

SENATE BILL NO. 2

INTRODUCED BY D. ANKNEY

BY REQUEST OF THE GOVERNOR

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5 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING LAWS RELATED TO SCHOOL FUNDING BLOCK  
6 GRANTS AND REIMBURSEMENTS; ELIMINATING THE COMBINED FUND AND TRANSPORTATION FUND  
7 BLOCK GRANTS TO SCHOOL DISTRICTS; ELIMINATING THE BLOCK GRANT REIMBURSEMENTS TO  
8 COUNTIES FOR COUNTYWIDE SCHOOL TRANSPORTATION AND COUNTYWIDE SCHOOL RETIREMENT;  
9 REDUCING THE TOTAL AMOUNT OF STATE TRANSPORTATION REIMBURSEMENTS TO SCHOOL  
10 DISTRICTS FOR FISCAL YEARS 2018 AND 2019; TEMPORARILY REQUIRING SCHOOL DISTRICTS TO  
11 TRANSFER REVENUE FROM CERTAIN FUNDS TO THE TRANSPORTATION FUND TO ELIMINATE  
12 PROPERTY TAX INCREASES; AMENDING SECTIONS 15-1-121, 15-1-123, 20-9-141, 20-9-501, 20-9-638,  
13 20-10-144, AND 20-10-146, MCA; REPEALING SECTIONS 20-9-630 AND 20-9-632, MCA; AND PROVIDING  
14 EFFECTIVE DATES."

15  
16 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

17  
18 **Section 1.** Section 15-1-121, MCA, is amended to read:

19 **"15-1-121. Entitlement share payment -- purpose -- appropriation.** (1) As described in 15-1-120(3),  
20 each local government is entitled to an annual amount that is the replacement for revenue received by local  
21 governments for diminishment of property tax base and various earmarked fees and other revenue that, pursuant  
22 to Chapter 574, Laws of 2001, amended by section 4, Chapter 13, Special Laws of August 2002, and later  
23 enactments, were consolidated to provide aggregation of certain reimbursements, fees, tax collections, and other  
24 revenue in the state treasury with each local government's share. The reimbursement under this section is  
25 provided by direct payment from the state treasury rather than the ad hoc system that offset certain state  
26 payments with local government collections due the state and reimbursements made by percentage splits, with  
27 a local government remitting a portion of collections to the state, retaining a portion, and in some cases sending  
28 a portion to other local governments.

29 (2) The sources of dedicated revenue that were relinquished by local governments in exchange for an  
30 entitlement share of the state general fund were:

- 1 (a) personal property tax reimbursements pursuant to sections 167(1) through (5) and 169(6), Chapter  
2 584, Laws of 1999;
- 3 (b) vehicle, boat, and aircraft taxes and fees pursuant to:
- 4 (i) Title 23, chapter 2, part 5;
- 5 (ii) Title 23, chapter 2, part 6;
- 6 (iii) Title 23, chapter 2, part 8;
- 7 (iv) 61-3-317;
- 8 (v) 61-3-321;
- 9 (vi) Title 61, chapter 3, part 5, except for 61-3-509(3), as that subsection read prior to the amendment  
10 of 61-3-509 in 2001;
- 11 (vii) Title 61, chapter 3, part 7;
- 12 (viii) 5% of the fees collected under 61-10-122;
- 13 (ix) 61-10-130;
- 14 (x) 61-10-148; and
- 15 (xi) 67-3-205;
- 16 (c) gaming revenue pursuant to Title 23, chapter 5, part 6, except for the permit fee in 23-5-612(2)(a);
- 17 (d) district court fees pursuant to:
- 18 (i) 25-1-201, except those fees in 25-1-201(1)(d), (1)(g), and (1)(j);
- 19 (ii) 25-1-202;
- 20 (iii) 25-9-506; and
- 21 (iv) 27-9-103;
- 22 (e) certificate of title fees for manufactured homes pursuant to 15-1-116;
- 23 (f) financial institution taxes collected pursuant to the former provisions of Title 15, chapter 31, part 7;
- 24 (g) all beer, liquor, and wine taxes pursuant to:
- 25 (i) 16-1-404;
- 26 (ii) 16-1-406; and
- 27 (iii) 16-1-411;
- 28 (h) late filing fees pursuant to 61-3-220;
- 29 (i) title and registration fees pursuant to 61-3-203;
- 30 (j) veterans' cemetery license plate fees pursuant to 61-3-459;

- 1 (k) county personalized license plate fees pursuant to 61-3-406;  
2 (l) special mobile equipment fees pursuant to 61-3-431;  
3 (m) single movement permit fees pursuant to 61-4-310;  
4 (n) state aeronautics fees pursuant to 67-3-101; and  
5 (o) department of natural resources and conservation payments in lieu of taxes pursuant to former Title  
6 77, chapter 1, part 5.

7 (3) Except as provided in subsection (7)(b), the total amount received by each local government in the  
8 prior fiscal year as an entitlement share payment under this section is the base component for the subsequent  
9 fiscal year distribution, and in each subsequent year the prior year entitlement share payment, including any  
10 reimbursement payments received pursuant to subsection (7), is each local government's base component. The  
11 sum of all local governments' base components is the fiscal year entitlement share pool.

12 (4) (a) Except as provided in subsections (4)(b)(iv) and (7)(b), the base entitlement share pool must be  
13 increased annually by an entitlement share growth rate as provided for in this subsection (4). The amount  
14 determined through the application of annual growth rates is the entitlement share pool for each fiscal year.

15 (b) By October 1 of each year, the department shall calculate the growth rate of the entitlement share  
16 pool for the next fiscal year in the following manner:

17 (i) The department shall calculate the entitlement share growth rate based on the ratio of two factors of  
18 state revenue sources for the first, second, and third most recently completed fiscal years as recorded on the  
19 statewide budgeting and accounting system. The first factor is the sum of the revenue for the first and second  
20 previous completed fiscal years received from the sources referred to in subsections (2)(b), (2)(c), and (2)(g)  
21 divided by the sum of the revenue for the second and third previous completed fiscal years received from the  
22 same sources multiplied by 0.75. The second factor is the sum of the revenue for the first and second previous  
23 completed fiscal years received from individual income tax as provided in Title 15, chapter 30, and corporate  
24 income tax as provided in Title 15, chapter 31, divided by the sum of the revenue for the second and third  
25 previous completed fiscal years received from the same sources multiplied by 0.25.

26 (ii) Except as provided in subsections (4)(b)(iii) and (4)(b)(iv), the entitlement share growth rate is the  
27 lesser of:

28 (A) the sum of the first factor plus the second factor; or

29 (B) 1.03 for counties, 1.0325 for consolidated local governments, and 1.035 for cities and towns.

30 (iii) In no instance can the entitlement growth factor be less than 1. Subject to subsection (4)(b)(iv), the

1 entitlement share growth rate is applied to the most recently completed fiscal year entitlement payment to  
2 determine the subsequent fiscal year payment.

3 (iv) The entitlement share growth rate, as described in this subsection (4), is:

4 (A) for fiscal year 2018, 1.005;

5 (B) for fiscal year 2019, 1.0187;

6 (C) for fiscal year 2020 and thereafter, determined as provided in subsection (4)(b)(ii). The rate must be  
7 applied to the entitlement payment for the previous fiscal year as if the payment had been calculated using  
8 entitlement share growth rates for fiscal years 2018 and 2019 as provided in subsection (4)(b)(ii).

9 (5) As used in this section, "local government" means a county, a consolidated local government, an  
10 incorporated city, and an incorporated town. A local government does not include a tax increment financing  
11 district provided for in subsection (8). The county or consolidated local government is responsible for making an  
12 allocation from the county's or consolidated local government's share of the entitlement share pool to each special  
13 district within the county or consolidated local government in a manner that reasonably reflects each special  
14 district's loss of revenue sources for which reimbursement is provided in this section. The allocation for each  
15 special district that existed in 2002 must be based on the relative proportion of the loss of revenue in 2002.

16 (6) (a) The entitlement share pools calculated in this section, the amounts determined under 15-1-123(2)  
17 for local governments, the funding provided for in subsection (8) of this section, and the amounts determined  
18 under 15-1-123~~(4)~~(3) for tax increment financing districts are statutorily appropriated, as provided in 17-7-502,  
19 from the general fund to the department for distribution to local governments.

20 (b) (i) The growth amount is the difference between the entitlement share pool in the current fiscal year  
21 and the entitlement share pool in the previous fiscal year. The growth factor in the entitlement share must be  
22 calculated separately for:

23 (A) counties;

24 (B) consolidated local governments; and

25 (C) incorporated cities and towns.

26 (ii) In each fiscal year, the growth amount for counties must be allocated as follows:

27 (A) 50% of the growth amount must be allocated based upon each county's percentage of the prior fiscal  
28 year entitlement share pool for all counties; and

29 (B) 50% of the growth amount must be allocated based upon the percentage that each county's  
30 population bears to the state population not residing within consolidated local governments as determined by the

1 latest interim year population estimates from the Montana department of commerce as supplied by the United  
2 States bureau of the census.

3 (iii) In each fiscal year, the growth amount for consolidated local governments must be allocated as  
4 follows:

5 (A) 50% of the growth amount must be allocated based upon each consolidated local government's  
6 percentage of the prior fiscal year entitlement share pool for all consolidated local governments; and

7 (B) 50% of the growth amount must be allocated based upon the percentage that each consolidated local  
8 government's population bears to the state's total population residing within consolidated local governments as  
9 determined by the latest interim year population estimates from the Montana department of commerce as  
10 supplied by the United States bureau of the census.

11 (iv) In each fiscal year, the growth amount for incorporated cities and towns must be allocated as follows:

12 (A) 50% of the growth amount must be allocated based upon each incorporated city's or town's  
13 percentage of the prior fiscal year entitlement share pool for all incorporated cities and towns; and

14 (B) 50% of the growth amount must be allocated based upon the percentage that each city's or town's  
15 population bears to the state's total population residing within incorporated cities and towns as determined by the  
16 latest interim year population estimates from the Montana department of commerce as supplied by the United  
17 States bureau of the census.

18 (v) In each fiscal year, the amount of the entitlement share pool before the growth amount or adjustments  
19 made under subsection (7) are applied is to be distributed to each local government in the same manner as the  
20 entitlement share pool was distributed in the prior fiscal year.

21 (7) (a) If the legislature enacts a reimbursement provision that is to be distributed pursuant to this section,  
22 the department shall determine the reimbursement amount as provided in the enactment and add the appropriate  
23 amount to the entitlement share distribution under this section. The total entitlement share distributions in a fiscal  
24 year, including distributions made pursuant to this subsection, equal the local fiscal year entitlement share pool.  
25 The ratio of each local government's distribution from the entitlement share pool must be recomputed to  
26 determine each local government's ratio to be used in the subsequent year's distribution determination under  
27 subsections (6)(b)(ii)(A), (6)(b)(iii)(A), and (6)(b)(iv)(A).

28 (b) For fiscal year 2018 and thereafter, the growth rate provided for in subsection (4) does not apply to  
29 the portion of the entitlement share pool attributable to the reimbursement provided for in 15-1-123(2). The  
30 department shall calculate the portion of the entitlement share pool attributable to the reimbursement in

1 15-1-123(2), including the application of the growth rate in previous fiscal years, for counties, consolidated local  
 2 governments, and cities and, for fiscal year 2018 and thereafter, apply the growth rate for that portion of the  
 3 entitlement share pool as provided in 15-1-123(2).

4 (c) The growth amount resulting from the application of the growth rate in 15-1-123(2) must be allocated  
 5 as provided in subsections (6)(b)(ii)(A), (6)(b)(iii)(A), and (6)(b)(iv)(A) of this section.

6 (8) (a) Except for a tax increment financing district entitled to a reimbursement under 15-1-123(4)(3), if  
 7 a tax increment financing district was not in existence during the fiscal year ending June 30, 2000, then the tax  
 8 increment financing district is not entitled to any funding. If a tax increment financing district referred to in  
 9 subsection (8)(b) terminates, then the funding for the district provided for in subsection (8)(b) terminates.

10 (b) One-half of the payments provided for in this subsection (8)(b) must be made by November 30 and  
 11 the other half by May 31 of each year. Subject to subsection (8)(a), the entitlement share for tax increment  
 12 financing districts is as follows:

13	Flathead	Kalispell - District 2	\$4,638
14	Flathead	Kalispell - District 3	37,231
15	Flathead	Whitefish District	148,194
16	Gallatin	Bozeman - downtown	31,158
17	Missoula	Missoula - 1-1C	225,251
18	Missoula	Missoula - 4-1C	30,009

19  
 20 (9) The estimated fiscal year entitlement share pool and any subsequent entitlement share pool for local  
 21 governments do not include revenue received from tax increment financing districts, ~~from countywide~~  
 22 ~~transportation block grants, or from countywide retirement block grants.~~

23 (10) When there has been an underpayment of a local government's share of the entitlement share pool,  
 24 the department shall distribute the difference between the underpayment and the correct amount of the  
 25 entitlement share. When there has been an overpayment of a local government's entitlement share, the local  
 26 government shall remit the overpaid amount to the department.

27 (11) A local government may appeal the department's estimation of the base component, the entitlement  
 28 share growth rate, or a local government's allocation of the entitlement share pool, according to the uniform  
 29 dispute review procedure in 15-1-211.

1 (12) (a) Except as provided in 2-7-517, a payment required pursuant to this section may not be offset by  
2 a debt owed to a state agency by a local government in accordance with Title 17, chapter 4, part 1.

3 (b) A payment required pursuant to this section must be withheld if a local government:

4 (i) fails to meet a deadline established in 2-7-503(1), 7-6-611(2), 7-6-4024(3), or 7-6-4036(1); and

5 (ii) fails to remit any amounts collected on behalf of the state as required by 15-1-504 or any other  
6 amounts owed to the state or another taxing jurisdiction, as otherwise required by law, within 45 days of the end  
7 of a month.

8 (c) A payment required pursuant to this section may be withheld if, for more than 90 days, a local  
9 government fails to:

10 (i) file a financial report required by 15-1-504;

11 (ii) remit any amounts collected on behalf of the state as required by 15-1-504; or

12 (iii) remit any other amounts owed to the state or another taxing jurisdiction."  
13

14 **Section 2.** Section 15-1-123, MCA, is amended to read:

15 **"15-1-123. Reimbursement for class eight rate reduction and exemption -- distribution --**  
16 **appropriations.** (1) For the tax rate reductions in 15-6-138(3), the increased exemption amount in 15-6-138(4),  
17 the effective tax rate reductions on property under 15-6-145 because of the rate reductions required by the  
18 amendments of 15-6-138 in section 2, Chapter 411, Laws of 2011, and section 2, Chapter 396, Laws of 2013,  
19 and the effective tax rate reductions on property under 15-6-145 because of the increased exemption amount  
20 required by the amendment of 15-6-138 in section 2, Chapter 396, Laws of 2013, the department shall reimburse  
21 each local government, as defined in 15-1-121(5), ~~each school district, the county retirement fund under~~  
22 ~~20-9-501, the countywide school transportation reimbursement under 20-10-146,~~ each tax increment financing  
23 district, and the 6-mill university levy for the purposes of 15-10-108 the difference between property tax collections  
24 under 15-6-138 as amended by section 2, Chapter 411, Laws of 2011, and section 2, Chapter 396, Laws of 2013,  
25 and under 15-6-145 and the property tax revenue that would have been collected under 15-6-138 and 15-6-145  
26 if 15-6-138 had not been amended by section 2, Chapter 411, Laws of 2011, and section 2, Chapter 396, Laws  
27 of 2013. The difference is the annual reimbursable amount for each local government, ~~each school district,~~ each  
28 tax increment financing district, and the 6-mill levy for the support of the Montana university system under  
29 15-10-108.

30 (2) The department shall distribute the reimbursements calculated in subsection (1) to local governments

1 with the entitlement share payments under 15-1-121(7). For fiscal year 2018 and thereafter, the growth rate  
 2 applied to the reimbursement is one-half of the average rate of inflation for the prior 3 years.

3 ~~(3) The office of public instruction shall distribute the reimbursements calculated in subsection (1) to~~  
 4 ~~school districts with the block grants pursuant to 20-9-630. School district reimbursements for subsequent fiscal~~  
 5 ~~years are made pursuant to 20-9-630.~~

6 ~~(4)(3)~~ The amount determined under subsection (1) for each tax increment financing district must be  
 7 added to the reimbursement amount for the tax increment financing district as provided in 15-1-121(8)(b) if the  
 8 tax increment financing district is still in existence. If a tax increment financing district that is entitled to a  
 9 reimbursement under this section is not listed under 15-1-121(8)(b), the reimbursement must be made to that tax  
 10 increment financing district at the same time as other districts.

11 ~~(5)(4)~~ (a) The amount determined under subsection (1) for the 6-mill university levy must be added to  
 12 current collections and reimbursements for the support of the Montana university system as provided in  
 13 15-10-108.

14 (b) The department of administration shall transfer the amount determined under this subsection ~~(5)(4)~~  
 15 from the general fund to the state special revenue fund for the support of the Montana university system as  
 16 provided in 15-10-108.

17 ~~(6) The office of public instruction shall distribute the reimbursements calculated in subsection (1) to the~~  
 18 ~~countywide retirement fund under 20-9-501. One-half of the amount must be distributed in November and the~~  
 19 ~~remainder in May.~~

20 ~~————(7) The office of public instruction shall distribute the reimbursements calculated in subsection (1) to the~~  
 21 ~~county transportation fund reimbursement under 20-10-146. The reimbursement must be made at the same time~~  
 22 ~~as countywide school transportation block grants are distributed under 20-9-632. "~~

23

24 **Section 3.** Section 20-9-141, MCA, is amended to read:

25 **"20-9-141. Computation of general fund net levy requirement by county superintendent.** (1) The  
 26 county superintendent shall compute the levy requirement for each district's general fund on the basis of the  
 27 following procedure:

28 (a) Determine the funding required for the district's final general fund budget less the sum of direct state  
 29 aid and the special education allowable cost payment for the district by totaling:

30 (i) the district's nonisolated school BASE budget requirement to be met by a district levy as provided in



1 20-9-303; and

2 (ii) any general fund budget amount adopted by the trustees of the district under the provisions of  
3 20-9-308 and 20-9-353.

4 (b) Determine the money available for the reduction of the property tax on the district for the general fund  
5 by totaling:

6 (i) the general fund balance reappropriated, as established under the provisions of 20-9-104;

7 (ii) amounts received in the last fiscal year for which revenue reporting was required for each of the  
8 following:

9 (A) interest earned by the investment of general fund cash in accordance with the provisions of  
10 20-9-213(4); and

11 (B) any other revenue received during the school fiscal year that may be used to finance the general  
12 fund, excluding any guaranteed tax base aid;

13 (iii) anticipated oil and natural gas production taxes;

14 (iv) pursuant to subsection (4), anticipated revenue from coal gross proceeds under 15-23-703;

15 ~~(v) any portion of the combined fund block grant allocated to the district general fund by the trustees~~  
16 ~~pursuant to 20-9-630;~~

17 ~~(vi)~~(v) if applicable, a coal-fired generating unit closure mitigation block grant as provided in 20-9-638;

18 and

19 ~~(vii)~~(vi) any portion of the increment remitted to a school district under 7-15-4291 used to reduce the  
20 BASE levy budget.

21 (c) Notwithstanding the provisions of subsection (2), subtract the money available to reduce the property  
22 tax required to finance the general fund that has been determined in subsection (1)(b) from any general fund  
23 budget amount adopted by the trustees of the district, up to the BASE budget amount, to determine the general  
24 fund BASE budget levy requirement.

25 (d) Determine the sum of:

26 (i) any amount remaining after the determination in subsection (1)(c);

27 (ii) any portion of the increment remitted to a school district under 7-15-4291 used to reduce the  
28 over-BASE budget levy; and

29 (iii) any tuition payments for out-of-district pupils to be received under the provisions of 20-5-320 through  
30 20-5-324, except the amount of tuition received for a pupil who is a child with a disability in excess of the amount

1 received for a pupil without disabilities, as calculated under 20-5-323(2).

2 (e) Subtract the amount determined in subsection (1)(d) from any additional funding requirement to be  
3 met by an over-BASE budget amount, a district levy as provided in 20-9-303, and any additional financing as  
4 provided in 20-9-353 to determine any additional general fund levy requirements.

5 (2) The county superintendent shall calculate the number of mills to be levied on the taxable property  
6 in the district to finance the general fund levy requirement for any amount that does not exceed the BASE budget  
7 amount for the district by dividing the amount determined in subsection (1)(c) by the sum of:

8 (a) the amount of guaranteed tax base aid that the district will receive for each mill levied, as certified  
9 by the superintendent of public instruction; and

10 (b) the current total taxable valuation of the district, as certified by the department of revenue under  
11 15-10-202, divided by 1,000.

12 (3) The net general fund levy requirement determined in subsections (1)(c) and (1)(d) must be reported  
13 to the county commissioners by the later of the first Tuesday in September or within 30 calendar days after  
14 receiving certified taxable values by the county superintendent as the general fund net levy requirement for the  
15 district, and a levy must be set by the county commissioners in accordance with 20-9-142.

16 (4) For each school district, the department of revenue shall calculate and report to the county  
17 superintendent the amount of revenue anticipated for the ensuing fiscal year from revenue from coal gross  
18 proceeds under 15-23-703."

19

20 **Section 4.** Section 20-9-501, MCA, is amended to read:

21 **"20-9-501. Retirement costs and retirement fund.** (1) The trustees of a district or the management  
22 board of a cooperative employing personnel who are members of the teachers' retirement system or the public  
23 employees' retirement system, who are covered by unemployment insurance, or who are covered by any federal  
24 social security system requiring employer contributions shall establish a retirement fund for the purposes of  
25 budgeting and paying the employer's contributions to the systems as provided in subsection (2)(a). The district's  
26 or the cooperative's contribution for each employee who is a member of the teachers' retirement system must  
27 be calculated in accordance with Title 19, chapter 20, part 6. The district's or the cooperative's contribution for  
28 each employee who is a member of the public employees' retirement system must be calculated in accordance  
29 with 19-3-316. The district's or the cooperative's contributions for each employee covered by any federal social  
30 security system must be paid in accordance with federal law and regulation. The district's or the cooperative's

1 contribution for each employee who is covered by unemployment insurance must be paid in accordance with Title  
2 39, chapter 51, part 11.

3 (2) (a) The district or the cooperative shall pay the employer's contributions to the retirement, federal  
4 social security, and unemployment insurance systems from the retirement fund for the following:

5 (i) a district employee whose salary and health-related benefits, if any health-related benefits are  
6 provided to the employee, are paid from state or local funding sources;

7 (ii) a cooperative employee whose salary and health-related benefits, if any health-related benefits are  
8 provided to the employee, are paid from the cooperative's interlocal cooperative fund if the fund is supported  
9 solely from districts' general funds and state special education allowable cost payments, pursuant to 20-9-321,  
10 or are paid from the miscellaneous programs fund, provided for in 20-9-507, from money received from the  
11 medicaid program, pursuant to 53-6-101;

12 (iii) a district employee whose salary and health-related benefits, if any health-related benefits are  
13 provided to the employee, are paid from the district's school food services fund provided for in 20-10-204; and

14 (iv) a district employee whose salary and health-related benefits, if any health-related benefits are  
15 provided to the employee, are paid from the district impact aid fund, pursuant to 20-9-514.

16 (b) For an employee whose benefits are not paid from the retirement fund, the district or the cooperative  
17 shall pay the employer's contributions to the retirement, federal social security, and unemployment insurance  
18 systems from the funding source that pays the employee's salary.

19 (3) The trustees of a district required to make a contribution to a system referred to in subsection (1) shall  
20 include in the retirement fund of the final budget the estimated amount of the employer's contribution. After the  
21 final retirement fund budget has been adopted, the trustees shall pay the employer contributions to the systems  
22 in accordance with the financial administration provisions of this title.

23 (4) When the final retirement fund budget has been adopted, the county superintendent shall establish  
24 the levy requirement by:

25 (a) determining the sum of the money available to reduce the retirement fund levy requirement by adding:

26 (i) any anticipated money that may be realized in the retirement fund during the ensuing school fiscal  
27 year;

28 (ii) oil and natural gas production taxes;

29 (iii) coal gross proceeds taxes under 15-23-703;

30 (iv) any fund balance available for reappropriation as determined by subtracting the amount of the

1 end-of-the-year fund balance earmarked as the retirement fund operating reserve for the ensuing school fiscal  
2 year by the trustees from the end-of-the-year fund balance in the retirement fund. The retirement fund operating  
3 reserve may not be more than 20% of the final retirement fund budget for the ensuing school fiscal year and must  
4 be used for the purpose of paying retirement fund warrants issued by the district under the final retirement fund  
5 budget.

6 ~~(v) property tax reimbursements made pursuant to 15-1-123(6);~~

7 ~~(vi)~~(v) any other revenue anticipated that may be realized in the retirement fund during the ensuing school  
8 fiscal year, excluding any guaranteed tax base aid;

9 (b) notwithstanding the provisions of subsection (9), subtracting the money available for reduction of the  
10 levy requirement, as determined in subsection (4)(a), from the budgeted amount for expenditures in the final  
11 retirement fund budget.

12 (5) The county superintendent shall:

13 (a) total the net retirement fund levy requirements separately for all elementary school districts, all high  
14 school districts, and all community college districts of the county, including any prorated joint district or special  
15 education cooperative agreement levy requirements; and

16 (b) report each levy requirement to the county commissioners by the later of the first Tuesday in  
17 September or within 30 calendar days after receiving certified taxable values as the respective county levy  
18 requirements for elementary district, high school district, and community college district retirement funds.

19 (6) The county commissioners shall fix and set the county levy or district levy in accordance with  
20 20-9-142.

21 (7) The net retirement fund levy requirement for a joint elementary district or a joint high school district  
22 must be prorated to each county in which a part of the district is located in the same proportion as the district ANB  
23 of the joint district is distributed by pupil residence in each county. The county superintendents of the counties  
24 affected shall jointly determine the net retirement fund levy requirement for each county as provided in 20-9-151.

25 (8) The net retirement fund levy requirement for districts that are members of special education  
26 cooperative agreements must be prorated to each county in which the district is located in the same proportion  
27 as the special education cooperative budget is prorated to the member school districts. The county  
28 superintendents of the counties affected shall jointly determine the net retirement fund levy requirement for each  
29 county in the same manner as provided in 20-9-151, and the county commissioners shall fix and levy the net  
30 retirement fund levy for each county in the same manner as provided in 20-9-152.

1 (9) The county superintendent shall calculate the number of mills to be levied on the taxable property  
2 in the county to finance the retirement fund net levy requirement by dividing the amount determined in subsection  
3 (5)(a) by the sum of:

4 (a) the amount of guaranteed tax base aid that the county will receive for each mill levied, as certified  
5 by the superintendent of public instruction; and

6 (b) the taxable valuation of the district divided by 1,000.

7 (10) The levy for a community college district may be applied only to property within the district.

8 (11) The county superintendent of each county shall submit a report of the revenue amounts used to  
9 establish the levy requirements for county school funds supporting elementary and high school district retirement  
10 obligations to the superintendent of public instruction on or before September 15. The report must be completed  
11 on forms supplied by the superintendent of public instruction."  
12

13 **Section 5.** Section 20-9-638, MCA, is amended to read:

14 **"20-9-638. Coal-fired generating unit closure mitigation block grant.** (1) (a) The office of public  
15 instruction shall provide a coal-fired generating unit closure mitigation block grant to each school district with a  
16 fiscal year 2017 taxable valuation that includes a coal-fired generating unit with a generating capacity that is  
17 greater than or equal to 200 megawatts, was placed in service prior to 1980, and is retiring or planned for  
18 retirement on or before July 1, 2022.

19 (b) The electronic reporting system that is used by the office of public instruction and school districts  
20 must be used to allocate the block grant amount into each district's general fund budget as an anticipated revenue  
21 source.

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

24 (3) The block grant is equal to the amount received in fiscal year 2017 by the district general fund from  
25 the block grants provided for in former 20-9-630(4)(a) as that section read prior to July 1, 2017.

26 (4) (a) If the owner of a coal-fired generating unit that is retired or planned for retirement on or before  
27 July 1, 2022, makes a payment in accordance with a retirement plan approved by the department of  
28 environmental quality or a transition agreement with the governor and attorney general for the purpose of  
29 decommissioning requirements and a portion of the payment is allocated to a school district for the purposes of  
30 school funding cost shifts, then that portion must repay to the state general fund the cost of the block grant

1 payments under this section, as discounted in accordance with an agreement for payment to the state, on the  
2 following schedule, not to exceed the limitation provided in subsection (4)(b):

3 (i) if the generating unit closes prior to June 30, 2018, 100% of the total block grant payments under this  
4 section must be returned to the general fund;

5 (ii) if the generating unit closes during fiscal year 2019, 90% of the block grant payments under this  
6 section must be returned to the general fund;

7 (iii) if the generating unit closes during fiscal year 2020, 80% of the block grant payments under this  
8 section must be returned to the general fund;

9 (iv) if the generating unit closes during fiscal year 2021, 70% of the block grant payments under this  
10 section must be returned to the general fund; and

11 (v) if the generating unit closes during fiscal year 2022 or on July 1, 2022, 60% of the block grant  
12 payments under this section must be returned to the general fund.

13 (b) Repayment under subsection (4)(a) may not exceed the amount of any portion of a payment allocated  
14 to a school district in accordance with a retirement plan or a transition plan."  
15

16 **Section 6.** Section 20-10-144, MCA, is amended to read:

17 **"20-10-144. Computation of revenue and net tax levy requirements for district transportation fund**  
18 **budget.** Before the second Monday of August, the county superintendent shall compute the revenue available  
19 to finance the transportation fund budget of each district. The county superintendent shall compute the revenue  
20 for each district on the following basis:

21 (1) The "schedule amount" of the budget expenditures that is derived from the rate schedules in  
22 20-10-141 and 20-10-142 must be determined by adding the following amounts:

23 (a) the sum of the maximum reimbursable expenditures for all approved school bus routes maintained  
24 by the district (to determine the maximum reimbursable expenditure, multiply the applicable rate for each bus mile  
25 by the total number of miles to be traveled during the ensuing school fiscal year on each bus route approved by  
26 the county transportation committee and maintained by the district); plus

27 (b) the total of all individual transportation per diem reimbursement rates for the district as determined  
28 from the contracts submitted by the district multiplied by the number of pupil-instruction days scheduled for the  
29 ensuing school attendance year; plus

30 (c) any estimated costs for supervised home study or supervised correspondence study for the ensuing

1 school fiscal year; plus

2 (d) the amount budgeted in the budget for the contingency amount permitted in 20-10-143, except if the  
3 amount exceeds 10% of the total of subsections (1)(a), (1)(b), and (1)(c) or \$100, whichever is larger, the  
4 contingency amount on the budget must be reduced to the limitation amount and used in this determination of  
5 the schedule amount; plus

6 (e) any estimated costs for transporting a child out of district when the child has mandatory approval to  
7 attend school in a district outside the district of residence.

8 (2) (a) The schedule amount determined in subsection (1) or the total transportation fund budget,  
9 whichever is smaller, is divided by 2 and is used to determine the available state and county revenue to be  
10 budgeted on the following basis:

11 (i) one-half is the budgeted state transportation reimbursement; and

12 (ii) one-half is the budgeted county transportation fund reimbursement and must be financed in the  
13 manner provided in 20-10-146.

14 (b) When the district has a sufficient amount of fund balance for reappropriation and other sources of  
15 district revenue, as determined in subsection (3), to reduce the total district obligation for financing to zero, any  
16 remaining amount of district revenue and fund balance reappropriated must be used to reduce the county  
17 financing obligation in subsection (2)(a)(ii) and, if the county financing obligations are reduced to zero, to reduce  
18 the state financial obligation in subsection (2)(a)(i).

19 (c) The county revenue requirement for a joint district, after the application of any district money under  
20 subsection (2)(b), must be prorated to each county incorporated by the joint district in the same proportion as the  
21 ANB of the joint district is distributed by pupil residence in each county.

22 (3) The total of the money available for the reduction of property tax on the district for the transportation  
23 fund must be determined by totaling:

24 (a) anticipated federal money received under the provisions of 20 U.S.C. 7701, et seq., or other  
25 anticipated federal money received in lieu of that federal act;

26 (b) anticipated payments from other districts for providing school bus transportation services for the  
27 district;

28 (c) anticipated payments from a parent or guardian for providing school bus transportation services for  
29 a child;

30 (d) anticipated or reappropriated interest to be earned by the investment of transportation fund cash in

1 accordance with the provisions of 20-9-213(4);

2 (e) anticipated revenue from coal gross proceeds under 15-23-703;

3 (f) anticipated oil and natural gas production taxes;

4 (g) anticipated transportation payments for out-of-district pupils under the provisions of 20-5-320 through  
5 20-5-324;

6 ~~(h) school district block grants distributed under 20-9-630;~~

7 ~~(h)~~ any other revenue anticipated by the trustees to be earned during the ensuing school fiscal year  
8 that may be used to finance the transportation fund; and

9 ~~(i)~~ any fund balance available for reappropriation as determined by subtracting the amount of the  
10 end-of-the-year fund balance earmarked as the transportation fund operating reserve for the ensuing school fiscal  
11 year by the trustees from the end-of-the-year fund balance in the transportation fund. The operating reserve may  
12 not be more than 20% of the final transportation fund budget for the ensuing school fiscal year and is for the  
13 purpose of paying transportation fund warrants issued by the district under the final transportation fund budget.

14 (4) The district levy requirement for each district's transportation fund must be computed by:

15 (a) subtracting the schedule amount calculated in subsection (1) from the total preliminary transportation  
16 budget amount; and

17 (b) subtracting the amount of money available to reduce the property tax on the district, as determined  
18 in subsection (3), from the amount determined in subsection (4)(a).

19 (5) The transportation fund levy requirements determined in subsection (4) for each district must be  
20 reported to the county commissioners on or before the later of the first Tuesday in September or within 30  
21 calendar days after receiving certified taxable values by the county superintendent as the transportation fund levy  
22 requirements for the district, and the levy must be made by the county commissioners in accordance with  
23 20-9-142."

24

25 **Section 7.** Section 20-10-146, MCA, is amended to read:

26 **"20-10-146. County transportation reimbursement.** (1) The apportionment of the county transportation  
27 reimbursement by the county superintendent for school bus transportation or individual transportation that is  
28 actually rendered by a district in accordance with this title, board of public education transportation policy, and  
29 the transportation rules of the superintendent of public instruction must be the same as the state transportation  
30 reimbursement payment, except that:



1 (a) if any cash was used to reduce the budgeted county transportation reimbursement under the  
2 provisions of 20-10-144(2)(b), the annual apportionment is limited to the budget amount;

3 (b) when the county transportation reimbursement for a school bus has been prorated between two or  
4 more counties because the school bus is conveying pupils of more than one district located in the counties, the  
5 apportionment of the county transportation reimbursement must be adjusted to pay the amount computed under  
6 the proration; and

7 (c) when county transportation reimbursement is required under the mandatory attendance agreement  
8 provisions of 20-5-321.

9 (2) The county transportation net levy requirement for the financing of the county transportation fund  
10 reimbursements to districts is computed by:

11 (a) totaling the net requirement for all districts of the county, including reimbursements to a special  
12 education cooperative or prorated reimbursements to joint districts or reimbursements under the mandatory  
13 attendance agreement provisions of 20-5-321;

14 (b) determining the sum of the money available to reduce the county transportation net levy requirement  
15 by adding:

16 (i) anticipated money that may be realized in the county transportation fund during the ensuing school  
17 fiscal year;

18 (ii) oil and natural gas production taxes;

19 (iii) coal gross proceeds taxes under 15-23-703;

20 ~~(iv) countywide school transportation block grants distributed under 20-9-632;~~

21 ~~(iv)~~ (iv) any fund balance available for reappropriation from the end-of-the-year fund balance in the county  
22 transportation fund;

23 ~~(v)~~ (v) federal forest reserve funds allocated under the provisions of 17-3-213; and

24 ~~(vii) property tax reimbursements made pursuant to 15-1-123(7); and~~

25 ~~(viii)~~ (vi) other revenue anticipated that may be realized in the county transportation fund during the  
26 ensuing school fiscal year; and

27 (c) subtracting the money available, as determined in subsection (2)(b), to reduce the levy requirement  
28 from the county transportation net levy requirement.

29 (3) The net levy requirement determined in subsection (2)(c) must be reported to the county  
30 commissioners on or before the later of the first Tuesday in September or within 30 calendar days after receiving

1 certified taxable values by the county superintendent, and a levy must be set by the county commissioners in  
2 accordance with 20-9-142.

3 (4) The county superintendent of each county shall submit a report of the revenue amounts used to  
4 establish the levy requirements to the superintendent of public instruction on or before September 15. The report  
5 must be completed on forms supplied by the superintendent of public instruction.

6 (5) The county superintendent shall apportion the county transportation reimbursement from the  
7 proceeds of the county transportation fund. The county superintendent shall order the county treasurer to make  
8 the apportionments in accordance with 20-9-212(2) and after the receipt of the semiannual state transportation  
9 reimbursement payments."  
10

11 **NEW SECTION. Section 8. Reduction to general fund appropriation for school transportation for**  
12 **fiscal years 2018 and 2019.** (1) The general fund appropriations to the office of public instruction for state school  
13 transportation reimbursements, as enacted in House Bill No. 2 in Chapter 366, Laws of 2017, are reduced as  
14 follows:

15 (a) for fiscal year 2018, from \$11,766,826 to \$10,073,552; and

16 (b) for fiscal year 2019, from \$11,766,826 to \$10,073,552.

17 (2) Notwithstanding 20-10-141 and 20-10-145, the office of public instruction shall proportionally reduce  
18 the state transportation reimbursement to each school district in fiscal years 2018 and 2019 in order to distribute  
19 no more than the amounts of the reduced appropriations under subsection (1). The office of public instruction may  
20 not request a supplemental appropriation for school transportation reimbursements for fiscal years 2018 and  
21 2019. This section does not impact or reduce county transportation reimbursements under 10-10-146.  
22

23 **NEW SECTION. Section 9. Guaranteed tax base aid for countywide retirement mills in fiscal year**  
24 **2019.** Notwithstanding 20-9-368, 20-9-369, and 20-9-501, and for fiscal year 2019 only, a county is not eligible  
25 for guaranteed tax base aid in support of the county retirement fund for the amount of the county's property tax  
26 reimbursements received by the county in fiscal year 2018 pursuant to 15-1-123(6) as that subsection read prior  
27 to [the effective date of this section]. The remainder of the county's retirement fund levy requirement after the  
28 amount of the county's property tax reimbursements made in fiscal year 2018 is funded by unsubsidized mills or  
29 other local nonlevy revenue is eligible for the guaranteed tax base aid subsidy per mill pursuant to 20-9-368,  
30 20-9-369, and 20-9-501.

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**NEW SECTION. Section 10. Fund transfers.** For fiscal years 2018, 2019, 2020, and 2021 only, a school district shall transfer state or local revenue from any budgeted or nonbudgeted fund, other than the debt service fund or retirement fund, to its transportation fund in a total amount not to exceed an amount estimated by the district to be necessary to eliminate an increase in school district property taxes resulting from [this act].

**NEW SECTION. Section 11. Repealer.** The following sections of the Montana Code Annotated are repealed:

- 20-9-630. School district block grants.
- 20-9-632. Countywide school transportation block grants.

**NEW SECTION. Section 12. Effective dates.** (1) Except as provided in subsection (2), [this act] is effective July 1, 2018.

(2) [Sections 8, 10, and this section] are effective upon passage and approval.

- END -