

SENATE BILL NO. 139

INTRODUCED BY D. ANKNEY, J. COHENOUR, V. COURT, G. CUSTER, M. DUNWELL, F. GARNER, E. GREEF, B. HARRIS, L. JONES, K. KELKER, E. MCCLAFFERTY, T. RICHMOND, D. SALOMON, R. SHAW, S. STEWART-PEREGOY, P. WEBB, J. WELBORN, T. WELCH

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE ELIGIBILITY CRITERIA, PROCEDURE, AND FUNDING FOR AN EXISTING ELEMENTARY SCHOOL DISTRICT TO EXPAND INTO A K-12 SCHOOL DISTRICT; ALLOWING AN ELEMENTARY SCHOOL DISTRICT WITH AT LEAST 1,000 ANB TO EXPAND INTO A K-12 SCHOOL DISTRICT UNDER CERTAIN CONDITIONS, INCLUDING THE PASSAGE OF A BOND TO BUILD OR OUTFIT A HIGH SCHOOL BUILDING; REQUIRING THE EXISTING HIGH SCHOOL DISTRICT TO PROVIDE INSTRUCTION TO K-12 DISTRICT HIGH SCHOOL STUDENTS FOR A PERIOD OF TIME AND THE K-12 DISTRICT TO PAY THE HIGH SCHOOL DISTRICT FOR PROVIDING THIS INSTRUCTION; PROVIDING PROCEDURES FOR THE K-12 DISTRICT TO ESTABLISH BUDGETS AS IT OPENS A NEW HIGH SCHOOL; CLARIFYING BONDED INDEBTEDNESS THROUGHOUT THE EXPANSION PROCESS; PROVIDING FOR PROPORTIONAL DISTRIBUTION OF BLOCK GRANTS TO THE RESULTING DISTRICTS; AMENDING SECTIONS 20-6-326, 20-9-502, AND 20-9-630, MCA; AND PROVIDING AN EFFECTIVE DATE."

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

Section 1. Section 20-6-326, MCA, is amended to read:

"20-6-326. Procedure for creation of high school district solely for expansion into expansion of elementary school district into K-12 school district -- trustee resolution. (1) An existing elementary district that is not part of a unified school system or governed by a joint board with a high school district may create a high school district solely for the purpose of expanding an elementary district expand into a K-12 district under the procedures outlined in this section only if the elementary district's ANB, as calculated under the provisions of 20-9-311, is at least 1,000.:

- (a) the nearest elementary school building is located at a distance of at least 40 miles from the nearest accessible high school;
(b) the trip from the nearest elementary school building to the nearest accessible high school is 60 minutes or more over the shortest passable route;

1 ~~\_\_\_\_\_ (c) periodically during the school year, the condition of the road makes it impractical to attend the nearest~~  
 2 ~~accessible high school; and~~  
 3 ~~\_\_\_\_\_ (d) at least 50 high school students reside in the elementary district; and~~  
 4 ~~\_\_\_\_\_ (e) the taxable valuation and boundaries of the combining elementary and high school district are the~~  
 5 ~~same.~~

6 (2) ~~The creation of a new high school district expansion to a K-12 district~~ may be requested by the  
 7 trustees of an existing elementary district through passage of a resolution that includes the information outlined  
 8 in 20-6-105(3) and requests the county superintendent to order an election to allow the electors of the elementary  
 9 district to consider the proposition ~~to create a high school district solely for the purpose~~ of expanding the  
 10 elementary school district into a K-12 district. ~~Approval of the proposition results in a tax levy for payments as~~  
 11 ~~provided in subsection (6)(b).~~ The trustees of an existing elementary district with an ANB of at least 1,000 may  
 12 not pass a resolution for expansion more than one time within a 5-year period.

13 (3) (a) If the proposition for the expansion and the transition levy provided for in 20-9-502(6) is approved  
 14 by the electors of the elementary district and the trustees issue a certificate of election as provided in 20-20-416,  
 15 the county superintendent shall order the creation of the high school district and oversee the expansion of the  
 16 high school district into a K-12 district pursuant to 20-6-701 for a period of 2 years from the date of the certification  
 17 of the election the elementary trustees have the authority to propose to the electors of the elementary district:

18 (i) a transition costs levy pursuant to 20-9-502; and

19 (ii) a general obligation bond pursuant to Title 20, chapter 9, part 4, for the purpose of building, altering,  
 20 repairing, buying, furnishing, equipping, purchasing lands for, or obtaining a water supply for a school to  
 21 accommodate high school students.

22 (b) The bond limitations pursuant to 20-9-406 imposed on a district proposing a bond under subsection  
 23 (3)(a) must be calculated on the limits for a K-12 district with the high school ANB calculated by dividing the ANB  
 24 of the elementary district by 9 and multiplying the result by 4.

25 (c) A bond approved under subsection (3)(a) becomes a bond of, and may not be issued until the  
 26 creation of, the K-12 district formed pursuant to subsection (4).

27 (d) A district that issues a bond under this subsection (3) is eligible for facility reimbursements and  
 28 advances pursuant to 20-9-366 through 20-9-371 that, until the new high school has enrolled students in all  
 29 grades and has established an actual ANB for budgeting purposes, must be based on an estimated high school  
 30 ANB calculated by dividing the ANB of the elementary district by 9 and multiplying the result by 4.

1           (e) Until the county superintendent orders the creation of a new high school district and attachment of  
2 the expanding elementary district to form a new K-12 district pursuant to subsection (4), the existing high school  
3 district remains intact for all purposes.

4           (4) If elementary electors approve a bond pursuant to subsection (3), on July 1 following the approval of  
5 the bond the county superintendent shall order the creation of a new high school district with identical boundaries  
6 to the expanding elementary district and the immediate attachment of the expanding elementary district to form  
7 a K-12 district. The county superintendent shall send a copy of the order to the board of county commissioners  
8 and to the trustees of the districts affected by the creation of the district. The trustees of the expanding elementary  
9 district must be designated as the trustees of the new K-12 district.

10           (5) Prior to the first school fiscal year in which the K-12 district will enroll students in a high school grade,  
11 the K-12 trustees shall prepare operating budgets for the new high school according to the school budgeting  
12 provisions of this title, except that:

13           (a) the ANB for the high school program of the K-12 district must be estimated by the trustees and may  
14 not exceed the number resulting from dividing the ANB of the elementary program by 9 and multiplying the result  
15 by the number of grades in which the high school will enroll students;

16           (b) the number of quality educators for the high school program must be estimated by the trustees and  
17 may not exceed the number resulting from dividing the ANB estimated under subsection (5)(a) by 10;

18           (c) the taxable value for budgeting purposes of both the elementary and high school programs of the  
19 K-12 district must be based on the taxable value as most recently determined by the department of revenue;

20           (d) the general fund budget adopted by the trustees must be based on only the basic entitlement, the  
21 quality educator payment, and the budget components derived from ANB counts; and

22           (e) the district's BASE aid for the upcoming year must be based on the general fund budget adopted by  
23 the trustees for the upcoming school year.

24           (6) Until the first school year in which the K-12 school district enrolls high school students in all grades  
25 and for a period of time not to exceed 6 years following the creation of the K-12 district:

26           (a) the high school district shall provide high school instruction to high school students of the K-12 district  
27 in any grades in which the K-12 district is not enrolling students;

28           (b) the K-12 district shall be responsible for providing transportation for its students enrolled in the high  
29 school district pursuant to subsection (6)(a), may establish a transportation budget for this purpose, and may  
30 receive state and county reimbursements under Title 20, chapter 10; and

1 (c) the K-12 district shall pay the high school district 20% of the per-ANB maximum rate established in  
 2 20-9-306 for each of its students enrolled in the high school district with one-half of the amount due by December  
 3 31 of the year following the year of attendance and the remainder due no later than June 15 of the year following  
 4 the year of attendance. The K-12 trustees shall establish a tuition fund and levy to fund these payments.

5 ~~(5) If a new district is created, the effective date of its creation is the following July 1. The trustees of the~~  
 6 ~~elementary district must be designated as the trustees of the new K-12 district.~~

7 ~~(6) Until the first school fiscal year in which the new K-12 district enrolls high school students in all~~  
 8 ~~grades, the existing high school district shall provide high school instruction to students residing in the newly~~  
 9 ~~created K-12 district with the K-12 district paying the existing high school district:~~

10 ~~—— (a) tuition and transportation charged pursuant to the provisions of 20-5-320 and 20-5-321; and~~

11 ~~—— (b) an amount equal to the BASE general fund mills for the existing high school district assessed against~~  
 12 ~~the taxable valuation in the new K-12 district and funded using a building reserve fund levy for transition costs~~  
 13 ~~as provided in 20-9-502. The payment to the existing high school district must be deposited in the district general~~  
 14 ~~fund and used to reduce the BASE budget levy.~~

15 ~~(7) If bonded indebtedness has been approved by the voters of the existing high school district prior to~~  
 16 ~~April 12, 2007, but the bonds have not been sold prior to the creation of the new K-12 district, then the future~~  
 17 ~~indebtedness of those bonds when those bonds are sold must be paid by levies on the original territory.~~

18 ~~(8) If the K-12 school district does not open and operate a high school within 3 years after the effective~~  
 19 ~~date of the creation of the new district, the order of the county superintendent creating a new district under this~~  
 20 ~~section is void, the new district ceases to exist, and the trustees of the new district have no capacity to act. Those~~  
 21 ~~trustees retain authority as trustees of the elementary district.~~

22 (7) (a) Bonded indebtedness of the high school district that is outstanding as of the date of creation of  
 23 the K-12 district must remain secured by and be the indebtedness of the original territory against which the bonds  
 24 of the high school district were issued and must be paid by tax levies against the original territory.

25 (b) Bonded indebtedness of the high school district that is issued by the high school district following the  
 26 creation of the K-12 district is secured by the territory of the high school district as of the date of issuance of the  
 27 high school district bonds and must be paid by tax levies against the territory of the high school district. However,  
 28 if bonds of the high school district were approved at a bond election conducted before the creation of the K-12  
 29 district, all bonds of the high school district issued by the high school district under the bond election authority  
 30 must remain secured by and be the indebtedness of the territory of the high school district as of the date the bond

1 authority was approved by voters and must be paid by tax levies against that territory.

2 (c) Bonded indebtedness of the K-12 district is secured by the territory of the K-12 district as of the date  
3 of issuance of the K-12 district bonds and must be paid by tax levies against the territory of the K-12 district.

4 (d) Bonded indebtedness of the elementary district that is outstanding as of the date of creation of the  
5 K-12 district must become upon the date of creation of the K-12 district the bonded indebtedness of the K-12  
6 district and must be secured by the territory of the K-12 district and paid by tax levies against the territory of the  
7 K-12 district. The debt service on the bonds must be allocated to the elementary program of the K-12 district.

8 (e) Bonded indebtedness of the high school district or the K-12 district that is subsequently affected by  
9 a later reorganization of the high school district or the K-12 district is governed by the provisions of Title 20,  
10 chapter 6, part 4.

11 (8) When a K-8 district expands to a K-12 district as provided for in this section, a principal, teacher, or  
12 other certified employee of the original high school district who has a right of tenure under Montana law must be  
13 given preference in hiring for a vacant position in the new K-12 district for which the employee is qualified with  
14 the required certification endorsements."

15

16 **Section 2.** Section 20-9-502, MCA, is amended to read:

17 **"20-9-502. Purpose and authorization of building reserve fund by election -- levy for school**  
18 **transition costs.** (1) The trustees of any district, with the approval of the qualified electors of the district, may  
19 establish a building reserve for the purpose of raising money for the future construction, equipping, or enlarging  
20 of school buildings, for the purpose of purchasing land needed for school purposes in the district, or for the  
21 purpose of funding school transition costs as provided in ~~subsections~~ subsection (5) and (6). In order to submit  
22 to the qualified electors of the district a building reserve proposition for the establishment of or addition to a  
23 building reserve, the trustees shall pass a resolution that specifies:

24 (a) the purpose or purposes for which the new or addition to the building reserve will be used;

25 (b) the duration of time over which the new or addition to the building reserve will be raised in annual,  
26 equal installments;

27 (c) the total amount of money that will be raised during the duration of time specified in subsection (1)(b);  
28 and

29 (d) any other requirements under 15-10-425 and 20-20-201 for the calling of an election.

30 (2) Except as provided in ~~subsections~~ subsection (5)(b) and (6), a building reserve tax authorization may

1 not be for more than 20 years.

2 (3) The election must be conducted in accordance with the school election laws of this title, and the  
3 electors qualified to vote in the election must be qualified under the provisions of 20-20-301. The ballot for a  
4 building reserve proposition must be substantially in compliance with 15-10-425.

5 (4) The building reserve proposition is approved if a majority of those electors voting at the election  
6 approve the establishment of or addition to the building reserve. The annual budgeting and taxation authority of  
7 the trustees for a building reserve is computed by dividing the total authorized amount by the specified number  
8 of years. The authority of the trustees to budget and impose the taxation for the annual amount to be raised for  
9 the building reserve lapses when, at a later time, a bond issue is approved by the qualified electors of the district  
10 for the same purpose or purposes for which the building reserve fund of the district was established. Whenever  
11 a subsequent bond issue is made for the same purpose or purposes of a building reserve, the money in the  
12 building reserve must be used for the purpose or purposes before any money realized by the bond issue is used.

13 (5) (a) The trustees may submit a proposition to the qualified electors of the district for a levy to provide  
14 funding for transition costs incurred when the trustees:

15 (i) open a new school under the provisions of Title 20, chapter 6;

16 (ii) close a school;

17 (iii) replace a school building; or

18 (iv) consolidate with or annex another district under the provisions of Title 20, chapter 6; or

19 (v) receive approval from voters to expand an elementary district into a K-12 district pursuant to  
20 20-6-326.

21 (b) Except as provided in ~~subsections~~ subsection (5)(c) and (6), the total amount the trustees may submit  
22 to the electorate for transition costs may not exceed the number of years specified in the proposition times the  
23 greater of 5% of the district's maximum general fund budget for the current year or \$250 per ANB for the current  
24 year. ~~Except as provided in subsection (6), the~~ The duration of the levy for transition costs may not exceed 6  
25 years.

26 (c) If the levy for transition costs is for consolidation or annexation:

27 (i) the limitation on the amount levied is calculated using the ANB and the maximum general fund budget  
28 for the districts that are being combined; and

29 (ii) the proposition must be submitted to the qualified electors in the combined district.

30 (d) The levy for transition costs may not be considered as outstanding indebtedness for the purpose of

1 calculating the limitation in 20-9-406.

2 ~~(6) The trustees of a K-12 district shall impose a levy for transition costs to fund the payment required~~  
3 ~~by 20-6-326(6)(b) when a proposition to create the K-12 district and to assess the transition levy has been~~  
4 ~~approved pursuant to 20-6-326(2). The levy is limited to the amount required by 20-6-326(6)(b) for a period not~~  
5 ~~to exceed 3 years."~~

6

7 **Section 3.** Section 20-9-630, MCA, is amended to read:

8 **"20-9-630. School district block grants.** (1) (a) The office of public instruction shall provide a block  
9 grant to each school district based on:

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

13 (ii) any reimbursement to be made to a school district pursuant to subsection (2).

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

17 (2) If the legislature enacts a reimbursement provision that is to be distributed pursuant to this section,  
18 the office of public instruction shall determine the reimbursement amount as provided in the enactment and add  
19 the appropriate amount to block grant distributions under this section. Except for the reimbursement made under  
20 15-1-123(3)(b), the total of reimbursement distributions made pursuant to this subsection in a fiscal year must  
21 be added to all other distributions to the school district in the fiscal year to determine the distribution for the  
22 subsequent fiscal year.

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

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

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

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

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

4 (5) Upon creation of a new K-12 district under the provisions of 20-6-326, new block grant payments to  
5 the resulting high school district and the new K-12 district must be established by the office of public instruction  
6 based on the proportion of each district's taxable valuation."

7

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

9

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