A BILL FOR AN ACT ENTITLED: “AN ACT GENERALLY REVISING STATE FINANCE LAWS RELATED TO
APPROPRIATING FEDERAL FUNDS FOR COVID-19 RELIEF FOR THE FISCAL YEAR ENDING JUNE 30,
2021; TEMPORARILY SUSPENDING ANTICIPATED ENROLLMENT INCREASES DUE TO COVID-19;
TEMPORARILY MODIFYING FINANCIAL SUPPORT FOR UNANTICIPATED ENROLLMENT INCREASES
DUE TO COVID-19; ALLOWING COVID-19 RELIEF APPROPRIATIONS TO CONTINUE INTO THE
BIENNium BEGINNING JULY 1, 2021; APPROPRIATING FUNDS TO THE OFFICE OF STATE PUBLIC
DEFENDER FOR THE FISCAL YEAR ENDING JUNE 30, 2021; AMENDING SECTIONS 20-6-326, 20-9-166,
AND 20-9-314, MCA; AMENDING SECTION 1, CHAPTER 483, LAWS OF 2019; AND PROVIDING AN
EFFECTIVE DATE AND A TERMINATION 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 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 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.
(2) The expansion to a K-12 district may be requested by the trustees of an existing elementary
district through passage of a resolution that includes the information outlined in 20-6-105(3) and requests the
county superintendent to order an election to allow the electors of the elementary district to consider the
proposition of expanding the elementary school district into a K-12 district. The trustees of an existing
elementary district with an ANB of at least 1,000 may not pass a resolution for expansion more than one time
within a 5-year period.
(3) (a) If the proposition for the expansion is approved by the electors of the elementary district and
the trustees issue a certificate of election as provided in 20-20-416, for a period of 2 years from the date of the

Legislative Services Division

- 1 -
certification of the election the elementary trustees have the authority to propose to the electors of the elementary district:

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

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

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

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

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

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

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

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

(a) the ANB for any inaugural grades for the high school program of the K-12 district must be
1 estimated by the trustees and may not exceed the number resulting from dividing the highest budgeted ANB of
2 the elementary program in the preceding 3 fiscal years by 9 and multiplying the result by the number of grades
3 in which the high school will enroll students for the first time in the ensuing school year;
4 (b) the number of quality educators for the high school program must be estimated by the trustees
5 and may not exceed the number resulting from dividing the ANB estimated under subsection (5)(a) by 10;
6 (c) the taxable value for budgeting purposes of both the elementary and high school programs of the
7 K-12 district must be based on the taxable value as most recently determined by the department of revenue;
8 (d) the general fund budget adopted by the trustees must be based on only the basic entitlement, the
9 quality educator payment, and the budget components derived from ANB counts; and
10 (e) the district’s BASE aid for the upcoming year must be based on the general fund budget adopted
11 by the trustees for the upcoming school year.
12 (6) Until the first school year in which the K-12 school district enrolls high school students in all grades
13 and for a period of time not to exceed 6 years following the creation of the K-12 district:
14 (a) the high school district shall provide high school instruction to high school students of the K-12
15 district in any grades in which the K-12 district is not enrolling students;
16 (b) the K-12 district shall be responsible for providing transportation for its students enrolled in the
17 high school district pursuant to subsection (6)(a), may establish a transportation budget for this purpose, and
18 may receive state and county reimbursements under Title 20, chapter 10; and
19 (c) the K-12 district shall pay the high school district 20% of the per-ANB maximum rate established in
20 20-9-306 for each of its students enrolled in the high school district with one-half of the amount due by
21 December 31 of the year following the year of attendance and the remainder due no later than June 15 of the
22 year following the year of attendance. The K-12 trustees shall establish a tuition fund and levy to fund these
23 payments.
24 (7) (a) Bonded indebtedness of the high school district that is outstanding as of the date of creation of
25 the K-12 district must remain secured by and be the indebtedness of the original territory against which the
26 bonds of the high school district were issued and must be paid by tax levies against the original territory.
27 (b) Bonded indebtedness of the high school district that is issued by the high school district following
28 the creation of the K-12 district is secured by the territory of the high school district as of the date of issuance of
the high school district bonds and must be paid by tax levies against the territory of the high school district.

However, if bonds of the high school district were approved at a bond election conducted before the creation of the K-12 district, all bonds of the high school district issued by the high school district under the bond election authority must remain secured by and be the indebtedness of the territory of the high school district as of the date the bond authority was approved by voters and must be paid by tax levies against that territory.

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

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

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

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

Section 2. Section 20-9-166, MCA, is amended to read:

"20-9-166. State financial aid for (Temporary) Financial support for transportation budget amendments and covid-19-related enrollment increases. Whenever a final budget amendment has been adopted for the general fund to finance the cost of an amendment resulting from increased enrollment, the trustees may apply to the superintendent of public instruction for an increased payment from the state for direct state aid. Whenever a final budget amendment has been adopted for the transportation fund, the trustees may apply to the superintendent of public instruction for an increased payment for state transportation reimbursement. The superintendent of public instruction shall adopt rules for the application for state
transportation reimbursement. The superintendent of public instruction shall approve or disapprove each
application for increased state aid made in accordance with 20-9-314 and this section state transportation
reimbursement. When the superintendent of public instruction approves an application, the superintendent of
public instruction shall determine the additional amount of direct state aid or the state transportation
reimbursement that will be made available to the applicant district because of the increase in enrollment or
additional pupil transportation obligations. The superintendent of public instruction shall notify the applicant
district of the superintendent's approval or disapproval and, in the event of approval, the amount of additional
state aid that will be made available for the general fund or the transportation fund. The superintendent of public
instruction shall disburse the state aid to the eligible district at the time the next regular state aid payment is
made.

(2) (a) Any increase in enrollment for a district at the October enrollment count for fiscal years 2022
and 2023 compared to the enrollment count of the district in October of the immediately preceding fiscal year is
declared by the legislature to be related to the uncertainty created by covid-19 and qualifies the district for
additional financial support as described in this subsection (2). The legislature also declares that the state's
fiscal challenges in the biennium beginning July 1, 2021, are a direct result of the economic downturn resulting
from covid-19.

(b) Subject to reduction under subsection (2)(c), the amount of additional financial support the district
qualifies for must be calculated by the superintendent of public instruction as the difference between the
district's BASE budget for that fiscal year and the amount of the district's BASE budget if the district's budget
limit ANB for that fiscal year was calculated using the district's actual October enrollment count in the current
school year in place of the preceding year's October enrollment count.

(c) (i) The total amount of the additional financial support for a district must be reduced by 10% of the
Title I allocation and any portion of an amount allocated on a per-quality-educator basis received by the district
as of the enrollment count date pursuant to:

(A) the Coronavirus Response and Relief Supplemental Appropriations Act of 2021; and

(B) any additional federal stimulus funds passed by congress and distributing funding under catalog of
federal domestic assistance number 84.425D.

(ii) The superintendent of public instruction shall consider the 10% amount calculated under this
subsection (2)(c) as an expense eligible for reimbursement under catalog of federal domestic assistance number 84.425D.

(d) The only increases in financial support resulting from increased enrollment are the increases described in this subsection (2). The superintendent of public instruction shall allocate the additional financial support to a qualifying district, first from federal money appropriated by the legislature for this purpose and if necessary, from the BASE aid appropriation in House Bill No. 2.

(e) A district receiving additional financial support under this subsection (2) shall deposit the money in the district's miscellaneous programs fund and use it to address costs associated with the enrollment increase. (Terminates June 30, 2023)."

Section 3. Section 20-9-314, MCA, is amended to read:

"20-9-314. Procedures for determining eligibility and amount of increased average number belonging due to unusual enrollment increase. A. Except for the ensuing school fiscal years of 2022 and 2023, a district that anticipates an unusual increase in enrollment in the ensuing school fiscal year, as provided for in 20-9-313(1)(d), may increase its basic entitlement and total per-ANB entitlement for the ensuing school fiscal year in accordance with the following provisions:

(1) Prior to June 1, the district shall estimate the elementary or high school enrollment to be realized during the ensuing school fiscal year, based on as much factual information as may be available to the district.

(2) No later than June 1, the district shall submit its application for an anticipated unusual enrollment increase by elementary or high school level to the superintendent of public instruction. The application must include:

(a) the enrollment for the current school fiscal year;

(b) the average number belonging used to calculate the basic entitlement and total per-ANB entitlement for the current school fiscal year;

(c) the average number belonging that will be used to calculate the basic entitlement and total per-ANB entitlement for the ensuing school fiscal year;

(d) the anticipated enrollment, including the factual information on which the estimate is based, as provided in subsection (1); and
any other information or data that may be requested by the superintendent of public instruction.

(3) The superintendent of public instruction shall immediately review all the factors of the application and shall approve or disapprove the application or adjust the enrollment used to calculate the budgeted average number belonging for the ensuing school fiscal year. After approving an estimate, with or without adjustment, the superintendent of public instruction shall:

(a) determine the percentage by which the adjusted enrollment exceeds the enrollment used for the budgeted average number belonging; and

(b) approve an increase of the average number belonging used to establish the ensuing year's basic entitlement and total per-ANB entitlement in accordance with subsection (5) if the increase in subsection (3)(a) is at least 4% or 40 students, whichever is less.

(4) The superintendent of public instruction shall notify the district of the decision by the fourth Monday in June.

(5) Whenever an unusual enrollment increase is approved by the superintendent of public instruction, the maximum allowable increase to the average number belonging is equal to the adjusted enrollment as determined by the superintendent of public instruction in subsection (3) minus the sum of:

(a) the enrollment used to calculate the budgeted average number belonging for the ensuing school fiscal year; and

(b) the lesser of 40 students or 4% of the enrollment used to calculate the budgeted average number belonging for the ensuing school fiscal year.

(6) (a) Any entitlement increases resulting from provisions of this section must be reviewed at the end of the ensuing school fiscal year.

(b) If the actual enrollment is less than the enrollment used to determine the budgeted ANB, the superintendent of public instruction shall recalculate the district’s BASE budget and maximum budget limitations, adopted budget, and BASE aid using the actual enrollment in place of the adjusted enrollment and:

(i) any BASE aid received by the district in excess of the amount recalculated is an overpayment subject to the refund provisions of 20-9-344(4); and

(ii) any revenue received by the district from BASE budget and over-BASE budget levies increased by the difference between the adjusted enrollment and the actual enrollment is an overpayment and must be used
to reduce the BASE budget levy calculated as provided in 20-9-141 to the extent of any BASE budget levy revenue overpayment and to reduce the over-BASE budget levy to the extent of any over-BASE budget levy revenue overpayment in the ensuing school fiscal year. In order to return the full amount of the overpayment to local taxpayers, the amount of the reduction in the BASE budget mills levied as a result of any overpayment must be calculated as a final step in computing the district's general fund net BASE levy requirement pursuant to the procedure set forth in 20-9-141(2) and the district's guaranteed tax base aid must be calculated prior to the reduction in BASE mills."

NEW SECTION. Section 4. Appropriations -- authorization to spend federal money. (1) There are federal special revenue funds appropriated to the agencies listed below for the fiscal year beginning July 1, 2020. Appropriation authority is intended to be allocated to the following items. Appropriations are authorized to continue in the biennium beginning July 1, 2021.

<table>
<thead>
<tr>
<th>Agency</th>
<th>Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office of Public Instruction</td>
<td>$153,089,519</td>
<td>[Basic Allocation to School Districts]</td>
</tr>
<tr>
<td></td>
<td>$3,400,000</td>
<td>[Supplemental Allocation to School Districts]</td>
</tr>
<tr>
<td></td>
<td>$120,000</td>
<td>[Allocation to Other Educational Institutions]</td>
</tr>
<tr>
<td></td>
<td>$2,500,000</td>
<td>[Special Needs Allocation]</td>
</tr>
<tr>
<td></td>
<td>$1,200,000</td>
<td>[Targeted Support to School Districts]</td>
</tr>
<tr>
<td></td>
<td>$939,449</td>
<td>[Education Leadership in Montana]</td>
</tr>
<tr>
<td></td>
<td>$8,000,000</td>
<td>[OPI Database Modernization]</td>
</tr>
<tr>
<td></td>
<td>$850,497</td>
<td>[Administration]</td>
</tr>
<tr>
<td>Department of Commerce</td>
<td>$163 million</td>
<td>[Emergency Rental Assistance]</td>
</tr>
<tr>
<td>Department of Public Health and Human Services</td>
<td>$20 million</td>
<td>[Emergency Rental Assistance]</td>
</tr>
<tr>
<td>Department of Labor and Industry</td>
<td>$5 million</td>
<td>[Unemployment Insurance – Administration]</td>
</tr>
<tr>
<td>Department of Transportation</td>
<td>$102.7 million</td>
<td>[Transportation Infrastructure]</td>
</tr>
</tbody>
</table>

(2) The appropriations to the office of public instruction in subsection (1) are restricted as follows:
(a) For Basic Allocation to School Districts, the amount allocated to school districts is to be based on federal law. The office of public instruction shall distribute funds through a grants for expenses method that is consistent with Section 313(d) of ESSER II.

(b) For Supplemental Allocation to School Districts, the office of public instruction shall allocate the funds as follows:

(i) a school district with less than 6 quality educators receives $10,000;

(ii) a school district with 6 or more quality educators that receives less than an amount equal to $10,000 times the number of the district's quality educators in the basic allocation receives an amount for every quality educator plus an additional $50 for every quality educator that the district is below the statewide average of quality educators for each district;

(iii) the amount for every quality educator must be calculated to use the $3.4 million appropriation; and

(iv) the office of public instruction shall distribute the funds in the same manner as used for the basic allocation.

(c) For Allocation to Other Educational Institutions, an allocation to the School for the Deaf and Blind, Pine Hills, and the Youth Academy are to be made on a per-quality-educator basis. The office of public instruction shall distribute the funds in the same manner as used for the basic allocation.

(d) For Special Needs Allocation, allocations to school districts and special education cooperatives are to be made consistent with the allowable cost payment for special education funding. The office of public instruction shall distribute the funds in the same manner as used for the basic allocation.

(e) For Targeted Support to School Districts:

(i) grants may be made at the discretion of the office of public instruction to school districts with significant challenges related to learning loss or fluctuations in enrollment. The office of public instruction shall distribute the funds in the same manner as used for the basic allocation.

(ii) grants may only be awarded after a district has expended all other federal funds allocated to it for responding to the covid-19 pandemic; and

(iii) a district may use these funds to provide support to a special education cooperative, of which it is a member, for expenses that are consistent with Section 313(d) of ESSER II.

(f) For Education Leadership in Montana, the office of public instruction shall create a system to build
the capacity of principals, teachers, and other leaders to ensure recovery of each school from the effects of the
covid-19 pandemic in a model that addresses the learning opportunities missed and needed by each person to
reach their full educational potential.

(g) For OPI Database Modernization, funds must be used by the office of public instruction to repair,

improve, or replace existing data systems to respond to learning loss associated with the pandemic. Actions
taken must be consistent with the provisions of 20-7-104.

(h) For Administration, funds must be used by the office of public instruction for the administration of

ESSER II activities.

(3) The office of budget and program planning is authorized to reallocate federal Emergency Rental

Assistance Program funds among agencies to fully expend this federal special revenue.

NEW SECTION. Section 5. Appropriation. There is appropriated $350,000 from the general fund to
the office of public defender for the fiscal year ending June 30, 2021. This appropriation is intended to provide
necessary and ordinary expenditures for the fiscal year beginning June 30, 2021. The unspent balance of this
appropriation reverts to the general fund.

Section 6. Section 1, Chapter 483, Laws of 2019, is amended to read:

Community college reversions for the biennium beginning July 1, 2019. The following language in
House Bill No. 2, Chapter 423, Laws of 2019, at page E-4 is amended as follows:

"The general fund appropriation for Community College Assistance is calculated to fund education in
the community colleges for an estimated 2,083 resident FTE in FY 2020 and 2,143 in FY 2021. If total resident
FTE student enrollment in the community colleges is greater than the estimated number for the biennium, the
community colleges shall serve the additional students without a state general fund contribution. If actual
resident FTE student enrollment is less than the estimated numbers for the biennium, the community colleges
shall revert general fund money to the state in accordance with 17-7-142."

COORDINATION SECTION. Section 7. Coordination instruction. If both House Bill No. 3 and [this
act] are passed and approved, [section 3(2)] of House Bill No. 3 must read:
“(2) There is appropriated $650,000 in federal funds, generated from interest income on the
Coronavirus Relief Fund, to the office of budget and program planning for the fiscal year ending June 30, 2021,
for coronavirus-related purposes.”

NEW SECTION. Section 8. **Effective date.** [This act] is effective on passage and approval.


- END -