

HOUSE BILL NO. 647

INTRODUCED BY D. JONES

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4 A BILL FOR AN ACT ENTITLED: "AN ACT ACT GENERALLY REVISING EDUCATION FUNDING LAWS;
5 IMPLEMENTING PORTIONS OF THE GENERAL APPROPRIATIONS ACT; ELIMINATING THE NATURAL
6 RESOURCE DEVELOPMENT K-12 FUNDING PAYMENT; ELIMINATING THE STATUTORY APPROPRIATION
7 FOR THE STATE SCHOOL OIL AND NATURAL GAS IMPACT ACCOUNT AND THE STATE SCHOOL OIL AND
8 NATURAL GAS DISTRIBUTION ACCOUNT; REPEALING THE DATA-FOR-ACHIEVEMENT PAYMENT;
9 REVISING TERMINATION DATES OF CERTAIN 2015 AMENDMENTS; EXPANDING USE OF FUNDING FOR
10 SECONDARY K-12 CAREER AND VOCATIONAL/TECHNICAL EDUCATION; REVISING EXCESS OIL AND
11 NATURAL GAS REVENUE DISTRIBUTION; REVISING STATE SHARE CALCULATIONS FOR COMMUNITY
12 COLLEGES; PROVIDING FOR TRANSFERS; AMENDING SECTIONS 17-7-502, 20-7-102, 20-7-306, 20-9-141,
13 20-9-306, 20-9-308, 20-9-310, 20-9-323, 20-9-326, 20-9-342, 20-9-344, 20-9-366, 20-9-517, 20-9-518, 20-9-520,
14 20-9-622, AND 20-15-310, MCA; AMENDING SECTION 7, CHAPTER 433, LAWS OF 2015; REPEALING
15 SECTION 20-9-325, MCA; AND PROVIDING EFFECTIVE DATES AND AN APPLICABILITY DATE."

16
17 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

18
19 **Section 1.** Section 17-7-502, MCA, is amended to read:
20 **"17-7-502. Statutory appropriations -- definition -- requisites for validity.** (1) A statutory
21 appropriation is an appropriation made by permanent law that authorizes spending by a state agency without the
22 need for a biennial legislative appropriation or budget amendment.
23 (2) Except as provided in subsection (4), to be effective, a statutory appropriation must comply with both
24 of the following provisions:
25 (a) The law containing the statutory authority must be listed in subsection (3).
26 (b) The law or portion of the law making a statutory appropriation must specifically state that a statutory
27 appropriation is made as provided in this section.
28 (3) The following laws are the only laws containing statutory appropriations: 2-17-105; 5-11-120;
29 5-11-407; 5-13-403; 7-4-2502; 10-1-108; 10-1-1202; 10-1-1303; 10-2-603; 10-3-203; 10-3-310; 10-3-312;
30 10-3-314; 10-4-301; 15-1-121; 15-1-218; 15-35-108; 15-36-332; 15-37-117; 15-39-110; 15-65-121; 15-70-101;



1 15-70-433; 15-70-601; 16-11-509; 17-3-106; 17-3-112; 17-3-212; 17-3-222; 17-3-241; 17-6-101; 17-7-215;
2 18-11-112; 19-3-319; 19-6-404; 19-6-410; 19-9-702; 19-13-604; 19-17-301; 19-18-512; 19-19-305; 19-19-506;
3 19-20-604; 19-20-607; 19-21-203; 20-8-107; ~~20-9-517~~; ~~20-9-520~~; 20-9-534; 20-9-622; 20-9-905; 20-26-617;
4 20-26-1503; 22-1-327; 22-3-116; 22-3-117; 22-3-1004; 23-4-105; 23-5-306; 23-5-409; 23-5-612; 23-7-301;
5 23-7-402; 30-10-1004; 37-43-204; 37-50-209; 37-51-501; 39-71-503; 41-5-2011; 42-2-105; 44-4-1101; 44-12-213;
6 44-13-102; 50-1-115; 53-1-109; 53-6-1304; 53-9-113; 53-24-108; 53-24-206; 60-11-115; 61-3-415; 69-3-870;
7 75-1-1101; 75-5-1108; 75-6-214; 75-11-313; 76-13-150; 76-13-416; 77-1-108; 77-2-362; 80-2-222; 80-4-416;
8 80-11-518; 81-1-112; 81-7-106; 81-10-103; 82-11-161; 85-20-1504; 85-20-1505; [85-25-102]; 87-1-603; 90-1-115;
9 90-1-205; 90-1-504; 90-3-1003; 90-6-331; and 90-9-306.

10 (4) There is a statutory appropriation to pay the principal, interest, premiums, and costs of issuing,
11 paying, and securing all bonds, notes, or other obligations, as due, that have been authorized and issued
12 pursuant to the laws of Montana. Agencies that have entered into agreements authorized by the laws of Montana
13 to pay the state treasurer, for deposit in accordance with 17-2-101 through 17-2-107, as determined by the state
14 treasurer, an amount sufficient to pay the principal and interest as due on the bonds or notes have statutory
15 appropriation authority for the payments. (In subsection (3): pursuant to sec. 10, Ch. 360, L. 1999, the inclusion
16 of 19-20-604 terminates contingently when the amortization period for the teachers' retirement system's unfunded
17 liability is 10 years or less; pursuant to sec. 10, Ch. 10, Sp. L. May 2000, secs. 3 and 6, Ch. 481, L. 2003, and
18 sec. 2, Ch. 459, L. 2009, the inclusion of 15-35-108 terminates June 30, 2019; pursuant to sec. 73, Ch. 44, L.
19 2007, the inclusion of 19-6-410 terminates contingently upon the death of the last recipient eligible under
20 19-6-709(2) for the supplemental benefit provided by 19-6-709; pursuant to sec. 5, Ch. 442, L. 2009, the inclusion
21 of 90-6-331 terminates June 30, 2019; pursuant to sec. 16, Ch. 58, L. 2011, the inclusion of 30-10-1004
22 terminates June 30, 2017; pursuant to sec. 6, Ch. 61, L. 2011, the inclusion of 76-13-416 terminates June 30,
23 2019; pursuant to sec. 13, Ch. 339, L. 2011, the inclusion of 81-1-112 and 81-7-106 terminates June 30, 2017;
24 pursuant to sec. 11(2), Ch. 17, L. 2013, the inclusion of 17-3-112 terminates on occurrence of contingency;
25 pursuant to sec. 5, Ch. 244, L. 2013, the inclusion of 22-1-327 terminates July 1, 2017; pursuant to sec. 27, Ch.
26 285, L. 2015, and sec. 1, Ch. 292, L. 2015, the inclusion of 53-9-113 terminates June 30, 2021; pursuant to sec.
27 6, Ch. 291, L. 2015, the inclusion of 50-1-115 terminates June 30, 2021; pursuant to sec. 28, Ch. 368, L. 2015,
28 the inclusion of 53-6-1304 terminates June 30, 2019; pursuant to sec. 5, Ch. 383, L. 2015, the inclusion of
29 85-25-102 is effective on occurrence of contingency; pursuant to sec. 5, Ch. 422, L. 2015, the inclusion of
30 17-7-215 terminates June 30, 2021; pursuant to sec. 6, Ch. 423, L. 2015, the inclusion of 22-3-116 and 22-3-117

1 terminates June 30, 2025; pursuant to sec. 10, Ch. 427, L. 2015, the inclusion of 37-50-209 terminates
 2 September 30, 2019; and pursuant to sec. 33, Ch. 457, L. 2015, the inclusion of 20-9-905 terminates December
 3 31, 2023.)"

4

5 **Section 2.** Section 20-7-102, MCA, is amended to read:

6 **"20-7-102. Accreditation of schools.** (1) The conditions under which each elementary school, each
 7 middle school, each junior high school, 7th and 8th grades funded at high school rates, and each high school
 8 operates must be reviewed by the superintendent of public instruction to determine compliance with the standards
 9 of accreditation. The accreditation status of each school must then be established by the board of public
 10 education upon the recommendation of the superintendent of public instruction. Notification of the accreditation
 11 status for the applicable school year or years must be given to each district by the superintendent of public
 12 instruction.

13 (2) A school may be accredited for a period consisting of 1, 2, 3, 4, or 5 school years, except that
 14 multiyear accreditation may be granted only to schools that are in compliance with 20-4-101.

15 (3) A nonpublic school may, through its governing body, request that the board of public education
 16 accredit the school. Nonpublic schools may be accredited in the same manner as provided in subsection (1).

17 (4) As used in this section, "7th and 8th grades funded at high school rates" means an elementary school
 18 district or K-12 district elementary program whose 7th and 8th grades are funded as provided in
 19 ~~20-9-306(15)(c)(ii)~~ 20-9-306(14)(c)(ii)."

20

21 **Section 3.** Section 20-7-306, MCA, is amended to read:

22 **"20-7-306. Distribution of secondary K-12 career and vocational/technical education funds.** (1)
 23 The superintendent of public instruction shall categorize secondary K-12 career and vocational/technical
 24 education programs ~~according to the relative additional costs of those programs~~ based on weighted factors,
 25 including but not limited to:

26 (a) K-12 career and vocational/technical education enrollment;

27 (b) approved career and technical student organizations;

28 (c) field supervision of students beyond the school year for K-12 career and vocational/technical
 29 education; and

30 (d) district expenditures related to the K-12 career and vocational/technical education programs; and

1 (e) student participation in workforce development activities, including but not limited to:

2 (i) attainment of industry-recognized professional certifications; and

3 (ii) work-based learning programs, such as internships and registered apprenticeships.

4 (2) The superintendent of public instruction shall adjust the weighted factors outlined in subsection (1)
5 as necessary to ensure that the allocations do not exceed the amount appropriated.

6 (3) Except for other expenditures outlined in subsection (1)(d), funding must be based upon the
7 calculation for secondary K-12 career and vocational/technical education programs of the high school district in
8 the year preceding the year for which funding is requested. Funding for the expenditures referred to in subsection
9 (1)(d) must be based on the calculation for the secondary K-12 career and vocational/technical education
10 programs of the high school district for the 2 years preceding the year for which funding is requested. The funding
11 must be computed for each separate secondary K-12 career and vocational/technical education program.

12 (4) For secondary career and vocational/technical education programs, the total funding must be
13 distributed to eligible programs based on the four factors listed in subsections (1)(a) through (1)(d).

14 (5) The superintendent of public instruction shall annually distribute the funds allocated in this section
15 by November 1. The money received by the high school district must be deposited into the subfund of the
16 miscellaneous programs fund established by 20-9-507 and may be expended only for approved secondary K-12
17 career and vocational/technical education programs. The expenditure of the money must be reported in the
18 annual trustees' report as required by 20-9-213.

19 (6) Any increase in the amount distributed to a school district from the biennial state appropriation for
20 secondary K-12 career and vocational/technical education must be used for the expansion and enhancement of
21 career and vocational/technical education programs and may not be used to reduce previous district spending
22 on career and vocational/technical education programs."

23

24 **Section 4.** Section 20-9-141, MCA, is amended to read:

25 **"20-9-141. Computation of general fund net levy requirement by county superintendent.** (1) The
26 county superintendent shall compute the levy requirement for each district's general fund on the basis of the
27 following procedure:

28 (a) Determine the funding required for the district's final general fund budget less the sum of direct state
29 aid, ~~the natural resource development K-12 funding payment,~~ and the special education allowable cost payment
30 for the district by totaling:

1 (i) the district's nonisolated school BASE budget requirement to be met by a district levy as provided in
2 20-9-303; and

3 (ii) any general fund budget amount adopted by the trustees of the district under the provisions of
4 20-9-308 and 20-9-353.

5 (b) Determine the money available for the reduction of the property tax on the district for the general fund
6 by totaling:

7 (i) the general fund balance reappropriated, as established under the provisions of 20-9-104;

8 (ii) amounts received in the last fiscal year for which revenue reporting was required for each of the
9 following:

10 (A) interest earned by the investment of general fund cash in accordance with the provisions of
11 20-9-213(4); and

12 (B) any other revenue received during the school fiscal year that may be used to finance the general
13 fund, excluding any guaranteed tax base aid;

14 (iii) anticipated oil and natural gas production taxes;

15 (iv) pursuant to subsection (4), anticipated revenue from coal gross proceeds under 15-23-703;

16 (v) school district block grants distributed under 20-9-630; and

17 (vi) any portion of the increment remitted to a school district under 7-15-4291 used to reduce the BASE
18 levy budget.

19 (c) Notwithstanding the provisions of subsection (2), subtract the money available to reduce the property
20 tax required to finance the general fund that has been determined in subsection (1)(b) from any general fund
21 budget amount adopted by the trustees of the district, up to the BASE budget amount, to determine the general
22 fund BASE budget levy requirement.

23 (d) Determine the sum of:

24 (i) any amount remaining after the determination in subsection (1)(c);

25 (ii) any portion of the increment remitted to a school district under 7-15-4291 used to reduce the
26 over-BASE budget levy; and

27 (iii) any tuition payments for out-of-district pupils to be received under the provisions of 20-5-320 through
28 20-5-324, except the amount of tuition received for a pupil who is a child with a disability in excess of the amount
29 received for a pupil without disabilities, as calculated under 20-5-323(2).

30 (e) Subtract the amount determined in subsection (1)(d) from any additional funding requirement to be

1 met by an over-BASE budget amount, a district levy as provided in 20-9-303, and any additional financing as
2 provided in 20-9-353 to determine any additional general fund levy requirements.

3 (2) The county superintendent shall calculate the number of mills to be levied on the taxable property
4 in the district to finance the general fund levy requirement for any amount that does not exceed the BASE budget
5 amount for the district by dividing the amount determined in subsection (1)(c) by the sum of:

6 (a) the amount of guaranteed tax base aid that the district will receive for each mill levied, as certified
7 by the superintendent of public instruction; and

8 (b) the current total taxable valuation of the district, as certified by the department of revenue under
9 15-10-202, divided by 1,000.

10 (3) The net general fund levy requirement determined in subsections (1)(c) and (1)(d) must be reported
11 to the county commissioners by the later of the first Tuesday in September or within 30 calendar days after
12 receiving certified taxable values by the county superintendent as the general fund net levy requirement for the
13 district, and a levy must be set by the county commissioners in accordance with 20-9-142.

14 (4) For each school district, the department of revenue shall calculate and report to the county
15 superintendent the amount of revenue anticipated for the ensuing fiscal year from revenue from coal gross
16 proceeds under 15-23-703."

17

18 **Section 5.** Section 20-9-306, MCA, is amended to read:

19 **"20-9-306. Definitions.** As used in this title, unless the context clearly indicates otherwise, the following
20 definitions apply:

21 (1) "BASE" means base amount for school equity.

22 (2) "BASE aid" means:

23 (a) direct state aid for 44.7% of the basic entitlement and 44.7% of the total per-ANB entitlement for the
24 general fund budget of a district;

25 ~~—— (b) the natural resource development K-12 funding payment for a variable percentage of the basic and~~
26 ~~per-ANB entitlements above the direct state aid for the general fund budget of a district, as referenced in~~
27 ~~subsection (10);~~

28 ~~(e)~~(b) guaranteed tax base aid for an eligible district for any amount up to 35.3% of the basic entitlement,
29 up to 35.3% of the total per-ANB entitlement budgeted in the general fund budget of a district, and 40% of the
30 special education allowable cost payment;

- 1 ~~(d)~~(c) the total quality educator payment;
 2 ~~(e)~~(d) the total at-risk student payment;
 3 ~~(f)~~(e) the total Indian education for all payment; and
 4 ~~(g)~~(f) the total American Indian achievement gap payment; ~~and~~
 5 ~~(h) the total data-for-achievement payment.~~

6 (3) "BASE budget" means the minimum general fund budget of a district, which includes 80% of the basic
 7 entitlement, 80% of the total per-ANB entitlement, 100% of the total quality educator payment, 100% of the total
 8 at-risk student payment, 100% of the total Indian education for all payment, 100% of the total American Indian
 9 achievement gap payment, ~~100% of the total data-for-achievement payment~~, and 140% of the special education
 10 allowable cost payment.

11 (4) "BASE budget levy" means the district levy in support of the BASE budget of a district, which may
 12 be supplemented by guaranteed tax base aid if the district is eligible under the provisions of 20-9-366 through
 13 20-9-369.

14 (5) "BASE funding program" means the state program for the equitable distribution of the state's share
 15 of the cost of Montana's basic system of public elementary schools and high schools, through county equalization
 16 aid as provided in 20-9-331 and 20-9-333 and state equalization aid as provided in 20-9-343, in support of the
 17 BASE budgets of districts and special education allowable cost payments as provided in 20-9-321.

18 (6) "Basic entitlement" means:

19 (a) for each high school district:

20 (i) \$300,000 for fiscal year 2016 and \$305,370 for each succeeding fiscal year for school districts with
 21 an ANB of 800 or fewer; and

22 (ii) \$300,000 for fiscal year 2016 and \$305,370 for each succeeding fiscal year for school districts with
 23 an ANB of more than 800, plus \$15,000 for fiscal year 2016 and \$15,269 for each succeeding fiscal year for each
 24 additional 80 ANB over 800;

25 (b) for each elementary school district or K-12 district elementary program without an approved and
 26 accredited junior high school, 7th and 8th grade program, or middle school:

27 (i) \$50,000 for fiscal year 2016 and \$50,895 for each succeeding fiscal year for school districts or K-12
 28 district elementary programs with an ANB of 250 or fewer; and

29 (ii) \$50,000 for fiscal year 2016 and \$50,895 for each succeeding fiscal year for school districts or K-12
 30 district elementary programs with an ANB of more than 250, plus \$2,500 for fiscal year 2016 and \$2,545 for each

1 succeeding fiscal year for each additional 25 ANB over 250;

2 (c) for each elementary school district or K-12 district elementary program with an approved and
3 accredited junior high school, 7th and 8th grade program, or middle school:

4 (i) for the district's kindergarten through grade 6 elementary program:

5 (A) \$50,000 for fiscal year 2016 and \$50,895 for each succeeding fiscal year for school districts or K-12
6 district elementary programs with an ANB of 250 or fewer; and

7 (B) \$50,000 for fiscal year 2016 and \$50,895 for each succeeding fiscal year for school districts or K-12
8 district elementary programs with an ANB of more than 250, plus \$2,500 for fiscal year 2016 and \$2,545 for each
9 succeeding fiscal year for each additional 25 ANB over 250; and

10 (ii) for the district's approved and accredited junior high school, 7th and 8th grade programs, or middle
11 school:

12 (A) \$100,000 for fiscal year 2016 and \$101,790 for each succeeding fiscal year for school districts or
13 K-12 district elementary programs with combined grades 7 and 8 with an ANB of 450 or fewer; and

14 (B) \$100,000 for fiscal year 2016 and \$101,790 for each succeeding fiscal year for school districts or
15 K-12 district elementary programs with combined grades 7 and 8 with an ANB of more than 450, plus \$5,000 for
16 fiscal year 2016 and \$5,090 for each succeeding fiscal year for each additional 45 ANB over 450.

17 (7) "Budget unit" means the unit for which the ANB of a district is calculated separately pursuant to
18 20-9-311.

19 (8) "Direct state aid" means 44.7% of the basic entitlement and 44.7% of the total per-ANB entitlement
20 for the general fund budget of a district and funded with state and county equalization aid.

21 (9) "Maximum general fund budget" means a district's general fund budget amount calculated from the
22 basic entitlement for the district, the total per-ANB entitlement for the district, the total quality educator payment,
23 the total at-risk student payment, the total Indian education for all payment, the total American Indian achievement
24 gap payment, ~~the total data-for-achievement payment,~~ and the greater of the district's special education allowable
25 cost payment multiplied by:

26 (a) 175%; or

27 (b) the ratio, expressed as a percentage, of the district's special education allowable cost expenditures
28 to the district's special education allowable cost payment for the fiscal year that is 2 years previous, with a
29 maximum allowable ratio of 200%.

30 ~~(10) "Natural resource development K-12 funding payment" means the payment of a variable percentage~~

1 of the basic and per-ANB entitlements above the direct state aid for the general fund budget of a district. The total
 2 payment to school districts may not exceed the greater of 50% of the fiscal year 2012 oil and natural gas
 3 production taxes deposited into the general fund pursuant to 15-36-331(4) or 50% of the oil and natural gas
 4 production taxes deposited into the general fund pursuant to 15-36-331(4) for the fiscal year occurring 2 fiscal
 5 years prior to the school fiscal year in which the payment is provided, plus any excess interest and income
 6 revenue appropriated by the legislature pursuant to 20-9-622(2)(a). The amount of the natural resource
 7 development K-12 funding payment must be, subject to the limitations of this subsection (10), an amount sufficient
 8 to offset any estimated increase in statewide revenue from the general fund BASE budget levy provided for in
 9 20-9-141 that is anticipated to result from increases in the basic or per-ANB entitlements plus any excess interest
 10 and income revenue appropriated by the legislature pursuant to 20-9-622(2)(a). The superintendent of public
 11 instruction shall incorporate a natural resource development K-12 funding payment calculated in compliance with
 12 this subsection (10) in preparing and submitting an agency budget pursuant to 17-7-111 and 17-7-112.

13 ~~(11)~~(10) "Over-BASE budget levy" means the district levy in support of any general fund amount
 14 budgeted that is above the BASE budget and below the maximum general fund budget for a district.

15 ~~(12)~~(11) "Total American Indian achievement gap payment" means the payment resulting from multiplying
 16 \$205 in fiscal year 2016 and \$209 for each succeeding fiscal year times the number of American Indian students
 17 enrolled in the district as provided in 20-9-330.

18 ~~(13)~~(12) "Total at-risk student payment" means the payment resulting from the distribution of any funds
 19 appropriated for the purposes of 20-9-328.

20 ~~(14)~~(13) "Total Indian education for all payment" means the payment resulting from multiplying \$20.88
 21 in fiscal year 2016 and \$21.25 for each succeeding fiscal year times the ANB of the district or \$100 for each
 22 district, whichever is greater, as provided for in 20-9-329.

23 ~~(15)~~(14) "Total per-ANB entitlement" means the district entitlement resulting from the following
 24 calculations and using either the current year ANB or the 3-year ANB provided for in 20-9-311:

25 (a) for a high school district or a K-12 district high school program, a maximum rate of \$6,847 for fiscal
 26 year 2016 and \$6,970 for each succeeding fiscal year for the first ANB, decreased at the rate of 50 cents per ANB
 27 for each additional ANB of the district up through 800 ANB, with each ANB in excess of 800 receiving the same
 28 amount of entitlement as the 800th ANB;

29 (b) for an elementary school district or a K-12 district elementary program without an approved and
 30 accredited junior high school, 7th and 8th grade program, or middle school, a maximum rate of \$5,348 for fiscal

1 year 2016 and \$5,444 for each succeeding fiscal year for the first ANB, decreased at the rate of 20 cents per ANB
 2 for each additional ANB of the district up through 1,000 ANB, with each ANB in excess of 1,000 receiving the
 3 same amount of entitlement as the 1,000th ANB; and

4 (c) for an elementary school district or a K-12 district elementary program with an approved and
 5 accredited junior high school, 7th and 8th grade program, or middle school, the sum of:

6 (i) a maximum rate of \$5,348 for fiscal year 2016 and \$5,444 for each succeeding fiscal year for the first
 7 ANB for kindergarten through grade 6, decreased at the rate of 20 cents per ANB for each additional ANB up
 8 through 1,000 ANB, with each ANB in excess of 1,000 receiving the same amount of entitlement as the 1,000th
 9 ANB; and

10 (ii) a maximum rate of \$6,847 for fiscal year 2016 and \$6,970 for each succeeding fiscal year for the first
 11 ANB for grades 7 and 8, decreased at the rate of 50 cents per ANB for each additional ANB for grades 7 and 8
 12 up through 800 ANB, with each ANB in excess of 800 receiving the same amount of entitlement as the 800th
 13 ANB.

14 ~~———— (16) "Total data for achievement payment" means the payment provided in 20-9-325 resulting from~~
 15 ~~multiplying \$20 for fiscal year 2016 and \$20.36 for each succeeding fiscal year by the district's ANB calculated~~
 16 ~~in accordance with 20-9-311.~~

17 ~~(17)~~(15) "Total quality educator payment" means the payment resulting from multiplying \$3,113 in fiscal
 18 year 2016 and \$3,169 for each succeeding fiscal year by the number of full-time equivalent educators as provided
 19 in 20-9-327."

20

21 **Section 6.** Section 20-9-308, MCA, is amended to read:

22 **"20-9-308. BASE budgets and maximum general fund budgets.** (1) (a) The trustees of a district shall
 23 adopt a general fund budget that is at least equal to the BASE budget established for the district. The trustees
 24 of a district may adopt a general fund budget up to the maximum general fund budget or the previous year's
 25 general fund budget, whichever is greater.

26 (b) For purposes of the budget limitation in subsection (1)(a), the trustees may add any increase in direct
 27 state aid for the basic and per-ANB entitlements and any increases in ~~state funding of the data for achievement~~
 28 ~~payment under 20-9-325 and~~ in the general fund payments in 20-9-327 through 20-9-330 to the district's previous
 29 year's general fund budget.

30 (2) (a) Except as provided in subsection (2)(b), whenever the trustees of a district propose to adopt a

1 general fund budget that exceeds the BASE budget for the district and propose to increase the over-BASE budget
 2 levy over the highest revenue previously authorized by the electors of the district or imposed by the district in any
 3 of the previous 5 years to support the general fund budget, the trustees shall submit a proposition to the electors
 4 of the district, as provided in 20-9-353.

5 (b) The intent of this section is to increase the flexibility and efficiency of elected school boards without
 6 increasing school district property taxes. In furtherance of this intent and provided that budget limitations
 7 otherwise specified in law are not exceeded, the trustees of a district may increase the district's over-BASE
 8 budget levy without a vote if the board of trustees reduces nonvoted property tax levies authorized by law to be
 9 imposed by action of the trustees of the district by at least as much as the amount by which the over-BASE
 10 budget levy is increased. The ongoing authority for any nonvoted increase in the over-BASE budget levy imposed
 11 under this subsection (2)(b) must be decreased in future years to the extent that the trustees of the district impose
 12 any increase in other nonvoted property tax levies.

13 (3) The BASE budget for the district must be financed by the following sources of revenue:

14 (a) state equalization aid, as provided in 20-9-343, including any guaranteed tax base aid for which the
 15 district may be eligible, as provided in 20-9-366 through 20-9-369;

16 (b) county equalization aid, as provided in 20-9-331 and 20-9-333;

17 (c) a district levy for support of a school not approved as an isolated school under the provisions of
 18 20-9-302;

19 (d) payments in support of special education programs under the provisions of 20-9-321;

20 (e) nonlevy revenue, as provided in 20-9-141; and

21 (f) a BASE budget levy on the taxable value of all property within the district.

22 (4) The over-BASE budget amount of a district must be financed by a levy on the taxable value of all
 23 property within the district or other revenue available to the district, as provided in 20-9-141."

24

25 **Section 7.** Section 20-9-310, MCA, is amended to read:

26 **"20-9-310. (Temporary) Oil and natural gas production taxes for school districts -- allocation and**
 27 **limits.** (1) Except as provided in subsection (6), the maximum amount of oil and natural gas production taxes that
 28 a school district may retain is 130% of the school district's maximum budget, determined in accordance with
 29 20-9-308.

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

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

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

7 (4) (a) By the last day of the month immediately following the month in which the quarterly distribution
8 of oil and natural gas production taxes in subsection (3) is made, the office of public instruction shall distribute
9 any amount of oil and natural gas production taxes exceeding the limitation in subsection (1) based on allocations
10 determined by the department of revenue pursuant to subsection (3) to school districts that are directly impacted
11 by oil and natural gas development, but that receive insufficient oil and natural gas revenue to address the oil and
12 natural gas development impacts. The office of public instruction shall adopt administrative rules to establish a
13 process, criteria, and a mechanism for distribution under this subsection (4), using the negotiated rulemaking
14 process set forth in the Montana Negotiated Rulemaking Act, Title 2, chapter 5, part 1.

15 (b) In developing administrative rules, the office of public instruction shall establish two independent
16 negotiated rulemaking committees to consider issues for the purpose of reaching a consensus to develop
17 proposed rules for the distribution of the funds under this subsection (4).

18 (c) The members of the first negotiated rulemaking committee appointed by the office of public instruction
19 must include public school officials and public school employees from school districts that are located in or are
20 immediately adjacent to a county in which oil and natural gas production taxes are generated and professional
21 organizations representing these public school officials and employees. This committee shall transmit proposed
22 rules regarding distribution of 50% of the funds available under this subsection (4) in accordance with 2-5-108.

23 (d) The members of the second negotiated rulemaking committee appointed by the office of public
24 instruction must include public school officials and public school employees from school districts around the state
25 and professional organizations representing these public school officials and employees. This committee shall
26 transmit proposed rules regarding the distribution of the remaining 50% of the funds available under this
27 subsection (4) in accordance with 2-5-108.

28 (5) (a) Subject to the limitation in subsection (1) and the conditions in subsection (5)(b), the trustees shall
29 budget and allocate the oil and natural gas production taxes anticipated by the district in any budgeted fund at
30 the discretion of the trustees. Oil and natural gas production taxes allocated to the district general fund may be

1 applied to the BASE or over-BASE portions of the general fund budget at the discretion of the trustees.

2 (b) Except as provided in subsection (5)(c), if the trustees apply an amount less than 12.5% of the total
3 oil and natural gas production taxes received by the district in the prior school fiscal year to the district's general
4 fund BASE budget for the upcoming school fiscal year, then:

5 (i) the trustees shall levy the number of mills required to raise an amount equal to the difference between
6 12.5% of the oil and natural gas production taxes received by the district in the prior school fiscal year and the
7 amount of oil and natural gas production taxes the trustees budget in the district's general fund BASE budget for
8 the upcoming school fiscal year;

9 (ii) the mills levied under subsection (5)(b)(i) are not eligible for the guaranteed tax base subsidy under
10 the provisions of 20-9-366 through 20-9-369; and

11 (iii) the general fund BASE budget levy requirement calculated in 20-9-141 must be calculated as though
12 the trustees budgeted 12.5% of the oil and natural gas production taxes received by the district in the prior year
13 and the number of mills calculated in subsection (5)(b)(i) must be added to the number of mills calculated in
14 20-9-141(2).

15 (c) The provisions of subsection (5)(b) do not apply to the following:

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

17 (ii) a district whose oil and natural gas revenue combined with its adopted general fund budget totals
18 105% or less of its maximum general fund budget;

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

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

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

1 in 20-9-314.

2 (7) In any year in which the actual oil and natural gas production taxes received by a school district are
3 less than 50% of the total oil and natural gas production taxes received by the district in the prior year, the district
4 may transfer money from any budgeted fund to its general fund in an amount not to exceed the amount of the
5 shortfall. (Terminates June 30, ~~2019~~ 2017 ~~sec. 7, Ch. 433, L. 2015.~~)

6 **20-9-310. (Effective July 1, ~~2019~~ 2017) Oil and natural gas production taxes for school districts**
7 **-- allocation and limits.** (1) Except as provided in subsection (6), the maximum amount of oil and natural gas
8 production taxes that a school district may retain is 130% of the school district's maximum budget, determined
9 in accordance with 20-9-308.

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

13 (3) The department of revenue shall make the full quarterly distribution of oil and natural gas production
14 taxes as required under 15-36-332(6) until the amount distributed reaches the limitation in subsection (1) of this
15 section. The department of revenue shall deposit any amount exceeding the limitation in subsection (1) in the
16 ~~state school oil and natural gas distribution account provided for in 20-9-520~~ guarantee account provided for in
17 20-9-622.

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

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

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

25 ~~———— (c) 25% of the retained amount must be distributed to the counties in proportion to a county's oil and~~
26 ~~natural gas production taxes for the preceding 3 years compared to the total of all counties' oil and natural gas~~
27 ~~production taxes for the preceding 3 years. Funds distributed must be deposited in a county's county school oil~~
28 ~~and natural gas impact fund provided for in 20-9-518.~~

29 ~~(5)~~(4) (a) Subject to the limitation in subsection (1) and the conditions in subsection ~~(5)(b)~~ (4)(b), the
30 trustees shall budget and allocate the oil and natural gas production taxes anticipated by the district in any

1 budgeted fund at the discretion of the trustees. Oil and natural gas production taxes allocated to the district
 2 general fund may be applied to the BASE or over-BASE portions of the general fund budget at the discretion of
 3 the trustees.

4 (b) Except as provided in subsection ~~(5)(e)~~ (4)(c), if the trustees apply an amount less than 12.5% of the
 5 total oil and natural gas production taxes received by the district in the prior school fiscal year to the district's
 6 general fund BASE budget for the upcoming school fiscal year, then:

7 (i) the trustees shall levy the number of mills required to raise an amount equal to the difference between
 8 12.5% of the oil and natural gas production taxes received by the district in the prior school fiscal year and the
 9 amount of oil and natural gas production taxes the trustees budget in the district's general fund BASE budget for
 10 the upcoming school fiscal year;

11 (ii) the mills levied under subsection ~~(5)(b)(i)~~ (4)(b)(i) are not eligible for the guaranteed tax base subsidy
 12 under the provisions of 20-9-366 through 20-9-369; and

13 (iii) the general fund BASE budget levy requirement calculated in 20-9-141 must be calculated as though
 14 the trustees budgeted 12.5% of the oil and natural gas production taxes received by the district in the prior year
 15 and the number of mills calculated in subsection ~~(5)(b)(i)~~ (4)(b)(i) must be added to the number of mills calculated
 16 in 20-9-141(2).

17 (c) The provisions of subsection ~~(5)(b)~~ (4)(b) do not apply to the following:

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

19 (ii) a district whose oil and natural gas revenue combined with its adopted general fund budget totals
 20 105% or less of its maximum general fund budget;

21 (iii) a district that has a maximum general fund budget of \$1 million or more and has had an unusual
 22 enrollment increase approved by the superintendent of public instruction as provided in 20-9-314 in the year
 23 immediately preceding the fiscal year to which the provisions of this subsection ~~(5)~~ (4) would otherwise apply;
 24 or

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

9

10 **Section 8.** Section 20-9-323, MCA, is amended to read:

11 **"20-9-323. Ending fund balance limits.** (1) Beginning July 1, 2020, the combined ending fund balance
 12 for all budgeted funds of a school district may not exceed 300% of the maximum general fund budget. The 300%
 13 limit is not applicable to the building reserve fund, the debt service fund, or the bus depreciation reserve fund.

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

22 (3) Unless an exception is granted under subsection (5), upon completion of a school fiscal year, a
 23 school district with combined ending fund balances in excess of the 300% limit shall cooperate with the county
 24 superintendent in effectuating the redistribution of excess funds as provided in subsection (2). A school district
 25 may make the payment required under this subsection from any fund or funds of the district other than the debt
 26 service fund, the building reserve fund, and the bus depreciation reserve fund.

27 (4) Any funds that cannot be redistributed within a county without causing a school district in the county
 28 to exceed the 300% limit must be remitted by the county treasurer to the state for deposit in the guarantee
 29 account and distribution ~~in the same manner~~ as provided in ~~20-9-622(2)~~ 20-9-622.

30 (5) In accordance with 20-9-161, a school district shall report to the education and local government

1 interim committee for any exception taken to the limits prescribed by subsection (1) of this section.

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

4 (7) Beginning July 1, 2020, the balance of a school district's flexibility fund may not exceed 150% of the
5 school district's maximum general fund budget."
6

7 **Section 9.** Section 20-9-326, MCA, is amended to read:

8 **"20-9-326. Annual inflation-related adjustments to basic entitlements and per-ANB entitlements.**

9 (1) In preparing and submitting an agency budget pursuant to 17-7-111 and 17-7-112, the superintendent of
10 public instruction shall determine the inflation factor for the basic and per-ANB entitlements, ~~the~~
11 ~~data for achievement payment,~~ and the general fund payments in 20-9-327 through 20-9-330 in each fiscal year
12 of the ensuing biennium. The inflation factor is calculated as follows:

13 (a) for the first year of the biennium, divide the consumer price index for July 1 of the prior calendar year
14 by the consumer price index for July 1 of the calendar year 3 years prior to the prior calendar year and raise the
15 resulting ratio to the power of one-third; and

16 (b) for the second year of the biennium, divide the consumer price index for July 1 of the current calendar
17 year by the consumer price index for July 1 of the calendar year 3 years prior to the current calendar year and
18 raise the resulting ratio to the power of one-third.

19 (2) The present law base for the entitlements referenced in subsection (1), calculated under Title 17,
20 chapter 7, part 1, must consist of any enrollment increases or decreases plus the inflation factor calculated
21 pursuant to this section, not to exceed 3% in each year, applied to both years of the biennium.

22 (3) For the purposes of this section, "consumer price index" means the consumer price index, U.S. city
23 average, all urban consumers, for all items, using the 1982-84 base of 100, as published by the bureau of labor
24 statistics of the U.S. department of labor."
25

26 **Section 10.** Section 20-9-342, MCA, is amended to read:

27 **"20-9-342. Deposit of interest and income money by state board of land commissioners.** (1) Except
28 as provided in 20-9-516, the state board of land commissioners shall deposit the interest and income money for
29 each fiscal year into the guarantee account, provided for in 20-9-622, by the last business day of February and
30 June before the close of the fiscal year in which the money was received. ~~Except as provided in subsection (2),~~

1 ~~money~~ Money in the guarantee account must be used for state equalization aid.

2 ~~(2) Subject to subsection (3), any excess interest and income revenue deposited in the guarantee~~
3 ~~account in each fiscal year must be distributed in accordance with 20-9-622(2).~~

4 ~~———— (3) The excess interest and income revenue must equal at least \$1 million in order to be distributed~~
5 ~~pursuant to subsection (2). Excess interest and income revenue of \$1 million or less must be carried forward and~~
6 ~~added to the excess interest and income revenue in the next ensuing school fiscal year and distributed in~~
7 ~~accordance with 20-9-622(2).~~

8 ~~———— (4) For purposes of this section, "excess interest and income revenue" means an annual amount in~~
9 ~~excess of \$56 million."~~

10

11 **Section 11.** Section 20-9-344, MCA, is amended to read:

12 **"20-9-344. Duties of board of public education for distribution of BASE aid.** (1) The board of public
13 education shall administer and distribute the BASE aid and state advances for county equalization in the manner
14 and with the powers and duties provided by law. The board of public education:

15 (a) shall adopt policies for regulating the distribution of BASE aid and state advances for county
16 equalization in accordance with the provisions of law;

17 (b) may require reports from the county superintendents, county treasurers, and trustees that it considers
18 necessary; and

19 (c) shall order the superintendent of public instruction to distribute the BASE aid on the basis of each
20 district's annual entitlement to the aid as established by the superintendent of public instruction. In ordering the
21 distribution of BASE aid, the board of public education may not increase or decrease the BASE aid distribution
22 to any district on account of any difference that may occur during the school fiscal year between budgeted and
23 actual receipts from any other source of school revenue.

24 (2) The board of public education may order the superintendent of public instruction to withhold
25 distribution of BASE aid from a district when the district fails to:

26 (a) submit reports or budgets as required by law or rules adopted by the board of public education; or

27 (b) maintain accredited status because of failure to meet the board of public education's assurance and
28 performance standards.

29 (3) Prior to any proposed order by the board of public education to withhold distribution of BASE aid or
30 county equalization money, the district is entitled to a contested case hearing before the board of public

1 education, as provided under the Montana Administrative Procedure Act.

2 (4) If a district or county receives more BASE aid than it is entitled to, the county treasurer shall return
3 the overpayment to the state upon the request of the superintendent of public instruction in the manner prescribed
4 by the superintendent of public instruction.

5 (5) Except as provided in 20-9-347(2), the BASE aid payment must be distributed according to the
6 following schedule:

7 (a) from August to October of the school fiscal year, to each district 10% of:

8 (i) direct state aid;

9 (ii) the total quality educator payment;

10 (iii) the total at-risk student payment;

11 (iv) the total Indian education for all payment; and

12 (v) the total American Indian achievement gap payment;

13 ~~(vi) the total data-for-achievement payment; and~~

14 ~~———— (vii) the total natural resource development K-12 funding payment;~~

15 (b) from December to April of the school fiscal year, to each district 10% of:

16 (i) direct state aid;

17 (ii) the total quality educator payment;

18 (iii) the total at-risk student payment;

19 (iv) the total Indian education for all payment; and

20 (v) the total American Indian achievement gap payment;

21 ~~———— (vi) the total data-for-achievement payment; and~~

22 ~~———— (vii) the total natural resource development K-12 funding payment;~~

23 (c) in November of the school fiscal year, one-half of the guaranteed tax base aid payment to each
24 district or county that has submitted a final budget to the superintendent of public instruction in accordance with
25 the provisions of 20-9-134;

26 (d) in May of the school fiscal year, the remainder of the guaranteed tax base aid payment to each district
27 or county; and

28 (e) in June of the school fiscal year, the remaining payment to each district of direct state aid, the total
29 quality educator payment, the total at-risk student payment, the total Indian education for all payment, and the
30 total American Indian achievement gap payment, ~~the total data-for-achievement payment, and the total natural~~

1 ~~resource development K-12 funding payment.~~

2 (6) The distribution provided for in subsection (5) must occur by the last working day of each month."

3

4 **Section 12.** Section 20-9-366, MCA, is amended to read:

5 **"20-9-366. Definitions.** As used in 20-9-366 through 20-9-371, the following definitions apply:

6 (1) "County retirement mill value per elementary ANB" or "county retirement mill value per high school
7 ANB" means the sum of the taxable valuation in the previous year of all property in the county divided by 1,000,
8 with the quotient divided by the total county elementary ANB count or the total county high school ANB count
9 used to calculate the elementary school districts' and high school districts' prior year total per-ANB entitlement
10 amounts.

11 (2) (a) "District guaranteed tax base ratio" for guaranteed tax base funding for the BASE budget of an
12 eligible district means the taxable valuation in the previous year of all property in the district, except for property
13 value disregarded because of protested taxes under 15-1-409(2) or property subject to the creation of a new
14 school district under 20-6-326, divided by the district's prior year GTBA budget area.

15 (b) "District mill value per ANB", for school facility entitlement purposes, means the taxable valuation in
16 the previous year of all property in the district, except for property subject to the creation of a new school district
17 under 20-6-326, divided by 1,000, with the quotient divided by the ANB count of the district used to calculate the
18 district's prior year total per-ANB entitlement amount.

19 (3) "Facility guaranteed mill value per ANB", for school facility entitlement guaranteed tax base purposes,
20 means the sum of the taxable valuation in the previous year of all property in the state, multiplied by 140% and
21 divided by 1,000, with the quotient divided by the total state elementary ANB count or the total state high school
22 ANB count used to calculate the elementary school districts' and high school districts' prior year total per-ANB
23 entitlement amounts.

24 (4) "Guaranteed tax base aid budget area" or "GTBA budget area" means the portion of a district's BASE
25 budget after the following payments are subtracted:

26 (a) direct state aid;

27 ~~(b) the total data for achievement payment;~~

28 ~~(c)~~(b) the total quality educator payment;

29 ~~(d)~~(c) the total at-risk student payment;

30 ~~(e)~~(d) the total Indian education for all payment;

1 ~~(f)~~(e) the total American Indian achievement gap payment; and

2 ~~(g)~~(f) the state special education allowable cost payment.

3 (5) (a) "Statewide elementary guaranteed tax base ratio" or "statewide high school guaranteed tax base
4 ratio", for guaranteed tax base funding for the BASE budget of an eligible district, means the sum of the taxable
5 valuation in the previous year of all property in the state, multiplied by 193% and divided by the prior year
6 statewide GTBA budget area for the state elementary school districts or the state high school districts.

7 (b) "Statewide mill value per elementary ANB" or "statewide mill value per high school ANB", for school
8 retirement guaranteed tax base purposes, means the sum of the taxable valuation in the previous year of all
9 property in the state, multiplied by 121% and divided by 1,000, with the quotient divided by the total state
10 elementary ANB count or the total state high school ANB amount used to calculate the elementary school
11 districts' and high school districts' prior year total per-ANB entitlement amounts."

12

13 **Section 13.** Section 20-9-517, MCA, is amended to read:

14 **"20-9-517. (Temporary) State school oil and natural gas impact account.** (1) There is a state school
15 oil and natural gas impact account in the state special revenue fund provided for in 17-2-102. The purpose of the
16 account is to provide money to schools that are not receiving oil and natural gas production taxes under
17 15-36-331 in an amount sufficient to address oil and natural gas development impacts. The funds in this account
18 are statutorily appropriated as provided in 17-7-502.

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

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

23 (b) an unusual enrollment decrease;

24 (c) higher rates of student mobility;

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

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

28 (f) major maintenance for a school or district.

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

- 1 (a) the local district's or school's need;
- 2 (b) the severity of the energy development impacts;
- 3 (c) availability of funds in the account; and
- 4 (d) the applicant district's ability to meet the needs identified in subsection (2).
- 5 (4) The superintendent of public instruction shall adopt rules necessary to implement the application and
- 6 distribution process.

7 (5) The amount in the account may not exceed \$7.5 million. Any amount over \$7.5 million must be

8 deposited in the guarantee account and distributed in the same manner as provided in 20-9-622(2). (Terminates

9 June 30, 2019 ~~2017~~--sec. 7, Ch. 433, L. 2015.)

10 **20-9-517. (Effective July 1, 2019 2017) State school oil and natural gas impact account.** (1) There

11 is a state school oil and natural gas impact account in the state special revenue fund provided for in 17-2-102.

12 The purpose of the account is to provide money to schools that are not receiving oil and natural gas production

13 taxes under 15-36-331 in an amount sufficient to address oil and natural gas development impacts.

14 ~~————(2) There must be deposited in the account oil and natural gas production taxes, if any, pursuant to~~

15 ~~20-9-310(4).~~

16 ~~(3)(2)~~ A school district may apply to the superintendent of public instruction for funds from the account

17 for circumstances that are directly related to impacts resulting from the development or cessation of development

18 of oil and natural gas as follows:

- 19 (a) an unusual enrollment increase as determined pursuant to 20-9-161 and 20-9-314;
- 20 (b) an unusual enrollment decrease;
- 21 (c) higher rates of student mobility;
- 22 (d) a district's need to hire new teachers or staff as a result of increased enrollment;
- 23 (e) the opening or reopening of an elementary or high school approved by the superintendent of public
- 24 instruction pursuant to 20-6-502 or 20-6-503; or
- 25 (f) major maintenance for a school or district.

26 ~~(4)(3)~~ In reviewing an applicant's request for funding, the superintendent of public instruction shall

27 consider the following:

- 28 (a) the local district's or school's need;
- 29 (b) the severity of the energy development impacts;
- 30 (c) availability of funds in the account; and

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

2 ~~(5)~~(4) The superintendent of public instruction shall adopt rules necessary to implement the application
3 and distribution process.

4 ~~(6)~~(5) The amount in the account may not exceed \$7.5 million. Any amount over \$7.5 million must be
5 deposited in the guarantee account and distributed in the same manner as provided in ~~20-9-622(2)~~ 20-9-622."

6

7 **Section 14.** Section 20-9-518, MCA, is amended to read:

8 **"20-9-518. (Temporary) County school oil and natural gas impact fund.** (1) The governing body of
9 a county that has previously received an allocation under 20-9-310 shall maintain a county school oil and natural
10 gas impact fund.

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

13 (a) the amount of oil and natural gas production taxes received by a school district for the fiscal year is
14 50% or less of the amount of the average received by the district in the previous 4 fiscal years; or

15 (b) the average price for a barrel of west Texas intermediate crude oil during a calendar quarter is less
16 than \$65. The average price for each barrel must be computed by dividing the sum of the daily price for a barrel
17 of west Texas intermediate crude oil for the calendar quarter by the number of days on which the price was
18 reported in the quarter.

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

22 (b) If it is determined under subsection (3)(a) that the criteria in subsection (2)(a) or (2)(b) have been
23 met, the superintendent of public instruction or the department of revenue shall notify the county treasurer.

24 (4) Upon notification under subsection (3)(b), the county treasurer shall allocate 80% of the money
25 proportionally to affected high school districts and elementary school districts in the county, which must be
26 calculated by dividing the total funds available for distribution by the total number of quality educators, as defined
27 in 20-4-502, employed by the qualifying school districts in the county in the immediately preceding school fiscal
28 year. The number of quality educators used for the calculation under this subsection in a district with territory in
29 more than one county must be prorated based on the average number belonging of the district residing in school
30 district territory located in each respective county. A school district receiving this money may deposit the funds

1 in any budgeted fund of the district at the discretion of the trustees.

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

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

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

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

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

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

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

16 (7) Money in the fund must be invested as provided by law. Interest and income from the investment of
17 money in the fund must be credited to the fund. (Terminates June 30, 2019 2017--sec. 7, Ch. 433, L. 2015.)

18 **20-9-518. (Effective July 1, 2019 2017) County school oil and natural gas impact fund.** (4) The
19 governing body of a county receiving an allocation under ~~20-9-310(4)(b)~~ 20-9-310 shall establish a county school
20 oil and natural gas impact fund.

21 ~~(2) Money received by a county pursuant to 20-9-310(4)(b) must remain in the fund and may not be~~
22 ~~appropriated by the governing body until:~~

23 ~~—— (a) the amount of oil and natural gas production taxes received by a school district for the fiscal year is~~
24 ~~50% or less of the amount of the average received by the district in the previous 4 fiscal years; or~~

25 ~~—— (b) the average price for a barrel of west Texas intermediate crude oil during a calendar quarter is less~~
26 ~~than \$65. The average price for each barrel must be computed by dividing the sum of the daily price for a barrel~~
27 ~~of west Texas intermediate crude oil for the calendar quarter by the number of days on which the price was~~
28 ~~reported in the quarter.~~

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

1 criteria in subsection (2)(b) have been met.

2 ~~—— (b) If it is determined under subsection (3)(a) that the criteria in subsection (2)(a) or (2)(b) have been~~
3 ~~met, the superintendent of public instruction or the department of revenue shall notify the county treasurer.~~

4 ~~—— (4) Upon notification under subsection (3)(b), the county treasurer shall allocate 80% of the money~~
5 ~~proportionally to affected high school districts and elementary school districts in the county, which must be~~
6 ~~calculated by dividing the total funds available for distribution by the total number of quality educators, as defined~~
7 ~~in 20-4-502, employed by the qualifying school districts in the county in the immediately preceding school fiscal~~
8 ~~year. The number of quality educators used for the calculation under this subsection in a district with territory in~~
9 ~~more than one county must be prorated based on the average number belonging of the district residing in school~~
10 ~~district territory located in each respective county. A school district receiving this money may deposit the funds~~
11 ~~in any budgeted fund of the district at the discretion of the trustees.~~

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

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

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

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

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

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

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

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

28

29 **Section 15.** Section 20-9-520, MCA, is amended to read:

30 **"20-9-520. State school oil and natural gas distribution account.** (†) There is a state school oil and

1 natural gas distribution account in the state special revenue fund provided for in 17-2-102. The purpose of the
 2 account is for distribution of the oil and natural gas production revenue exceeding the limitation in 20-9-310(1)
 3 in accordance with 20-9-310(4). The funds deposited in this account for distribution to school districts and
 4 counties under 20-9-310(4) are statutorily appropriated as provided in 17-7-502.

5 ~~———— (2) The department of revenue shall deposit in the account oil and natural gas production taxes that~~
 6 ~~exceed the limitations in 20-9-310.~~

7 ~~———— (3) The superintendent of public instruction shall distribute the money from the account in accordance~~
 8 ~~with 20-9-310(4)."~~

9

10 **Section 16.** Section 20-9-622, MCA, is amended to read:

11 **"20-9-622. Guarantee account.** (1) There is a guarantee account in the state special revenue fund. The
 12 guarantee account is intended to:

13 (a)(1) stabilize the long-term growth of the permanent fund; and

14 (b)(2) maintain a constant and increasing distributable revenue stream. All realized capital gains and all
 15 distributable revenue must be deposited in the guarantee account. The guarantee account is statutorily
 16 appropriated, as provided in 17-7-502, for distribution to school districts through school equalization aid as
 17 provided in 20-9-343.

18 ~~———— (2) Any excess interest and income revenue deposited in the guarantee account for distribution under~~
 19 ~~this section must be allocated as follows:~~

20 ~~———— (a) 50% of the excess interest and income revenue must be reserved for an appropriation in the next~~
 21 ~~regular session of the legislature as part of the natural resource development K-12 funding payment referred to~~
 22 ~~in 20-9-306; and~~

23 ~~———— (b) 50% of the excess interest and income revenue must be distributed to schools on a~~
 24 ~~per-quality educator basis, with the amount to be distributed to each district calculated by dividing the total funds~~
 25 ~~available for distribution under this subsection (2)(b) by the total number of quality educators, as defined in~~
 26 ~~20-4-502, employed by each school district in the state in the immediately preceding school fiscal year. A school~~
 27 ~~district receiving funds under this section shall deposit the funds in its miscellaneous programs fund provided for~~
 28 ~~in 20-9-507 and shall use the funds in the following order:~~

29 ~~———— (i) to address any repairs categorized as "safety", "damage/wear out", or "codes and standards" in the~~
 30 ~~facilities condition inventory for buildings of the school district as referenced in the K-12 public schools facility~~

1 ~~condition and needs assessment prepared by the Montana department of administration pursuant to section 1,~~
 2 ~~Chapter 1, Special Laws of December 2005; and~~
 3 ~~—— (ii) if repairs under subsection (2)(b)(i) have been completed, to any other purpose authorized by~~
 4 ~~20-9-543."~~

5
 6 **Section 17.** Section 20-15-310, MCA, is amended to read:
 7 **"20-15-310. Appropriation -- definitions.** (1) It is the intent of the legislature that all community college
 8 spending, other than from restricted funds, designated funds, or funds generated by an optional, voted levy, be
 9 governed by the provisions of this part and the state general appropriations act.

10 (2) (a) The state general fund appropriation for each community college must be determined as follows:
 11 (i) multiply the variable cost of education per student by the full-time equivalent student count and add
 12 the budget amount for the fixed cost of education; and
 13 (ii) multiply the total in subsection (2)(a)(i) by the state share.
 14 (b) The variable cost of education per student, the budget amount for fixed costs, and the state share
 15 for each community college must be determined by the legislature. The state share for each community college,
 16 expressed as a percentage, and the variable cost of education per student must be specified in the appropriations
 17 act appropriating funds to the community colleges for each biennium.

18 (3) THE STATE GENERAL FUND APPROPRIATION FOR EACH FULL-TIME EQUIVALENT RESIDENT STUDENT AT A
 19 COMMUNITY COLLEGE MAY NOT EXCEED THE LESSER OF \$2,500 PLUS:

20 (A) THE WEIGHTED AVERAGE OF STATE SUPPORT PER RESIDENT FULL-TIME EQUIVALENT STUDENT WITHIN THE
 21 MONTANA UNIVERSITY SYSTEM; OR

22 (B) THE WEIGHTED AVERAGE OF STATE SUPPORT PER RESIDENT FULL-TIME EQUIVALENT STUDENT WITHIN THE
 23 COMMUNITY COLLEGE SYSTEM.

24 (4) IF ENROLLMENT FOR A COMMUNITY COLLEGE IS LESS THAN 200 FULL-TIME EQUIVALENT RESIDENT STUDENTS
 25 FOR 24 CONSECUTIVE ACADEMIC MONTHS, THE MAXIMUM STATE GENERAL FUND APPROPRIATION FOR THAT COMMUNITY
 26 COLLEGE MAY NOT EXCEED THE LESSER OF:

27 (A) THE WEIGHTED AVERAGE OF STATE SUPPORT PER RESIDENT FULL-TIME EQUIVALENT STUDENT WITHIN THE
 28 MONTANA UNIVERSITY SYSTEM; OR

29 (B) THE WEIGHTED AVERAGE OF STATE SUPPORT PER RESIDENT FULL-TIME EQUIVALENT STUDENT WITHIN THE
 30 COMMUNITY COLLEGE SYSTEM.

1 (5) AT ANY TIME ENROLLMENT AT A COMMUNITY COLLEGE FALLS BELOW 200 FULL-TIME EQUIVALENT RESIDENT
 2 STUDENTS, THE COMMUNITY COLLEGE SHALL SUBMIT A BUSINESS PLAN TO THE BOARD OF REGENTS FOR REVIEW,
 3 APPROVAL, AND MONITORING. THE BUSINESS PLAN MUST INCLUDE IDENTIFYING WHAT MEASURES THE COMMUNITY
 4 COLLEGE WILL TAKE TO INCREASE ENROLLMENT. THE PLAN MUST BE SUBMITTED TO THE BOARD OF REGENTS WITHIN 1
 5 MONTH AFTER ENROLLMENT FALLS BELOW 200 FULL-TIME EQUIVALENT RESIDENT STUDENTS.

6 ~~(3)(6)~~ The student count may not include those enrolled in community service courses as defined by the
 7 board of regents.

8 ~~(4)(7)~~ As used in this section, the following definitions apply:

9 (a) "Adjusted cost of education" means the cost of education minus any reversion calculated under
 10 17-7-142, expenditures from one-time-only legislative appropriations, and expenditures funded by local mill levies
 11 provided for in 2-9-212 and 20-9-501 in excess of the 2012 mill levy levels.

12 (b) "Cost of education" means the actual costs incurred by the community colleges during the budget
 13 base fiscal year, as reported on the current unrestricted operating fund schedule that is statutorily required to be
 14 submitted to the board of regents.

15 (c) "Fixed cost of education" means that portion of the adjusted cost of education, as determined by the
 16 legislature, that is not influenced by increases or decreases in student enrollment.

17 (d) "Variable cost of education per student" means that portion of the adjusted cost of education, as
 18 determined by the legislature, that is subject to change as a result of increases or decreases in student
 19 enrollment, divided by the actual student enrollment during the budget base fiscal year."

20

21 NEW SECTION. Section 18. Fund transfers. (1) By August 1, 2017, the state treasurer shall transfer
 22 \$1,288,833 from the incentive for physicians practicing in rural areas or medically underserved areas or for
 23 underserved populations state special revenue account established in 20-26-1501 to a state special revenue
 24 account administered by the office of the commissioner of higher education for use in the western interstate
 25 commission for higher education to make agreements for placement of students as allowed under 20-25-803 and
 26 related programs.

27 (2) By August 1 in each fiscal year of the biennium, the state treasurer shall transfer \$100,000 from the
 28 fire suppression account established in 76-13-150 to the office of the commissioner of higher education for
 29 training firefighters pursuant to 20-31-402.

30

1 **Section 19.** Section 7, Chapter 433, Laws of 2015, is amended to read:

2 **"Section 7. Termination.** [Sections 2, 3, and 4] terminate June 30, ~~2019~~ 2017."

3

4 NEW SECTION. **Section 20. Repealer.** The following section of the Montana Code Annotated is
5 repealed:

6 20-9-325. Data-for-achievement payment.

7

8 NEW SECTION. **Section 21. Notification to tribal governments.** The secretary of state shall send
9 a copy of [this act] to each tribal government located on the seven Montana reservations and to the Little Shell
10 Chippewa tribe.

11

12 NEW SECTION. **Section 22. Effective dates.** (1) Except as provided in subsection (2), [this act] is
13 effective July 1, 2017.

14 (2) [Section 19] and this section are effective on passage and approval.

15

16 NEW SECTION. **Section 23. Applicability.** [This act] applies to school budgets for school years
17 beginning on or after July 1, 2017.

18

- END -