

HOUSE BILL NO. 134

INTRODUCED BY J. ESSMANN

BY REQUEST OF THE SCHOOL FUNDING INTERIM COMMISSION

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING FUNDING RELATED TO STATE SUPPORT FOR SCHOOL FACILITIES; RENAMING THE SCHOOL FACILITY AND TECHNOLOGY ACCOUNT, CREATING A SCHOOL FACILITY MAJOR MAINTENANCE GRANT PROGRAM STATE SPECIAL REVENUE ACCOUNT, AND PROVIDING REVENUE FOR BOTH ACCOUNTS; ELIMINATING THE NATURAL RESOURCE DEVELOPMENT K-12 PAYMENT; REDIRECTING LOTTERY PROCEEDS; REQUIRING THAT ANY WORKERS' COMPENSATION DIVIDENDS REFUNDED TO A STATE AGENCY BE TRANSFERRED TO THE SCHOOL FACILITY MAJOR MAINTENANCE GRANT PROGRAM ACCOUNT; UTILIZING THE 95 MILLS LEVIED ON THE INCREMENTAL TAXABLE VALUE WITHIN AN URBAN RENEWAL AREA OR TARGETED ECONOMIC DEVELOPMENT DISTRICT FOR SCHOOL FACILITY MAJOR MAINTENANCE GRANTS; REVISING THE SOURCE OF THE STATUTORY APPROPRIATION FOR THE STATE TECHNOLOGY PAYMENT TO SCHOOLS; REVISING AND RENAMING THE QUALITY SCHOOLS FACILITY GRANT PROGRAM; ELIMINATING THE STEM SCHOLARSHIP PROGRAM; AMENDING SECTIONS 7-15-4286, 17-3-1003, 17-7-502, 20-9-104, 20-9-141, 20-9-306, 20-9-342, 20-9-343, 20-9-344, 20-9-367, 20-9-516, 20-9-534, 20-9-620, 20-9-622, 20-26-606, 23-7-202, 23-7-402, 39-71-403, 90-6-801, 90-6-802, 90-6-803, 90-6-809, 90-6-810, AND 90-6-811, MCA; REPEALING SECTIONS 20-26-614, 20-26-615, 20-26-616, AND 20-26-617, MCA; AND PROVIDING AN EFFECTIVE DATE."

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

**Section 1.** Section 7-15-4286, MCA, is amended to read:

**"7-15-4286. Procedure to determine and disburse tax increment.** (1) Mill rates of taxing bodies for taxes levied after the effective date of the tax increment provision must be calculated on the basis of the sum of the taxable value, as shown by the last equalized assessment roll, of all taxable property located outside the urban renewal area or targeted economic development district and the base taxable value of all taxable property located within the area or district. The mill rate determined must be levied against the sum of the actual taxable value of all taxable property located within as well as outside the area or district.

1           (2) (a) ~~The~~ Except as provided in subsection (2)(b), the tax increment, if any, received in each year from  
 2 the levy of the combined mill rates of all the affected taxing bodies against the incremental taxable value within  
 3 the area or district, except for the university system mills levied pursuant to 15-10-108 and 20-25-439 and the  
 4 public school equalization mills levied ~~and assessed against property~~ pursuant to 20-9-331, 20-9-333, and  
 5 20-9-360, must be paid into a special fund held by the treasurer of the local government and used as provided  
 6 in 7-15-4282 through 7-15-4294.

7           (b) If the tax increment is pledged to the payment of the principal of premiums and interest on the bonds  
 8 referred to in 7-15-4289 before August 29, 2016, and the tax increment derived from the public school  
 9 equalization mills or a portion of the mills is required to make those payments, the public school equalization mills  
 10 or a portion of the mills must be included in the combined mill rate used to calculate the tax increment and paid  
 11 into the fund provided for in subsection (2)(a) until the time when the tax increment derived from the public school  
 12 equalization mills is not required to make the payment of the principal of premiums and interest on the bonds.

13           ~~(b)(c)~~ (c) The balance of the taxes collected in each year must be paid to each of the taxing bodies as  
 14 otherwise provided by law."  
 15

16           **Section 2.** Section 17-3-1003, MCA, is amended to read:

17           **"17-3-1003. Support of state institutions.** (1) Except as provided in subsection (5), for the support and  
 18 endowment of each state institution, there is annually and perpetually appropriated, after any deductions made  
 19 under 77-1-109, the income from all permanent endowments for the institution and from all land grants as  
 20 provided by law. All money received or collected in connection with permanent endowments by all higher  
 21 educational institutions, reformatory, custodial and penal institutions, state hospitals, and sanitariums, for any  
 22 purpose, except revenue pledged to secure the payment of principal and interest of obligations incurred for the  
 23 purchase, construction, equipment, or improvement of facilities at units of the Montana university system and for  
 24 the refunding of obligations or money that constitutes temporary deposits, all or part of which may be subject to  
 25 withdrawal or repayment, must be paid to the state treasurer, who shall deposit the money to the credit of the  
 26 proper fund.

27           (2) Except as provided in subsections (1), (3), and (5), all money received from the investment of grants  
 28 of a state institution and all money received from the leasing of lands granted to a state institution must be  
 29 deposited with the state treasurer of Montana for each institution, to the credit of the state special revenue fund.

30           (3) Except as provided in 77-1-109 and subsection (4) of this section, all money received from the sale

1 of timber from lands granted to a state institution must be deposited to the credit of the permanent trust fund for  
2 the support of the institution.

3 (4) The board of regents shall designate, at least once a biennium, whether the timber sale proceeds  
4 from Montana university system lands must be distributed to the beneficiaries or placed in the permanent fund.

5 (5) Except as provided in 77-1-109, income received from certain lands and riverbeds pursuant to  
6 77-1-103(4) or 77-4-208 must be deposited ~~as follows:~~

7 ~~— (a) from July 1, 2011, through June 30, 2014, to in the guarantee account provided for in 20-9-622; and~~

8 ~~— (b) on or after July 1, 2014, to the school facility and technology account provided for in 20-9-516."~~

9

10 **Section 3.** Section 17-7-502, MCA, is amended to read:

11 **"17-7-502. Statutory appropriations -- definition -- requisites for validity.** (1) A statutory  
12 appropriation is an appropriation made by permanent law that authorizes spending by a state agency without the  
13 need for a biennial legislative appropriation or budget amendment.

14 (2) Except as provided in subsection (4), to be effective, a statutory appropriation must comply with both  
15 of the following provisions:

16 (a) The law containing the statutory authority must be listed in subsection (3).

17 (b) The law or portion of the law making a statutory appropriation must specifically state that a statutory  
18 appropriation is made as provided in this section.

19 (3) The following laws are the only laws containing statutory appropriations: 2-17-105; 5-11-120;  
20 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;  
21 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;  
22 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;  
23 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;  
24 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; ~~20-26-647;~~  
25 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;  
26 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;  
27 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;  
28 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;  
29 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;  
30 90-1-205; 90-1-504; 90-3-1003; 90-6-331; and 90-9-306.

1 (4) There is a statutory appropriation to pay the principal, interest, premiums, and costs of issuing,  
2 paying, and securing all bonds, notes, or other obligations, as due, that have been authorized and issued  
3 pursuant to the laws of Montana. Agencies that have entered into agreements authorized by the laws of Montana  
4 to pay the state treasurer, for deposit in accordance with 17-2-101 through 17-2-107, as determined by the state  
5 treasurer, an amount sufficient to pay the principal and interest as due on the bonds or notes have statutory  
6 appropriation authority for the payments. (In subsection (3): pursuant to sec. 10, Ch. 360, L. 1999, the inclusion  
7 of 19-20-604 terminates contingently when the amortization period for the teachers' retirement system's unfunded  
8 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  
9 sec. 2, Ch. 459, L. 2009, the inclusion of 15-35-108 terminates June 30, 2019; pursuant to sec. 73, Ch. 44, L.  
10 2007, the inclusion of 19-6-410 terminates contingently upon the death of the last recipient eligible under  
11 19-6-709(2) for the supplemental benefit provided by 19-6-709; pursuant to sec. 5, Ch. 442, L. 2009, the inclusion  
12 of 90-6-331 terminates June 30, 2019; pursuant to sec. 16, Ch. 58, L. 2011, the inclusion of 30-10-1004  
13 terminates June 30, 2017; pursuant to sec. 6, Ch. 61, L. 2011, the inclusion of 76-13-416 terminates June 30,  
14 2019; pursuant to sec. 13, Ch. 339, L. 2011, the inclusion of 81-1-112 and 81-7-106 terminates June 30, 2017;  
15 pursuant to sec. 11(2), Ch. 17, L. 2013, the inclusion of 17-3-112 terminates on occurrence of contingency;  
16 pursuant to sec. 5, Ch. 244, L. 2013, the inclusion of 22-1-327 terminates July 1, 2017; pursuant to sec. 27, Ch.  
17 285, L. 2015, and sec. 1, Ch. 292, L. 2015, the inclusion of 53-9-113 terminates June 30, 2021; pursuant to sec.  
18 6, Ch. 291, L. 2015, the inclusion of 50-1-115 terminates June 30, 2021; pursuant to sec. 28, Ch. 368, L. 2015,  
19 the inclusion of 53-6-1304 terminates June 30, 2019; pursuant to sec. 5, Ch. 383, L. 2015, the inclusion of  
20 85-25-102 is effective on occurrence of contingency; pursuant to sec. 5, Ch. 422, L. 2015, the inclusion of  
21 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  
22 terminates June 30, 2025; pursuant to sec. 10, Ch. 427, L. 2015, the inclusion of 37-50-209 terminates  
23 September 30, 2019; and pursuant to sec. 33, Ch. 457, L. 2015, the inclusion of 20-9-905 terminates December  
24 31, 2023.)"

25

26 **Section 4.** Section 20-9-104, MCA, is amended to read:

27 **"20-9-104. (Temporary) General fund operating reserve.** (1) At the end of each school fiscal year, the  
28 trustees of each district shall designate the portion of the general fund end-of-the-year fund balance that is to be  
29 earmarked as operating reserve for the purpose of paying general fund warrants issued by the district from July  
30 1 to November 30 of the ensuing school fiscal year. Except as provided in subsections (6) and (7), the amount

1 of the general fund balance that is earmarked as operating reserve may not exceed 10% of the final general fund  
2 budget for the ensuing school fiscal year.

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

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

7 (4) Except as provided in subsection (9), any portion of the general fund end-of-the-year fund balance,  
8 including any portion attributable to a tax increment remitted under 7-15-4291, that is not reserved under  
9 subsection (2) or reappropriated under subsection (3) is fund balance reappropriated and must be used for  
10 property tax reduction as provided in 20-9-141(1)(b) up to an amount not exceeding 15% of a school district's  
11 maximum general fund budget.

12 (5) Except as provided in subsection (9), any unreserved fund balance in excess of 15% of a school  
13 district's maximum general fund budget must be remitted to the state and ~~allocated as follows:~~

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

16 ~~—— (b) 30% of the excess amount must be remitted to the school facility and technology account.~~

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

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

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

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

23 (7) The limitation of subsection (1) does not apply when the amount earmarked as operating reserve is  
24 \$10,000 or less.

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

27 (9) Any portion of a tax increment remitted under 7-15-4291 and deposited in the district's general fund  
28 is not subject to the:

29 (a) 15% fund balance limit provided for in subsection (4); or

30 (b) provisions of subsection (5). (Terminates June 30, 2020--sec. 38, Ch. 400, L. 2013.)

1           **20-9-104. (Effective July 1, 2020) General fund operating reserve.** (1) At the end of each school fiscal  
 2 year, the trustees of each district shall designate the portion of the general fund end-of-the-year fund balance that  
 3 is to be earmarked as operating reserve for the purpose of paying general fund warrants issued by the district  
 4 from July 1 to November 30 of the ensuing school fiscal year. Except as provided in subsections (6) and (7), the  
 5 amount of the general fund balance that is earmarked as operating reserve may not exceed 10% of the final  
 6 general fund budget for the ensuing school fiscal year.

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

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

11           (4) Any portion of the general fund end-of-the-year fund balance that is not reserved under subsection  
 12 (2) or reappropriated under subsection (3), including any portion attributable to a tax increment remitted under  
 13 7-15-4291, is fund balance reappropriated and must be used for property tax reduction as provided in  
 14 20-9-141(1)(b).

15           (5) Except as provided in subsection (9), any unreserved fund balance in excess of 15% of a school  
 16 district's maximum general fund budget must be remitted to the state and ~~allocated as follows:~~

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

19 ~~—— (b) 30% of the excess amount must be remitted to the school facility and technology account.~~

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

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

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

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

26           (7) The limitation of subsection (1) does not apply when the amount earmarked as operating reserve is  
 27 \$10,000 or less.

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

30           (9) Any portion of a tax increment remitted under 7-15-4291 and deposited in the district's general fund

1 is not subject to the provisions of subsection (5)."

2

3 **Section 5.** Section 20-9-141, MCA, is amended to read:

4 **"20-9-141. Computation of general fund net levy requirement by county superintendent.** (1) The  
5 county superintendent shall compute the levy requirement for each district's general fund on the basis of the  
6 following procedure:

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

10 (i) the district's nonisolated school BASE budget requirement to be met by a district levy as provided in  
11 20-9-303; and

12 (ii) any general fund budget amount adopted by the trustees of the district under the provisions of  
13 20-9-308 and 20-9-353.

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

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

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

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

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

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

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

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

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

28 (c) Notwithstanding the provisions of subsection (2), subtract the money available to reduce the property  
29 tax required to finance the general fund that has been determined in subsection (1)(b) from any general fund  
30 budget amount adopted by the trustees of the district, up to the BASE budget amount, to determine the general

1 fund BASE budget levy requirement.

2 (d) Determine the sum of:

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

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

6 (iii) any tuition payments for out-of-district pupils to be received under the provisions of 20-5-320 through  
7 20-5-324, except the amount of tuition received for a pupil who is a child with a disability in excess of the amount  
8 received for a pupil without disabilities, as calculated under 20-5-323(2).

9 (e) Subtract the amount determined in subsection (1)(d) from any additional funding requirement to be  
10 met by an over-BASE budget amount, a district levy as provided in 20-9-303, and any additional financing as  
11 provided in 20-9-353 to determine any additional general fund levy requirements.

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

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

17 (b) the current total taxable valuation of the district, as certified by the department of revenue under  
18 15-10-202, divided by 1,000.

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

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

26

27 **Section 6.** Section 20-9-306, MCA, is amended to read:

28 **"20-9-306. Definitions.** As used in this title, unless the context clearly indicates otherwise, the following  
29 definitions apply:

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



- 1 (2) "BASE aid" means:
- 2 (a) direct state aid for 44.7% of the basic entitlement and 44.7% of the total per-ANB entitlement for the
- 3 general fund budget of a district;
- 4 ~~(b) the natural resource development K-12 funding payment for a variable percentage of the basic and~~
- 5 ~~per-ANB entitlements above the direct state aid for the general fund budget of a district, as referenced in~~
- 6 ~~subsection (10);~~
- 7 ~~(e)(b)~~ guaranteed tax base aid for an eligible district for any amount up to 35.3% of the basic entitlement,
- 8 up to 35.3% of the total per-ANB entitlement budgeted in the general fund budget of a district, and 40% of the
- 9 special education allowable cost payment;
- 10 ~~(d)(c)~~ the total quality educator payment;
- 11 ~~(e)(d)~~ the total at-risk student payment;
- 12 ~~(f)(e)~~ the total Indian education for all payment;
- 13 ~~(g)(f)~~ the total American Indian achievement gap payment; and
- 14 ~~(h)(g)~~ the total data-for-achievement payment.
- 15 (3) "BASE budget" means the minimum general fund budget of a district, which includes 80% of the basic
- 16 entitlement, 80% of the total per-ANB entitlement, 100% of the total quality educator payment, 100% of the total
- 17 at-risk student payment, 100% of the total Indian education for all payment, 100% of the total American Indian
- 18 achievement gap payment, 100% of the total data-for-achievement payment, and 140% of the special education
- 19 allowable cost payment.
- 20 (4) "BASE budget levy" means the district levy in support of the BASE budget of a district, which may
- 21 be supplemented by guaranteed tax base aid if the district is eligible under the provisions of 20-9-366 through
- 22 20-9-369.
- 23 (5) "BASE funding program" means the state program for the equitable distribution of the state's share
- 24 of the cost of Montana's basic system of public elementary schools and high schools, through county equalization
- 25 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
- 26 BASE budgets of districts and special education allowable cost payments as provided in 20-9-321.
- 27 (6) "Basic entitlement" means:
- 28 (a) for each high school district:
- 29 (i) \$300,000 for fiscal year 2016 and \$305,370 for each succeeding fiscal year for school districts with
- 30 an ANB of 800 or fewer; and

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

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

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

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

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

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

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

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

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

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

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

26 (7) "Budget unit" means the unit for which the ANB of a district is calculated separately pursuant to  
27 20-9-311.

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

30 (9) "Maximum general fund budget" means a district's general fund budget amount calculated from the

1 basic entitlement for the district, the total per-ANB entitlement for the district, the total quality educator payment,  
 2 the total at-risk student payment, the total Indian education for all payment, the total American Indian achievement  
 3 gap payment, the total data-for-achievement payment, and the greater of the district's special education allowable  
 4 cost payment multiplied by:

5 (a) 175%; or

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

9 ~~(10) "Natural resource development K-12 funding payment" means the payment of a variable percentage~~  
 10 ~~of the basic and per-ANB entitlements above the direct state aid for the general fund budget of a district. The total~~  
 11 ~~payment to school districts may not exceed the greater of 50% of the fiscal year 2012 oil and natural gas~~  
 12 ~~production taxes deposited into the general fund pursuant to 15-36-331(4) or 50% of the oil and natural gas~~  
 13 ~~production taxes deposited into the general fund pursuant to 15-36-331(4) for the fiscal year occurring 2 fiscal~~  
 14 ~~years prior to the school fiscal year in which the payment is provided, plus any excess interest and income~~  
 15 ~~revenue appropriated by the legislature pursuant to 20-9-622(2)(a). The amount of the natural resource~~  
 16 ~~development K-12 funding payment must be, subject to the limitations of this subsection (10), an amount sufficient~~  
 17 ~~to offset any estimated increase in statewide revenue from the general fund BASE budget levy provided for in~~  
 18 ~~20-9-141 that is anticipated to result from increases in the basic or per-ANB entitlements plus any excess interest~~  
 19 ~~and income revenue appropriated by the legislature pursuant to 20-9-622(2)(a). The superintendent of public~~  
 20 ~~instruction shall incorporate a natural resource development K-12 funding payment calculated in compliance with~~  
 21 ~~this subsection (10) in preparing and submitting an agency budget pursuant to 17-7-111 and 17-7-112.~~

22 ~~(11)~~(10) "Over-BASE budget levy" means the district levy in support of any general fund amount  
 23 budgeted that is above the BASE budget and below the maximum general fund budget for a district.

24 ~~(12)~~(11) "Total American Indian achievement gap payment" means the payment resulting from multiplying  
 25 \$205 in fiscal year 2016 and \$209 for each succeeding fiscal year times the number of American Indian students  
 26 enrolled in the district as provided in 20-9-330.

27 ~~(13)~~(12) "Total at-risk student payment" means the payment resulting from the distribution of any funds  
 28 appropriated for the purposes of 20-9-328.

29 (13) "Total data-for-achievement payment" means the payment provided in 20-9-325 resulting from  
 30 multiplying \$20 for fiscal year 2016 and \$20.36 for each succeeding fiscal year by the district's ANB calculated

1 in accordance with 20-9-311.

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

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

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

11 (b) for an elementary school district or a K-12 district elementary program without an approved and  
12 accredited junior high school, 7th and 8th grade program, or middle school, a maximum rate of \$5,348 for fiscal  
13 year 2016 and \$5,444 for each succeeding fiscal year for the first ANB, decreased at the rate of 20 cents per ANB  
14 for each additional ANB of the district up through 1,000 ANB, with each ANB in excess of 1,000 receiving the  
15 same amount of entitlement as the 1,000th ANB; and

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

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

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

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

29 ~~(17)~~(16) "Total quality educator payment" means the payment resulting from multiplying \$3,113 in fiscal  
30 year 2016 and \$3,169 for each succeeding fiscal year by the number of full-time equivalent educators as provided

1 in 20-9-327."

2

3 **Section 7.** Section 20-9-342, MCA, is amended to read:

4 **"20-9-342. Deposit of interest and income money by state board of land commissioners.** (1) Except  
5 as provided in ~~20-9-516~~ [section 12], the state board of land commissioners shall deposit the interest and income  
6 money for each fiscal year into the guarantee account, provided for in 20-9-622, by the last business day of  
7 February and June before the close of the fiscal year in which the money was received. Except as provided in  
8 subsection (2), money in the guarantee account must be used for state equalization aid.

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

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

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

17

18 **Section 8.** Section 20-9-343, MCA, is amended to read:

19 **"20-9-343. Definition of and revenue for state equalization aid.** (1) As used in this title, the term "state  
20 equalization aid" means revenue as required in this section for:

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

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

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

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

29 (a) subject to ~~20-9-516(2)(a)~~ [section 12], interest and income money described in 20-9-341 and  
30 20-9-342; and

1 (b) investment income earned by investing interest and income money described in 20-9-341 and  
2 20-9-342."

3

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

5 **"20-9-344. Duties of board of public education for distribution of BASE aid.** (1) The board of public  
6 education shall administer and distribute the BASE aid and state advances for county equalization in the manner  
7 and with the powers and duties provided by law. The board of public education:

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

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

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

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

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

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

22 (3) Prior to any proposed order by the board of public education to withhold distribution of BASE aid or  
23 county equalization money, the district is entitled to a contested case hearing before the board of public  
24 education, as provided under the Montana Administrative Procedure Act.

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

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

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

- 1 (i) direct state aid;
- 2 (ii) the total quality educator payment;
- 3 (iii) the total at-risk student payment;
- 4 (iv) the total Indian education for all payment;
- 5 (v) the total American Indian achievement gap payment; and
- 6 (vi) the total data-for-achievement payment; ~~and~~
- 7 ~~(vii) the total natural resource development K-12 funding payment;~~
- 8 (b) from December to April of the school fiscal year, to each district 10% of:
- 9 (i) direct state aid;
- 10 (ii) the total quality educator payment;
- 11 (iii) the total at-risk student payment;
- 12 (iv) the total Indian education for all payment;
- 13 (v) the total American Indian achievement gap payment; and
- 14 (vi) the total data-for-achievement payment; ~~and~~
- 15 ~~(vii) the total natural resource development K-12 funding payment;~~
- 16 (c) in November of the school fiscal year, one-half of the guaranteed tax base aid payment to each
- 17 district or county that has submitted a final budget to the superintendent of public instruction in accordance with
- 18 the provisions of 20-9-134;
- 19 (d) in May of the school fiscal year, the remainder of the guaranteed tax base aid payment to each district
- 20 or county; and
- 21 (e) in June of the school fiscal year, the remaining payment to each district of direct state aid, the total
- 22 quality educator payment, the total at-risk student payment, the total Indian education for all payment, the total
- 23 American Indian achievement gap payment, and the total data-for-achievement payment; ~~and the total natural~~
- 24 ~~resource development K-12 funding payment.~~
- 25 (6) The distribution provided for in subsection (5) must occur by the last working day of each month."

26

27 **Section 10.** Section 20-9-367, MCA, is amended to read:

28 **"20-9-367. Eligibility to receive guaranteed tax base aid or state ~~advance or reimbursement debt~~**

29 **service assistance for school facilities.** (1) If the district guaranteed tax base ratio of any elementary or high

30 school district is less than the corresponding statewide elementary or high school guaranteed tax base ratio, the

1 district may receive guaranteed tax base aid based on the number of mills levied in the district in support of up  
 2 to 35.3% of the basic entitlement, up to 35.3% of the total per-ANB entitlement, and up to 40% of the special  
 3 education allowable cost payment budgeted within the general fund budget.

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

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

12

13 **Section 11.** Section 20-9-516, MCA, is amended to read:

14 **"20-9-516. School facility and technology debt service assistance account.** (1) There is a school  
 15 facility and technology debt service assistance account in the state special revenue fund provided for in 17-2-102.

16 The purpose of the account is to provide money to schools for:

17 ~~—— (a) major deferred maintenance;~~

18 ~~—— (b) improving energy efficiency in school facilities;~~

19 ~~—— (c) critical infrastructure in school districts;~~

20 ~~—— (d) emergency facility needs;~~

21 ~~—— (e) technological improvements; and~~

22 ~~—— (f) state reimbursement for school facilities assistance for debt service as provided in 20-9-371.~~

23 (2) ~~There must be deposited in the account:~~

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

27 ~~—— (b) the income received from certain lands and riverbeds as provided in 17-3-1003(5) The account is~~  
 28 ~~funded by lottery net revenue pursuant to 23-7-402."~~

29

30 NEW SECTION. **Section 12. School facility major maintenance grant program account.** (1) There



1 is a school facility major maintenance grant program account in the state special revenue fund provided for in  
 2 17-2-102. The purpose of the account is to provide money to schools through the school facility major  
 3 maintenance grant program pursuant to Title 90, chapter 6, part 8.

4 (2) There must be transferred to the account:

5 (a) any funds remaining in the school debt service assistance account provided for in 20-9-516 after the  
 6 distribution for debt service assistance has been made to districts;

7 (b) from the state general fund an amount equal to any funds remitted to the state from state equalization  
 8 mills levied on the incremental taxable value of an urban renewal area or targeted economic development district,  
 9 as provided for in 7-15-4286(2)(a);

10 (c) any workers' compensation dividends refunded to state agencies pursuant to 39-71-403;

11 (d) an amount of the interest and income money, as defined in 20-9-341, from school trust lands  
 12 sufficient to bring the total annual revenue in the account to \$10 million.

13

14 **Section 13.** Section 20-9-534, MCA, is amended to read:

15 **"20-9-534. Statutory appropriation for school technology purposes.** (1) The amount of \$1 million  
 16 a year is statutorily appropriated, as provided in 17-7-502, from the ~~school facility and technology guarantee~~  
 17 account established in ~~20-9-516~~ 20-9-622 for grants for school technology purposes.

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

22

23 **Section 14.** Section 20-9-620, MCA, is amended to read:

24 **"20-9-620. Definition.** (1) As used in 20-9-621, 20-9-622, and this section, "distributable revenue"  
 25 means, except for that portion of revenue described in ~~20-9-516(2)(a)~~ [section 12(2)(d)] and 77-1-109, 95% of  
 26 all revenue from the management of school trust lands and the permanent fund, including timber sale proceeds,  
 27 lease fees, interest, dividends, and net realized capital gains.

28 (2) The term does not include mineral royalties or land sale proceeds that are deposited directly in the  
 29 permanent fund or net unrealized capital gains that remain in the permanent fund until realized."

30

1           **Section 15.** Section 20-9-622, MCA, is amended to read:

2           **"20-9-622. Guarantee account.** (1) There is a guarantee account in the state special revenue fund. The  
3 guarantee account is intended to:

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

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

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

11           (a) 50% of the excess interest and income revenue must be ~~reserved for an appropriation in the next~~  
12 ~~regular session of the legislature as part of the natural resource development K-12 funding payment referred to~~  
13 ~~in 20-9-306~~ transferred to the school facility major maintenance grant program account provided in [section 12];  
14 and

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

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

26           (ii) if repairs under subsection (2)(b)(i) have been completed, to any other purpose authorized by  
27 20-9-543."  
28

29           **Section 16.** Section 20-26-606, MCA, is amended to read:

30           **"20-26-606. Public and private sources of funding -- restrictions on use -- accounting.** (1) The

1 board may accept donations from public or private sources and shall distribute those funds in accordance with  
2 this part.

3 (2) Except when a donor of private funds designates that scholarship funds must be given to students  
4 attending a private college, scholarship awards are determined solely by the board or an entity designated by the  
5 board pursuant to board policy adopted under 20-26-602 and ~~20-26-614~~.

6 (3) Funds from public sources may not be used to pay for scholarships for students enrolled in Montana  
7 private colleges.

8 (4) Funds from private sources must be deposited into an account in the state special revenue fund  
9 established in 17-2-102 to pay for scholarships for students enrolled in postsecondary institutions or, when  
10 designated by the donor, in Montana private colleges.

11 (5) Each postsecondary institution or Montana private college that receives scholarship payments shall  
12 prepare and submit to the board, in accordance with procedures and policies established by the board, a report  
13 of the postsecondary institution's or Montana private college's administration of the scholarships and a complete  
14 accounting of scholarship funds.

15 (6) Funds from a scholarship may not be used to pay for remedial or college-preparatory course work.

16 (7) Except for funds donated from private sources, the obligation for funding the governor's  
17 postsecondary scholarship program is an obligation of the state. This section may not be construed to require  
18 the board to provide scholarships to an eligible student without an appropriation to the board for the purposes  
19 of the governor's postsecondary scholarship program. Funds from private sources may not be used as an offset  
20 to general fund appropriations."  
21

22 **Section 17.** Section 23-7-202, MCA, is amended to read:

23 **"23-7-202. Powers and duties of commission.** The commission shall:

24 (1) establish and operate a state lottery and may not become involved in any other gambling or gaming;

25 (2) determine policies for the operation of the state lottery, supervise the director and the staff, and meet  
26 with the director at least once every 3 months to make and consider recommendations, set policies, determine  
27 types and forms of lottery games to be operated by the state lottery, and transact other necessary business;

28 (3) maximize the net revenue paid to the ~~state general fund and to the Montana STEM scholarship~~  
29 ~~program special revenue~~ school debt service assistance account under ~~23-7-402~~ 20-9-516 and ensure that all  
30 policies and rules adopted further revenue maximization;

- 1 (4) subject to 23-7-402(1), determine the percentage of the money paid for tickets or chances to be paid  
 2 out as prizes;
- 3 (5) determine the price of each ticket or chance and the number and size of prizes;
- 4 (6) provide for the conduct of drawings of winners of lottery games;
- 5 (7) carry out, with the director, a continuing study of the state lotteries of Montana and other states to  
 6 make the state lottery more efficient, profitable, and secure from violations of the law;
- 7 (8) study and may enter into agreements with:
- 8 (a) other lottery states and countries to offer lottery games; or
- 9 (b) an association for the purpose of participating in multistate lottery games or games offered in other  
 10 states and other countries;
- 11 (9) prepare quarterly and annual reports on all aspects of the operation of the state lottery, including but  
 12 not limited to types of games, gross revenue, prize money paid, operating expenses, net revenue to the state,  
 13 contracts with gaming suppliers, and recommendations for changes to this part, and deliver a copy of each report  
 14 to the governor, the department of administration, the legislative auditor, the president of the senate, the speaker  
 15 of the house of representatives, and each member of the appropriate committee of each house of the legislature  
 16 as determined by the president of the senate and the speaker of the house; and
- 17 (10) adopt rules relating to lottery staff sales incentives or bonuses and sales agents' commissions and  
 18 any other rules necessary to carry out this part."

19

20 **Section 18.** Section 23-7-402, MCA, is amended to read:

21 **"23-7-402. (Temporary) Disposition of revenue.** (1) A minimum of 45% of the money paid for tickets  
 22 or chances must be paid out as prize money. The prize money is statutorily appropriated, as provided in  
 23 17-7-502, to the lottery.

24 (2) Commissions paid to lottery ticket or chance sales agents are not a state lottery operating expense.

25 (3) Lottery contractor fees, which are fees paid to contracted lottery vendors based on sales, must be  
 26 paid from the state lottery enterprise fund. The money to pay lottery contractor fees is statutorily appropriated,  
 27 as provided in 17-7-502, to the lottery.

28 (4) ~~(a) Except as provided in subsection (4)(b), that~~ That part of all gross revenue not used for the  
 29 payment of prizes, commissions, and operating expenses, together with the interest earned on the gross revenue  
 30 while the gross revenue is in the enterprise fund, is net revenue. Net revenue must be transferred quarterly from

1 the enterprise fund established by 23-7-401 to the ~~state general fund~~ school debt service assistance account  
 2 established in 20-9-516. ~~Once the amount of net revenue transferred to the general fund during a fiscal year~~  
 3 ~~equals the amount transferred to the general fund in fiscal year 2015, any additional net revenue must be~~  
 4 ~~transferred to the Montana STEM scholarship program special revenue account established in 20-26-617.~~

5 (b) For fiscal year 2016, prior to any net revenue being transferred to the general fund from the enterprise  
 6 fund, \$400,000 of net revenue must be transferred from the enterprise fund to the Montana STEM scholarship  
 7 special revenue account established in 20-26-617 for the purpose of distributing STEM scholarships pursuant  
 8 to 20-26-614 through 20-26-617 during the 2015-2016 school year.

9 (5) The spending authority of the lottery may be increased in accordance with this section upon review  
 10 and approval of a revised operation plan by the office of budget and program planning. (Terminates June 30,  
 11 2019--sec. 3, Ch. 2, L. 2013.)

12 **23-7-402. (Effective July 1, 2019) Disposition of revenue.** (1) A minimum of 45% of the money paid  
 13 for tickets or chances must be paid out as prize money. The prize money is statutorily appropriated, as provided  
 14 in 17-7-502, to the lottery.

15 (2) Commissions paid to lottery ticket or chance sales agents are not a state lottery operating expense.

16 (3) That part of all gross revenue not used for the payment of prizes, commissions, and operating  
 17 expenses, together with the interest earned on the gross revenue while the gross revenue is in the enterprise  
 18 fund, is net revenue. Net revenue must be transferred quarterly from the enterprise fund established by 23-7-401  
 19 to the ~~state general fund~~ school debt service assistance account established in 20-9-516. ~~Once the amount of~~  
 20 ~~net revenue transferred to the general fund during a fiscal year equals the amount transferred to the general fund~~  
 21 ~~in fiscal year 2015, any additional net revenue must be transferred to the Montana STEM scholarship program~~  
 22 ~~special revenue account established in 20-26-617.~~

23 (4) The spending authority of the lottery may be increased in accordance with this section upon review  
 24 and approval of a revised operation plan by the office of budget and program planning."  
 25

26 **Section 19.** Section 39-71-403, MCA, is amended to read:

27 **"39-71-403. Plan three exclusive for state agencies -- election of plan by public corporations --**  
 28 **financing of self-insurance fund -- exemption for university system -- definitions -- rulemaking.** (1) (a)  
 29 Except as provided in subsection (5), if a state agency is the employer, the terms, conditions, and provisions of  
 30 compensation plan No. 3, state fund, are exclusive, compulsory, and obligatory upon both employer and

1 employee. Any sums necessary to be paid under the provisions of this chapter by a state agency are considered  
2 to be ordinary and necessary expenses of the agency. The agency shall pay the sums into the state fund at the  
3 time and in the manner provided for in this chapter, notwithstanding that the state agency may have failed to  
4 anticipate the ordinary and necessary expense in a budget, estimate of expenses, appropriations, ordinances,  
5 or otherwise.

6 (b) (i) Subject to subsection (5), the department of administration, provided for in 2-15-1001, shall  
7 manage workers' compensation insurance coverage for all state agencies.

8 (ii) The state fund shall provide the department of administration with all information regarding the state  
9 agencies' coverage.

10 (iii) Notwithstanding the status of a state agency as employer in subsection (1)(a) and contingent upon  
11 mutual agreement between the department of administration and the state fund, the state fund shall issue one  
12 or more policies for all state agencies.

13 (iv) In any year in which the workers' compensation premium due from a state agency is lower than in  
14 the previous year, the appropriation for that state agency must be reduced by the same amount that the workers'  
15 compensation premium was reduced and the difference must be returned to the originating fund instead of being  
16 applied to other purposes by the state agency submitting the premium.

17 (v) Any dividend refunded to a state agency pursuant to 39-71-2323 that would otherwise revert to the  
18 state general fund must be transferred to the school facility major maintenance grant program account provided  
19 for in [section 12].

20 (2) A public corporation, other than a state agency, may elect coverage under compensation plan No.  
21 1, plan No. 2, or plan No. 3, separately or jointly with any other public corporation, other than a state agency. A  
22 public corporation electing compensation plan No. 1 may purchase reinsurance or issue bonds or notes pursuant  
23 to subsection (3)(b). A public corporation electing compensation plan No. 1 is subject to the same provisions as  
24 a private employer electing compensation plan No. 1.

25 (3) (a) A public corporation, other than a state agency, that elects plan No. 1 may establish a fund  
26 sufficient to pay the compensation and benefits provided for in this chapter and to discharge all liabilities that are  
27 reasonably incurred during the fiscal year for which the election is effective. Proceeds from the fund must be used  
28 only to pay claims covered by this chapter and for actual and necessary expenses required for the efficient  
29 administration of the fund, including debt service on any bonds and notes issued pursuant to subsection (3)(b).

30 (b) (i) A public corporation, other than a state agency, separately or jointly with another public

1 corporation, other than a state agency, may issue and sell its bonds and notes for the purpose of establishing,  
2 in whole or in part, the self-insurance workers' compensation fund provided for in subsection (3)(a) and to pay  
3 the costs associated with the sale and issuance of the bonds. Bonds and notes may be issued in an amount not  
4 exceeding 0.18% of the total assessed value of taxable property, determined as provided in 15-8-111, of the  
5 public corporation as of the date of issue. The bonds and notes must be authorized by resolution of the governing  
6 body of the public corporation and are payable from an annual property tax levied in the amount necessary to  
7 pay principal and interest on the bonds or notes. This authority to levy an annual property tax exists despite any  
8 provision of law or maximum levy limitation, including 15-10-420, to the contrary. The revenue derived from the  
9 sale of the bonds and notes may not be used for any other purpose.

10 (ii) The bonds and notes:

11 (A) may be sold at public or private sale;

12 (B) do not constitute debt within the meaning of any statutory debt limitation; and

13 (C) may contain other terms and provisions that the governing body determines.

14 (iii) Two or more public corporations, other than state agencies, may agree to exercise their respective  
15 borrowing powers jointly under this subsection (3)(b) or may authorize a joint board to exercise the powers on  
16 their behalf.

17 (iv) The fund established from the proceeds of bonds and notes issued and sold under this subsection  
18 (3)(b) may, if sufficient, be used in lieu of a surety bond, reinsurance, specific and aggregate excess insurance,  
19 or any other form of additional security necessary to demonstrate the public corporation's ability to discharge all  
20 liabilities as provided in subsection (3)(a). Subject to the total assessed value limitation in subsection (3)(b)(i),  
21 a public corporation may issue bonds and notes to establish a fund sufficient to discharge liabilities for periods  
22 greater than 1 year.

23 (4) All money in the fund established under subsection (3)(a) not needed to meet immediate  
24 expenditures must be invested by the governing body of the public corporation or the joint board created by two  
25 or more public corporations as provided in subsection (3)(b)(iii), and all proceeds of the investment must be  
26 credited to the fund.

27 (5) For the purposes of subsection (1)(b), the judicial branch or the legislative branch may choose not  
28 to have the department of administration manage its workers' compensation policy.

29 (6) The department of administration may adopt rules to implement subsection (1)(b)(i).

30 (7) As used in this section, the following definitions apply:

1 (a) "Public corporation" includes the Montana university system.

2 (b) (i) "State agency" means:

3 (A) the executive branch and its departments and all boards, commissions, committees, bureaus, and  
4 offices;

5 (B) the judicial branch; and

6 (C) the legislative branch.

7 (ii) The term does not include the Montana university system."  
8

9 **Section 20.** Section 90-6-801, MCA, is amended to read:

10 **"90-6-801. Short title.** This part may be cited as the "~~Quality Schools Facility Grant Program~~ "School  
11 Facility Major Maintenance Grant Program Act"."  
12

13 **Section 21.** Section 90-6-802, MCA, is amended to read:

14 **"90-6-802. Purpose.** (1) The purpose of this part is to establish a mechanism to ~~distribute grants to~~  
15 ~~public school districts for school facility and technology projects from the school facility and technology account~~  
16 ~~established in 20-9-516. The account is to be used to assist schools in addressing major deferred maintenance,~~  
17 ~~energy efficiency, critical infrastructure needs, emergency facility needs, and technological improvements and~~  
18 ~~establishes an ongoing flow of state revenue into the account. Grants must be distributed for projects that:~~

19 ~~—— (a) enhance the quality of life and protect the health, safety, and welfare of Montana's public school~~  
20 ~~students;~~

21 ~~—— (b) ensure the successful delivery of an educational system that meets the accreditation standards~~  
22 ~~provided for in 20-7-111;~~

23 ~~—— (c) extend the life of Montana's existing public school facilities;~~

24 ~~—— (d) promote energy conservation and reduction;~~

25 ~~—— (e) integrate technology into Montana's education framework to support student educational needs for~~  
26 ~~the 21st century; and~~

27 ~~—— (f) are fiscally responsible by considering both long-term and short-term needs of the public school~~  
28 ~~district, the local community, and the state;~~

29 (a) coordinate and improve major maintenance project financing by federal, state, school district, and  
30 private sources;



1 (b) provide additional financial assistance for district projects based on their compliance with the purpose  
 2 of this part and their relative need for assistance; and

3 (c) encourage public school districts to:

4 (i) update, maintain, and utilize facility inventories;

5 (ii) prepare and execute a long-term major maintenance plan in order to prolong and maintain the  
 6 economic useful life of school facilities; and

7 (iii) consistently utilize voter-approved building reserve levies proportionate to the financial ability of the  
 8 district.

9 (2) The department may charge reasonable administrative costs for administering the grant program.  
 10 Costs must be paid from the account established in ~~20-9-516~~ [section 12]."

11

12 **Section 22.** Section 90-6-803, MCA, is amended to read:

13 **"90-6-803. Definitions.** As used in this part, the following definitions apply:

14 (1) "Account" means the school facility ~~and technology~~ major maintenance grant program account  
 15 provided for in ~~20-9-516~~ [section 12].

16 (2) "Department" means the department of commerce established in 2-15-1801.

17 (3) "Eligible school facility project" means a project to support a basic system of free quality public  
 18 elementary and secondary schools under 20-9-309 that involves:

19 (a) updating a facility inventory prepared prior to January 1, 2009;

20 (b) preparing a long-term major maintenance plan in order to prolong and maintain the economic useful  
 21 life of school facilities;

22 (c) making major improvements or rehabilitation of an existing school facility that will prolong and  
 23 maintain its economic useful life, including:

24 (i) roofing systems;

25 (ii) heating, air conditioning, and ventilation systems;

26 (iii) energy-efficient window and door systems and insulation;

27 (iv) plumbing systems;

28 (v) electrical systems and lighting systems; and

29 (vi) information technology infrastructure, including internet connectivity both within and to the school  
 30 facility; or

1 (d) making emergency repairs to an existing school facility or facilities, but only for districts that have  
 2 prepared and begun to fund a long-term major maintenance plan.

3 ~~(3)~~(4) "Emergency" means the imminent threat or actual occurrence of an event causing immediate peril  
 4 to life, property, or the environment that can be averted or minimized with timely action.

5 (5) "Matching planning grant" means a grant to be used for updating a pre-2009 facility inventory and  
 6 developing a long-term major maintenance plan.

7 ~~(4)~~(6) "Program" means the ~~quality schools facility~~ school facility major maintenance grant program  
 8 established in 90-6-809.

9 ~~(5)~~(7) "Public school district" means a district as defined in 20-6-101 or a K-12 school district as defined  
 10 in 20-6-701.

11 ~~(6)~~(8) "School" has the meaning provided for in 20-6-501.

12 ~~(7) "School facility project" means a project to support a basic system of free quality public elementary~~  
 13 ~~and secondary schools under 20-9-309 that involves:~~

14 ~~—— (a) construction of a school facility;~~

15 ~~—— (b) major repairs or deferred maintenance to an existing school facility;~~

16 ~~—— (c) major improvements or enhancements to an existing school facility; or~~

17 ~~—— (d) information technology infrastructure, including installations, upgrades, or improvements to an~~  
 18 ~~existing school facility or facilities."~~

19

20 **Section 23.** Section 90-6-809, MCA, is amended to read:

21 **"90-6-809. ~~Quality schools facility~~ School facility major maintenance grant program -- legislature**  
 22 **to authorize grants -- types of grants available.** (1) There is a ~~quality schools facility~~ school facility major  
 23 maintenance grant program funded by the account.

24 (2) As provided in 90-6-810, the legislature shall ~~authorize the following types of financial assistance to~~  
 25 ~~public school districts provide for and make available to eligible school districts matching grants for eligible school~~  
 26 facility projects under this part:

27 ~~(a) grants to public school districts for school facility projects;~~

28 ~~—— (b) matching planning grants to public school districts for the planning of school facility projects; and~~

29 ~~—— (c) emergency grants to public school districts for a school facility project that is necessitated by an~~  
 30 ~~emergency."~~

1

2           **Section 24.** Section 90-6-810, MCA, is amended to read:

3           **"90-6-810. Procedure for approval of projects -- role of department and governor -- approval by**

4 **legislature.** (1) The department shall:

5           (a) receive proposals for school facility projects from public school districts;

6           (b) assist public school districts in preparing cost estimates for projects;

7           (c) ~~as appropriate in reviewing project proposals,~~ consult with other state agencies with expertise

8 pertinent to the proposal, including but not limited to the department of administration and the office of public

9 instruction;

10          (d) with the exception of emergency grants and matching planning grants, prepare and submit to the

11 governor a list of recommendations as to projects and the form and amount of financial assistance for each

12 project, prioritized in accordance with the requirements of 90-6-811;

13          (e) report to each regular session of the legislature the status of all school facility projects for which

14 grants were approved by a previous legislature but have not been completed;

15          (f) award matching planning grants, in accordance with rules adopted by the department, to public school

16 districts ~~for the planning of school facility projects~~ within the limits of legislative appropriations for this purpose.

17 The department shall prioritize the award of matching planning grants in accordance with the requirements of

18 90-6-811. The department shall report to the governor and the legislature regarding each matching planning grant

19 awarded during a biennium.

20          (g) award emergency grants to public school districts in accordance with rules adopted by the

21 department and within the limits of legislative appropriations for this purpose. The department shall report to the

22 governor and the legislature regarding each emergency grant awarded during a biennium.

23          (2) The governor shall review the projects recommended by the department under subsection (1)(d) and

24 submit to the legislature a list of recommendations as to projects and the form and amount of financial assistance

25 for each project.

26          (3) (a) The legislature shall:

27           (i) consider the governor's recommendations, approve matching grants to public school districts for

28 eligible school facility projects pursuant to 90-6-803(3)(c), and appropriate money to the department from the

29 account to fund the grants that have been approved, after the deduction of administrative expenses by the

30 department; and

1 (ii) authorize funding and appropriate money to the department from the account to be awarded to public  
 2 school districts by the department for matching planning grants and emergency grants, after the deduction of  
 3 administrative expenses by the department.

4 (b) Grants approved by the legislature are dependent on the availability of funds and will be made  
 5 available by the department in the order that the grant recipient satisfies the conditions described in 90-6-812."  
 6

7 **Section 25.** Section 90-6-811, MCA, is amended to read:

8 **"90-6-811. Priorities for projects -- application of criteria -- consideration of project attributes --**  
 9 **adjustments for educationally relevant factors.** (1) In preparing recommendations to the governor under  
 10 90-6-810, the department shall apply the following criteria to applications for eligible school facility projects in the  
 11 listed order of priority ~~giving preference to school facility projects involving repairs to existing facilities over~~  
 12 ~~projects involving construction of new facilities:~~

13 (a) projects that solve urgent and serious public health or safety problems or that enable public school  
 14 districts to meet state or federal health or safety standards;

15 (b) ~~projects that address deferred maintenance by repairing or replacing~~ proposed in accordance with  
 16 a long-term major maintenance plan that repair or replace existing building components that are inoperable or  
 17 difficult to service, ~~or that lack minimum integrity, or have reached the end of their economic useful life;~~

18 ~~(c) projects that enhance a public school district's ability to offer specific services related to the~~  
 19 ~~requirements of the accreditation standards provided for in 20-7-111;~~

20 ~~—— (d) projects that provide long-term, cost-effective benefits through energy-efficient design;~~

21 ~~—— (e) projects that incorporate long-term, cost-effective benefits to school facilities, including the technology~~  
 22 ~~needs of school facilities; and~~

23 ~~—— (f) projects that enhance educational opportunities for students~~

24 (c) projects that incorporate appropriate, cost-effective technical design and that provide thorough,  
 25 long-term solutions to school facility needs, including the technology needs of school facilities;

26 (d) projects that provide long-term, cost-effective benefits through energy-efficient design; and

27 (e) projects that enhance a public school district's ability to offer specific services related to the  
 28 requirements of the accreditation standards provided for in 20-7-111.

29 (2) In applying the criteria under subsection (1), the department shall consider the following attributes  
 30 of a school facility project application:

- 1           ~~(a) the need for financial assistance;~~
- 2           ~~—— (b) the fiscal capacity of the public school district to meet the conditions established in 90-6-812;~~
- 3           ~~—— (c) past efforts to ensure sound, effective, long-term planning and management of the school facility and~~
- 4 ~~attempts to address school facility needs with local resources;~~
- 5           ~~—— (d) the ability to obtain funds from sources other than the funds provided under this part; and~~
- 6           ~~—— (e) the importance of the project and support for the project from the community~~
- 7           (a) presence of an updated facility inventory;
- 8           (b) conformance of the project to an adopted long-term major maintenance plan that provides sound,
- 9 effective, and long-term management to the facility and includes:
- 10           (i) 10-year enrollment projections; and
- 11           (ii) evidence that prioritized projects will result in operational efficiencies such as utility savings, reduced
- 12 future maintenance costs, and improved utilization of staff;
- 13           (c) evidence that projects are high local priorities and have strong community support as demonstrated
- 14 by the consistent use of a building reserve levy to raise local resources proportionate to the financial ability of the
- 15 district;
- 16           (d) ability and commitment to obtain funds from sources other than the funds provided under this part;
- 17 and
- 18           (e) need for financial assistance.
- 19           (3) Before making its recommendations to the governor, the department may make adjustments to its
- 20 ranking of the projects based on the educationally relevant factors established in 20-9-309. Before making any
- 21 adjustments, the department may consult with the office of public instruction concerning the educationally relevant
- 22 factors."

23

24           NEW SECTION. Section 26. Repealer. The following sections of the Montana Code Annotated are

25 repealed:

- 26 20-26-614.     Montana STEM scholarship program.
- 27 20-26-615.     Eligibility requirements -- ineligibility.
- 28 20-26-616.     STEM scholarship amounts -- renewal requirements.
- 29 20-26-617.     Montana STEM scholarship program state special revenue account.

1            NEW SECTION. **Section 27. Codification instruction.** [Section 12] is intended to be codified as an  
2 integral part of Title 20, chapter 9, part 5, and the provisions of Title 20, chapter 9, part 5, apply to [section 12].

3

4            NEW SECTION. **Section 28. Effective date.** [This act] is effective July 1, 2017.

5

- END -