AN ACT GENERALLY REVISING EDUCATION FUNDING LAWS; IMPLEMENTING PORTIONS OF THE GENERAL APPROPRIATIONS ACT; ELIMINATING THE NATURAL RESOURCE DEVELOPMENT K-12 FUNDING PAYMENT AND SCHOOL DISTRICT GENERAL FUND BLOCK GRANTS; INCREASING THE GUARANTEED TAX BASE MULTIPLIER; ELIMINATING THE STATUTORY APPROPRIATION FOR THE STATE SCHOOL OIL AND NATURAL GAS IMPACT ACCOUNT AND THE STATE SCHOOL OIL AND NATURAL GAS DISTRIBUTION ACCOUNT; REDIRECTING ANY EXCESS INTEREST AND INCOME REVENUE FROM SCHOOL TRUST LANDS TO SCHOOL FACILITIES; ELIMINATING INFLATIONARY INCREASES FOR COUNTY SCHOOL TRANSPORTATION BLOCK GRANTS; REVISING TERMINATION DATES OF CERTAIN 2015 AMENDMENTS; EXPANDING USE OF FUNDING FOR SECONDARY K-12 CAREER AND VOCATIONAL/TECHNICAL EDUCATION; REVISING EXCESS OIL AND NATURAL GAS REVENUE DISTRIBUTION; REVISING STATE SHARE CALCULATIONS FOR COMMUNITY COLLEGES; PROVIDING FOR TRANSFERS; CREATING A NATURAL RESOURCE DEVELOPMENT K-12 SCHOOL FACILITIES PAYMENT; CREATING A COAL-FIRED GENERATING UNIT CLOSURE MITIGATION BLOCK GRANT; AMENDING SECTIONS 17-7-502, 20-7-102, 20-7-306, 20-9-141, 20-9-306, 20-9-310, 20-9-342, 20-9-344, 20-9-366, 20-9-517, 20-9-518, 20-9-520, 20-9-622, 20-9-630, 20-9-632, AND 20-15-310, MCA; AMENDING SECTION 7, CHAPTER 433, LAWS OF 2015; AND PROVIDING EFFECTIVE DATES AND AN APPLICABILITY DATE.

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

Section 1. Section 17-7-502, MCA, is amended to read:

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

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

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

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

(3) The following laws are the only laws containing statutory appropriations: 2-17-105; 5-11-120; 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; 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; 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; 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; 19-20-604; 19-20-607; 19-21-203; 20-8-107; ~~20-9-517; 20-9-520;~~ 20-9-534; 20-9-622; 20-9-905; 20-26-617; 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; 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; 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; 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; 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; 90-1-205; 90-1-504; 90-3-1003; 90-6-331; and 90-9-306.

(4) There is a statutory appropriation to pay the principal, interest, premiums, and costs of issuing, paying, and securing all bonds, notes, or other obligations, as due, that have been authorized and issued pursuant to the laws of Montana. Agencies that have entered into agreements authorized by the laws of Montana to pay the state treasurer, for deposit in accordance with 17-2-101 through 17-2-107, as determined by the state treasurer, an amount sufficient to pay the principal and interest as due on the bonds or notes have statutory appropriation authority for the payments. (In subsection (3): pursuant to sec. 10, Ch. 360, L. 1999, the inclusion of 19-20-604 terminates contingently when the amortization period for the teachers' retirement system's unfunded 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 sec. 2, Ch. 459, L. 2009, the inclusion of 15-35-108 terminates June 30, 2019; pursuant to sec. 73, Ch. 44, L. 2007, the inclusion of 19-6-410 terminates contingently upon the death of the last recipient eligible under 19-6-709(2) for the supplemental benefit provided by 19-6-709; pursuant to sec. 5, Ch. 442, L. 2009, the inclusion of 90-6-331 terminates June 30, 2019; pursuant to sec. 16, Ch. 58, L. 2011, the inclusion of 30-10-1004 terminates June 30, 2017; pursuant to sec. 6, Ch. 61, L. 2011, the inclusion of 76-13-416 terminates June 30, 2019; pursuant to sec. 13, Ch. 339, L. 2011, the inclusion of 81-1-112 and 81-7-106 terminates June 30, 2017; pursuant to sec. 11(2), Ch. 17, L. 2013, the inclusion of 17-3-112 terminates on occurrence of contingency; pursuant to sec. 5, Ch. 244, L. 2013, the inclusion of 22-1-327 terminates July 1, 2017; pursuant to sec. 27, Ch.

285, L. 2015, and sec. 1, Ch. 292, L. 2015, the inclusion of 53-9-113 terminates June 30, 2021; pursuant to sec. 6, Ch. 291, L. 2015, the inclusion of 50-1-115 terminates June 30, 2021; pursuant to sec. 28, Ch. 368, L. 2015, the inclusion of 53-6-1304 terminates June 30, 2019; pursuant to sec. 5, Ch. 383, L. 2015, the inclusion of 85-25-102 is effective on occurrence of contingency; pursuant to sec. 5, Ch. 422, L. 2015, the inclusion of 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 terminates June 30, 2025; pursuant to sec. 10, Ch. 427, L. 2015, the inclusion of 37-50-209 terminates September 30, 2019; and pursuant to sec. 33, Ch. 457, L. 2015, the inclusion of 20-9-905 terminates December 31, 2023.)"

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

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

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

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

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

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

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

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

(b) approved career and technical student organizations;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(iii) anticipated oil and natural gas production taxes;

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

(v) ~~school district block grants distributed under 20-9-630; and~~ any portion of the combined fund block grant allocated to the district general fund by the trustees pursuant to 20-9-630;

(vi) if applicable, a coal-fired generating unit closure mitigation block grant as provided in [section 19]; and

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

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

(d) Determine the sum of:

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

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

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

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

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

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

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

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

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

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

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

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

(2) "BASE aid" means:

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

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

~~subsection (10);~~

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

~~(d)~~(c) the total quality educator payment;

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

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

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

(g) the total data-for-achievement payment

~~(h) the total data-for-achievement payment~~.

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

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

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

(6) "Basic entitlement" means:

(a) for each high school district:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(a) 175%; or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

~~(17)~~<u>(16)</u> "Total quality educator payment" means the payment resulting from multiplying $3,113 in fiscal year 2016 and $3,169 for each succeeding fiscal year by the number of full-time equivalent educators as provided in 20-9-327."

Section 6. Section 20-9-310, MCA, is amended to read:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(7) In any year in which the actual oil and natural gas production taxes received by a school district are

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

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

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

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

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

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

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

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

~~(5)~~(4) (a) Subject to the limitation in subsection (1) and the conditions in subsection ~~(5)(b)~~ (4)(b), the trustees shall budget and allocate the oil and natural gas production taxes anticipated by the district in any budgeted fund at the discretion of the trustees. Oil and natural gas production taxes allocated to the district general fund may be applied to the BASE or over-BASE portions of the general fund budget at the discretion of the trustees.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(2) Any excess interest and income revenue deposited in the guarantee account in each fiscal year must be distributed in accordance with 20-9-622(2).

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

Section 8. Section 20-9-344, MCA, is amended to read:

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

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

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

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

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

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

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

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

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

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

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

(i) direct state aid;

(ii) the total quality educator payment;

(iii) the total at-risk student payment;

(iv) the total Indian education for all payment;

(v) the total American Indian achievement gap payment; <u>and</u>

<u>(vi) the total data-for-achievement payment;</u>

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

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

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

(i) direct state aid;

(ii) the total quality educator payment;

(iii) the total at-risk student payment;

(iv) the total Indian education for all payment;

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

(vi) the total data-for-achievement payment;

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

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

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

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

(e) in June of the school fiscal year, the remaining payment to each district of direct state aid, the total quality educator payment, the total at-risk student payment, the total Indian education for all payment, the total American Indian achievement gap payment~~, the total data-for-achievement payment, and the total natural resource development K-12 funding payment~~, and the total data-for-achievement payment.

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

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

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

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

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

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

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

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

(a) direct state aid;

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

(b) the total data-for-achievement payment;

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

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

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

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

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

(5) (a) "Statewide elementary guaranteed tax base ratio" or "statewide high school guaranteed tax base ratio", for guaranteed tax base funding for the BASE budget of an eligible district, means the sum of the taxable valuation in the previous year of all property in the state, multiplied by 193% for fiscal year 2018, 216% for fiscal year 2019, 224% for fiscal year 2020, and 232% for fiscal year 2021 and each succeeding fiscal year and divided by the prior year statewide GTBA budget area for the state elementary school districts or the state high school districts.

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

Section 10. Section 20-9-517, MCA, is amended to read:

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

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

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

(b) an unusual enrollment decrease;

(c) higher rates of student mobility;

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

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

(f) major maintenance for a school or district.

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

(a) the local district's or school's need;

(b) the severity of the energy development impacts;

(c) availability of funds in the account; and

(d) the applicant district's ability to meet the needs identified in subsection (2).

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

(5) The amount in the account may not exceed $7.5 million. Any amount over $7.5 million must be deposited in the guarantee account and distributed in the same manner as provided in 20-9-622(2). (Terminates June 30, ~~2019~~ 2017~~--sec. 7, Ch. 433, L. 2015~~.)

20-9-517. (Effective July 1, ~~2019~~ 2017) State school oil and natural gas impact account. (1) There is a state school oil and natural gas impact account in the state special revenue fund provided for in 17-2-102. The purpose of the account is to provide money to schools that are not receiving oil and natural gas production taxes under 15-36-331 in an amount sufficient to address oil and natural gas development impacts.

~~(2) There must be deposited in the account oil and natural gas production taxes, if any, pursuant to 20-9-310(4).~~

~~(3)~~(2) A school district may apply to the superintendent of public instruction for funds from the account for circumstances that are directly related to impacts resulting from the development or cessation of development of oil and natural gas as follows:

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

(b) an unusual enrollment decrease;

(c) higher rates of student mobility;

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

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

(f) major maintenance for a school or district.

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

(a) the local district's or school's need;

(b) the severity of the energy development impacts;

(c) availability of funds in the account; and

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

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

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

Section 11. Section 20-9-518, MCA, is amended to read:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

~~(d) attract new industry to the area impacted by changes in oil and natural gas activity leading to the~~

~~reduction in the price of oil or the reduction in the receipt of oil and natural gas production taxes described in subsection (2); or~~

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

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

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

Section 12. Section 20-9-520, MCA, is amended to read:

"20-9-520. State school oil and natural gas distribution account. ~~(1)~~ There is a state school oil and natural gas distribution account in the state special revenue fund provided for in 17-2-102. ~~The purpose of the account is for distribution of the oil and natural gas production revenue exceeding the limitation in 20-9-310(1) in accordance with 20-9-310(4). The funds deposited in this account for distribution to school districts and counties under 20-9-310(4) are statutorily appropriated as provided in 17-7-502.~~

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

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

Section 13. Section 20-9-622, MCA, is amended to read:

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

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

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

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

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

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

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

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

<u>(2) Any excess interest and income revenue deposited in the guarantee account for distribution under this section must be transferred to the school facility and technology account provided for in 20-9-516.</u>"

Section 14. Section 20-9-630, MCA, is amended to read:

"20-9-630. School district block grants. (1) (a) The office of public instruction shall provide ~~a block grant to each school district based on:~~

~~(i) the revenue received by each district in fiscal year 2001 from vehicle taxes and fees, corporate income taxes paid by financial institutions, aeronautics fees, state land payments in lieu of taxes, and property tax reimbursements pursuant to sections 167(1) through (5) and 169(6), Chapter 584, Laws of 1999; and~~

~~(ii) any reimbursement to be made to a school district pursuant to subsection (2)~~ <u>block grants to school districts in accordance with this section</u>.

(b) ~~Block grants must be calculated using the~~ <u>The</u> electronic reporting system that is used by the office of public instruction and school districts~~. The electronic reporting system~~ must be used to allocate the block grant amount into each district's budget as an anticipated revenue source by fund.

(2) If the legislature enacts a reimbursement provision <u>effective on or after July 1, 2017,</u> that is to be distributed pursuant to this section, the office of public instruction shall determine the reimbursement amount as

provided in the enactment and add the appropriate amount to block grant distributions under this section. Except for the reimbursement made under 15-1-123(3)(b), the total of reimbursement distributions made pursuant to this subsection in a fiscal year must be added to all other distributions to the school district in the fiscal year to determine the distribution for the subsequent fiscal year.

(3) Each year, 70% of each district's block grant must be distributed in November and 30% of each district's block grant must be distributed in May at the same time that guaranteed tax base aid is distributed.

(4) ~~(a) The block grant for the district general fund is equal to the amount received in fiscal year 2011 by the district general fund from the block grants provided for in subsection (1) and the amount received by the district general fund under subsection (2), except the amount received under 15-1-123(3)(b).~~

~~(b)~~(a) The block grant for the district transportation fund is equal to the amount received in fiscal year ~~2011~~ 2017 by the district transportation fund from the block grants provided for in subsection (1) and the amount received by the district transportation fund under subsection (2), except the amount received under 15-1-123(3)(b).

~~(c)~~(b) (i) The combined fund block grant is equal to the amount received in fiscal year ~~2011~~ 2017 and the amount received under subsection (2), except the amount received under 15-1-123(3)(b).

(ii) The school district may deposit the combined fund block grant into any budgeted fund of the district."

Section 15. Section 20-9-632, MCA, is amended to read:

"20-9-632. Countywide school transportation block grants. ~~(1)~~ The office of public instruction shall distribute one-half of the amount appropriated for countywide school transportation in November and the remainder in May. The total amount for each county is equal to the amount received in fiscal year 2017. ~~as follows:~~

	~~FY 2002~~	~~FY 2003~~
	~~Payment~~	~~Payment~~
~~Beaverhead~~	~~$29,924~~	~~$26,197~~
~~Big Horn~~	~~43,635~~	~~52,920~~
~~Blaine~~	~~3,727~~	~~13,433~~
~~Broadwater~~	~~14,935~~	~~21,769~~
~~Carbon~~	~~23,493~~	~~23,040~~
~~Carter~~	~~8,675~~	~~6,592~~

~~Cascade~~	~~84,382~~	~~43,722~~
~~Chouteau~~	~~33,063~~	~~27,043~~
~~Custer~~	~~7,069~~	~~6,272~~
~~Daniels~~	~~16,771~~	~~12,993~~
~~Dawson~~	~~21,356~~	~~14,001~~
~~Deer Lodge~~	~~14,392~~	~~12,532~~
~~Fallon~~	~~20,447~~	~~25,428~~
~~Fergus~~	~~58,765~~	~~29,415~~
~~Flathead~~	~~89,846~~	~~77,223~~
~~Gallatin~~	~~81,262~~	~~90,930~~
~~Garfield~~	~~17,284~~	~~7,135~~
~~Glacier~~	~~37,740~~	~~34,300~~
~~Golden Valley~~	~~3,547~~	~~3,664~~
~~Granite~~	~~8,153~~	~~6,858~~
~~Hill~~	~~46,409~~	~~40,781~~
~~Jefferson~~	~~36,329~~	~~34,817~~
~~Judith Basin~~	~~16,878~~	~~20,322~~
~~Lake~~	~~69,756~~	~~52,163~~
~~Lewis & Clark~~	~~58,287~~	~~69,535~~
~~Liberty~~	~~15,874~~	~~9,584~~
~~Lincoln~~	~~50,388~~	~~22,795~~
~~Madison~~	~~21,263~~	~~12,828~~
~~McCone~~	~~12,498~~	~~11,788~~
~~Meagher~~	~~4,237~~	~~6,976~~
~~Mineral~~	~~7,478~~	~~9,038~~
~~Missoula~~	~~93,969~~	~~94,480~~
~~Musselshell~~	~~12,945~~	~~20,627~~
~~Park~~	~~31,904~~	~~32,394~~
~~Petroleum~~	~~9,854~~	~~7,300~~
~~Phillips~~	~~31,080~~	~~43,872~~

~~Pondera~~	~~22,599~~	~~18,308~~
~~Powder River~~	~~21,304~~	~~21,795~~
~~Powell~~	~~16,622~~	~~14,507~~
~~Prairie~~	~~8,544~~	~~4,809~~
~~Ravalli~~	~~60,579~~	~~38,440~~
~~Richland~~	~~32,995~~	~~29,315~~
~~Roosevelt~~	~~25,740~~	~~40,216~~
~~Rosebud~~	~~97,820~~	~~90,850~~
~~Sanders~~	~~71,581~~	~~69,930~~
~~Sheridan~~	~~12,946~~	~~24,274~~
~~Silver Bow~~	~~21,872~~	~~18,381~~
~~Stillwater~~	~~27,358~~	~~17,543~~
~~Sweet Grass~~	~~14,996~~	~~6,340~~
~~Teton~~	~~28,202~~	~~20,759~~
~~Toole~~	~~17,208~~	~~15,592~~
~~Treasure~~	~~5,446~~	~~5,073~~
~~Valley~~	~~26,677~~	~~27,775~~
~~Wheatland~~	~~9,142~~	~~6,386~~
~~Wibaux~~	~~6,198~~	~~8,816~~
~~Yellowstone~~	~~149,314~~	~~146,210~~
~~Total~~	~~1,814,759~~	~~1,650,088~~

~~(2) The average of the block grants in fiscal years 2002 and 2003 must be increased by 0.76% in fiscal year 2004 and in each succeeding fiscal year.~~"

Section 16. Section 20-15-310, MCA, is amended to read:

"20-15-310. Appropriation -- definitions. (1) It is the intent of the legislature that all community college spending, other than from restricted funds, designated funds, or funds generated by an optional, voted levy, be governed by the provisions of this part and the state general appropriations act.

(2) (a) The state general fund appropriation <u>for each community college</u> must be determined as follows:

(i) multiply the variable cost of education per student by the full-time equivalent student count and add the budget amount for the fixed cost of education; and

(ii) multiply the total in subsection (2)(a)(i) by the state share.

(b) The variable cost of education per student, the budget amount for fixed costs, and the state share for each community college must be determined by the legislature. The state share for each community college, expressed as a percentage, and the variable cost of education per student must be specified in the appropriations act appropriating funds to the community colleges for each biennium.

(3) The state general fund appropriation for each full-time equivalent resident student at a community college may not exceed the lesser of $2,500 plus:

(a) the weighted average of state support per resident full-time equivalent student within the Montana university system; or

(b) the weighted average of state support per resident full-time equivalent student within the community college system.

(4) If enrollment for a community college is less than 200 full-time equivalent resident students for 24 consecutive academic months, the maximum state general fund appropriation for that community college may not exceed the lesser of:

(a) the weighted average of state support per resident full-time equivalent student within the Montana university system; or

(b) the weighted average of state support per resident full-time equivalent student within the community college system.

(5) At any time enrollment at a community college falls below 200 full-time equivalent resident students, the community college shall submit a business plan to the board of regents for review, approval, and monitoring. The business plan must include identifying what measures the community college will take to increase enrollment. The plan must be submitted to the board of regents within 1 month after enrollment falls below 200 full-time equivalent resident students.

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

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

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

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

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

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

Section 17. Fund transfers. (1) By August 1, 2017, the state treasurer shall transfer $1,288,833 from the incentive for physicians practicing in rural areas or medically underserved areas or for underserved populations state special revenue account established in 20-26-1501 to a state special revenue account administered by the office of the commissioner of higher education for use in the western interstate commission for higher education to make agreements for placement of students as allowed under 20-25-803 and related programs.

(2) By August 1 in each fiscal year of the biennium, the state treasurer shall transfer $100,000 from the fire suppression account established in 76-13-150 to the office of the commissioner of higher education for training firefighters pursuant to 20-31-402. The legislature intends that fire school training services will be funded from the general fund following the 2019 biennium.

(3) By August 1, 2017, the state treasurer shall transfer $400,000 from the incentive for physicians practicing in rural areas or medically underserved areas or for underserved populations state special revenue account established in 20-26-1501 to a state special revenue account administered by the office of the commissioner of higher education for the family practice rural residency graduate medical education program.

(4) By August 1, 2018, the state treasurer shall transfer $400,000 from the general fund to a state special revenue account administered by the office of the commissioner of higher education for the family practice rural residency graduate medical education program.

Section 18. Natural resource development K-12 school facilities payment. (1) The natural resource development K-12 school facilities payment replaces the former natural resource development K-12 funding payment as a means to provide local property tax relief by supporting school district facility needs. The legislature intends for the new payment to grow in a manner similar to the previous payment as described in subsection (2) through fiscal year 2022 until other revenue to support school facilities has increased.

(2) Beginning in fiscal year 2019, the superintendent of public instruction shall annually deposit no later than March 31 in the school facility and technology account provided for in 20-9-516 the natural resource development K-12 school facilities payment, which is calculated as the greater of:

(a) $5.8 million in fiscal year 2019, $6.4 million in fiscal year 2020, $7.6 million in fiscal year 2021, and $10 million in fiscal year 2022, increased by an inflationary adjustment calculated as provided in 20-9-326 in each succeeding fiscal year; or

(b) 5% of the oil and natural gas production taxes deposited in the general fund pursuant to 15-36-331(4) for the fiscal year occurring 2 fiscal years prior to the fiscal year of the payment.

(3) In preparing and submitting an agency budget pursuant to 17-7-111 and 17-7-112, the superintendent of public instruction shall include a natural resource development K-12 school facilities payment for each year of the ensuing biennium calculated as described in subsection (2).

Section 19. Coal-fired generating unit closure mitigation block grant. (1) (a) The office of public instruction shall provide a coal-fired generating unit closure mitigation block grant to each school district with a fiscal year 2017 taxable valuation that includes a coal-fired generating unit with a generating capacity that is greater than or equal to 200 megawatts, was placed in service prior to 1980, and is retiring or planned for retirement on or before July 1, 2022.

(b) The electronic reporting system that is used by the office of public instruction and school districts must be used to allocate the block grant amount into each district's general fund budget as an anticipated revenue source.

(2) Each year, 70% of each district's block grant must be distributed in November and 30% of each district's block grant must be distributed in May at the same time that guaranteed tax base aid is distributed.

(3) The block grant is equal to the amount received in fiscal year 2017 by the district general fund from the block grants provided for in 20-9-630(4)(a) as that section read prior to July 1, 2017.

(4) (a) If the owner of a coal-fired generating unit that is retired or planned for retirement on or before July 1, 2022, makes a payment in accordance with a retirement plan approved by the department of environmental quality or a transition agreement with the governor and attorney general for the purpose of decommissioning requirements and a portion of the payment is allocated to a school district for the purposes of school funding cost shifts, then that portion must repay to the state general fund the cost of the block grant payments under this section, as discounted in accordance with an agreement for payment to the state, on the following schedule, not to exceed the limitation provided in subsection (4)(b):

(i) if the generating unit closes prior to June 30, 2018, 100% of the total block grant payments under this section must be returned to the general fund;

(ii) if the generating unit closes during fiscal year 2019, 90% of the block grant payments under this section must be returned to the general fund;

(iii) if the generating unit closes during fiscal year 2020, 80% of the block grant payments under this section must be returned to the general fund;

(iv) if the generating unit closes during fiscal year 2021, 70% of the block grant payments under this section must be returned to the general fund; and

(v) if the generating unit closes during fiscal year 2022 or on July 1, 2022, 60% of the block grant payments under this section must be returned to the general fund.

(b) Repayment under subsection (4)(a) may not exceed the amount of any portion of a payment allocated to a school district in accordance with a retirement plan or a transition plan.

Section 20. Section 7, Chapter 433, Laws of 2015, is amended to read:

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

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

Section 22. Codification instruction. [Sections 18 and 19] are intended to be codified as an integral part of Title 20, chapter 9, part 6, and the provisions of Title 20, chapter 9, part 6, apply to [sections 18 and 19].

Section 23. Coordination instruction. If both Senate Bill No. 307 and [this act] are passed and approved and if Senate Bill No. 307 contains a section that creates a new state special revenue account for school major maintenance aid, then the reference in 20-9-622 of [this act] to the "school facility and technology account provided for in 20-9-516" must be changed to the "school major maintenance aid account provided for in [section 8 of Senate Bill No. 307]".

Section 24. Coordination instruction. If both Senate Bill No. 307 and [this act] are passed and approved and if Senate Bill No. 307 contains a section that creates a new state special revenue account for school major maintenance aid, then the reference in [section 18 of this act] to the "school facility and technology account provided for in 20-9-516" must be changed to the "school major maintenance aid account provided for in [section 8 of Senate Bill No. 307]".

Section 25. Coordination instruction. (1) If Senate Bill No. 307 is not passed and approved, then the general fund appropriation for BASE aid in House Bill No. 2 must be increased by $4.9 million for fiscal year 2018 and by $5.8 million for fiscal year 2019 for the purpose of reinstating the natural resource development K-12 funding payment and adjusting guaranteed tax base aid accordingly.

(2) If Senate Bill No. 307 is not passed and approved, then [section 18 of this act] creating a natural resource development K-12 school facilities payment is void, and the sections in [this act] amending 20-7-102, 20-9-141, 20-9-306, 20-9-342, 20-9-344, and 20-9-622 are void and 20-9-141 must be amended as follows:

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

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

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

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

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

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

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

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

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

(iii) anticipated oil and natural gas production taxes;

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

(v) ~~school district block grants distributed under 20-9-630; and~~ any portion of the combined fund block grant allocated to the district general fund by the trustees pursuant to 20-9-630;

(vi) if applicable, a coal-fired generating unit closure mitigation block grant as provided in [section 19]; and

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

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

(d) Determine the sum of:

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

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

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

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

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

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

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

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

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

Section 26. Severability. If a part of [this act] is invalid, all valid parts that are severable from the invalid part remain in effect. If a part of [this act] is invalid in one or more of its applications, the part remains in effect in all valid applications that are severable from the invalid applications.

Section 27. Effective dates. (1) Except as provided in subsection (2), [this act] is effective July 1, 2017.

(2) [Section 20] and this section are effective on passage and approval.

Section 28. Applicability. [This act] applies to school budgets for school years beginning on or after July 1, 2017.

- END -

I hereby certify that the within bill,

HB 0647, originated in the House.

____

Speaker of the House

Signed this ________________________________ day

of ____________________________________, 2017.

____

Chief Clerk of the House

____

President of the Senate

Signed this ________________________________ day

of ____________________________________, 2017.

HOUSE BILL NO. 647

INTRODUCED BY D. JONES

AN ACT GENERALLY REVISING EDUCATION FUNDING LAWS; IMPLEMENTING PORTIONS OF THE GENERAL APPROPRIATIONS ACT; ELIMINATING THE NATURAL RESOURCE DEVELOPMENT K-12 FUNDING PAYMENT AND SCHOOL DISTRICT GENERAL FUND BLOCK GRANTS; INCREASING THE GUARANTEED TAX BASE MULTIPLIER; ELIMINATING THE STATUTORY APPROPRIATION FOR THE STATE SCHOOL OIL AND NATURAL GAS IMPACT ACCOUNT AND THE STATE SCHOOL OIL AND NATURAL GAS DISTRIBUTION ACCOUNT; REDIRECTING ANY EXCESS INTEREST AND INCOME REVENUE FROM SCHOOL TRUST LANDS TO SCHOOL FACILITIES; ELIMINATING INFLATIONARY INCREASES FOR COUNTY SCHOOL TRANSPORTATION BLOCK GRANTS; REVISING TERMINATION DATES OF CERTAIN 2015 AMENDMENTS; EXPANDING USE OF FUNDING FOR SECONDARY K-12 CAREER AND VOCATIONAL/TECHNICAL EDUCATION; REVISING EXCESS OIL AND NATURAL GAS REVENUE DISTRIBUTION; REVISING STATE SHARE CALCULATIONS FOR COMMUNITY COLLEGES; PROVIDING FOR TRANSFERS; CREATING A NATURAL RESOURCE DEVELOPMENT K-12 SCHOOL FACILITIES PAYMENT; CREATING A COAL-FIRED GENERATING UNIT CLOSURE MITIGATION BLOCK GRANT; AMENDING SECTIONS 17-7-502, 20-7-102, 20-7-306, 20-9-141, 20-9-306, 20-9-310, 20-9-342, 20-9-344, 20-9-366, 20-9-517, 20-9-518, 20-9-520, 20-9-622, 20-9-630, 20-9-632, AND 20-15-310, MCA; AMENDING SECTION 7, CHAPTER 433, LAWS OF 2015; AND PROVIDING EFFECTIVE DATES AND AN APPLICABILITY DATE.