

HOUSE BILL NO. 159

INTRODUCED BY B. GRUBBS

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A BILL FOR AN ACT ENTITLED: "AN ACT REVISING SCHOOL FUNDING LAWS; APPLYING INFLATIONARY ADJUSTMENTS TO FUNDING FORMULA COMPONENTS; REVISING THE NATURAL RESOURCE DEVELOPMENT K-12 SCHOOL FACILITIES PAYMENT; AMENDING SECTIONS 20-9-306 AND 20-9-635, MCA; AMENDING SECTION 35, CHAPTER 429, LAWS OF 2017; AND PROVIDING EFFECTIVE DATES AND AN APPLICABILITY DATE."

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

**Section 1.** 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) 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;
  - (c) the total quality educator payment;
  - (d) the total at-risk student payment;
  - (e) the total Indian education for all payment;
  - (f) the total American Indian achievement gap payment; and
  - (g) 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, and 140% of the special education

1 allowable cost payment.

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

5 (5) "BASE funding program" means the state program for the equitable distribution of the state's share  
6 of the cost of Montana's basic system of public elementary schools and high schools, through county equalization  
7 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  
8 BASE budgets of districts and special education allowable cost payments as provided in 20-9-321.

9 (6) "Basic entitlement" means:

10 (a) for each high school district:

11 (i) ~~\$306,897 for fiscal year 2018 and \$312,636~~ \$315,481 for fiscal year 2020 and \$321,254 for each  
12 succeeding fiscal year for school districts with an ANB of 800 or fewer; and

13 (ii) ~~\$306,897 for fiscal year 2018 and \$312,636~~ \$315,481 for fiscal year 2020 and \$321,254 for each  
14 succeeding fiscal year for school districts with an ANB of more than 800, plus ~~\$15,345 for fiscal year 2018 and~~  
15 ~~\$15,632~~ \$15,774 for fiscal year 2020 and \$16,063 for each succeeding fiscal year for each additional 80 ANB  
16 over 800;

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

19 (i) ~~\$51,149 for fiscal year 2018 and \$52,105~~ \$52,579 for fiscal year 2020 and \$53,541 for each  
20 succeeding fiscal year for school districts or K-12 district elementary programs with an ANB of 250 or fewer; and

21 (ii) ~~\$51,149 for fiscal year 2018 and \$52,105~~ \$52,579 for fiscal year 2020 and \$53,541 for each  
22 succeeding fiscal year for school districts or K-12 district elementary programs with an ANB of more than 250,  
23 plus ~~\$2,558 for fiscal year 2018 and \$2,606~~ \$2,630 for fiscal year 2020 and \$2,678 for each succeeding fiscal  
24 year for each additional 25 ANB over 250;

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

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

28 (A) ~~\$51,149 for fiscal year 2018 and \$52,105~~ \$52,579 for fiscal year 2020 and \$53,541 for each  
29 succeeding fiscal year for school districts or K-12 district elementary programs with an ANB of 250 or fewer; and

30 (B) ~~\$51,149 for fiscal year 2018 and \$52,105~~ \$52,579 for fiscal year 2020 and \$53,541 for each

1 succeeding fiscal year for school districts or K-12 district elementary programs with an ANB of more than 250,  
 2 plus ~~\$2,558 for fiscal year 2018 and \$2,606~~ \$2,630 for fiscal year 2020 and \$2,678 for each succeeding fiscal  
 3 year for each additional 25 ANB over 250; and

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

6 (A) ~~\$102,299 for fiscal year 2018 and \$104,212~~ \$105,160 for fiscal year 2020 and \$107,084 for each  
 7 succeeding fiscal year for school districts or K-12 district elementary programs with combined grades 7 and 8 with  
 8 an ANB of 450 or fewer; and

9 (B) ~~\$102,299 for fiscal year 2018 and \$104,212~~ \$105,160 for fiscal year 2020 and \$107,084 for each  
 10 succeeding fiscal year for school districts or K-12 district elementary programs with combined grades 7 and 8 with  
 11 an ANB of more than 450, plus ~~\$5,115 for fiscal year 2018 and \$5,211~~ \$5,258 for fiscal year 2020 and \$5,354  
 12 for each succeeding fiscal year for each additional 45 ANB over 450.

13 (7) "Budget unit" means the unit for which the ANB of a district is calculated separately pursuant to  
 14 20-9-311.

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

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

22 (a) 175%; or

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

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

28 (11) "Total American Indian achievement gap payment" means the payment resulting from multiplying  
 29 ~~\$210 for fiscal year 2018 and \$214~~ \$216 for fiscal year 2020 and \$220 for each succeeding fiscal year times the  
 30 number of American Indian students enrolled in the district as provided in 20-9-330.

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

3 (13) "Total data-for-achievement payment" means the payment provided in 20-9-325 resulting from  
4 multiplying ~~\$20.46 for fiscal year 2018 and \$20.84~~ \$21.03 for fiscal year 2020 and \$21.41 for each succeeding  
5 fiscal year by the district's ANB calculated in accordance with 20-9-311.

6 (14) "Total Indian education for all payment" means the payment resulting from multiplying ~~\$21.36 for~~  
7 ~~fiscal year 2018 and \$21.76~~ \$21.96 for fiscal year 2020 and \$22.36 for each succeeding fiscal year times the ANB  
8 of the district or \$100 for each district, whichever is greater, as provided for in 20-9-329.

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

11 (a) for a high school district or a K-12 district high school program, a maximum rate of ~~\$7,005 for fiscal~~  
12 ~~year 2018 and \$7,136~~ \$7,201 for fiscal year 2020 and \$7,333 for each succeeding fiscal year for the first ANB,  
13 decreased at the rate of 50 cents per ANB for each additional ANB of the district up through 800 ANB, with each  
14 ANB in excess of 800 receiving the same amount of entitlement as the 800th ANB;

15 (b) for an elementary school district or a K-12 district elementary program without an approved and  
16 accredited junior high school, 7th and 8th grade program, or middle school, a maximum rate of ~~\$5,471 for fiscal~~  
17 ~~year 2018 and \$5,573~~ \$5,624 for fiscal year 2020 and \$5,727 for each succeeding fiscal year for the first ANB,  
18 decreased at the rate of 20 cents per ANB for each additional ANB of the district up through 1,000 ANB, with each  
19 ANB in excess of 1,000 receiving the same amount of entitlement as the 1,000th ANB; and

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

22 (i) a maximum rate of ~~\$5,471 for fiscal year 2018 and \$5,573~~ \$5,624 for fiscal year 2020 and \$5,727 for  
23 each succeeding fiscal year for the first ANB for kindergarten through grade 6, decreased at the rate of 20 cents  
24 per ANB for each additional ANB up through 1,000 ANB, with each ANB in excess of 1,000 receiving the same  
25 amount of entitlement as the 1,000th ANB; and

26 (ii) a maximum rate of ~~\$7,005 for fiscal year 2018 and \$7,136~~ \$7,201 for fiscal year 2020 and \$7,333 for  
27 each succeeding fiscal year for the first ANB for grades 7 and 8, decreased at the rate of 50 cents per ANB for  
28 each additional ANB for grades 7 and 8 up through 800 ANB, with each ANB in excess of 800 receiving the same  
29 amount of entitlement as the 800th ANB.

30 (16) "Total quality educator payment" means the payment resulting from multiplying ~~\$3,185 for fiscal year~~

1 ~~2018 and \$3,245~~ \$3,275 for fiscal year 2020 and \$3,335 for each succeeding fiscal year by the number of  
 2 full-time equivalent educators as provided in 20-9-327."

3

4 **Section 2.** Section 20-9-635, MCA, is amended to read:

5 **"20-9-635. (Temporary) Natural resource development K-12 school facilities payment.** (1) The  
 6 natural resource development K-12 school facilities payment replaces the former natural resource development  
 7 K-12 funding payment as a means to provide local property tax relief by supporting school district facility needs.  
 8 The legislature intends for the new payment to grow in a manner similar to the previous payment as described  
 9 in subsection (2) through fiscal year 2022 until other revenue to support school facilities has increased.

10 (2) ~~Beginning in fiscal year 2020, the superintendent of public instruction shall annually deposit no later~~  
 11 ~~than March 31 in the school major maintenance aid account provided for in 20-9-525 the natural resource~~  
 12 ~~development K-12 school facilities payment, which is calculated as the greater of~~ The legislature intends the  
 13 natural resource development K-12 school facilities payment to be a general fund appropriation to support school  
 14 major maintenance aid pursuant to 20-9-525 that is:

15 (a) for fiscal years 2020, 2021, 2022, and 2023, calculated as the greater of:

16 (i) \$6.4 million in fiscal year 2020, \$7.6 million in fiscal year 2021, and \$10 million in fiscal year 2022,  
 17 and \$10 million in fiscal year 2023, with each fiscal year's appropriation reduced by the amount of projected  
 18 earnings from the school facilities fund pursuant to 17-5-703 for that fiscal year increased by an inflationary  
 19 adjustment calculated as provided in 20-9-326 in each succeeding fiscal year; or

20 (b)(ii) 5% of the oil and natural gas production taxes deposited in the general fund pursuant to  
 21 15-36-331(4) for the fiscal year occurring 2 fiscal years prior to the fiscal year of the payment; and

22 (b) for fiscal years 2024 and beyond, calculated as the greater of:

23 (i) \$10 million increased by an inflationary adjustment calculated as provided in 20-9-326 applied in fiscal  
 24 year 2024 and in each succeeding fiscal year; or

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

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

30 (3) The present law base calculated under Title 17, chapter 7, part 1, for major maintenance aid must

1 consist of:

2 (a) the natural resource development K-12 school facilities payment as calculated in subsection (2) as  
3 a general fund appropriation; and

4 (b) projected revenue available in the school major maintenance account, established in 20-9-525, as  
5 a state special revenue fund appropriation, including:

6 (i) projected earnings from the school facilities fund pursuant to 17-5-703; and

7 (ii) any anticipated transfers of excess interest and income revenue pursuant to 20-9-622. (Terminates  
8 June 30, 2019--secs. 27, 35, Ch. 429, L. 2017.)

9 ~~———— **20-9-635. (Effective July 1, 2019) Natural resource development K-12 school facilities payment.**~~

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

15 ~~———— (2) Beginning in fiscal year 2019, the superintendent of public instruction shall annually deposit no later~~  
16 ~~than March 31 in the school major maintenance aid account provided for in 20-9-525 the natural resource~~  
17 ~~development K-12 school facilities payment, which is calculated as the greater of:~~

18 ~~———— (a) \$5.8 million in fiscal year 2019, \$6.4 million in fiscal year 2020, \$7.6 million in fiscal year 2021, and~~  
19 ~~\$10 million in fiscal year 2022, increased by an inflationary adjustment calculated as provided in 20-9-326 in each~~  
20 ~~succeeding fiscal year; or~~

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

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

26

27 **Section 3.** Section 35, Chapter 429, Laws of 2017, is amended to read:

28 **"Section 35. Termination.** [Sections 13, 27, and 29] terminate June 30, 2019."

29

30 NEW SECTION. Section 4. Effective dates. (1) Except as provided in subsection (2), [this act] is

1 effective on passage and approval.

2 (2) [Section 1] is effective July 1, 2019.

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4 NEW SECTION. **Section 5. Applicability.** [This act] applies to school fiscal years beginning on or after  
5 July 1, 2019.

6 - END -