

SENATE BILL NO. 553

INTRODUCED BY G. HERTZ

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A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING LAWS RELATED TO SCHOOL FUNDING; ELIMINATING THE PRORATION OF DEBT SERVICE ASSISTANCE; REQUIRING THE SUPERINTENDENT OF PUBLIC INSTRUCTION TO REQUEST A SUPPLEMENTAL APPROPRIATION IF NECESSARY TO FULLY FUND ALL FORMS OF STATE EQUALIZATION AID FOR SCHOOLS; AMENDING SECTIONS 20-9-346, 20-9-351, 20-9-371, 20-9-516, AND 20-9-525, MCA; AND PROVIDING AN EFFECTIVE DATE."

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

Section 1. Section 20-9-346, MCA, is amended to read:

"20-9-346. Duties of superintendent of public instruction for state and county equalization aid distribution. The superintendent of public instruction shall administer the distribution of the state and county equalization aid by:

(1) establishing the annual entitlement of each district and county to state and county equalization aid, based on the data reported in the retirement, general fund, and debt service fund budgets for each district that have been adopted for the current school fiscal year and verified by the superintendent of public instruction;

(2) for the purposes of state advances and reimbursements for school facilities, limiting the distribution to no more than the amount appropriated for the school fiscal year to the districts that are eligible under the provisions of 20-9-366 through 20-9-371 by:

(a) determining the debt service payment obligation in each district for debt service on bonds that were sold as provided in 20-9-370(3) that qualify for a state advance or reimbursement for school facilities under the provisions of 20-9-366 through 20-9-369 and 20-9-370;

(b) ~~based on the limitation of state equalization aid appropriated for debt service purposes,~~ determining the state advance for school facilities and the proportionate share of state reimbursement for school facilities that each eligible district must receive for the school fiscal year; and

1 (c) distributing that amount by May 31 of each school fiscal year to each eligible district for
2 reducing the property tax for the debt service fund for the ensuing school fiscal year;

3 (3) distributing by electronic transfer the BASE aid and state advances for county equalization, for
4 each district or county entitled to the aid, to the county treasurer of the respective county for county equalization
5 or to the county treasurer of the county where the district is located or to the investment account identified by
6 the applicable district for BASE aid, in accordance with the distribution ordered by the board of public
7 education;

8 (4) keeping a record of the full and complete data concerning money available for state
9 equalization aid, state advances for county equalization, and the entitlements for BASE aid of the districts of the
10 state;

11 (5) reporting to the board of public education the estimated amount that will be available for state
12 equalization aid; and

13 (6) reporting to the office of budget and program planning, as provided in 17-7-111:

14 (a) the figures and data available concerning distributions of state and county equalization aid
15 during the preceding 2 school fiscal years;

16 (b) the amount of state equalization aid then available;

17 (c) the apportionment made of the available money but not yet distributed;

18 (d) the latest estimate of accruals of money available for state equalization aid; and

19 (e) the amount of state advances and repayment for county equalization."
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21 **Section 2.** Section 20-9-351, MCA, is amended to read:

22 **"20-9-351. Funding of deficiency in BASE-state equalization aid.** If the money available for ~~BASE~~
23 state equalization aid is not the result of a reduction in spending under 17-7-140 and is not sufficient to provide
24 the full funding of state equalization aid as defined in 20-9-343, including the guaranteed tax base aid required
25 under 20-9-366 through 20-9-369, the debt service assistance required under 20-9-370 and 20-9-371, and
26 BASE aid support determined under 20-9-347, the superintendent of public instruction shall request the budget
27 director to submit a request for a supplemental appropriation in the second year of the biennium that is
28 sufficient to complete the funding of ~~BASE-state equalization~~ aid for the elementary and high school districts for

1 the current biennium."

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3 **Section 3.** Section 20-9-371, MCA, is amended to read:

4 **"20-9-371. Calculation and uses of school facility entitlement amount.** (1) The state
5 reimbursement for school facilities for a district is ~~the percentage determined in 20-9-346(2)(b) times (1-(district~~
6 mill value per ANB/facility guaranteed mill value per ANB)) times the lesser of the total school facility
7 entitlement calculated under the provisions of 20-9-370 or the district's current year debt service obligations on
8 general obligation bonds that qualify under the provisions of 20-9-370(3).

9 (2) The state advance for school facilities for a district is determined as follows:

10 (a) Calculate the percentage of the district's debt service payment that will be advanced by the
11 state using the district ANB, and the district mill value and the statewide mill value for the current year, ~~and the~~
12 ~~percentage used to determine the proportionate share of state reimbursement for school facilities in the prior~~
13 year.

14 (b) Multiply the percentage determined in subsection (2)(a) by the lesser of the total school facility
15 entitlement calculated under the provisions of 20-9-370 or the district's current year debt service obligation for
16 general obligation bonds to which the state advance applies.

17 (3) ~~Within the available appropriation, the~~ The superintendent of public instruction shall first
18 distribute to eligible districts the state advance for school facilities. ~~From the remaining appropriation, the~~
19 ~~superintendent shall distribute to eligible districts~~ and the state reimbursement for school facilities.

20 (4) The trustees of a district ~~may~~ shall apply the state reimbursement for school facilities to reduce
21 the levy requirement in the ensuing school fiscal year for all outstanding bonded indebtedness on general
22 obligation bonds sold in the debt service fund of the district. The trustees ~~may~~ shall apply the state advance for
23 school facilities to reduce the levy requirement in the current school fiscal year for debt service payments on
24 general obligation bonds to which the state advance for school facilities applies."

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26 **Section 4.** Section 20-9-516, MCA, is amended to read:

27 **"20-9-516. School facility and technology account.** (1) There is a school facility and technology
28 account in the state special revenue fund provided for in 17-2-102. The purpose of the account is to provide,

1 ~~contingent on appropriation from the legislature, funding for the following in priority order:~~

2 (a) school technology purposes as provided in 20-9-534; and

3 (b) state debt service assistance as provided in 20-9-371.

4 (2) There must be deposited in the account:

5 (a) an amount of money equal to the income attributable to the difference between the average
6 sale value of 18 million board feet and the total income produced from the annual timber harvest on common
7 school trust lands during the fiscal year; and

8 (b) the income received from certain lands and riverbeds as provided in 17-3-1003(5).

9 (3) If in any fiscal year the amount of revenue in the school facility and technology account is
10 sufficient to fund debt service assistance ~~without a proration reduction pursuant to 20-9-346 (2)(b)~~ and if in that
11 same fiscal year the amount of revenue available in the school major maintenance aid account established in
12 20-9-525 will result in a proration reduction in school major maintenance aid pursuant to 20-9-525(5) for that
13 fiscal year, the state treasurer shall transfer any excess funds in the school facility and technology account to
14 the school major maintenance aid account not to exceed the amount required to avoid a proration reduction."
15

16 **Section 5.** Section 20-9-525, MCA, is amended to read:

17 **"20-9-525. School major maintenance aid account -- formula.** (1) There is a school major
18 maintenance aid account in the state special revenue fund provided for in 17-2-102.

19 (2) The purpose of the account is to provide, contingent on appropriation from the legislature,
20 funding for school major maintenance aid as provided in subsection (3) for school facility projects, including the
21 payment of principal and interest on obligations issued pursuant to 20-9-471 for school facility projects, that
22 support a basic system of free quality public elementary and secondary schools under 20-9-309, including but
23 not limited to:

24 (a) improvements to school and student safety and security as described in 20-9-236(1); and

25 (b) projects designed to produce operational efficiencies such as utility savings, reduced future
26 maintenance costs, improved utilization of staff, and enhanced learning environments for students, including
27 but not limited to projects addressing:

28 (i) roofing systems;

- 1 (ii) heating, air-conditioning, and ventilation systems;
- 2 (iii) energy-efficient window and door systems and insulation;
- 3 (iv) plumbing systems;
- 4 (v) electrical systems and lighting systems;
- 5 (vi) information technology infrastructure, including internet connectivity both within and to the
- 6 school facility; and
- 7 (vii) other critical repairs to an existing school facility or facilities.
- 8 (3) (a) In any year in which the legislature has appropriated funds for distribution from the school
- 9 major maintenance aid account, the superintendent of public instruction shall administer the distribution of
- 10 school major maintenance aid from the school major maintenance aid account for deposit in the subfund of the
- 11 building reserve fund provided for in 20-9-502(3)(e). Subject to proration under subsection (5) of this section,
- 12 aid must be annually distributed no later than the last working day of May to a school district imposing a levy
- 13 pursuant to 20-9-502(3) in the current school fiscal year, with the amount of state support per dollar of local
- 14 effort of the applicable elementary and high school program of each district determined as follows:
- 15 (i) using the taxable valuation most recently determined by the department of revenue under 20-9-
- 16 369:
- 17 (A) divide the total statewide taxable valuation by the statewide total of school major maintenance
- 18 amounts and multiply the result by 187%;
- 19 (B) multiply the result determined under subsection (3)(a)(i)(A) by the district's school major
- 20 maintenance amount;
- 21 (C) subtract the district's taxable valuation from the amount determined under subsection
- 22 (3)(a)(i)(B); and
- 23 (D) divide the amount determined under subsection (3)(a)(i)(C) by 1,000;
- 24 (ii) determine the greater of the amount determined in subsection (3)(a)(i) or 18% of the district's
- 25 mill value;
- 26 (iii) multiply the result determined under subsection (3)(a)(ii) by the district's school major
- 27 maintenance amount, then divide the product by the sum of the result determined under subsection (3)(a)(ii)
- 28 and the district's mill value; and

1 (iv) divide the result determined under subsection (3)(a)(iii) by the difference resulting from
 2 subtracting the result determined under subsection (3)(a)(iii) from the district's school major maintenance
 3 amount.

4 (b) For a district with an adopted general fund budget in the prior year greater than or equal to
 5 97% of the district's general fund maximum budget in the prior year, the amount determined in subsection
 6 (3)(a)(iv) rounded to the nearest cent is the amount of school major maintenance aid per dollar of local effort,
 7 not to exceed an amount that would result in the state aid composing more than 80% of the district's school
 8 major maintenance amount.

9 (c) For a district with an adopted general fund budget in the prior year less than 97% of the
 10 district's maximum budget in the prior year, multiply the amount determined in subsection (3)(a)(iv) by the ratio
 11 of the district's adopted general fund budget in the prior year to the district's maximum general fund budget in
 12 the prior year. The result, rounded to the nearest cent, is the amount of state school major maintenance aid per
 13 dollar of local effort, not to exceed an amount that would result in the state aid composing more than 80% of the
 14 district's school major maintenance amount.

15 (4) Using the taxable valuation most recently determined by the department of revenue under 20-
 16 9-369, the superintendent shall provide school districts with a preliminary estimated amount of state school
 17 major maintenance aid per dollar of local effort for the ensuing school year no later than March 1 and a final
 18 amount for the current school year no later than July 31.

19 (5) If the appropriation from or the available funds in the school major maintenance aid account in
 20 any school fiscal year are less than the amount for which school districts would otherwise qualify, the
 21 superintendent of public instruction shall proportionally prorate the aid distributed to ensure that the distributions
 22 do not exceed the appropriated or available funds.

23 (6) If in any fiscal year the amount of revenue in the school major maintenance aid account is
 24 sufficient to fund school major maintenance aid without a proration reduction pursuant to subsection (5) and if in
 25 that same fiscal year the amount of revenue available in the school facility and technology account established
 26 in 20-9-516 ~~will result in a proration reduction in debt service assistance pursuant to 20-9-346(2)(b) is not~~
 27 sufficient to fund debt service assistance for that fiscal year, the state treasurer shall transfer any excess funds
 28 in the school major maintenance aid account to the school facility and technology account, not to exceed the

1 amount required to ~~avoid a proration reduction~~ fully fund debt service assistance in that fiscal year.

2 (7) For the purposes of this section, the following definitions apply:

3 (a) "Local effort" means an amount of money raised by levying no more than 10 mills pursuant to
4 20-9-502(3) and, provided that 10 mills have been levied, any additional amount of money deposited or
5 transferred by trustees to the subfund pursuant to 20-9-502(3).

6 (b) "School major maintenance amount" means the sum of \$15,000 and the product of \$110
7 multiplied by the district's budgeted ANB for the prior fiscal year."

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9 NEW SECTION. Section 6. Effective date. [This act] is effective July 1, 2023.

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