expenditures from the interlocal cooperative fund under this section are limited to those expenditures that are permitted by law and that are within the final budget for the budgeted fund from which the transfer was made.

(4) The intent of this section is to increase the flexibility and efficiency of school districts without an increase in local taxes. In furtherance of this intent, if transfers of funds are made from any school district fund supported by a nonvoted levy, the district may not increase its nonvoted levy for the purpose of restoring the amount of funds transferred.

(5) As used in this title, "multidistrict cooperative" means a public entity created by two or more school districts executing a multidistrict agreement under this section or any school district or other public entity participating in an interlocal cooperative agreement under the provisions of Title 20, chapter 9, part 7, as either a coordinating or a cooperating agency."

Section 2. Section 20-9-104, MCA, is amended to read:

"20-9-104. (Temporary) General fund operating reserve. (1) At the end of each school fiscal year, the trustees of each district shall designate the portion of the general fund end-of-the-year fund balance that is to be earmarked as operating reserve for the purpose of paying general fund warrants issued by the district from July 1 to November 30 of the ensuing school fiscal year. Except as provided in subsections ~~(7)~~ (6) and ~~(8)~~ (7), the amount of the general fund balance that is earmarked as operating reserve may not exceed 10% of the final general fund budget for the ensuing school fiscal year.

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

(3) Excess reserves as provided in subsection ~~(7)~~ (6) may be appropriated to reduce the BASE budget

levy, the over-BASE budget levy, or the additional levy provided by 20-9-353.

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

~~(5) For fiscal year 2012, any unreserved fund balance in excess of 15% of a school district's maximum general fund budget must be remitted to the state to be deposited in the state general fund.~~

~~(6)~~(5) ~~Beginning in fiscal year 2013, any~~ Any unreserved fund balance in excess of 15% of a school district's maximum general fund budget must be remitted to the state and allocated ~~as follows:~~

~~(a) 70%~~ 95% ~~of the excess amount must be remitted to the state to be deposited in the guarantee account provided for in 20-9-622;~~ and

~~(b) 5% of the excess amount must be remitted to the state to be deposited in the state school oil and natural gas impact account provided for in 20-9-517; and.~~ AS FOLLOWS:

(A) 70% OF THE EXCESS AMOUNT MUST BE REMITTED TO THE STATE TO BE DEPOSITED IN THE GUARANTEE ACCOUNT PROVIDED FOR IN 20-9-622; AND

(B) 30% OF THE EXCESS AMOUNT MUST BE REMITTED TO THE SCHOOL FACILITY AND TECHNOLOGY ACCOUNT.

~~(c) 25% of the excess amount must be deposited in the county school oil and natural gas impact fund provided for in 20-9-518.~~

~~(7)~~(6) The limitation of subsection (1) does not apply when the amount in excess of the limitation is equal to or less than the unused balance of any amount:

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

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

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

~~(8)~~(7) The limitation of subsection (1) does not apply when the amount earmarked as operating reserve is $10,000 or less.

(8) Any amounts remitted to the state under subsection (5) are not considered expenditures to be applied against budget authority.

~~(9) Prior to June 30, 2011, a school district may transfer any general fund money in excess of 15% of the fiscal year 2011 general fund budget that is not needed to fund the budget to any budgeted fund considered~~

~~appropriate by the trustees.~~ (Terminates June 30, 2016--sec. 29, Ch. 418, L. 2011.)

20-9-104. (Effective July 1, 2016) General fund operating reserve. (1) At the end of each school fiscal year, the trustees of each district shall designate the portion of the general fund end-of-the-year fund balance that is to be earmarked as operating reserve for the purpose of paying general fund warrants issued by the district from July 1 to November 30 of the ensuing school fiscal year. Except as provided in subsections ~~(5) and~~ (6) AND (7), the amount of the general fund balance that is earmarked as operating reserve may not exceed 10% of the final general fund budget for the ensuing school fiscal year.

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

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

(4) Any portion of the general fund end-of-the-year fund balance that is not reserved under subsection (2) or reappropriated under subsection (3) is fund balance reappropriated and must be used for property tax reduction as provided in 20-9-141(1)(b).

(5) ANY UNRESERVED FUND BALANCE IN EXCESS OF 15% OF A SCHOOL DISTRICT'S MAXIMUM GENERAL FUND BUDGET MUST BE REMITTED TO THE STATE AND ALLOCATED AS FOLLOWS:

(A) 70% OF THE EXCESS AMOUNT MUST BE REMITTED TO THE STATE TO BE DEPOSITED IN THE GUARANTEE ACCOUNT PROVIDED FOR IN 20-9-622; AND

(B) 30% OF THE EXCESS AMOUNT MUST BE REMITTED TO THE SCHOOL FACILITY AND TECHNOLOGY ACCOUNT.

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

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

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

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

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

(8) ANY AMOUNTS REMITTED TO THE STATE UNDER SUBSECTION (5) ARE NOT CONSIDERED EXPENDITURES TO BE APPLIED AGAINST BUDGET AUTHORITY."

Section 3. Section 20-9-208, MCA, is amended to read:

"20-9-208. Transfers among appropriation items of fund -- transfers from fund to fund. (1) Whenever it appears to the trustees of a district that the appropriated amount of an item of a budgeted fund of the final budget or a budget amendment is in excess of the amount actually required during the school fiscal year for the appropriation item, the trustees may transfer any of the excess appropriation amount to any other appropriation item of the same budgeted fund.

(2) Unless otherwise restricted by a specific provision in this title, transfers may be made between different funds of the same district or between the final budget and a budget amendment under one of the following circumstances:

(a) (i) Except as provided in ~~subsection~~ subsections (2)(a)(ii) through (2)(a)(iv), transfers may be made from one budgeted fund to another budgeted fund or between the final budget and a budget amendment for a budgeted fund whenever the trustees determine, in their discretion, that the transfer of funds is necessary to improve the efficiency of spending within the district or when an action of the trustees results in savings in one budgeted fund that can be put to more efficient use in another budgeted fund. Transfers may not be made with funds approved by the voters or with funds raised by a nonvoted levy unless:

(A) the transfer is within or directly related to the purposes for which the funds were raised and the trustees hold a properly noticed hearing to accept public comment on the transfer; or

(B) the transfer is approved by the qualified electors of the district in an election called for the purpose of approving the transfer, in which case the funds may be spent for the purpose approved on the ballot.

(ii) Unless otherwise authorized by a specific provision in this title, transfers from the general fund to any other fund and transfers to the general fund from any other fund are prohibited.

(iii) Unless otherwise authorized by a specific provision in this title, transfers from the retirement fund to any other fund are prohibited.

(iv) Unless otherwise authorized by a specific provision in this title, transfers from the debt service fund to any other fund are prohibited.

(b) Transfers may be made from one nonbudgeted fund to another nonbudgeted fund whenever the trustees determine that the transfer of funds is necessary to improve the efficiency of spending within the district. Transfers may not be made with funds restricted by ~~state or~~ federal law unless the transfer is in compliance with any restrictions or conditions imposed by ~~state or~~ federal law. Before a transfer can occur, the trustees shall hold a properly noticed hearing to accept public comment on the transfer.

(3) The trustees shall enter the authorized transfers upon the permanent records of the district.

(4) The intent of this section is to increase the flexibility and efficiency of school districts without an increase in local taxes. In furtherance of this intent, if transfers of funds are made from any school district fund supported by a nonvoted levy, the district may not increase its nonvoted levy for the purpose of restoring the amount of funds transferred."

Section 4. Section 20-9-235, MCA, is amended to read:

"20-9-235. Authorization for school district investment account. (1) The trustees of a school district may establish investment accounts and may temporarily transfer into the accounts all or a portion of any of its budgeted or nonbudgeted funds.

(2) Money transferred into investment accounts established under this section may be expended from a subsidiary checking account under the conditions specified in subsection (3)(b).

(3) The district may either:

(a) establish and use the accounts as nonspending accounts to ensure that district funds remain in an interest-bearing status until money is reverted to the budgeted or nonbudgeted fund of original deposit as necessary for use by the county treasurer to pay claims against the district. The district shall ensure that sufficient money is reverted to the district's budgeted and nonbudgeted funds maintained by the county treasurer in sufficient time to pay all claims presented against the applicable funds of the district. The county treasurer shall accept all money that is reverted upon tendered transfer of the district.

(b) establish a subsidiary checking account for expenditures from the investment accounts. The district may write checks on or provide electronic payments from the account if:

(i) the payments made from the accounts representing budgeted funds are in compliance with the budget adopted by the trustees;

(ii) the accounts are subject to the audit of district finances completed for compliance with 2-7-503 and 20-9-503; and

(iii) the district complies with all accounting system requirements required by the superintendent of public instruction.

(4) (a) A district that chooses to establish a school district investment account described in this section shall enter into a written agreement with the county treasurer. The agreement must:

(i) establish specific procedures and reporting dates to comply with the requirements of subsection (3);

(ii) be binding upon the district and the county treasurer for a negotiated period of time;

(iii) be signed by the presiding officer of the board of trustees and the county treasurer; and

(iv) coincide with fiscal years beginning on July 1 and ending on June 30.

(b) The district and the county treasurer may renew an agreement, including terms and conditions on which they agree, provided that the terms and conditions comply with the provisions of this section.

(5) Except for debt service money that the county treasurer is required by law to collect and report to the districts <u>and state transportation reimbursement payments provided for in 20-10-141 and 20-10-142</u>, all other revenue may be sent directly to a participating district's investment account.

(6) The trustees shall implement an accounting system for the investment account pursuant to rules adopted by the superintendent of public instruction. The rules for the accounting system must include but are not limited to:

(a) providing for the internal control of deposits into and transfers between a district's investment accounts and budgeted and nonbudgeted funds of the district;

(b) requiring that the principal and interest earned on the principal is allocated to the budgeted or nonbudgeted fund from which the deposit was originally made; and

(c) ensuring that other proper accounting principles are followed.

(7) All interest earned on the district's general fund deposits must be allocated for district property tax reduction as required by 20-9-141.

(8) In making deposits to investment accounts under this section, a district shall comply with the requirements of Title 17, chapter 6, part 1, with respect to deposits in excess of the amount insured by the federal deposit insurance corporation or the national credit union administration, as applicable.

(9) A district establishing investment accounts under the section shall pay the automated clearinghouse system charges for all automated clearinghouse transfers made by the office of public instruction to the district's accounts."

~~**Section 5.** Section 20-9-310, MCA, is amended to read:~~

~~**"20-9-310. (Temporary) Oil and natural gas production taxes for school districts -- allocation and limits.** (1) The maximum amount of oil and natural gas production taxes that a school district may retain is 130% of the school district's maximum budget, determined in accordance with 20-9-308.~~

~~(2) Upon receipt of school district budget reports required under 20-9-134, the superintendent of public~~

~~instruction shall provide the department of revenue with a list reporting the maximum general fund budget for each school district.~~

~~(3) The department of revenue shall make the full quarterly distribution of oil and natural gas production taxes as required under 15-36-332(6) until the amount distributed reaches the limitation in subsection (1) of this section.~~

~~(4) For fiscal year 2012, any amount of oil and natural gas production taxes exceeding the limitation in subsection (1) must be deposited in the guarantee account as provided in 20-9-622.~~

~~(5)~~(4) ~~Subject to the limitation in subsection (1), the trustees shall budget and allocate the oil and natural gas production taxes received by the district as follows:~~

~~(a) for fiscal year 2012, the trustees shall budget in the general fund an amount of oil and natural gas production taxes equal to the lesser of 25% of the total oil and natural gas production taxes received by the district in the prior year or the general fund levy requirement;~~

~~(b) for fiscal year 2013, the trustees shall budget in the general fund an amount of oil and natural gas production taxes equal to the lesser of 35% of the total oil and natural gas production taxes received by the district in the prior year or the general fund levy requirement;~~

~~(c) for fiscal year 2014, the trustees shall budget in the general fund an amount of oil and natural gas production taxes equal to the lesser of 45% of the total oil and natural gas production taxes received by the district in the prior year or the general fund levy requirement;~~

~~(d) for each succeeding fiscal year, the trustees shall budget in the general fund an amount of oil and natural gas production taxes equal to the lesser of 55% of the total oil and natural gas production taxes received by the district in the prior year or the general fund levy requirement;~~

~~(e) oil and natural gas production taxes received by the district must be deposited in the general fund until the budgeted amount is reached; and~~

~~(f) all remaining oil and natural gas production tax revenue may be deposited in any budgeted fund.~~

~~(6)~~(5) ~~In any year in which the actual oil and natural gas production taxes received by a school district are less than 50% of the total oil and natural gas production taxes received by the district in the prior year, the district may transfer money from any budgeted fund to its general fund in an amount not to exceed the amount of the shortfall.~~

~~(7)~~(6) ~~Beginning in fiscal year 2013, for~~ For ~~any amount retained by the department of revenue in compliance with the limitation in subsection (1), the amount retained must be allocated as follows:~~

~~(a) 70% of the retained amount must be deposited in the guarantee account provided for in 20-9-622;~~

~~(b) 5% of the retained amount must be deposited in the state school oil and natural gas impact account provided for in 20-9-517; and~~

~~(c) 25% of the retained amount must be distributed to the counties where production associated with the amount retained occurred for deposit in the county school oil and natural gas impact fund provided for in 20-9-518. (Terminates June 30, 2016--sec. 29, Ch. 418, L. 2011.)"~~

~~**Section 6.** Section 20-9-323, MCA, is amended to read:~~

~~**"20-9-323. Ending fund balance limits.** (1) Beginning July 1, 2016, the combined ending fund balance for all budgeted funds of a school district may not exceed 300% of the maximum general fund budget. The 300% limit is not applicable to the building reserve fund, the debt service fund, or the bus depreciation reserve fund.~~

~~(2) The county superintendent shall, upon completion of a school fiscal year, redistribute any amounts in excess of the 300% limit among any other school districts in the same county whose combined ending fund balance for all budgeted funds included in subsection (1) has not exceeded the 300% limit. The county superintendent shall redistribute funds equally to the school districts qualifying for redistribution on a per-quality-educator basis, calculated by dividing the total funds by the total number of quality educators, as defined in 20-4-502, employed by the qualifying school districts in the county in the immediately preceding school fiscal year. School districts receiving the funds may place the funds in any budgeted fund of the district at the discretion of the board of trustees of each district.~~

~~(3) Unless an exception is granted under subsection (5), upon completion of a school fiscal year, a school district with combined ending fund balances in excess of the 300% limit shall cooperate with the county superintendent in effectuating the redistribution of excess funds as provided in subsection (2). A school district may make the payment required under this subsection from any fund or funds of the district other than the debt service fund, the building reserve fund, and the bus depreciation reserve fund. Any payments made by the district must be in compliance with any restrictions or conditions imposed by state or federal law.~~

~~(4) Any funds that cannot be redistributed within a county without causing a school district in the county to exceed the 300% limit must be remitted by the county treasurer to the state for deposit in the guarantee account provided for in 20-9-622.~~

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

~~(6) This section does not apply to school districts that are in a nonoperating status under 20-9-505 or that are in the first year of operation after reopening under 20-6-502 or 20-6-503.~~

~~(7) Beginning July 1, 2013, the ending fund balance of a school district's flexibility fund may not exceed 150% of the school district's maximum general fund budget."~~

~~**Section 7.** Section 20-9-517, MCA, is amended to read:~~

~~**"20-9-517. (Effective July 1, 2013) (Temporary) State school oil and natural gas impact account.** (1) There is a state school oil and natural gas impact account in the state special revenue fund provided for in 17-2-102. The purpose of the account is to provide money to schools that are not receiving oil and natural gas production taxes under 15-36-331 but are impacted by contiguous counties that are benefiting from receipt of oil and natural gas production taxes.~~

~~(2) There must be deposited in the account oil and natural gas production taxes, if any, pursuant to 20-9-310(7)(6) and any amounts pursuant to 20-9-104(6)(5).~~

~~(3) A school district may apply to the superintendent of public instruction for funds from the account for circumstances that are directly related to impacts resulting from the development or cessation of development of oil and natural gas as follows:~~

~~(a) an unusual enrollment increase as determined pursuant to 20-9-161 and 20-9-314;~~

~~(b) an unusual enrollment decrease;~~

~~(c) higher rates of student mobility;~~

~~(b)(d) a district's need to hire new teachers or staff as a result of increased enrollment;~~

~~(c)(e) the opening or reopening of an elementary or high school approved by the superintendent of public instruction pursuant to 20-6-502 or 20-6-503; or~~

~~(d)(f) major maintenance for a school or district.~~

~~(4) In reviewing an applicant's request for funding, the superintendent of public instruction shall consider the following:~~

~~(a) the local district's or school's need;~~

~~(b) the severity of the energy development impacts;~~

~~(c) availability of funds in the account; and~~

~~(d) the applicant district's ability to meet the needs identified in subsection (3).~~

~~(5) The superintendent of public instruction shall adopt rules necessary to implement the application and~~

~~distribution process.~~

~~(6) The amount in the account may not exceed $7.5 million. Any amount over $7.5 million must be deposited in the state general fund."~~

~~**Section 8.** Section 20-9-517, MCA, is amended to read:~~

~~**"20-9-517. (Effective July 1, 2013 2016) State school oil and natural gas impact account.** (1) There is a state school oil and natural gas impact account in the state special revenue fund provided for in 17-2-102. The purpose of the account is to provide money to schools that are not receiving oil and natural gas production taxes under 15-36-331 but are impacted by contiguous counties that are benefiting from receipt of oil and natural gas production taxes.~~

~~(2) There must be deposited in the account oil and natural gas production taxes, if any, pursuant to 20-9-310(7)(6) and any amounts pursuant to 20-9-104(6)(5), as those subsections read on June 30, 2016.~~

~~(3) A school district may apply to the superintendent of public instruction for funds from the account for circumstances that are directly related to impacts resulting from the development or cessation of development of oil and natural gas as follows:~~

~~(a) an unusual enrollment increase as determined pursuant to 20-9-161 and 20-9-314;~~

~~(b) an unusual enrollment decrease;~~

~~(c) higher rates of student mobility;~~

~~(b)(d) a district's need to hire new teachers or staff as a result of increased enrollment;~~

~~(c)(e) the opening or reopening of an elementary or high school approved by the superintendent of public instruction pursuant to 20-6-502 or 20-6-503; or~~

~~(d)(f) major maintenance for a school or district.~~

~~(4) In reviewing an applicant's request for funding, the superintendent of public instruction shall consider the following:~~

~~(a) the local district's or school's need;~~

~~(b) the severity of the energy development impacts;~~

~~(c) availability of funds in the account; and~~

~~(d) the applicant district's ability to meet the needs identified in subsection (3).~~

~~(5) The superintendent of public instruction shall adopt rules necessary to implement the application and distribution process.~~

~~(6) The amount in the account may not exceed $7.5 million. Any amount over $7.5 million must be deposited in the state general fund."~~

Section 5. Section 20-9-518, MCA, is amended to read:

"20-9-518. ~~(Effective July 1, 2013)~~ (Temporary) County school oil and natural gas impact fund. (1) The governing body of a county receiving an allocation under ~~20-9-104(6) and~~ 20-9-310~~(7)~~(6)(7) shall establish a county school oil and natural gas impact fund.

(2) Money received by a county pursuant to ~~20-9-104(6) and~~ 20-9-310~~(7)~~(6)(7) must remain in the fund and may not be appropriated by the governing body until:

(a) the amount of oil and natural gas production taxes received by a school district for the fiscal year is ~~30%~~ 50% or less of the amount of the average received by the district in the previous 4 fiscal years; or

(b) the average price for a barrel of oil ~~is $50 a barrel or less for the fiscal year; or~~ as reported in the Wall Street Journal for west Texas intermediate crude oil during a calendar quarter is less than ~~$50~~ $65 a barrel. The average price for each barrel must be computed by dividing the sum of the daily price for west Texas intermediate crude oil as reported in the Wall Street Journal for the calendar quarter by the number of days on which the price was reported in the quarter.

~~(c) the production of oil in the county drops 50% or more below the average oil production in the county during the immediately preceding 5-year period.~~

(3) Within 120 days following the end of the fiscal year, the superintendent of public instruction shall determine if the criteria in subsection (2)(a) have been met and the department of revenue shall determine if the criteria in subsection (2)(b) have been met.

~~(3)~~(4) ~~Within 30 days of any of the circumstances described in subsections (2)(a) through (2)(c) occurring, the~~ The ~~governing body of the~~ county TREASURER shall allocate 80% of the money proportionally to affected high school districts and elementary school districts in the county BASED ON THE RATIO THAT EACH DISTRICT'S AVERAGE NUMBER BELONGING BEARS TO THE COUNTY AVERAGE NUMBER BELONGING FOR THE SCHOOL YEAR. A SCHOOL DISTRICT RECEIVING THIS MONEY MAY DEPOSIT THE FUNDS IN ANY BUDGETED FUND OF THE DISTRICT AT THE DISCRETION OF THE TRUSTEES. ~~The county governing body shall determine the distribution method it considers appropriate.~~

~~(4)~~(5) The governing body of the county may use 20% of the money in the fund to:

(a) pay for outstanding capital project bonds or other expenses incurred prior to the reduction in the price

of oil ~~described in subsection (2)(b)~~ or the receipt of the oil and natural gas production taxes described in subsection (2);

(b) offset property tax levy increases that are directly caused by the cessation or reduction of oil and natural gas activity;

(c) promote diversification and development of the economic base within the jurisdiction;

(d) attract new industry to the area impacted by ~~the~~ changes in oil and natural gas activity leading to the reduction in the price of oil or the receipt of the oil and natural gas production taxes described in subsection (2); or

(e) provide cash incentives for expanding the employment base of the area impacted by ~~the~~ changes in oil and natural gas activity leading to the reduction in the price of oil or the receipt of the oil and natural gas production taxes described in subsection (2).

~~(5)~~(6) Except as provided in subsection ~~(4)(b)~~ (5)(b), money held in the fund may not be considered as fund balance for the purpose of reducing mill levies.

~~(6)~~(7) Money in the fund must be invested as provided by law. Interest and income from the investment of money in the fund must be credited to the fund."

~~**Section 10.** Section 20-9-518, MCA, is amended to read:~~

~~**"20-9-518. (Effective July 1, 2013 2016) County school oil and natural gas impact fund.** (1) The governing body of a county receiving an allocation under 20-9-104(6) and 20-9-310(7)(6), as that subsection read on June 30, 2016, shall establish a county school oil and natural gas impact fund.~~

~~(2) Money received by a county pursuant to 20-9-104(6) and 20-9-310(7)(6), as that subsection read on June 30, 2016, must remain in the fund and may not be appropriated by the governing body until:~~

~~(a) the amount of oil and natural gas production taxes received by a school district for the fiscal year is 30% or less of the amount of the average received by the district in the previous 4 fiscal years; or~~

~~(b) the average price for a barrel of oil is $50 a barrel or less for the fiscal year; or as reported in the Wall Street Journal for west Texas intermediate crude oil during a calendar quarter is less than $50 a barrel. The average price for each barrel must be computed by dividing the sum of the daily price for west Texas intermediate crude oil as reported in the Wall Street Journal for the calendar quarter by the number of days on which the price was reported for the quarter.~~

~~(c) the production of oil in the county drops 50% or more below the average oil production in the county~~

~~during the immediately preceding 5-year period.~~

~~(3) Within 120 days following the end of the fiscal year, the superintendent of public instruction shall determine if the criteria in subsection (2)(a) have been met and the department of revenue shall determine if the criteria in subsection (2)(b) have been met.~~

~~(3)(4) Within 30 days of any of the circumstances described in subsections (2)(a) through (2)(c) occurring, the The governing body of the county shall allocate 80% of the money proportionally to affected high school districts and elementary school districts in the county. The county governing body shall determine the distribution method it considers appropriate.~~

~~(4)(5) The governing body of the county may use 20% of the money in the fund to:~~

~~(a) pay for outstanding capital project bonds or other expenses incurred prior to the reduction in the price of oil described in subsection (2)(b) or the receipt of the oil and natural gas production taxes described in subsection (2);~~

~~(b) offset property tax levy increases that are directly caused by the cessation or reduction of oil and natural gas activity;~~

~~(c) promote diversification and development of the economic base within the jurisdiction;~~

~~(d) attract new industry to the area impacted by the changes in oil and natural gas activity leading to the reduction in the price of oil or the receipt of the oil and natural gas production taxes described in subsection (2); or~~

~~(e) provide cash incentives for expanding the employment base of the area impacted by the changes in oil and natural gas activity leading to the reduction in the price of oil or the receipt of the oil and natural gas production taxes described in subsection (2).~~

~~(5)(6) Except as provided in subsection (4)(b) (5)(b), money held in the fund may not be considered as fund balance for the purpose of reducing mill levies.~~

~~(6)(7) Money in the fund must be invested as provided by law. Interest and income from the investment of money in the fund must be credited to the fund."~~

Section 6. Section 20-9-534, MCA, is amended to read:

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

(2) By the third Friday in July, the superintendent of public instruction shall allocate the annual statutory appropriation for school technology purposes to each district based on the ratio that each district's BASE budget bears to the statewide BASE budget amount for all school districts multiplied by the amount of money provided in 20-9-343 for the purposes of 20-9-533 ~~in the prior fiscal year~~."

NEW SECTION. **Section 7. Effective ~~dates~~ DATE.** ~~(1) Except as provided in subsection (2), [this act]~~ [THIS ACT] is effective July 1, 2013.

~~(2) [Sections 8 and 10] are effective July 1, 2016.~~

NEW SECTION. **Section 8. Applicability.** [This act] applies to school fiscal years beginning on or after July 1, 2013.

~~NEW SECTION. **Section 14. Termination.** [Sections 7 and 9] terminate June 30, 2016.~~

- END -