

SENATE BILL NO. 5

INTRODUCED BY T. FACEY

BY REQUEST OF THE SCHOOL FUNDING INTERIM COMMISSION

A BILL FOR AN ACT ENTITLED: "AN ACT INCREASING THE FLEXIBILITY OF SCHOOL DISTRICTS IN ISSUING AND SELLING OBLIGATIONS TO THE BOARD OF INVESTMENTS; AMENDING SECTIONS 20-9-471 AND 20-9-503, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

Section 1. Section 20-9-471, MCA, is amended to read:

"20-9-471. Issuance of obligations -- authorization -- conditions. (1) The trustees of a school district may, without a vote of the electors of the district, issue and sell to the board of investments obligations for the purpose of financing all or a portion of:

(a) the costs of vehicles and equipment and construction of buildings used primarily for the storage and maintenance of vehicles and equipment;

(b) the costs associated with renovating, rehabilitating, and remodeling facilities, including but not limited to roof repairs, heating, plumbing, electrical systems, and cost-saving measures as defined in 90-4-1102;

(c) the costs of nonpermanent modular classrooms necessary for student instruction when existing buildings of the district are determined to be inadequate by the trustees;

~~(e)~~(d) any other expenditure that the district is otherwise authorized to make, subject to subsection (4), including the payment of settlements of legal claims and judgments; and

~~(d)~~(e) the costs associated with the issuance and sale of the obligations.

(2) The term of the obligation, including an obligation for a qualified energy project, may not exceed 15 fiscal years. For the purposes of this subsection, a "qualified energy project" means a project designed to reduce energy use in a school facility and from which the resulting energy cost savings are projected to meet or exceed the debt service obligation for financing the project, as determined by the department of environmental quality.

(3) (a) At the time of issuing the obligation, there must exist an amount in the budget of an applicable budgeted fund of the district for the current fiscal year available and sufficient to make the debt service payment on the obligation coming due in the current year. The budget of an applicable budgeted fund of the district for

1 each following year in which any portion of the principal of and interest on the obligation is due must provide for
2 payment of that principal and interest.

3 (b) For an obligation sold under subsection (1)(d) for the purposes of paying a tax protest REFUND, a
4 district may pledge revenue from a special tax protest REFUND levy for the repayment of the obligation, pursuant
5 to 15-1-402(7).

6 (4) Except as provided in 20-9-502 ~~and~~, 20-9-503, and subsections (1)(a) and (1)(c) of this section, the
7 proceeds of the obligation may not be used to acquire real property or construct a facility unless:

8 (a) the acquisition or construction project does not constitute more than 20% of the square footage of
9 the existing real property improvements made to a facility containing classrooms;

10 (b) the 20% square footage limitation may not be exceeded within any 5-year period; and

11 (c) the electors of the district approve a proposition authorizing the trustees to apply for funds through
12 the board of investments for the construction project. The proposition must be approved at an election held in
13 accordance with all of the requirements of 20-9-428, except that the proposition is considered to have passed
14 if a majority of the qualified electors voting approve the proposition.

15 (5) The school district may not submit for a vote of the electors of the district a proposition to impose a
16 levy to pay the principal or any interest on an obligation that is payable from the guaranteed cost savings under
17 energy performance contracts as defined in 90-4-1102.

18 (6) ~~The~~ Except as provided in subsection (3)(b), the obligation must state clearly on its face that the
19 obligation is not secured by a pledge of the school district's taxing power but is payable from amounts in its
20 general fund or other legally available funds.

21 (7) An obligation issued is payable from any legally available fund of the district and constitutes a general
22 obligation of the district.

23 (8) The obligation may bear interest at a fixed or variable rate and may be sold to the board of
24 investments at par, at a discount, or with a premium and on any other terms and conditions that the trustees
25 determine to be in the best interests of the district.

26 (9) The principal amount of the obligation, when added to the outstanding bonded indebtedness of the
27 district, may not exceed the debt limitation established in 20-9-406."

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29 **Section 2.** Section 20-9-503, MCA, is amended to read:

30 **"20-9-503. Budgeting, tax levy, and use of building reserve fund.** (1) Whenever an annual building

1 reserve authorization to budget is available to a district, the trustees shall include the authorized amount in the
2 building reserve fund of the final budget. The county superintendent shall report the amount as the building
3 reserve fund levy requirement to the county commissioners by the later of the first Tuesday in September or within
4 30 calendar days after receiving certified taxable values, and a levy on the district must be made by the county
5 commissioners in accordance with 20-9-142.

6 (2) The trustees of any district maintaining a building reserve fund may:

7 (a) pledge the revenue for ~~loans~~ from the building reserve fund levy for up to 5 15 years. ~~However, loan~~
8 ~~proceeds may be~~ to repay loans used only for projects authorized by the electors of the district pursuant to
9 20-9-502.

10 (b) expend money from the fund for the purpose or purposes for which it was authorized without the
11 specific expenditures being included in the final budget when, in their discretion, there is a sufficient amount of
12 money to begin the authorized projects. The expenditures may not invalidate the district's authority to continue
13 the annual imposition of the building reserve taxation authorized by the electors of the district.

14 (3) Whenever there is money credited to the building reserve fund for which there is no immediate need,
15 the trustees may invest the money in accordance with 20-9-213(4). The interest earned from the investment must
16 be credited to the building reserve fund or the debt service fund, at the discretion of the trustees, and expended
17 for any purpose authorized by law for the fund."

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19 NEW SECTION. **Section 3. Effective date.** [This act] is effective on passage and approval.

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