

HOUSE BILL NO. 422

INTRODUCED BY R. COOK, L. JONES

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4 A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING LAWS RELATED TO LOCAL
5 GOVERNMENT; WITHHOLDING ~~OR OFFSETTING ENTITLEMENT SHARE~~ CERTAIN PAYMENTS TO A
6 LOCAL GOVERNMENT UNDER CERTAIN CIRCUMSTANCES; REQUIRING THE ATTORNEY GENERAL TO
7 REVIEW COMPLAINTS CONCERNING THE ALLEGED OFFICIAL MISCONDUCT OF LOCAL GOVERNMENT
8 PUBLIC OFFICERS UNDER CERTAIN CIRCUMSTANCES; AMENDING SECTIONS 2-7-517, 15-1-121, ~~AND~~
9 ~~17-4-105, 15-36-331, 15-36-332, 15-37-117, 15-39-110, AND 20-9-310,~~ MCA; AND PROVIDING AN IMMEDIATE
10 EFFECTIVE DATE."

11
12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

13
14 NEW SECTION. Section 1. Official misconduct -- evidential review. The attorney general shall
15 review a complaint referred from a county attorney concerning alleged misconduct of a local government public
16 officer pursuant to [section 2] or an independent complaint made to the attorney general concerning the alleged
17 misconduct of a local government public officer and any evidence concerning the officer's alleged misconduct.
18 After reviewing the complaint, the attorney general may instruct the county attorney to diligently prosecute the
19 officer as provided by 2-15-501(5), bring an action against the officer as provided in 45-7-401, or decline to
20 prosecute the officer.

21
22 NEW SECTION. Section 2. Referral of complaint. If a county attorney receives a complaint concerning
23 official misconduct as provided in 45-7-401 of a local government public officer and the county attorney ~~declines~~
24 ~~to prosecute the officer~~ DOES NOT COMMENCE AN ACTION PURSUANT TO 45-7-401(3), the county attorney must refer
25 the complaint and any relevant evidence for the attorney general's review as provided by [section 1] WITHIN 90
26 DAYS OF THE RECEIPT OF THE COMPLAINT.

27
28 **Section 3.** Section 2-7-517, MCA, is amended to read:
29 **"2-7-517. Penalties -- rules to establish fine.** (1) ~~When~~ Except as provided in 15-1-121(12)(b), when
30 a local government entity has failed to file a report as required by 2-7-503(1) or to make the payment required

1 by 2-7-514(2) within 60 days, the department may issue an order stopping payment of any state financial
2 assistance to the local government entity or may charge a late payment penalty as adopted by rule. Upon receipt
3 of the report or payment of the filing fee, all financial assistance that was withheld under this section must be
4 released and paid to the local government entity.

5 (2) In addition to the penalty provided in subsection (1), if a local government entity has not filed the
6 audits or reports pursuant to 2-7-503 within 180 days of the dates required by 2-7-503, the department shall notify
7 the entity of the fine due to the department and shall provide public notice of the delinquent audits or reports.

8 (3) When a local government entity has failed to make payment as required by 2-7-516 within 60 days
9 of receiving a bill for an audit, the department may issue an order stopping payment of any state financial aid to
10 the local government entity. Upon payment for the audit, all financial aid that was withheld because of failure to
11 make payment must be released and paid to the local government entity.

12 (4) The department may grant an extension to a local government entity for filing the audits and reports
13 required under 2-7-503 or may waive the fines, fees, and other penalties imposed in this section if the local
14 government entity shows good cause for the delinquency or demonstrates that the failure to comply with 2-7-503
15 was the result of circumstances beyond the entity's control.

16 (5) The department shall adopt rules establishing a fine, not to exceed \$100, based on the cost of
17 providing public notice under subsection (2), for failure to file audits or reports required by 2-7-503 in the
18 timeframes required under that section."

19

20 **Section 4.** Section 15-1-121, MCA, is amended to read:

21 **"15-1-121. Entitlement share payment -- purpose -- appropriation.** (1) As described in 15-1-120(3),
22 each local government is entitled to an annual amount that is the replacement for revenue received by local
23 governments for diminishment of property tax base and various earmarked fees and other revenue that, pursuant
24 to Chapter 574, Laws of 2001, amended by section 4, Chapter 13, Special Laws of August 2002, and later
25 enactments, were consolidated to provide aggregation of certain reimbursements, fees, tax collections, and other
26 revenue in the state treasury with each local government's share. The reimbursement under this section is
27 provided by direct payment from the state treasury rather than the ad hoc system that offset certain state
28 payments with local government collections due the state and reimbursements made by percentage splits, with
29 a local government remitting a portion of collections to the state, retaining a portion, and in some cases sending
30 a portion to other local governments.

- 1 (2) The sources of dedicated revenue that were relinquished by local governments in exchange for an
2 entitlement share of the state general fund were:
- 3 (a) personal property tax reimbursements pursuant to sections 167(1) through (5) and 169(6), Chapter
4 584, Laws of 1999;
- 5 (b) vehicle, boat, and aircraft taxes and fees pursuant to:
- 6 (i) Title 23, chapter 2, part 5;
7 (ii) Title 23, chapter 2, part 6;
8 (iii) Title 23, chapter 2, part 8;
9 (iv) 61-3-317;
10 (v) 61-3-321;
11 (vi) Title 61, chapter 3, part 5, except for 61-3-509(3), as that subsection read prior to the amendment
12 of 61-3-509 in 2001;
- 13 (vii) Title 61, chapter 3, part 7;
14 (viii) 5% of the fees collected under 61-10-122;
15 (ix) 61-10-130;
16 (x) 61-10-148; and
17 (xi) 67-3-205;
- 18 (c) gaming revenue pursuant to Title 23, chapter 5, part 6, except for the permit fee in 23-5-612(2)(a);
19 (d) district court fees pursuant to:
- 20 (i) 25-1-201, except those fees in 25-1-201(1)(d), (1)(g), and (1)(j);
21 (ii) 25-1-202;
22 (iii) 25-9-506; and
23 (iv) 27-9-103;
- 24 (e) certificate of title fees for manufactured homes pursuant to 15-1-116;
25 (f) financial institution taxes collected pursuant to the former provisions of Title 15, chapter 31, part 7;
26 (g) all beer, liquor, and wine taxes pursuant to:
- 27 (i) 16-1-404;
28 (ii) 16-1-406; and
29 (iii) 16-1-411;
30 (h) late filing fees pursuant to 61-3-220;

- 1 (i) title and registration fees pursuant to 61-3-203;
2 (j) veterans' cemetery license plate fees pursuant to 61-3-459;
3 (k) county personalized license plate fees pursuant to 61-3-406;
4 (l) special mobile equipment fees pursuant to 61-3-431;
5 (m) single movement permit fees pursuant to 61-4-310;
6 (n) state aeronautics fees pursuant to 67-3-101; and
7 (o) department of natural resources and conservation payments in lieu of taxes pursuant to Title 77,
8 chapter 1, part 5.

9 (3) (a) Except as provided in subsection (3)(b), the total amount received by each local government in
10 the prior fiscal year as an entitlement share payment under this section is the base component for the subsequent
11 fiscal year distribution, and in each subsequent year the prior year entitlement share payment, including any
12 reimbursement payments received pursuant to subsection (7), is each local government's base component.
13 Subject to subsection (3)(b), the sum of all local governments' base components is the fiscal year entitlement
14 share pool.

15 (b) For fiscal year 2016, the fiscal year entitlement share pool is reduced by \$1,049,904.

16 (4) (a) Subject to subsection (3)(b), the base entitlement share pool must be increased annually by an
17 entitlement share growth rate as provided for in this subsection (4). The amount determined through the
18 application of annual growth rates is the entitlement share pool for each fiscal year.

19 (b) By October 1 of each year, the department shall calculate the growth rate of the entitlement share
20 pool for the next fiscal year in the following manner:

21 (i) The department shall calculate the entitlement share growth rate based on the ratio of two factors of
22 state revenue sources for the first, second, and third most recently completed fiscal years as recorded on the
23 statewide budgeting and accounting system. The first factor is the sum of the revenue for the first and second
24 previous completed fiscal years received from the sources referred to in subsections (2)(b), (2)(c), and (2)(g)
25 divided by the sum of the revenue for the second and third previous completed fiscal years received from the
26 same sources multiplied by 0.75. The second factor is the sum of the revenue for the first and second previous
27 completed fiscal years received from individual income tax as provided in Title 15, chapter 30, and corporate
28 income tax as provided in Title 15, chapter 31, divided by the sum of the revenue for the second and third
29 previous completed fiscal years received from the same sources multiplied by 0.25.

30 (ii) Except as provided in subsection (4)(b)(iii), the entitlement share growth rate is the lesser of:

1 (A) the sum of the first factor plus the second factor; or

2 (B) 1.03 for counties, 1.0325 for consolidated local governments, and 1.035 for cities and towns.

3 (iii) In no instance can the entitlement growth factor be less than 1. Subject to subsection (4)(b)(iv), the
4 entitlement share growth rate is applied to the most recently completed fiscal year entitlement payment to
5 determine the subsequent fiscal year payment.

6 (iv) For fiscal year 2016, the entitlement share growth rate is applied to the most recently completed fiscal
7 year entitlement payment minus \$1,049,904 to determine the subsequent fiscal year payment.

8 (5) As used in this section, "local government" means a county, a consolidated local government, an
9 incorporated city, and an incorporated town. A local government does not include a tax increment financing
10 district provided for in subsection (8). The county or consolidated local government is responsible for making an
11 allocation from the county's or consolidated local government's share of the entitlement share pool to each special
12 district within the county or consolidated local government in a manner that reasonably reflects each special
13 district's loss of revenue sources for which reimbursement is provided in this section. The allocation for each
14 special district that existed in 2002 must be based on the relative proportion of the loss of revenue in 2002.

15 (6) (a) The entitlement share pools calculated in this section, the amounts determined under 15-1-123(2)
16 for local governments, the funding provided for in subsection (8) of this section, and the amounts determined
17 under 15-1-123(4) for tax increment financing districts are statutorily appropriated, as provided in 17-7-502, from
18 the general fund to the department for distribution to local governments. Except for the distribution made under
19 15-1-123(2)(b), the distributions must be made on a quarterly basis.

20 (b) (i) The growth amount is the difference between the entitlement share pool in the current fiscal year
21 and the entitlement share pool in the previous fiscal year. The growth factor in the entitlement share must be
22 calculated separately for:

23 (A) counties;

24 (B) consolidated local governments; and

25 (C) incorporated cities and towns.

26 (ii) In each fiscal year, the growth amount for counties must be allocated as follows:

27 (A) 50% of the growth amount must be allocated based upon each county's percentage of the prior fiscal
28 year entitlement share pool for all counties; and

29 (B) 50% of the growth amount must be allocated based upon the percentage that each county's
30 population bears to the state population not residing within consolidated local governments as determined by the

1 latest interim year population estimates from the Montana department of commerce as supplied by the United
2 States bureau of the census.

3 (iii) In each fiscal year, the growth amount for consolidated local governments must be allocated as
4 follows:

5 (A) 50% of the growth amount must be allocated based upon each consolidated local government's
6 percentage of the prior fiscal year entitlement share pool for all consolidated local governments; and

7 (B) 50% of the growth amount must be allocated based upon the percentage that each consolidated local
8 government's population bears to the state's total population residing within consolidated local governments as
9 determined by the latest interim year population estimates from the Montana department of commerce as
10 supplied by the United States bureau of the census.

11 (iv) In each fiscal year, the growth amount for incorporated cities and towns must be allocated as follows:

12 (A) 50% of the growth amount must be allocated based upon each incorporated city's or town's
13 percentage of the prior fiscal year entitlement share pool for all incorporated cities and towns; and

14 (B) 50% of the growth amount must be allocated based upon the percentage that each city's or town's
15 population bears to the state's total population residing within incorporated cities and towns as determined by the
16 latest interim year population estimates from the Montana department of commerce as supplied by the United
17 States bureau of the census.

18 (v) In each fiscal year, the amount of the entitlement share pool before the growth amount or adjustments
19 made under subsection (7) are applied is to be distributed to each local government in the same manner as the
20 entitlement share pool was distributed in the prior fiscal year.

21 (7) If the legislature enacts a reimbursement provision that is to be distributed pursuant to this section,
22 the department shall determine the reimbursement amount as provided in the enactment and add the appropriate
23 amount to the entitlement share distribution under this section. The total entitlement share distributions in a fiscal
24 year, including distributions made pursuant to this subsection, equal the local fiscal year entitlement share pool.
25 The ratio of each local government's distribution from the entitlement share pool must be recomputed to
26 determine each local government's ratio to be used in the subsequent year's distribution determination under
27 subsections (6)(b)(ii)(A), (6)(b)(iii)(A), and (6)(b)(iv)(A).

28 (8) (a) Except for a tax increment financing district entitled to a reimbursement under 15-1-123(4), if a
29 tax increment financing district was not in existence during the fiscal year ending June 30, 2000, then the tax
30 increment financing district is not entitled to any funding. If a tax increment financing district referred to in

1 subsection (8)(b) terminates, then the funding for the district provided for in subsection (8)(b) terminates.

2 (b) Except for the reimbursement made under 15-1-123(4)(b), one-half of the payments provided for in
3 this subsection (8)(b) must be made by November 30 and the other half by May 31 of each year. Subject to
4 subsection (8)(a), the entitlement share for tax increment financing districts is as follows:

5	Deer Lodge	TIF District 1	\$2,833
6	Deer Lodge	TIF District 2	2,813
7	Flathead	Kalispell - District 2	4,638
8	Flathead	Kalispell - District 3	37,231
9	Flathead	Whitefish District	148,194
10	Gallatin	Bozeman - downtown	31,158
11	Missoula	Missoula - 1-1C	225,251
12	Missoula	Missoula - 4-1C	30,009
13	Silver Bow	Butte - uptown	255,421

14 (9) The estimated fiscal year entitlement share pool and any subsequent entitlement share pool for local
15 governments do not include revenue received from tax increment financing districts, from countywide
16 transportation block grants, or from countywide retirement block grants.

17 (10) When there has been an underpayment of a local government's share of the entitlement share pool,
18 the department shall distribute the difference between the underpayment and the correct amount of the
19 entitlement share. When there has been an overpayment of a local government's entitlement share, the local
20 government shall remit the overpaid amount to the department.

21 (11) A local government may appeal the department's estimation of the base component, the entitlement
22 share growth rate, or a local government's allocation of the entitlement share pool, according to the uniform
23 dispute review procedure in 15-1-211.

24 (12) (a) A payment required pursuant to this section may not be offset by a debt owed to a state agency
25 by a local government in accordance with Title 17, chapter 4, part 1.

26 (b) A payment required pursuant to this section must be withheld if a local government:

27 (i) fails to meet a deadline established in 2-7-503(1), 7-6-611(2), 7-6-4024(3), or 7-6-4036(1); and

28 (ii) fails to remit any amounts collected on behalf of the state as required by 15-1-504 or any other
29 amounts owed to the state or another taxing jurisdiction, as otherwise required by law, within 45 days of the end

1 of a month.

2 (C) A PAYMENT REQUIRED PURSUANT TO THIS SECTION MAY BE WITHHELD IF, FOR MORE THAN 90 DAYS, A LOCAL
3 GOVERNMENT FAILS TO:

4 (I) FILE A FINANCIAL REPORT REQUIRED BY 15-1-504;

5 (II) REMIT ANY AMOUNTS COLLECTED ON BEHALF OF THE STATE AS REQUIRED BY 15-1-504; OR

6 (III) REMIT ANY OTHER AMOUNTS OWED TO THE STATE OR ANOTHER TAXING JURISDICTION."

7
8 **SECTION 5. SECTION 15-36-331, MCA, IS AMENDED TO READ:**

9 **"15-36-331. Distribution of taxes.** (1) (a) For each calendar quarter, the department shall determine
10 the amount of tax, late payment interest, and penalties collected under this part.

11 (b) For the purposes of distribution of oil and natural gas production taxes to county and school district
12 taxing units under 15-36-332 and to the state, the department shall determine the amount of oil and natural gas
13 production taxes paid on production in the taxing unit.

14 (2) (a) The amount of oil and natural gas production taxes collected for the privilege and license tax
15 pursuant to 82-11-131 must be deposited, in accordance with the provisions of 17-2-124, in the state special
16 revenue fund for the purpose of paying expenses of the board, as provided in 82-11-135.

17 (b) The amount of the tax allocated in 15-36-304(7)(b) for the oil and gas natural resource distribution
18 account established in 90-6-1001(1) must be deposited in the account.

19 (3) (a) For each tax year, the amount of oil and natural gas production taxes determined under
20 subsection (1)(b) is allocated to each county according to the following schedule:

21	Big Horn	45.05%
22	Blaine	58.39%
23	Carbon	48.27%
24	Chouteau	58.14%
25	Custer	69.53%
26	Daniels	50.81%
27	Dawson	47.79%
28	Fallon	41.78%
29	Fergus	69.18%

1	Garfield	45.96%
2	Glacier	58.83%
3	Golden Valley	58.37%
4	Hill	64.51%
5	Liberty	57.94%
6	McCone	49.92%
7	Musselshell	48.64%
8	Petroleum	48.04%
9	Phillips	54.02%
10	Pondera	54.26%
11	Powder River	60.9%
12	Prairie	40.38%
13	Richland	47.47%
14	Roosevelt	45.71%
15	Rosebud	39.33%
16	Sheridan	47.99%
17	Stillwater	53.51%
18	Sweet Grass	61.24%
19	Teton	46.1%
20	Toole	57.61%
21	Valley	51.43%
22	Wibaux	49.16%
23	Yellowstone	46.74%
24	All other counties	50.15%

25 (b) The oil and natural gas production taxes allocated to each county must be deposited in the state
 26 special revenue fund and transferred to each county for distribution, as provided in 15-36-332.

27 (4) The department shall, in accordance with the provisions of 17-2-124, distribute the state portion of
 28 oil and natural gas production taxes remaining after the distributions pursuant to subsections (2) and (3) as
 29 follows:

- 1 (a) for each fiscal year through the fiscal year ending June 30, 2011, to be distributed as follows:
- 2 (i) 1.23% to the coal bed methane protection account established in 76-15-904;
- 3 (ii) 1.45% to the natural resources projects state special revenue account established in 15-38-302;
- 4 (iii) 1.45% to the natural resources operations state special revenue account established in 15-38-301;
- 5 (iv) 2.99% to the orphan share account established in 75-10-743;
- 6 (v) 2.65% to the state special revenue fund to be appropriated to the Montana university system for the
- 7 purposes of the state tax levy as provided in 15-10-108; and
- 8 (vi) all remaining proceeds to the state general fund;
- 9 (b) for fiscal years beginning after June 30, 2011, to be distributed as follows:
- 10 (i) 2.16% to the natural resources projects state special revenue account established in 15-38-302;
- 11 (ii) 2.02% to the natural resources operations state special revenue account established in 15-38-301;
- 12 (iii) 2.95% to the orphan share account established in 75-10-743;
- 13 (iv) 2.65% to the state special revenue fund to be appropriated to the Montana university system for the
- 14 purposes of the state tax levy as provided in 15-10-108; and
- 15 (v) all remaining proceeds to the state general fund.
- 16 (5) A payment required pursuant to this section may be withheld if, for more than 90 days, a local
- 17 government fails to:
- 18 (a) file a financial report required by 15-1-504;
- 19 (b) remit any amounts collected on behalf of the state as required by 15-1-504; or
- 20 (c) remit any other amounts owed to the state or another taxing jurisdiction."

21

22 **SECTION 6. SECTION 15-36-332, MCA, IS AMENDED TO READ:**

23 **"15-36-332. (Temporary) Distribution of taxes to taxing units -- appropriation.** (1) (a) Subject to

24 20-9-310 and subsection (9) of this section, by the dates referred to in subsection (6) of this section, the

25 department shall distribute oil and natural gas production taxes allocated under 15-36-331(3) to each eligible

26 county.

27 (b) By Except as provided by subsection (9), by the dates referred to in subsection (6), the department

28 shall distribute the amount deposited in the oil and gas natural resource distribution account under

29 15-36-331(2)(b) as provided in subsection (7) of this section.

30 (2) (a) Each county treasurer shall distribute the amount of oil and natural gas production taxes

1 designated under subsection (1)(a), including the amounts referred to in subsection (2)(b), to the countywide
 2 elementary and high school retirement funds, countywide transportation funds, and eligible school districts
 3 according to the following schedule:

	Elementary Retirement	High School Retirement	Countywide Transportation	School Districts
4 Big Horn	14.81%	10.36%	2.99%	26.99%
5 Blaine	5.86%	2.31%	2.71%	24.73%
6 Carbon	3.6%	6.62%	1.31%	49.18%
7 Chouteau	8.1%	4.32%	3.11%	23.79%
8 Custer	6.9%	3.4%	1.19%	31.25%
9 Daniels	0	7.77%	3.92%	48.48%
10 Dawson	5.53%	2.5%	1.11%	35.6%
11 Fallon	0	7.63%	1.24%	42.58%
12 Fergus	7.88%	4.84%	2.08%	53.25%
13 Garfield	4.04%	3.13%	5.29%	26.19%
14 Glacier	11.2%	4.87%	3.01%	46.11%
15 Golden Valley	0	11.52%	2.77%	54.65%
16 Hill	6.7%	4.07%	1.59%	49.87%
17 Liberty	4.9%	4.56%	1.15%	35.22%
18 McCone	4.18%	3.19%	2.58%	43.21%
19 Musselshell	5.98%	4.07%	3.53%	32.17%
20 Petroleum	0	11.92%	4.59%	55.48%
21 Phillips	0.43%	6.6%	1.08%	41.29%
22 Pondera	6.96%	5.06%	1.94%	45.17%
23 Powder River	3.96%	2.97%	4.57%	22.25%
24 Prairie	0	8.88%	1.63%	36.9%
25 Richland	4.1%	3.92%	2.26%	43.77%
26 Roosevelt	9.93%	7.37%	2.74%	40.94%
27 Rosebud	3.87%	2.24%	1.05%	72.97%

1	Sheridan	0	3.39%	2.22%	47.63%
2	Stillwater	6.87%	4.86%	1.63%	41.16%
3	Sweet Grass	6.12%	6.5%	2.4%	37.22%
4	Teton	6.88%	8.19%	3.8%	29.43%
5	Toole	2.78%	4.78%	1.3%	43.56%
6	Valley	2.26%	12.61%	4.63%	41.11%
7	Wibaux	0	4.1%	0.77%	31.46%
8	Yellowstone	7.98%	4.56%	1.07%	52.77%
9	All other counties	3.81%	7.84%	1.81%	41.04%

10 (b) (i) The county treasurer shall distribute 9.8% of the Custer County share to the countywide community
 11 college district in Custer County.

12 (ii) The county treasurer shall distribute 14.5% of the Dawson County share to the countywide community
 13 college district in Dawson County.

14 (3) The remaining oil and natural gas production taxes for each county must be used for the exclusive
 15 use and benefit of the county, including districts within the county established by the county.

16 (4) (a) The county treasurer shall distribute oil and natural gas production taxes to school districts in each
 17 county referred to in subsection (2) as provided in subsections (4)(b) through (4)(d) and subject to the provisions
 18 of 20-9-310.

19 (b) The amount distributed to each K-12 district within the county is equal to oil and natural gas
 20 production taxes in the county multiplied by the ratio that oil and natural gas production taxes attributable to oil
 21 and natural gas production in the K-12 school district bear to total oil and natural gas production taxes attributable
 22 to total oil and natural gas production in the county and multiply that amount by the school district percentage
 23 figure for the county referred to in subsection (2)(a).

24 (c) For the amount to be distributed to each elementary school district and to each high school district
 25 under subsection (4)(d), the department shall first determine the amount of oil and natural gas production taxes
 26 in the high school district that is attributable to oil and natural gas production in each elementary school district
 27 that is located in whole or in part within the exterior boundaries of a high school district and multiply that amount
 28 by the school district percentage figure for the county referred to in subsection (2)(a).

29 (d) (i) The amount distributed to each elementary school district that is located in whole or in part within

1 the exterior boundaries of a high school district is equal to the amount determined in subsection (4)(c) multiplied
2 by the ratio that the total mills of the elementary school district bear to the sum of the total mills of the elementary
3 school district and the total mills of the high school district.

4 (ii) The amount distributed to the high school district is equal to the amount determined in subsection
5 (4)(c) multiplied by the ratio that the total mills of the high school district bear to the sum of the total mills of each
6 elementary school district referred to in subsection (4)(c) and the total mills of the high school district.

7 (5) Oil and natural gas production taxes calculated for each school district under subsections (4)(b)
8 through (4)(d) must be distributed to each school district as provided in 20-9-310.

9 (6) Subject to 20-9-310 and subsection (9) of this section, the department shall remit the amounts to be
10 distributed in this section to the county treasurer by the following dates:

11 (a) On or before August 1 of each year, the department shall remit to the county treasurer oil and natural
12 gas production tax payments received for the calendar quarter ending March 31 of the current year.

13 (b) On or before November 1 of each year, the department shall remit to the county treasurer oil and
14 natural gas production tax payments received for the calendar quarter ending June 30 of the current year.

15 (c) On or before February 1 of each year, the department shall remit to the county treasurer oil and
16 natural gas production tax payments received for the calendar quarter ending September 30 of the previous year.

17 (d) On or before May 1 of each year, the department shall remit to the county treasurer oil and natural
18 gas production tax payments received for the calendar quarter ending December 31 of the previous year.

19 (7) The department shall distribute the funds received under 15-36-331(2)(b) to counties based on
20 county oil and gas production. Of the distribution to a county, one-third must be distributed to the county
21 government and two-thirds must be distributed to incorporated cities and towns within the county. If there is more
22 than one incorporated city or town within the county, the city and town allocation must be distributed to the cities
23 and towns based on their relative populations.

24 (8) The distributions to taxing units and to counties and incorporated cities and towns under this section
25 are statutorily appropriated, as provided in 17-7-502, from the state special revenue fund.

26 (9) A payment required pursuant to this section may be withheld if, for more than 90 days, a local
27 government fails to:

28 (a) file a financial report required by 15-1-504;

29 (b) remit any amounts collected on behalf of the state as required by 15-1-504; or

30 (c) remit any other amounts owed to the state or another taxing jurisdiction. (Terminates June 30,

1 2020--sec. 38, Ch. 400, L. 2013.)

2 **15-36-332. (Effective July 1, 2020) Distribution of taxes to taxing units -- appropriation.** (1) (a) By
 3 Except as provided by subsection (9), by the dates referred to in subsection (6), the department shall distribute
 4 oil and natural gas production taxes allocated under 15-36-331(3) to each eligible county.

5 (b) By Except as provided by subsection (9), by the dates referred to in subsection (6), the department
 6 shall distribute the amount deposited in the oil and gas natural resource distribution account under
 7 15-36-331(2)(b) as provided in subsection (7) of this section.

8 (2) (a) Each county treasurer shall distribute the amount of oil and natural gas production taxes
 9 designated under subsection (1)(a), including the amounts referred to in subsection (2)(b), to the countywide
 10 elementary and high school retirement funds, countywide transportation funds, and eligible school districts
 11 according to the following schedule:

	Elementary	High School	Countywide	School
	Retirement	Retirement	Transportation	Districts
14 Big Horn	14.81%	10.36%	2.99%	26.99%
15 Blaine	5.86%	2.31%	2.71%	24.73%
16 Carbon	3.6%	6.62%	1.31%	49.18%
17 Chouteau	8.1%	4.32%	3.11%	23.79%
18 Custer	6.9%	3.4%	1.19%	31.25%
19 Daniels	0	7.77%	3.92%	48.48%
20 Dawson	5.53%	2.5%	1.11%	35.6%
21 Fallon	0	7.63%	1.24%	42.58%
22 Fergus	7.88%	4.84%	2.08%	53.25%
23 Garfield	4.04%	3.13%	5.29%	26.19%
24 Glacier	11.2%	4.87%	3.01%	46.11%
25 Golden Valley	0	11.52%	2.77%	54.65%
26 Hill	6.7%	4.07%	1.59%	49.87%
27 Liberty	4.9%	4.56%	1.15%	35.22%
28 McCone	4.18%	3.19%	2.58%	43.21%
29 Musselshell	5.98%	4.07%	3.53%	32.17%

1	Petroleum	0	11.92%	4.59%	55.48%
2	Phillips	0.43%	6.6%	1.08%	41.29%
3	Pondera	6.96%	5.06%	1.94%	45.17%
4	Powder River	3.96%	2.97%	4.57%	22.25%
5	Prairie	0	8.88%	1.63%	36.9%
6	Richland	4.1%	3.92%	2.26%	43.77%
7	Roosevelt	9.93%	7.37%	2.74%	40.94%
8	Rosebud	3.87%	2.24%	1.05%	72.97%
9	Sheridan	0	3.39%	2.22%	47.63%
10	Stillwater	6.87%	4.86%	1.63%	41.16%
11	Sweet Grass	6.12%	6.5%	2.4%	37.22%
12	Teton	6.88%	8.19%	3.8%	29.43%
13	Toole	2.78%	4.78%	1.3%	43.56%
14	Valley	2.26%	12.61%	4.63%	41.11%
15	Wibaux	0	4.1%	0.77%	31.46%
16	Yellowstone	7.98%	4.56%	1.07%	52.77%
17	All other counties	3.81%	7.84%	1.81%	41.04%

18 (b) (i) The county treasurer shall distribute 9.8% of the Custer County share to the countywide community
19 college district in Custer County.

20 (ii) The county treasurer shall distribute 14.5% of the Dawson County share to the countywide community
21 college district in Dawson County.

22 (3) The remaining oil and natural gas production taxes for each county must be used for the exclusive
23 use and benefit of the county, including districts within the county established by the county.

24 (4) (a) The county treasurer shall distribute oil and natural gas production taxes to school districts in each
25 county referred to in subsection (2) as provided in subsections (4)(b) through (4)(d).

26 (b) The amount distributed to each K-12 district within the county is equal to oil and natural gas
27 production taxes in the county multiplied by the ratio that oil and natural gas production taxes attributable to oil
28 and natural gas production in the K-12 school district bear to total oil and natural gas production taxes attributable
29 to total oil and natural gas production in the county and multiply that amount by the school district percentage

1 figure for the county referred to in subsection (2)(a).

2 (c) For the amount to be distributed to each elementary school district and to each high school district
3 under subsection (4)(d), the department shall first determine the amount of oil and natural gas taxes in the high
4 school district that is attributable to oil and natural gas production in each elementary school district that is located
5 in whole or in part within the exterior boundaries of a high school district and multiply that amount by the school
6 district percentage figure for the county referred to in subsection (2)(a).

7 (d) (i) The amount distributed to each elementary school district that is located in whole or in part within
8 the exterior boundaries of a high school district is equal to the amount determined in subsection (4)(c) multiplied
9 by the ratio that the total mills of the elementary school district bear to the sum of the total mills of the elementary
10 school district and the total mills of the high school district.

11 (ii) The amount distributed to the high school district is equal to the amount determined in subsection
12 (4)(c) multiplied by the ratio that the total mills of the high school district bear to the sum of the total mills of each
13 elementary school district referred to in subsection (4)(c) and the total mills of the high school district.

14 (5) (a) Oil and natural gas production taxes calculated for each school district under subsections (4)(b)
15 through (4)(d) must be distributed to each school district in the relative proportion of the mill levy for each fund.

16 (b) If a distribution under subsection (5)(a) exceeds the total budget for a school district fund, the board
17 of trustees of an elementary or high school district may reallocate the excess to any budgeted fund of the school
18 district.

19 (6) ~~The~~ Except as provided by subsection (9), the department shall remit the amounts to be distributed
20 in this section to the county treasurer by the following dates:

21 (a) On or before August 1 of each year, the department shall remit to the county treasurer oil and natural
22 gas production tax payments received for the calendar quarter ending March 31 of the current year.

23 (b) On or before November 1 of each year, the department shall remit to the county treasurer oil and
24 natural gas production tax payments received for the calendar quarter ending June 30 of the current year.

25 (c) On or before February 1 of each year, the department shall remit to the county treasurer oil and
26 natural gas production tax payments received for the calendar quarter ending September 30 of the previous year.

27 (d) On or before May 1 of each year, the department shall remit to the county treasurer oil and natural
28 gas production tax payments received for the calendar quarter ending December 31 of the previous year.

29 (7) The department shall distribute the funds received under 15-36-331(2)(b) to counties based on
30 county oil and gas production. Of the distribution to a county, one-third must be distributed to the county

1 government and two-thirds must be distributed to incorporated cities and towns within the county. If there is more
 2 than one incorporated city or town within the county, the city and town allocation must be distributed to the cities
 3 and towns based on their relative populations.

4 (8) The distributions to taxing units and to counties and incorporated cities and towns under this section
 5 are statutorily appropriated, as provided in 17-7-502, from the state special revenue fund.

6 (9) A payment required pursuant to this section may be withheld if, for more than 90 days, a local
 7 government fails to:

8 (a) file a financial report required by 15-1-504;

9 (b) remit any amounts collected on behalf of the state as required by 15-1-504; or

10 (c) remit any other amounts owed to the state or another taxing jurisdiction."
 11

12 **SECTION 7. SECTION 15-37-117, MCA, IS AMENDED TO READ:**

13 **"15-37-117. (Temporary) Disposition of metalliferous mines license taxes.** (1) Metalliferous mines
 14 license taxes collected under the provisions of this part must, in accordance with the provisions of 17-2-124, be
 15 allocated as follows:

16 (a) to the credit of the general fund of the state, 47% of total collections each year;

17 (b) to the state special revenue fund to the credit of the hard-rock mining impact trust account established
 18 in 90-6-304(2), 2.5% of total collections each year;

19 (c) to the hard-rock mining reclamation debt service fund established in 82-4-312, 8.5% of total
 20 collections each year;

21 (d) to the natural resources operations state special revenue account established in 15-38-301, 7% of
 22 total collections each year; and

23 (e) within 60 days of the date the tax is payable pursuant to 15-37-105, to the county or counties
 24 identified as experiencing fiscal and economic impacts, resulting in increased employment or local government
 25 costs, under an impact plan for a large-scale mineral development prepared and approved pursuant to 90-6-307,
 26 in direct proportion to the fiscal and economic impacts determined in the plan or, if an impact plan has not been
 27 prepared, to the county in which the mine is located, 35% of total collections each year, to be allocated by the
 28 county commissioners as follows:

29 (i) not less than 37.5% to the county hard-rock mine trust account established in 7-6-2225; and

30 (ii) all money not allocated to the account pursuant to subsection (1)(e)(i) to be further allocated as

1 follows:

2 (A) 33 1/3% is allocated to the county for general planning functions or economic development activities
3 as described in 7-6-2225(3)(c) through (3)(e);

4 (B) 33 1/3% is allocated to the elementary school districts within the county that have been affected by
5 the development or operation of the metal mine; and

6 (C) 33 1/3% is allocated to the high school districts within the county that have been affected by the
7 development or operation of the metal mine.

8 (2) When an impact plan for a large-scale mineral development approved pursuant to 90-6-307 identifies
9 a jurisdictional revenue disparity, the county shall distribute the proceeds allocated under subsection (1)(e) in a
10 manner similar to that provided for property tax sharing under Title 90, chapter 6, part 4.

11 (3) The department shall return to the county in which metals are produced the tax collections allocated
12 under subsection (1)(e). The allocation to the county described by subsection (1)(e) is a statutory appropriation
13 pursuant to 17-7-502.

14 (4) A payment required pursuant to this section may be withheld if, for more than 90 days, a local
15 government fails to:

16 (a) file a financial report required by 15-1-504;

17 (b) remit any amounts collected on behalf of the state as required by 15-1-504; or

18 (c) remit any other amounts owed to the state or another taxing jurisdiction. (Terminates June 30,
19 2027--sec. 5, Ch. 387, L. 2015.)

20 **15-37-117. (Effective July 1, 2027) Disposition of metalliferous mines license taxes.** (1)
21 Metalliferous mines license taxes collected under the provisions of this part must, in accordance with the
22 provisions of 17-2-124, be allocated as follows:

23 (a) to the credit of the general fund of the state, 57% of total collections each year;

24 (b) to the state special revenue fund to the credit of a hard-rock mining impact trust account, 2.5% of total
25 collections each year;

26 (c) to the hard-rock mining reclamation debt service fund established in 82-4-312, 8.5% of total
27 collections each year;

28 (d) to the natural resources operations state special revenue account established in 15-38-301, 7% of
29 total collections each year; and

30 (e) within 60 days of the date the tax is payable pursuant to 15-37-105, to the county or counties

1 identified as experiencing fiscal and economic impacts, resulting in increased employment or local government
 2 costs, under an impact plan for a large-scale mineral development prepared and approved pursuant to 90-6-307,
 3 in direct proportion to the fiscal and economic impacts determined in the plan or, if an impact plan has not been
 4 prepared, to the county in which the mine is located, 25% of total collections each year, to be allocated by the
 5 county commissioners as follows:

6 (i) not less than 37.5% to the county hard-rock mine trust account established in 7-6-2225; and
 7 (ii) all money not allocated to the account pursuant to subsection (1)(e)(i) to be further allocated as
 8 follows:

9 (A) 33 1/3% is allocated to the county for general planning functions or economic development activities
 10 as described in 7-6-2225(3)(c) through (3)(e);

11 (B) 33 1/3% is allocated to the elementary school districts within the county that have been affected by
 12 the development or operation of the metal mine; and

13 (C) 33 1/3% is allocated to the high school districts within the county that have been affected by the
 14 development or operation of the metal mine.

15 (2) When an impact plan for a large-scale mineral development approved pursuant to 90-6-307 identifies
 16 a jurisdictional revenue disparity, the county shall distribute the proceeds allocated under subsection (1)(e) in a
 17 manner similar to that provided for property tax sharing under Title 90, chapter 6, part 4.

18 (3) The department shall return to the county in which metals are produced the tax collections allocated
 19 under subsection (1)(e). The allocation to the county described by subsection (1)(e) is a statutory appropriation
 20 pursuant to 17-7-502.

21 (4) A payment required pursuant to this section may be withheld if, for more than 90 days, a local
 22 government fails to:

23 (a) file a financial report required by 15-1-504;

24 (b) remit any amounts collected on behalf of the state as required by 15-1-504; or

25 (c) remit any other amounts owed to the state or another taxing jurisdiction."

26

27 **SECTION 8. SECTION 15-39-110, MCA, IS AMENDED TO READ:**

28 **"15-39-110. Distribution of taxes.** (1) (a) For each semiannual period, the department shall determine
 29 the amount of tax, late payment interest, and penalties collected under this part from bentonite mines that
 30 produced bentonite before January 1, 2005. The tax is distributed as provided in subsections (2) through (9).

1 (b) For each semiannual period, the department shall determine the amount of tax, late payment interest,
2 and penalties collected under this part from bentonite mines that first began producing bentonite after December
3 31, 2004. The tax is distributed as provided in subsection (10).

4 (2) The percentage of the tax determined under subsection (1)(a) and specified in subsections (3)
5 through (9) is allocated according to the following schedule:

6 (a) 2.33% to the state special revenue fund to be appropriated to the Montana university system for the
7 purposes of the state tax levy as provided in 15-10-108;

8 (b) 18.14% to the state general fund to be appropriated for the purposes of the tax levies as provided
9 in 20-9-331, 20-9-333, and 20-9-360;

10 (c) 3.35% to Carbon County to be distributed in proportion to current fiscal year mill levies in the taxing
11 jurisdictions in which production occurs, except a distribution may not be made for county and state levies under
12 15-10-108, 20-9-331, 20-9-333, and 20-9-360; and

13 (d) 76.18% to Carter County to be distributed in proportion to current fiscal year mill levies in the taxing
14 jurisdictions in which production occurs, except a distribution may not be made for county and state levies under
15 15-10-108, 20-9-331, 20-9-333, and 20-9-360.

16 (3) For the production of bentonite occurring after December 31, 2008, and before January 1, 2010, 60%
17 of the tax determined under subsection (1)(a) must be distributed as provided in subsection (2) and 40% must
18 be distributed as provided in subsection (10).

19 (4) For the production of bentonite occurring after December 31, 2009, and before January 1, 2011, 50%
20 of the tax determined under subsection (1)(a) must be distributed as provided in subsection (2) and 50% must
21 be distributed as provided in subsection (10).

22 (5) For the production of bentonite occurring after December 31, 2010, and before January 1, 2012, 40%
23 of the tax determined under subsection (1)(a) must be distributed as provided in subsection (2) and 60% must
24 be distributed as provided in subsection (10).

25 (6) For the production of bentonite occurring after December 31, 2011, and before January 1, 2013, 30%
26 of the tax determined under subsection (1)(a) must be distributed as provided in subsection (2) and 70% must
27 be distributed as provided in subsection (10).

28 (7) For the production of bentonite occurring after December 31, 2012, and before January 1, 2014, 20%
29 of the tax determined under subsection (1)(a) must be distributed as provided in subsection (2) and 80% must
30 be distributed as provided in subsection (10).

1 (8) For the production of bentonite occurring after December 31, 2013, and before January 1, 2015, 10%
2 of the tax determined under subsection (1)(a) must be distributed as provided in subsection (2) and 90% must
3 be distributed as provided in subsection (10).

4 (9) For the production of bentonite occurring in tax years beginning after December 31, 2014, 100% of
5 the tax determined under subsection (1)(a) must be distributed as provided in subsection (10).

6 (10) For the production of bentonite, 100% of the tax determined under subsection (1)(b) and the
7 distribution percentages determined under subsections (3) through (9) are allocated according to the following
8 schedule:

9 (a) 1.30% to the state special revenue fund to be appropriated to the Montana university system for the
10 purposes of the state tax levy as provided in 15-10-108;

11 (b) 20.75% to the state general fund to be appropriated for the purposes of the tax levies as provided
12 in 20-9-331, 20-9-333, and 20-9-360;

13 (c) 77.95% to the county in which production occurred to be distributed in proportion to current fiscal year
14 mill levies in the taxing jurisdictions in which production occurs, except a distribution may not be made for county
15 and state levies under 15-10-108, 20-9-331, 20-9-333, and 20-9-360.

16 (11) ~~The~~ Except as provided by subsection (14), the department shall remit the amounts to be distributed
17 in this section to the county treasurer by the following dates:

18 (a) On or before October 1 of each year, the department shall remit the county's share of bentonite
19 production tax payments received for the semiannual period ending June 30 of the current year to the county
20 treasurer.

21 (b) On or before April 1 of each year, the department shall remit the county's share of bentonite
22 production tax payments received to the county treasurer for the semiannual period ending December 31 of the
23 previous year.

24 (12) (a) The department shall also provide to each county the amount of gross yield of value from
25 bentonite, including royalties, for the previous calendar year. Thirty-three and one-third percent of the gross yield
26 of value must be treated as taxable value for determining school district debt limits under 20-9-406.

27 (b) The percentage amount of the gross yield of value determined under subsection (12)(a) must be
28 treated as assessed value under 15-8-111 for the purposes of local government debt limits and other bonding
29 provisions as provided by law.

30 (13) The bentonite tax proceeds are statutorily appropriated, as provided in 17-7-502, to the department

1 for distribution as provided in this section.

2 (14) A payment required pursuant to this section may be withheld if, for more than 90 days, a local
 3 government fails to:

4 (a) file a financial report required by 15-1-504;

5 (b) remit any amounts collected on behalf of the state as required by 15-1-504; or

6 (c) remit any other amounts owed to the state or another taxing jurisdiction."

7

8 ~~Section 5. Section 17-4-105, MCA, is amended to read:~~

9 ~~"17-4-105. Authority to collect debt -- offsets. (1) Once a debt of an agency has been transferred to~~
 10 ~~the department, the department may collect it. The department may contract with commercial collection agents~~
 11 ~~for recovery of debts owed to agencies.~~

12 ~~(2) The department shall, when appropriate, offset any amount due an agency from a person or entity~~
 13 ~~against any amount, including refunds of taxes, owing the person or entity by an agency. The department may~~
 14 ~~not exercise this right of offset until the debtor has first been notified by the department and been given an~~
 15 ~~opportunity for a hearing pursuant to 15-1-211. An offset may not be made against any amount paid out as child~~
 16 ~~support collected by the department of public health and human services. The department shall deduct from the~~
 17 ~~claim and draw warrants for the amounts offset in favor of the respective agencies to which the debt is due and~~
 18 ~~for any balance in favor of the claimant. Whenever insufficient to offset all amounts due the agencies, the amount~~
 19 ~~available must be applied first to debts owed by reason of the nonpayment of child support and then in the~~
 20 ~~manner determined appropriate by the department.~~

21 ~~(3) (a) The department may enter into an agreement with the federal government to offset against tax~~
 22 ~~refunds payable by the federal government and pay to the state any taxes or other debts owed to an agency of~~
 23 ~~the state. Except as provided in subsection (3)(c), the state may also enter into a reciprocal agreement with the~~
 24 ~~federal government for the state to offset against tax refunds payable by the state and pay to the federal~~
 25 ~~government any taxes or other debts owed to the federal government.~~

26 ~~(b) For purposes of offsetting of debts referred to in subsection (3)(a), offsets or payments will be made~~
 27 ~~in the following priority:~~

28 ~~(i) child support payments;~~

29 ~~(ii) any debts that are owed to this state, an agency of this state as defined in 17-4-101, or a local~~
 30 ~~government unit, including a county, city, town, consolidated city-county, school district, or local public entity with~~

1 the authority to spend or receive public funds; and
2 ~~———(iii) any debts owed to the federal government.~~
3 ~~———(c) Taxes or debts that cannot be liened or levied upon pursuant to 26 U.S.C. 5000A(g) must be~~
4 ~~excluded from the offset.~~
5 ~~———(d) (i) The department may enter into an agreement with another state or an agency of another state to~~
6 ~~offset against tax refunds payable by the other state or agency of the other state and pay to this state any taxes~~
7 ~~or other debts owed to this state or an agency of this state.~~
8 ~~———(ii) To facilitate an agreement of the kind authorized by subsection (3)(d)(i), the department may enter~~
9 ~~into an agreement that allows the other state or agency of the other state to offset against tax refunds payable~~
10 ~~by this state the whole or part of an amount owed for taxes to the other state or agency of the other state.~~
11 ~~However, the department may enter into an agreement of the type authorized by subsection (3)(a) or (3)(d)(i) only~~
12 ~~if the other state or agency of the other state or the federal government allows the offset against tax refunds owed~~
13 ~~by the other state or agency of the other state or the federal government any taxes or other debts owed to this~~
14 ~~state or an agency of this state.~~
15 ~~———(e) A state or agency of another state or the federal government entering into an agreement with the~~
16 ~~department pursuant to subsection (3)(a) or (3)(d)(i) may not exercise the offset against tax refunds unless the~~
17 ~~other state or agency of the other state or the federal government has notified the taxpayer of the taxes due and~~
18 ~~has given the taxpayer an opportunity for review or appeal of the tax debt. Another state or agency of another~~
19 ~~state intending to offset taxes shall provide the department with proof of notification and opportunity for review~~
20 ~~or appeal before the offset is exercised.~~
21 ~~———(4) (a) A debt owed to the department of public health and human services or being collected by the~~
22 ~~department of public health and human services on behalf of any person or agency may be offset by the~~
23 ~~department if the debt is being enforced or collected by the department of public health and human services~~
24 ~~under Title IV-D of the Social Security Act.~~
25 ~~———(b) The debt does not need to be determined to be uncollectible as provided for in 17-4-104 before being~~
26 ~~transferred to the department for offset. The debt must have accrued through written contract, court judgment,~~
27 ~~administrative order, or a distribution the recipient was not entitled to retain as described in 40-5-910.~~
28 ~~———(c) Within 30 days following the notification provided for in subsection (2), the person owing a debt~~
29 ~~described in subsection (4)(a) may request a hearing. The request must be in writing and be mailed to the~~
30 ~~department. The person owing a debt is not entitled to a hearing if the amount of the debt has been the subject~~

1 matter of any proceeding conducted for the purpose of determining the validity of the debt and a decision made
 2 as a result of that proceeding has become final. The hearing must initially be conducted by teleconferencing
 3 methods and is subject to the provisions of the Montana Administrative Procedure Act. The department of public
 4 health and human services shall adopt rules governing the hearing procedures.

5 ~~_____ (5) If the department determines that a person or entity has refused or neglected to file a claim within
 6 a reasonable time, the head of the state agency owing the amount shall file the claim on behalf of the person or
 7 entity. If the claim is approved by the department, the claim has the same force and effect as if it were filed by
 8 the person or entity. The amount due any person or entity from the state or any agency of the state is the net
 9 amount otherwise owing the person or entity after any offset, as provided in this section.~~

10 ~~_____ (6) A Except as provided in 2-7-517, a debt owed to a state agency by a local government may not be
 11 offset against a payment due to a local government pursuant to 15-1-121."~~

12

13 **SECTION 9. SECTION 20-9-310, MCA, IS AMENDED TO READ:**

14 **"20-9-310. (Temporary) Oil and natural gas production taxes for school districts -- allocation and**
 15 **limits.** (1) Except as provided in subsection (6), the maximum amount of oil and natural gas production taxes that
 16 a school district may retain is 130% of the school district's maximum budget, determined in accordance with
 17 20-9-308.

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

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

26 (4) (a) By the last day of the month immediately following the month in which the quarterly distribution
 27 of oil and natural gas production taxes in subsection (3) is made, the office of public instruction shall distribute
 28 any amount of oil and natural gas production taxes exceeding the limitation in subsection (1) based on allocations
 29 determined by the department of revenue pursuant to subsection (3) to school districts that are directly impacted
 30 by oil and natural gas development, but that receive insufficient oil and natural gas revenue to address the oil and

1 natural gas development impacts. The office of public instruction shall adopt administrative rules to establish a
2 process, criteria, and a mechanism for distribution under this subsection (4), using the negotiated rulemaking
3 process set forth in the Montana Negotiated Rulemaking Act, Title 2, chapter 5, part 1.

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

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

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

17 (5) (a) Subject to the limitation in subsection (1) and the conditions in subsection (5)(b), the trustees shall
18 budget and allocate the oil and natural gas production taxes anticipated by the district in any budgeted fund at
19 the discretion of the trustees. Oil and natural gas production taxes allocated to the district general fund may be
20 applied to the BASE or over-BASE portions of the general fund budget at the discretion of the trustees.

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

24 (i) the trustees shall levy the number of mills required to raise an amount equal to the difference between
25 12.5% of the oil and natural gas production taxes received by the district in the prior school fiscal year and the
26 amount of oil and natural gas production taxes the trustees budget in the district's general fund BASE budget for
27 the upcoming school fiscal year;

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

30 (iii) the general fund BASE budget levy requirement calculated in 20-9-141 must be calculated as though

1 the trustees budgeted 12.5% of the oil and natural gas production taxes received by the district in the prior year
2 and the number of mills calculated in subsection (5)(b)(i) must be added to the number of mills calculated in
3 20-9-141(2).

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

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

6 (ii) a district whose oil and natural gas revenue combined with its adopted general fund budget totals
7 105% or less of its maximum general fund budget;

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

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

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

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

25 **20-9-310. (Effective July 1, 2019) Oil and natural gas production taxes for school districts --**
26 **allocation and limits.** (1) Except as provided in subsection (6), the maximum amount of oil and natural gas
27 production taxes that a school district may retain is 130% of the school district's maximum budget, determined
28 in accordance with 20-9-308.

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

1 each school district.

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

7 (4) By the last day of the month immediately following the month in which the quarterly distribution of oil
8 and natural gas production taxes in subsection (3) is made, the office of public instruction shall distribute any
9 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) as follows:

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

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

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

18 (5) (a) Subject to the limitation in subsection (1) and the conditions in subsection (5)(b), the trustees shall
19 budget and allocate the oil and natural gas production taxes anticipated by the district in any budgeted fund at
20 the discretion of the trustees. Oil and natural gas production taxes allocated to the district general fund may be
21 applied to the BASE or over-BASE portions of the general fund budget at the discretion of the trustees.

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

25 (i) the trustees shall levy the number of mills required to raise an amount equal to the difference between
26 12.5% of the oil and natural gas production taxes received by the district in the prior school fiscal year and the
27 amount of oil and natural gas production taxes the trustees budget in the district's general fund BASE budget for
28 the upcoming school fiscal year;

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

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

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

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

7 (ii) a district whose oil and natural gas revenue combined with its adopted general fund budget totals
8 105% or less of its maximum general fund budget;

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

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

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

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

26
27 **NEW SECTION. Section 10. Codification instruction.** (1) [Section 1] is intended to be codified as
28 an integral part of Title 2, chapter 15, part 5, and the provisions of Title 2, chapter 15, part 5, apply to [section 1].

29 (2) [Section 2] is intended to be codified as an integral part of Title 7, chapter 4, part 27, and the
30 provisions of Title 7, chapter 4, part 27, apply to [section 2].

1
2 NEW SECTION. **Section 11. Effective date.** [This act] is effective ~~on passage and approval~~ JULY 1,
3 2017.

4 - END -