



AN ACT GENERALLY REVISING LAWS RELATED TO SCHOOL FUNDING; REQUIRING TRUSTEES TO ADOPT A RESOLUTION WITH PUBLIC NOTICE PRIOR TO INCREASING NONVOTED LEVIES; MAKING A SCHOOL DISTRICT'S ABILITY TO TRANSFER FUNDS FOR SCHOOL SAFETY PURPOSES PERMANENT; REQUIRING SUBFUNDS TO ACCOUNT FOR VARIOUS REVENUES AND USES OF THE BUILDING RESERVE FUND; AUTHORIZING A LIMITED LEVY FOR SCHOOL MAJOR MAINTENANCE WITH STATE SUPPORT; RENAMING THE SCHOOL FACILITY REIMBURSEMENT PROGRAM THE DEBT SERVICE ASSISTANCE PROGRAM; CREATING A STATE SPECIAL REVENUE ACCOUNT AND PROGRAM FOR SCHOOL MAJOR MAINTENANCE AID; PHASING OUT THE QUALITY SCHOOLS FACILITY GRANT PROGRAM; AMENDING SECTIONS 20-6-702, 20-9-236, 20-9-343, 20-9-367, 20-9-502, AND 20-9-516, MCA; REPEALING SECTIONS 90-6-801, 90-6-802, 90-6-803, 90-6-809, 90-6-810, 90-6-811, 90-6-812, 90-6-818, AND 90-6-819, MCA; REPEALING SECTION 12, CHAPTER 364, LAWS OF 2013, AND SECTION 3, CHAPTER 323, LAWS OF 2015; AND PROVIDING EFFECTIVE DATES AND APPLICABILITY DATES.

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

Section 1. Resolution of intent to increase nonvoted levy -- notice. (1) The trustees of a school district shall adopt a resolution no later than June 1 in fiscal year 2017 only and no later than March 31 in fiscal years 2018 and subsequent fiscal years and provide notice pursuant to subsection (2) whenever the trustees intend to impose an increase in a nonvoted levy in the ensuing school fiscal year for the purposes of funding any of the funds listed below:

- (a) the tuition fund under 20-5-324;
- (b) the adult education fund under 20-7-705;
- (c) the building reserve fund under 20-9-502 and 20-9-503;
- (d) the transportation fund under 20-10-143 and 20-10-144; and
- (e) the bus depreciation reserve fund under 20-10-147.

(2) The trustees shall provide notice of intent to impose an increase in a nonvoted levy for the ensuing

school fiscal year by:

(a) adopting a resolution of intent to impose an increase in a nonvoted levy that includes, at a minimum, the estimated number of increased or decreased mills to be imposed and the estimated increased or decreased revenue to be raised compared to nonvoted levies under (1)(a) through (1)(e) imposed in the current school fiscal year and, based on the district's taxable valuation most recently certified by the department of revenue under 15-10-202, the estimated impacts of the increase or decrease on a home valued at \$100,000 and a home valued at \$200,000; and

(b) publishing a copy of the resolution in a newspaper that will give notice to the largest number of people of the district as determined by the trustees and posting a copy of the resolution to the school district's website.

Section 2. Section 20-6-702, MCA, is amended to read:

"20-6-702. Funding for K-12 school districts. (1) Notwithstanding the provisions of subsections (2) through (6), a K-12 school district formed under the provisions of 20-6-701 is subject to the provisions of law for high school districts.

(2) The number of elected trustees of the K-12 school district must be based on the classification of the attached elementary district under the provisions of 20-3-341 and 20-3-351.

(3) Calculations for the following must be made separately for the elementary school program and the high school program of a K-12 school district:

(a) the calculation of ANB for purposes of determining the total per-ANB entitlements must be in accordance with the provisions of 20-9-311;

(b) the basic county tax for elementary equalization and revenue for the elementary BASE funding program for the district must be determined in accordance with the provisions of 20-9-331, and the basic county tax for high school equalization and revenue for the high school BASE funding program for the district must be determined in accordance with 20-9-333; and

(c) the guaranteed tax base aid for BASE funding program purposes for a K-12 school district must be calculated separately, using each district's guaranteed tax base ratio, as defined in 20-9-366. The BASE budget levy to be levied for the K-12 school district must be prorated based on the ratio of the BASE funding program amounts for elementary school programs to the BASE funding program amounts for high school programs.

(d) the levy authority limits under 20-9-502(3) and the corresponding state school major maintenance

aid under [section 8(3)] for a K-12 school district must be calculated separately for the K-12 school district's elementary and high school programs in the same manner as those limits and aid would be calculated if the K-12 school district consisted of a separate elementary and high school district.

(4) The retirement obligation and eligibility for retirement guaranteed tax base aid for a K-12 school district must be calculated and funded as a high school district retirement obligation under the provisions of 20-9-501.

(5) For the purposes of budgeting for a K-12 school district, the trustees shall adopt a single fund for any of the budgeted or nonbudgeted funds described in 20-9-201 for the costs of operating all grades and programs of the district.

(6) Tuition for attendance in the K-12 school district must be determined separately for high school pupils and for elementary pupils under the provisions of 20-5-320 through 20-5-324, except that the actual expenditures used for calculations in 20-5-323 must be based on an amount prorated between the elementary and high school programs in the appropriate funds of each district in the year prior to the attachment of the districts."

Section 3. Section 20-9-236, MCA, is amended to read:

"20-9-236. (Temporary) Transfer of funds -- improvements to school safety and security. (1) A school district may transfer state or local revenue from any budgeted or nonbudgeted fund, other than the debt service fund or retirement fund, to its building reserve fund in an amount not to exceed the school district's estimated costs of improvements to school safety and security as follows:

(a) planning for improvements to school safety, including but not limited to the cost of services provided by architects, engineers, and other consultants;

(b) installing or updating locking mechanisms and ingress and egress systems at public school access points, including but not limited to systems for exterior egress doors and interior passageways and rooms, using contemporary technologies;

(c) installing or updating bullet-resistant windows and barriers; and

(d) installing or updating emergency response systems using contemporary technologies.

(2) Any transfers made pursuant to subsection (1) are not considered expenditures to be applied against budget authority. Any revenue transfers that are not encumbered for expenditures in compliance with subsection (1) ~~by June 30, 2019,~~ within 2 full school fiscal years after the funds are transferred must be transferred back to

the originating fund from which the revenue was transferred.

(3) 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 transferred funds. ~~(Terminates June 30, 2019--sec. 3, Ch. 323, L. 2015.)~~"

Section 4. Section 20-9-343, MCA, is amended to read:

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

(a) distribution to the public schools for guaranteed tax base aid, BASE aid, and state ~~reimbursement for school facilities~~ debt service assistance; and

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

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

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

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

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

Section 5. Section 20-9-367, MCA, is amended to read:

"20-9-367. Eligibility to receive guaranteed tax base aid or state ~~advance or reimbursement~~ debt service assistance for school facilities. (1) If the district guaranteed tax base ratio of any an elementary or high school district is less than the corresponding statewide elementary or high school guaranteed tax base ratio, the district may receive guaranteed tax base aid based on the number of mills levied in the district in support of up to 35.3% of the basic entitlement, up to 35.3% of the total per-ANB entitlement, and up to 40% of the special education allowable cost payment budgeted within the general fund budget.

(2) If the county retirement mill value per elementary ANB or the county retirement mill value per high

school ANB is less than the corresponding statewide mill value per elementary ANB or high school ANB, the county may receive guaranteed tax base aid based on the number of mills levied in the county in support of the retirement fund budgets of the respective elementary or high school districts in the county.

(3) For the purposes of 20-9-370 and 20-9-371, if the district mill value per elementary ANB or the district mill value per high school ANB is less than the corresponding statewide mill value per elementary ANB or statewide mill value per high school ANB, the district may receive debt service assistance in the form of a state advance or reimbursement for school facilities in support of the debt service fund."

Section 6. Section 20-9-502, MCA, is amended to read:

"20-9-502. Purpose and authorization of building reserve fund by election -- levy for school transition costs. (1) The trustees of any district, ~~with the approval of the qualified electors of the district,~~ may establish a building reserve fund to budget for and expend funds for any of the purposes set forth in this section. Appropriate subfunds must be created to ensure separate tracking of the expenditure of funds from voted and nonvoted levies and transfers for school safety pursuant to 20-9-236.

(2) (a) A voted levy may be imposed and a subfund must be created with the approval of the qualified electors of the district for the purpose of raising money for the future construction, equipping, or enlarging of school buildings; or for the purpose of purchasing land needed for school purposes in the district, ~~or for the purpose of funding school transition costs as provided in subsections (5) and (6).~~ In order to submit to the qualified electors of the district a building reserve proposition for the establishment of or addition to a building reserve, the trustees shall pass a resolution that specifies:

~~(a)~~(i) the purpose or purposes for which the new or addition to the building reserve will be used;

~~(b)~~(ii) the duration of time over which the new or addition to the building reserve will be raised in annual, equal installments;

~~(c)~~(iii) the total amount of money that will be raised during the duration of time specified ~~in subsection (1)(b)~~ for the levy; and

~~(d)~~(iv) any other requirements under 15-10-425 and 20-20-201 for the calling of an election.

~~(2)(b)~~ Except as provided in subsections ~~(5)(b)~~ (4)(b) and (6), a building reserve tax authorization may not be for more than 20 years.

~~(3)(c)~~ The election must be conducted in accordance with the school election laws of this title, and the

electors qualified to vote in the election must be qualified under the provisions of 20-20-301. The ballot for a building reserve proposition must be substantially in compliance with 15-10-425.

~~(4)(d)~~ The building reserve proposition is approved if a majority of those electors voting at the election approve the establishment of or addition to the building reserve. The annual budgeting and taxation authority of the trustees for a building reserve is computed by dividing the total authorized amount by the specified number of years. The authority of the trustees to budget and impose the taxation for the annual amount to be raised for the building reserve lapses when, at a later time, a bond issue is approved by the qualified electors of the district for the same purpose or purposes for which the building reserve fund of the district was established. Whenever a subsequent bond issue is made for the same purpose or purposes of a building reserve, the money in the building reserve must be used for the purpose or purposes before any money realized by the bond issue is used.

(3) (a) A subfund must be created to account for revenue and expenditures for school major maintenance and repairs authorized under this subsection (3). Except as provided in subsection (3)(g), the trustees of a district may authorize and impose a levy of no more than 10 mills on the taxable value of all taxable property within the district for that school fiscal year for the purposes of raising revenue for identified school major maintenance projects meeting the requirements of [section 8(2)]. The 10-mill limit under this section must be calculated using the district's total taxable valuation most recently certified by the department of revenue under 15-10-202. The amount of money raised by the levy, the deposits and transfers authorized under subsection (3)(f) of this section, and anticipated state aid pursuant to [section 8(3)] may not exceed the district's school major maintenance amount. For the purposes of this section, the term "school major maintenance amount" means the sum of \$15,000 and the product of \$100 multiplied by the district's budgeted ANB for the prior fiscal year. To authorize and impose a levy under this subsection (3), the trustees shall:

(i) following public notice requirements pursuant to [section 1], adopt no later than June 1 for fiscal year 2017 only and no later than March 31 for fiscal years 2018 and subsequent fiscal years, a resolution:

(A) identifying the anticipated school major maintenance projects for which the proceeds of the levy, the deposits and transfers authorized under subsection (3)(f) of this section, and anticipated state aid pursuant to [section 8(3)] will be used; and

(B) estimating a total dollar amount of money to be raised by the levy, the deposits and transfers authorized under subsection (3)(f) of this section, anticipated state aid pursuant to [section 8(3)], and the resulting estimated number of mills to be levied using the district's taxable valuation most recently certified by the

department of revenue under 15-10-202; and

(ii) include the amount of any final levy to be imposed as part of its final budget meeting noticed in compliance with 20-9-131.

(b) Proceeds from the levy may be expended only for the purposes under [section 8(2)], and the expenditure of the money must be reported in the annual trustees' report as required by 20-9-213.

(c) Whenever the trustees of a district impose a levy pursuant to this section during the current school fiscal year, they shall budget for the proceeds of the levy, the deposits and transfers authorized under subsection (3)(f) of this section, and anticipated state aid pursuant to [section 8(3)] in the district's building reserve fund budget. Any expenditures of the funds must be made in accordance with the financial administration provisions of this title for a budgeted fund.

(d) When a tax levy pursuant to this section is included as a revenue item on the final building reserve fund budget, the county superintendent shall report the levy requirement to the county commissioners by the later of the first Tuesday in September or within 30 calendar days after receiving certified taxable values and a levy on the district must be made by the county commissioners in accordance with 20-9-142.

(e) A subfund in the building reserve fund must be created for the deposit of proceeds from the levy, the deposits and transfers authorized under subsection (3)(f) of this section, and anticipated state aid pursuant to [section 8(3)].

(f) If the imposition of 10 mills pursuant to subsection (3)(a) is estimated by the trustees to generate an amount less than the maximum levy revenue specified in subsection (3)(a), the trustees may deposit additional funds from any lawfully available revenue source and may transfer additional funds from any lawfully available fund of the district to the subfund provided for in subsection (3)(a), up to the difference between the revenue estimated to be raised by the imposition of 10 mills and the maximum levy revenue specified in subsection (3)(a). The district's local effort for purposes of calculating its eligibility for state school major maintenance aid pursuant to [section 8] consists of the combined total of funds raised from the imposition of 10 mills and additional funds raised from deposits and transfers in compliance with this subsection (3)(f).

(g) A district awarded a quality schools facility grant pursuant to Title 90, chapter 6, part 8, during the biennium beginning July 1, 2017, may not impose the levy under this subsection (3) during the biennium beginning July 1, 2017.

~~(5)(4)~~ (a) The trustees may submit a proposition to the qualified electors of the district for a levy A voted

levy may be imposed and a subfund must be created with the approval of the qualified electors of the district to provide funding for transition costs incurred when the trustees:

- (i) open a new school under the provisions of Title 20, chapter 6;
- (ii) close a school;
- (iii) replace a school building; or
- (iv) consolidate with or annex another district under the provisions of Title 20, chapter 6.

(b) Except as provided in subsections ~~(5)(e)~~ (4)(c) and (6), the total amount the trustees may submit to the electorate for transition costs may not exceed the number of years specified in the proposition times the greater of 5% of the district's maximum general fund budget for the current year or \$250 per ANB for the current year. Except as provided in subsection (6), the duration of the levy for transition costs may not exceed 6 years.

(c) If the levy for transition costs is for consolidation or annexation:

- (i) the limitation on the amount levied is calculated using the ANB and the maximum general fund budget for the districts that are being combined; and
- (ii) the proposition must be submitted to the qualified electors in the combined district.

(d) The levy for transition costs may not be considered as outstanding indebtedness for the purpose of calculating the limitation in 20-9-406.

(5) A subfund in the building reserve fund must be created for the funds transferred to the building reserve fund for school safety and security pursuant to 20-9-236.

(6) The trustees of a K-12 district shall create a subfund and impose a levy for transition costs to fund the payment required by 20-6-326(6)(b) when a proposition to create the K-12 district and to assess the transition levy has been approved pursuant to 20-6-326(2). The levy is limited to the amount required by 20-6-326(6)(b) for a period not to exceed 3 years."

Section 7. Section 20-9-516, MCA, is amended to read:

"20-9-516. School facility and technology account. (1) There is a school facility and technology account in the state special revenue fund provided for in 17-2-102. The purpose of the account is to provide money to schools for; contingent on appropriation from the legislature, funding for the following in priority order:

- (a) school technology purposes as provided in 20-9-534; and

- ~~_____ (a) major deferred maintenance;~~
- ~~_____ (b) improving energy efficiency in school facilities;~~
- ~~_____ (c) critical infrastructure in school districts;~~
- ~~_____ (d) emergency facility needs;~~
- ~~_____ (e) technological improvements; and~~
- (f)(b) state reimbursement for school facilities debt service assistance as provided in 20-9-371.

(2) There must be deposited in the account:

(a) an amount of money equal to the income attributable to the difference between the average sale value of 18 million board feet and the total income produced from the annual timber harvest on common school trust lands during the fiscal year; and

(b) the income received from certain lands and riverbeds as provided in 17-3-1003(5).

(3) If in any fiscal year the amount of revenue in the school facility and technology account is sufficient to fund debt service assistance without a proration reduction pursuant to 20-9-346(2)(b) and if in that same fiscal year the amount of revenue available in the school major maintenance aid account established in [section 8] will result in a proration reduction in school major maintenance aid pursuant to [section 8(5)] for that fiscal year, the state treasurer shall transfer any excess funds in the school facility and technology account to the school major maintenance aid account not to exceed the amount required to avoid a proration reduction."

Section 8. School major maintenance aid account -- formula. (1) There is a school major maintenance aid account in the state special revenue fund provided for in 17-2-102.

(2) The purpose of the account is to provide, contingent on appropriation from the legislature, funding for school major maintenance aid as provided in subsection (3) for school facility projects that support a basic system of free quality public elementary and secondary schools under 20-9-309 and that involve:

(a) first, making any repairs categorized as "safety", "damage/wear out", or "codes and standards" in the facilities condition inventory for buildings of the school district as referenced in the K-12 public schools facility condition and needs assessment final report prepared by the Montana department of administration pursuant to section 1, Chapter 1, Special Laws of December 2005; and

(b) after addressing the repairs in subsection (2)(a), any of the following:

(i) updating the facility condition inventory as recommended in the final report referenced in subsection

(2)(a) with the scope and methods of the review to be determined by the trustees, employing experts as the trustees determine necessary. The first update must be completed by July 1, 2019, and each district shall certify the completion to the office of public instruction no later than October 31, 2019. Subsequent updates must be certified to the office of public instruction no less than once every 5 years following the first certification.

(ii) undertaking projects designed to produce operational efficiencies such as utility savings, reduced future maintenance costs, improved utilization of staff, and enhanced learning environments for students, including but not limited to projects addressing:

(A) roofing systems;

(B) heating, air conditioning, and ventilation systems;

(C) energy-efficient window and door systems and insulation;

(D) plumbing systems;

(E) electrical systems and lighting systems;

(F) information technology infrastructure, including internet connectivity both within and to the school facility; and

(G) other critical repairs to an existing school facility or facilities.

(3) (a) In any year in which the legislature has appropriated funds for distribution from the school major maintenance aid account, the superintendent of public instruction shall administer the distribution of school major maintenance aid from the school major maintenance aid account for deposit in the subfund of the building reserve fund provided for in 20-9-502(3)(e). Subject to proration under subsection (5) of this section, aid must be annually distributed no later than the last working day of May to a school district imposing a levy pursuant to 20-9-502(3) in the current school fiscal year, with the amount of state support per dollar of local effort of the applicable elementary and high school program of each district determined as follows:

(i) using the taxable valuation most recently certified by the department of revenue under 15-10-202:

(A) divide the total statewide taxable valuation by the statewide total of school major maintenance amounts and multiply the result by 171%;

(B) multiply the result determined under subsection (3)(a)(i)(A) by the district's school major maintenance amount;

(C) subtract the district's taxable valuation from the amount determined under subsection (3)(a)(i)(B);

and

- (D) divide the amount determined under subsection (3)(a)(i)(C) by 1,000;
- (ii) determine the greater of the amount determined in subsection (3)(a)(i) or 18% of the district's mill value; and
- (iii) multiply the result determined under subsection (3)(a)(ii) by the district's school major maintenance amount, then divide the product by the sum of the result determined under subsection (3)(a)(ii) and the district's school major maintenance amount.
- (b) For a district with an adopted general fund budget in the prior year greater than or equal to 97% of the district's general fund maximum budget in the prior year, the amount determined in subsection (3)(a)(iii) rounded to the nearest cent is the amount of school major maintenance aid per dollar of local effort, not to exceed an amount that would result in the state aid composing more than 80% of the district's school major maintenance amount.
- (c) For a district with an adopted general fund budget in the prior year less than 97% of the district's maximum budget in the prior year, multiply the amount determined in subsection (3)(a)(iii) by the ratio of the district's adopted general fund budget in the prior year to the district's maximum general fund budget in the prior year. The result, rounded to the nearest cent, is the amount of state school major maintenance aid per dollar of local effort, not to exceed an amount that would result in the state aid composing more than 80% of the district's school major maintenance amount.
- (4) Using the taxable valuation most recently certified by the department of revenue under 15-10-202, the superintendent shall provide school districts with a preliminary estimated amount of state school major maintenance aid per dollar of local effort for the ensuing school year no later than March 1 and a final amount for the current school year no later than July 31.
- (5) If the appropriation from or the available funds in the school major maintenance aid account in any school fiscal year is less than the amount for which school districts would otherwise qualify, the superintendent of public instruction shall proportionally prorate the aid distributed to ensure that the distributions do not exceed the appropriated or available funds.
- (6) If in any fiscal year the amount of revenue in the school major maintenance aid account is sufficient to fund school major maintenance aid without a proration reduction pursuant to subsection (5) and if in that same fiscal year the amount of revenue available in the school facility and technology account established in 20-9-516 will result in a proration reduction in debt service assistance pursuant to 20-9-346(2)(b) for that fiscal year, the

state treasurer shall transfer any excess funds in the school major maintenance aid account to the school facility and technology account, not to exceed the amount required to avoid a proration reduction.

(7) For the purposes of this section, the following definitions apply:

(a) "Local effort" means an amount of money raised by levying no more than 10 mills pursuant to 20-9-502(3) and, provided that 10 mills have been levied, any additional amount of money deposited or transferred by trustees to the subfund pursuant to 20-9-502(3).

(b) "School major maintenance amount" means the sum of \$15,000 and the product of \$100 multiplied by the district's budgeted ANB for the prior fiscal year.

Section 9. Repealer. The following sections of the Montana Code Annotated are repealed:

- 90-6-801. Short title.
- 90-6-802. Purpose.
- 90-6-803. Definitions.
- 90-6-809. Quality schools facility grant program -- legislature to authorize grants -- types of grants available.
- 90-6-810. Procedure for approval of projects -- role of department and governor -- approval by legislature.
- 90-6-811. Priorities for projects -- application of criteria -- consideration of project attributes -- adjustments for educationally relevant factors.
- 90-6-819. Department to adopt rules.

Section 10. Repealer. The following sections of the Montana Code Annotated are repealed:

- 90-6-812. Conditions for grants.
- 90-6-818. Disbursement of funds -- department discretion when actual expenses are less than projected expenses.

Section 11. Repealer. Section 12, Chapter 364, Laws of 2013, and section 3, Chapter 323, Laws of 2015, are repealed.

Section 12. Codification instruction. (1) [Section 1] is intended to be codified as an integral part of Title

20, chapter 9, part 1, and the provisions of Title 20, chapter 9, part 1, apply to [section 1].

(2) [Section 8] is intended to be codified as an integral part of Title 20, chapter 9, part 5, and the provisions of Title 20, chapter 9, part 5, apply to [section 8].

Section 13. Coordination instruction. If both Senate Bill No. 139 and [this act] are passed and approved and if both contain a section amending 20-9-502, then the sections amending 20-9-502 are void and 20-9-502 must be amended as follows:

"20-9-502. Purpose and authorization of building reserve fund ~~by election -- levy for school transition costs.~~ (1) The trustees of any district, ~~with the approval of the qualified electors of the district,~~ may establish a building reserve fund to budget for and expend funds for any of the purposes set forth in this section. Appropriate subfunds must be created to ensure separate tracking of the expenditure of funds from voted and nonvoted levies and transfers for school safety pursuant to 20-9-236.

(2) (a) A voted levy may be imposed and a subfund must be created with the approval of the qualified electors of the district for the purpose of raising money for the future construction, equipping, or enlarging of school buildings; or for the purpose of purchasing land needed for school purposes in the district, ~~or for the purpose of funding school transition costs as provided in subsections (5) and (6).~~ In order to submit to the qualified electors of the district a building reserve proposition for the establishment of or addition to a building reserve, the trustees shall pass a resolution that specifies:

~~(a)~~(i) the purpose or purposes for which the new or addition to the building reserve will be used;

~~(b)~~(ii) the duration of time over which the new or addition to the building reserve will be raised in annual, equal installments;

~~(c)~~(iii) the total amount of money that will be raised during the duration of time specified ~~in subsection (1)(b)~~ for the levy; and

~~(d)~~(iv) any other requirements under 15-10-425 and 20-20-201 for the calling of an election.

~~(2)(b)~~ Except as provided in ~~subsections (5)(b) and (6)~~ subsection (4)(b), a building reserve tax authorization may not be for more than 20 years.

~~(3)(c)~~ The election must be conducted in accordance with the school election laws of this title, and the electors qualified to vote in the election must be qualified under the provisions of 20-20-301. The ballot for a building reserve proposition must be substantially in compliance with 15-10-425.

~~(4)~~(d) The building reserve proposition is approved if a majority of those electors voting at the election approve the establishment of or addition to the building reserve. The annual budgeting and taxation authority of the trustees for a building reserve is computed by dividing the total authorized amount by the specified number of years. The authority of the trustees to budget and impose the taxation for the annual amount to be raised for the building reserve lapses when, at a later time, a bond issue is approved by the qualified electors of the district for the same purpose or purposes for which the building reserve fund of the district was established. Whenever a subsequent bond issue is made for the same purpose or purposes of a building reserve, the money in the building reserve must be used for the purpose or purposes before any money realized by the bond issue is used.

(3) (a) A subfund must be created to account for revenue and expenditures for school major maintenance and repairs authorized under this subsection (3). Except as provided in subsection (3)(g), the trustees of a district may authorize and impose a levy of no more than 10 mills on the taxable value of all taxable property within the district for that school fiscal year for the purposes of raising revenue for identified school major maintenance projects meeting the requirements of [section 8(2)]. The 10-mill limit under this section must be calculated using the district's total taxable valuation most recently certified by the department of revenue under 15-10-202. The amount of money raised by the levy, the deposits and transfers authorized under subsection (3)(f) of this section, and anticipated state aid pursuant to [section 8(3)] may not exceed the district's school major maintenance amount. For the purposes of this section, the term "school major maintenance amount" means the sum of \$15,000 and the product of \$100 multiplied by the district's budgeted ANB for the prior fiscal year. To authorize and impose a levy under this subsection (3), the trustees shall:

(i) following public notice requirements pursuant to [section 1], adopt no later than June 1 for fiscal year 2017 only and no later than March 31 for fiscal years 2018 and subsequent fiscal years, a resolution:

(A) identifying the anticipated school major maintenance projects for which the proceeds of the levy, the deposits and transfers authorized under subsection (3)(f) of this section, and anticipated state aid pursuant to [section 8(3)] will be used; and

(B) estimating a total dollar amount of money to be raised by the levy, the deposits and transfers authorized under subsection (3)(f) of this section, anticipated state aid pursuant to [section 8(3)], and the resulting estimated number of mills to be levied using the district's taxable valuation most recently certified by the department of revenue under 15-10-202; and

(ii) include the amount of any final levy to be imposed as part of its final budget meeting noticed in

compliance with 20-9-131.

(b) Proceeds from the levy may be expended only for the purposes under [section 8(2)], and the expenditure of the money must be reported in the annual trustees' report as required by 20-9-213.

(c) Whenever the trustees of a district impose a levy pursuant to this section during the current school fiscal year, they shall budget for the proceeds of the levy, the deposits and transfers authorized under subsection (3)(f) of this section, and anticipated state aid pursuant to [section 8(3)] in the district's building reserve fund budget. Any expenditures of the funds must be made in accordance with the financial administration provisions of this title for a budgeted fund.

(d) When a tax levy pursuant to this section is included as a revenue item on the final building reserve fund budget, the county superintendent shall report the levy requirement to the county commissioners by the later of the first Tuesday in September or within 30 calendar days after receiving certified taxable values and a levy on the district must be made by the county commissioners in accordance with 20-9-142.

(e) A subfund in the building reserve fund must be created for the deposit of proceeds from the levy, the deposits and transfers authorized under subsection (3)(f) of this section, and anticipated state aid pursuant to [section 8(3)].

(f) If the imposition of 10 mills pursuant to subsection (3)(a) is estimated by the trustees to generate an amount less than the maximum levy revenue specified in subsection (3)(a), the trustees may deposit additional funds from any lawfully available revenue source and may transfer additional funds from any lawfully available fund of the district to the subfund provided for in subsection (3)(a), up to the difference between the revenue estimated to be raised by the imposition of 10 mills and the maximum levy revenue specified in subsection (3)(a). The district's local effort for purposes of calculating its eligibility for state school major maintenance aid pursuant to [section 8] consists of the combined total of funds raised from the imposition of 10 mills and additional funds raised from deposits and transfers in compliance with this subsection (3)(f).

(g) A district awarded a quality schools facility grant pursuant to Title 90, chapter 6, part 8, during the biennium beginning July 1, 2017, may not impose the levy under this subsection (3) during the biennium beginning July 1, 2017.

~~(5)(4)~~ (a) ~~The trustees may submit a proposition to the qualified electors of the district for a levy~~ A voted levy may be imposed and a subfund must be created with the approval of the qualified electors of the district to provide funding for transition costs incurred when the trustees:

- (i) open a new school under the provisions of Title 20, chapter 6;
- (ii) close a school;
- (iii) replace a school building; ~~or~~
- (iv) consolidate with or annex another district under the provisions of Title 20, chapter 6; or
- (v) receive approval from voters to expand an elementary district into a K-12 district pursuant to 20-6-326.

(b) Except as provided in ~~subsections (5)(c) and (6)~~ subsection (4)(c), the total amount the trustees may submit to the electorate for transition costs may not exceed the number of years specified in the proposition times the greater of 5% of the district's maximum general fund budget for the current year or \$250 per ANB for the current year. ~~Except as provided in subsection (6), the~~ The duration of the levy for transition costs may not exceed 6 years.

(c) If the levy for transition costs is for consolidation or annexation:

(i) the limitation on the amount levied is calculated using the ANB and the maximum general fund budget for the districts that are being combined; and

(ii) the proposition must be submitted to the qualified electors in the combined district.

(d) The levy for transition costs may not be considered as outstanding indebtedness for the purpose of calculating the limitation in 20-9-406.

(5) A subfund in the building reserve fund must be created for the funds transferred to the building reserve fund for school safety and security pursuant to 20-9-236.

~~(6) The trustees of a K-12 district shall impose a levy for transition costs to fund the payment required by 20-6-326(6)(b) when a proposition to create the K-12 district and to assess the transition levy has been approved pursuant to 20-6-326(2). The levy is limited to the amount required by 20-6-326(6)(b) for a period not to exceed 3 years."~~

Section 14. Coordination instruction. If both House Bill No. 134 and [this act] are passed and approved, then House Bill No. 134 is void.

Section 15. Effective dates -- coordination -- retroactive applicability. (1) Except as provided in subsections (2) and (3), [this act] is effective on passage and approval and applies to school district budgets

beginning on or after July 1, 2017.

(2) The authority and requirement for notice under [sections 1 and 6(3)] applies retroactively, within the meaning of 1-2-109, to levies noticed on or after January 1, 2017.

(3) (a) Except as provided in subsection (3)(b), [sections 9 and 10] are effective July 1, 2017.

(b) If House Bill No. 645 or Senate Bill No. 367 is passed and approved and provides grants to schools for facilities, then [section 10] is effective July 1, 2019.

- END -

I hereby certify that the within bill,
SB 0307, originated in the Senate.

President of the Senate

Signed this _____ day
of _____, 2017.

Secretary of the Senate

Speaker of the House

Signed this _____ day
of _____, 2017.

SENATE BILL NO. 307

INTRODUCED BY L. JONES, S. BERGLEE, E. BUTTREY, R. COOK, J. ESSMANN, T. FACEY, M. FUNK,
B. GRUBBS, S. GUNDERSON, B. HAMLETT, D. HAYMAN, B. HOVEN, D. JONES, J. KEANE,
E. MCCLAFFERTY, F. MOORE, J. PRICE, D. SALOMON, S. VINTON

AN ACT GENERALLY REVISING LAWS RELATED TO SCHOOL FUNDING; REQUIRING TRUSTEES TO ADOPT A RESOLUTION WITH PUBLIC NOTICE PRIOR TO INCREASING NONVOTED LEVIES; MAKING A SCHOOL DISTRICT'S ABILITY TO TRANSFER FUNDS FOR SCHOOL SAFETY PURPOSES PERMANENT; REQUIRING SUBFUNDS TO ACCOUNT FOR VARIOUS REVENUES AND USES OF THE BUILDING RESERVE FUND; AUTHORIZING A LIMITED LEVY FOR SCHOOL MAJOR MAINTENANCE WITH STATE SUPPORT; RENAMING THE SCHOOL FACILITY REIMBURSEMENT PROGRAM THE DEBT SERVICE ASSISTANCE PROGRAM; CREATING A STATE SPECIAL REVENUE ACCOUNT AND PROGRAM FOR SCHOOL MAJOR MAINTENANCE AID; PHASING OUT THE QUALITY SCHOOLS FACILITY GRANT PROGRAM; AMENDING SECTIONS 20-6-702, 20-9-236, 20-9-343, 20-9-367, 20-9-502, AND 20-9-516, MCA; REPEALING SECTIONS 90-6-801, 90-6-802, 90-6-803, 90-6-809, 90-6-810, 90-6-811, 90-6-812, 90-6-818, AND 90-6-819, MCA; REPEALING SECTION 12, CHAPTER 364, LAWS OF 2013, AND SECTION 3, CHAPTER 323, LAWS OF 2015; AND PROVIDING EFFECTIVE DATES AND APPLICABILITY DATES.