

HOUSE BILL NO. 423

INTRODUCED BY S. STAFFANSON

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A BILL FOR AN ACT ENTITLED: "AN ACT REVISING SCHOOL FUNDING RELATED TO OIL AND NATURAL GAS PRODUCTION TAXES; RAISING 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)~~ Except as provided in ~~subsections (1)(b) and subsection~~ (8), the maximum amount of oil and natural gas production taxes that a school district may retain is ~~430%~~ 150% 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.~~

(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:



1 (i) to the other school district within the unified school system from which the oil and natural gas
2 production revenue originates or to any school district having a joint board status with the district, as provided
3 in 20-3-361, from which the oil and natural gas production revenue originates, up to ~~430%~~ 150% of the maximum
4 budget of the school district receiving a distribution of revenue under this subsection (4)(a)(i) on a prorated basis;

5 (ii) if funds remain to be distributed after distribution to school districts under subsection (4)(a)(i), to all
6 school districts immediately contiguous to the district from which the oil and natural gas production revenue
7 originates, up to ~~430%~~ 150% of the maximum budget of each school district receiving a distribution of revenue
8 under this subsection (4)(a)(ii) on a prorated basis. If there is more than one school district from which
9 distributable oil and natural gas production revenue originates and is available for a distribution under this
10 subsection (4)(a)(ii) that is immediately contiguous to a school district qualifying for receipt of a distribution of oil
11 and natural gas revenue under this subsection (4)(a)(ii), the distribution of oil and natural gas production revenue
12 must be prorated from the districts from which oil and natural gas production revenue originates in relative
13 proportion to the amount that the oil and natural gas revenue available for distribution from each school district
14 bears to the total oil and natural gas revenue available for distribution from all school districts from which the
15 distributable revenue originates.

16 (iii) if funds remain to be distributed after distribution to school districts under subsection (4)(a)(ii), to all
17 school districts that are located in whole or in part in the same county as the school district from which the oil and
18 natural gas production revenue originates, up to ~~430%~~ 150% of the maximum budget of each school district
19 receiving a distribution of revenue under this subsection (4)(a)(iii) on a prorated basis. If there is more than one
20 school district from which distributable oil and natural gas production revenue originates and is available for
21 distribution under this subsection (4)(a)(iii), the distribution of oil and natural gas production revenue must be
22 prorated from the districts from which oil and natural gas production revenue originates in relative proportion to
23 the amount that the oil and natural gas revenue available for distribution from each school district bears to the
24 total oil and natural gas revenue available for distribution from all school districts from which the distributable
25 revenue originates.

26 (iv) if funds remain to be distributed after distribution to school districts under subsection (4)(a)(iii), to all
27 school districts that are located in whole or in part in a county contiguous to a county where a horizontally
28 completed well, as defined in 15-36-303, has been drilled within the last 3 years according to the department of
29 natural resources and conservation, up to ~~430%~~ 150% of the maximum budget of each school district receiving
30 a distribution under this subsection (4)(a)(iv) on a prorated basis. If there is more than one school district from

1 which distributable oil and natural gas production revenue originates and is available for distribution under this
2 subsection (4)(a)(iv), the distribution of oil and natural gas production revenue must be prorated from the districts
3 from which oil and natural gas production revenue originates in relative proportion to the amount that the oil and
4 natural gas revenue available for distribution from each school district bears to the total oil and natural gas
5 revenue available for distribution from all school districts from which the distributable revenue originates.

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

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

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

11 (iii) 25% of the retained amount must be distributed to the counties for deposit in the county school oil
12 and natural gas impact fund provided for in 20-9-518.

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

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

18 (b) oil and natural gas production taxes received by the district must be deposited in the general fund
19 until the limit under subsection (5)(a) is reached; and

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

21 (6) Except as provided in subsection (7), 50% of the oil and natural gas production taxes deposited in
22 the general fund pursuant to subsection (5)(a) must be applied to the BASE budget levy. Remaining oil and
23 natural gas production taxes deposited in the general fund may be applied to either the BASE budget levy or the
24 over-BASE budget levy at the discretion of the board of trustees.

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

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

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

29 (c) a district that has a maximum general fund budget of \$1 million or more and has had an unusual
30 enrollment increase approved by the superintendent of public instruction as provided in 20-9-314 in the year

1 immediately preceding the fiscal year to which subsections (5) and (6) of this section would otherwise apply; or
2 (d) a district that has issued outstanding oil and natural gas revenue bonds. Any funds received pursuant
3 to this section must first be applied by the district to payment of debt service obligations for oil and natural gas
4 revenue bonds for the next 12-month period.

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

12 (9) In any year in which the actual oil and natural gas production taxes received by a school district are
13 less than 50% of the total oil and natural gas production taxes received by the district in the prior year, the district
14 may transfer money from any budgeted fund to its general fund in an amount not to exceed the amount of the
15 shortfall. (Terminates June 30, 2016--sec. 43, Ch. 400, L. 2013.)

16 **20-9-310. (Effective July 1, 2016) Oil and natural gas production taxes for school districts --**
17 **allocation and limits.** (1) Except as provided in subsection (8), the maximum amount of oil and natural gas
18 production taxes that a school district may retain is ~~430%~~ 150% of the school district's maximum budget,
19 determined in accordance with 20-9-308.

20 (2) Upon receipt of school district budget reports required under 20-9-134, the superintendent of public
21 instruction shall provide the department of revenue with a list reporting the maximum general fund budget for
22 each school district.

23 (3) The department of revenue shall make the full quarterly distribution of oil and natural gas production
24 taxes as required under 15-36-332(6) until the amount distributed reaches the limitation in subsection (1) of this
25 section. The department of revenue shall deposit any amount exceeding the limitation in subsection (1) in the
26 state school oil and natural gas distribution account provided for in 20-9-520.

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

- 1 (a) 70% of the retained amount must be deposited in the guarantee account provided for in 20-9-622;
- 2 (b) 5% of the retained amount must be deposited in the state school oil and natural gas impact account
- 3 provided for in 20-9-517; and
- 4 (c) 25% of the retained amount must be distributed to the counties for deposit in the county school oil
- 5 and natural gas impact fund provided for in 20-9-518.
- 6 (5) Subject to the limitation in subsection (1) and except as provided in subsection (7), the trustees shall
- 7 budget and allocate the oil and natural gas production taxes received by the district as follows:
- 8 (a) the trustees shall budget in the general fund an amount of oil and natural gas production taxes equal
- 9 to the lesser of 25% of the total oil and natural gas production taxes received by the district in the prior year or
- 10 the general fund levy requirement;
- 11 (b) oil and natural gas production taxes received by the district must be deposited in the general fund
- 12 until the limit under subsection (5)(a) is reached; and
- 13 (c) all remaining oil and natural gas production tax revenue may be deposited in any budgeted fund.
- 14 (6) Except as provided in subsection (7), 50% of the oil and natural gas production taxes deposited in
- 15 the general fund pursuant to subsection (5)(a) must be applied to the BASE budget levy. Remaining oil and
- 16 natural gas production taxes deposited in the general fund may be applied to either the BASE budget levy or the
- 17 over-BASE budget levy at the discretion of the board of trustees.
- 18 (7) The provisions of subsections (5) and (6) do not apply to the following:
- 19 (a) a district that has a maximum general fund budget of less than \$1 million;
- 20 (b) a district whose oil and gas revenue combined with its adopted general fund budget totals 105% or
- 21 less of its maximum general fund budget;
- 22 (c) a district that has a maximum general fund budget of \$1 million or more and has had an unusual
- 23 enrollment increase approved by the superintendent of public instruction as provided in 20-9-314 in the year
- 24 immediately preceding the fiscal year to which subsections (5) and (6) of this section would otherwise apply; or
- 25 (d) a district that has issued outstanding oil and natural gas revenue bonds. Any funds received pursuant
- 26 to this section must first be applied by the district to payment of debt service obligations for oil and natural gas
- 27 revenue bonds for the next 12-month period.
- 28 (8) The limit on oil and natural gas production taxes that a school district may retain under subsection
- 29 (1) must be increased for any school district with an unusual enrollment increase approved by the superintendent
- 30 of public instruction as provided in 20-9-314. The increase in the limit on oil and natural gas production taxes that

1 a school district may retain under subsection (1) applies in the year immediately following the fiscal year in which
 2 the office of public instruction has approved the district's unusual enrollment increase and must be calculated by
 3 multiplying \$45,000 times each additional ANB approved by the superintendent of public instruction as provided
 4 in 20-9-314.

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

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

11 **"20-9-520. State school oil and natural gas distribution account.** (1) There is a state school oil and
 12 natural gas distribution account in the state special revenue fund provided for in 17-2-102. The purpose of the
 13 account is for distribution of the oil and natural gas production revenue exceeding the limitation in 20-9-310(1)
 14 ~~to school districts~~ in accordance with 20-9-310(4).

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

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

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

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22 NEW SECTION. **Section 3. Effective date.** [This act] is effective on passage and approval.

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