

**Unofficial Draft Copy**

As of: 2020/06/02 05:40:56

Drafter: Pad McCracken, 406-444-3595

PD 0011

67th Legislature

\*\*\*\* BILL NO. \*\*\*\*

INTRODUCED BY \*\*\*\*

BY REQUEST OF THE \*\*\*\*

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING SCHOOL FUNDING LAWS TO ALLOW  
NONOPERATING SCHOOL DISTRICTS TO RETAIN A PORTION OF OIL AND NATURAL GAS  
PRODUCTION TAXES; AMENDING SECTION 20-9-310, MCA; AND PROVIDING AN EFFECTIVE DATE AND  
AN APPLICABILITY DATE."

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

**Section 1.** Section 20-9-310, MCA, is amended to read:

**"20-9-310. Oil and natural gas production taxes for school districts -- allocation and limits. (1)**

Except as provided in subsection (5), the maximum amount of oil and natural gas production taxes that a  
school district may retain is 130% of the school district's maximum budget, determined in accordance with 20-9-  
308.

(2) Upon receipt of school district budget reports required under 20-9-134, the superintendent of  
public instruction shall provide the department of revenue with a list reporting the maximum general fund  
budget for each school district.

(3) Except as provided by 15-36-332(9), the department of revenue shall make the full quarterly  
distribution of oil and natural gas production taxes as required under 15-36-332(6) until the amount distributed  
reaches the limitation in subsection (1) of this section. The department of revenue shall deposit any amount  
exceeding the limitation in subsection (1) in the guarantee account provided for in 20-9-622.

(4) (a) Subject to the limitation in subsection (1) and the conditions in subsection (4)(b), the trustees  
shall budget and allocate the oil and natural gas production taxes anticipated by the district in any budgeted  
fund at the discretion of the trustees. Oil and natural gas production taxes allocated to the district general fund  
may be applied to the BASE or over-BASE portions of the general fund budget at the discretion of the trustees.

(b) Except as provided in subsection (4)(c), if the trustees apply an amount less than 12.5% of the

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total oil and natural gas production taxes received by the district in the prior school fiscal year to the district's general fund BASE budget for the upcoming school fiscal year, then:

(i) the trustees shall levy the number of mills required to raise an amount equal to the difference between 12.5% of the oil and natural gas production taxes received by the district in the prior school fiscal year and the amount of oil and natural gas production taxes the trustees budget in the district's general fund BASE budget for the upcoming school fiscal year;

(ii) the mills levied under subsection (4)(b)(i) are not eligible for the guaranteed tax base subsidy under the provisions of 20-9-366 through 20-9-369; and

(iii) the general fund BASE budget levy requirement calculated in 20-9-141 must be calculated as though the trustees budgeted 12.5% of the oil and natural gas production taxes received by the district in the prior year and the number of mills calculated in subsection (4)(b)(i) must be added to the number of mills calculated in 20-9-141(2).

(c) The provisions of subsection (4)(b) do not apply to the following:

(i) a district that has a maximum general fund budget of less than \$1 million;

(ii) a district whose oil and natural gas revenue combined with its adopted general fund budget totals 105% or less of its maximum general fund budget;

(iii) a district that has a maximum general fund budget of \$1 million or more and has had an unusual enrollment increase approved by the superintendent of public instruction as provided in 20-9-314 in the year immediately preceding the fiscal year to which the provisions of this subsection (4) would otherwise apply; or

(iv) a district that has issued outstanding oil and natural gas revenue bonds. Funds received pursuant to this section must first be applied by the district to payment of debt service obligations for oil and natural gas revenue bonds for the next 12-month period.

(5) (a) The limit on oil and natural gas production taxes that a school district may retain under subsection (1) must be increased for any school district with an unusual enrollment increase approved by the superintendent of public instruction as provided in 20-9-314. The increase in the limit on oil and natural gas production taxes that a school district may retain under subsection (1) applies in the year immediately following the fiscal year in which the office of public instruction has approved the district's unusual enrollment increase and must be calculated by multiplying \$45,000 times each additional ANB approved by the superintendent of

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1 public instruction as provided in 20-9-314.

2 (b) For a district in non-operating status under 20-9-505, the maximum amount of oil and natural gas  
3 production taxes that a school district may retain is 130% of the school district's maximum budget in the  
4 district's most recent operating year, determined in accordance with 20-9-308. |

5 (6) In any year in which the actual oil and natural gas production taxes received by a school district  
6 are less than 50% of the total oil and natural gas production taxes received by the district in the prior year, the  
7 district may transfer money from any budgeted fund to its general fund in an amount not to exceed the amount  
8 of the shortfall."  
9

10 NEW SECTION. Section 2. Effective date. [This act] is effective July 1, 2021.  
11

12 NEW SECTION. Section 3. Applicability. [This act] applies to school fiscal years beginning on or  
13 after July 1, 2021.  
14  
15

- END -

**Commented [MP1]:** Correcting an oversight that resulted in nonoperating districts not being able to retain any O&G money as they have no maximum budget.