



AN ACT REVISING SCHOOL FUNDING RELATED TO OIL AND NATURAL GAS PRODUCTION TAXES; REVISING THE LIMIT ON THE AMOUNT OF OIL AND NATURAL GAS PRODUCTION TAXES RETAINED BY A SCHOOL DISTRICT; CLARIFYING DISTRIBUTIONS FROM THE STATE SCHOOL OIL AND NATURAL GAS DISTRIBUTION ACCOUNT; AMENDING SECTIONS 20-9-310 AND 20-9-520, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE.

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

Section 1. 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) ~~(a)~~(a) Except as provided in ~~subsections (1)(b) and subsections (1)(b) and (8)~~, the maximum amount of oil and natural gas production taxes that a school district may retain is ~~130%~~ 130% of the school district's maximum budget, determined in accordance with 20-9-308.

~~(b) For fiscal years 2014 through 2017 for a school district with a maximum general fund budget of less than \$1.5 million, the maximum amount of oil and gas production taxes that a school district may retain is 150% of the school district's maximum general fund budget.~~

(b) For an elementary or high school district with a maximum general fund budget of less than \$1.5 million, a K-12 district with a maximum general fund budget of less than \$3 million, or a school district that retained 150% of its maximum general fund budget in oil and natural gas production taxes in fiscal year 2015, the maximum amount of oil and natural gas production taxes that the school district may retain is 150% of the school district's maximum general fund budget.

(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. The department of revenue shall deposit any amount exceeding the limitation in subsection (1) in the state school oil and natural gas distribution account provided for in 20-9-520.

(4) (a) By the last day of the month immediately following the month in which the quarterly distribution of oil and natural gas production taxes in subsection (3) is made, the office of public instruction shall distribute any amount of oil and natural gas production taxes exceeding the limitation in subsection (1) based on allocations determined by the department of revenue pursuant to subsection (3) in the following priority:

(i) to the other school district within the unified school system from which the oil and natural gas production revenue originates or to any school district having a joint board status with the district, as provided in 20-3-361, from which the oil and natural gas production revenue originates, up to ~~430%~~ 130% of the maximum budget of the school district receiving a distribution of revenue under this subsection (4)(a)(i) on a prorated basis;

(ii) if funds remain to be distributed after distribution to school districts under subsection (4)(a)(i), to all school districts immediately contiguous to the district from which the oil and natural gas production revenue originates, up to ~~430%~~ 130% of the maximum budget of each school district receiving a distribution of revenue under this subsection (4)(a)(ii) on a prorated basis. If there is more than one school district from which distributable oil and natural gas production revenue originates and is available for a distribution under this subsection (4)(a)(ii) that is immediately contiguous to a school district qualifying for receipt of a distribution of oil and natural gas revenue under this subsection (4)(a)(ii), the distribution of oil and natural gas production revenue must be prorated from the districts from which oil and natural gas production revenue originates in relative proportion to the amount that the oil and natural gas revenue available for distribution from each school district bears to the total oil and natural gas revenue available for distribution from all school districts from which the distributable revenue originates.

(iii) if funds remain to be distributed after distribution to school districts under subsection (4)(a)(ii), to all school districts that are located in whole or in part in the same county as the school district from which the oil and natural gas production revenue originates, up to ~~430%~~ 130% of the maximum budget of each school district receiving a distribution of revenue under this subsection (4)(a)(iii) on a prorated basis. If there is more than one school district from which distributable oil and natural gas production revenue originates and is available for distribution under this subsection (4)(a)(iii), the distribution of oil and natural gas production revenue must be prorated from the districts from which oil and natural gas production revenue originates in relative proportion to the amount that the oil and natural gas revenue available for distribution from each school district bears to the

total oil and natural gas revenue available for distribution from all school districts from which the distributable revenue originates.

(iv) if funds remain to be distributed after distribution to school districts under subsection (4)(a)(iii), to all school districts that are located in whole or in part in a county contiguous to a county where a horizontally completed well, as defined in 15-36-303, has been drilled within the last 3 years according to the department of natural resources and conservation, up to ~~430%~~ 130% of the maximum budget of each school district receiving a distribution under this subsection (4)(a)(iv) on a prorated basis. If there is more than one school district from which distributable oil and natural gas production revenue originates and is available for distribution under this subsection (4)(a)(iv), the distribution of oil and natural gas production revenue must be prorated from the districts from which oil and natural gas production revenue originates in relative proportion to the amount that the oil and natural gas revenue available for distribution from each school district bears to the total oil and natural gas revenue available for distribution from all school districts from which the distributable revenue originates.

(b) Any funds remaining after distribution under subsections (4)(a)(i) through (4)(a)(iv) must be deposited as follows:

- (i) 70% of the retained amount must be deposited in the guarantee account provided for in 20-9-622;
- (ii) 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
- (iii) 25% of the retained amount must be distributed to the counties for deposit in the county school oil and natural gas impact fund provided for in 20-9-518.

(5) Subject to the limitation in subsection (1) and except as provided in subsection (7), the trustees shall budget and allocate the oil and natural gas production taxes received by the district as follows:

- (a) 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) oil and natural gas production taxes received by the district must be deposited in the general fund until the limit under subsection (5)(a) is reached; and
- (c) all remaining oil and natural gas production tax revenue may be deposited in any budgeted fund.

(6) Except as provided in subsection (7), 50% of the oil and natural gas production taxes deposited in the general fund pursuant to subsection (5)(a) must be applied to the BASE budget levy. Remaining oil and

natural gas production taxes deposited in the general fund may be applied to either the BASE budget levy or the over-BASE budget levy at the discretion of the board of trustees.

(7) The provisions of subsections (5) and (6) do not apply to the following:

(a) a district that has a maximum general fund budget of less than \$1 million;

(b) a district whose oil and gas revenue combined with its adopted general fund budget totals 105% or less of its maximum general fund budget;

(c) a district that has a maximum general fund budget of \$1 million or more and has had an unusual enrollment increase approved by the superintendent of public instruction as provided in 20-9-314 in the year immediately preceding the fiscal year to which subsections (5) and (6) of this section would otherwise apply; or

(d) a district that has issued outstanding oil and natural gas revenue bonds. Any funds received pursuant to this section must first be applied by the district to payment of debt service obligations for oil and natural gas revenue bonds for the next 12-month period.

(8) The limit on oil and natural gas production taxes that a school district may retain under subsection (1) must be increased for any school district with an unusual enrollment increase approved by the superintendent of public instruction as provided in 20-9-314. The increase in the limit on oil and natural gas productions taxes that a school district may retain under subsection (1) applies in the year immediately following the fiscal year in which the office of public instruction has approved the district's unusual enrollment increase and must be calculated by multiplying \$45,000 times each additional ANB approved by the superintendent of public instruction as provided in 20-9-314.

(9) 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. (Terminates June 30, 2016--sec. 43, Ch. 400, L. 2013.)

20-9-310. (Effective July 1, 2016) Oil and natural gas production taxes for school districts -- allocation and limits. (1) (a) Except as provided in ~~subsection~~ subsections (1)(b) and (8), the maximum amount of oil and natural gas production taxes that a school district may retain is ~~430%~~ 130% of the school district's maximum budget, determined in accordance with 20-9-308.

(b) For an elementary or high school district with a maximum general fund budget of less than \$1.5 million, a K-12 district with a maximum general fund budget of less than \$3 million, or a school district that

retained 150% of its maximum general fund budget in oil and natural gas production taxes in fiscal year 2015, the maximum amount of oil and natural gas production taxes that the school district may retain is 150% of the school district's maximum general fund budget.

(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. The department of revenue shall deposit any amount exceeding the limitation in subsection (1) in the state school oil and natural gas distribution account provided for in 20-9-520.

(4) By the last day of the month immediately following the month in which the quarterly distribution of oil and natural gas production taxes in subsection (3) is made, the office of public instruction shall distribute any amount of oil and natural gas production taxes exceeding the limitation in subsection (1) based on allocations determined by the department of revenue pursuant to subsection (3) 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 for deposit in the county school oil and natural gas impact fund provided for in 20-9-518.

(5) Subject to the limitation in subsection (1) and except as provided in subsection (7), the trustees shall budget and allocate the oil and natural gas production taxes received by the district as follows:

- (a) 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) oil and natural gas production taxes received by the district must be deposited in the general fund until the limit under subsection (5)(a) is reached; and
- (c) all remaining oil and natural gas production tax revenue may be deposited in any budgeted fund.

(6) Except as provided in subsection (7), 50% of the oil and natural gas production taxes deposited in the general fund pursuant to subsection (5)(a) must be applied to the BASE budget levy. Remaining oil and

natural gas production taxes deposited in the general fund may be applied to either the BASE budget levy or the over-BASE budget levy at the discretion of the board of trustees.

(7) The provisions of subsections (5) and (6) do not apply to the following:

(a) a district that has a maximum general fund budget of less than \$1 million;

(b) a district whose oil and gas revenue combined with its adopted general fund budget totals 105% or less of its maximum general fund budget;

(c) a district that has a maximum general fund budget of \$1 million or more and has had an unusual enrollment increase approved by the superintendent of public instruction as provided in 20-9-314 in the year immediately preceding the fiscal year to which subsections (5) and (6) of this section would otherwise apply; or

(d) a district that has issued outstanding oil and natural gas revenue bonds. Any funds received pursuant to this section must first be applied by the district to payment of debt service obligations for oil and natural gas revenue bonds for the next 12-month period.

(8) The limit on oil and natural gas production taxes that a school district may retain under subsection (1) must be increased for any school district with an unusual enrollment increase approved by the superintendent of public instruction as provided in 20-9-314. The increase in the limit on oil and natural gas production taxes that a school district may retain under subsection (1) applies in the year immediately following the fiscal year in which the office of public instruction has approved the district's unusual enrollment increase and must be calculated by multiplying \$45,000 times each additional ANB approved by the superintendent of public instruction as provided in 20-9-314.

(9) 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."

Section 2. Section 20-9-520, MCA, is amended to read:

"20-9-520. State school oil and natural gas distribution account. (1) There is a state school oil and natural gas distribution account in the state special revenue fund provided for in 17-2-102. The purpose of the account is for distribution of the oil and natural gas production revenue exceeding the limitation in 20-9-310(1) to school districts in accordance with 20-9-310(4).

(2) The department of revenue shall deposit in the account oil and natural gas production taxes that ~~exceeds 130% of a school district's maximum budget~~ exceed the limitations in 20-9-310.

(3) The superintendent of public instruction shall distribute the money from the account in accordance with 20-9-310(4) ~~as long as funds remain in the account.~~

~~———(4) If funds remain after all of the provisions of 20-9-310(4)(a)(i) through (4)(a)(iv) have occurred, the superintendent of public instruction will deposit the remaining funds in accordance with 20-9-310(4)(b)."~~

Section 3. Effective date. [This act] is effective on passage and approval.

- END -

I hereby certify that the within bill,
HB 0423, originated in the House.

Chief Clerk of the House

Speaker of the House

Signed this _____ day
of _____, 2015.

President of the Senate

Signed this _____ day
of _____, 2015.

HOUSE BILL NO. 423

INTRODUCED BY S. STAFFANSON

AN ACT REVISING SCHOOL FUNDING RELATED TO OIL AND NATURAL GAS PRODUCTION TAXES; REVISING THE LIMIT ON THE AMOUNT OF OIL AND NATURAL GAS PRODUCTION TAXES RETAINED BY A SCHOOL DISTRICT; CLARIFYING DISTRIBUTIONS FROM THE STATE SCHOOL OIL AND NATURAL GAS DISTRIBUTION ACCOUNT; AMENDING SECTIONS 20-9-310 AND 20-9-520, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE.