HOUSE BILL NO. 176

INTRODUCED BY D. HALVORSON

A BILL FOR AN ACT ENTITLED: "AN ACT INCREASING THE MAXIMUM AMOUNT OF OIL AND NATURAL GAS PRODUCTION TAXES THAT A SCHOOL DISTRICT MAY RETAIN TO 150% OF THE SCHOOL DISTRICT'S MAXIMUM BUDGET; AMENDING SECTIONS 20-9-310, 20-9-517, AND 20-9-518, MCA; AND PROVIDING AN EFFECTIVE 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. (Temporary) Oil and natural gas production taxes for school districts -- allocation and limits. (1) The maximum amount of oil and natural gas production taxes that a school district may retain is ~~130%~~ <u>150%</u> 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) 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.

~~(4) For fiscal year 2012, any amount of oil and natural gas production taxes exceeding the limitation in subsection (1) must be deposited in the guarantee account as provided in 20-9-622.~~

~~(5)~~<u>(4)</u> Subject to the limitation in subsection (1), the trustees shall budget and allocate the oil and natural gas production taxes received by the district as follows:

~~(a) for fiscal year 2012, the trustees shall budget in the general fund an amount of oil and natural gas production taxes equal to the lesser of 25% of the total oil and natural gas production taxes received by the district in the prior year or the general fund levy requirement;~~

~~(b) for fiscal year 2013, the trustees shall budget in the general fund an amount of oil and natural gas production taxes equal to the lesser of 35% of the total oil and natural gas production taxes received by the district in the prior year or the general fund levy requirement;~~

~~(c)~~(a) for fiscal year 2014, the trustees shall budget in the general fund an amount of oil and natural gas production taxes equal to the lesser of 45% of the total oil and natural gas production taxes received by the district in the prior year or the general fund levy requirement;

~~(d)~~(b) for each succeeding fiscal year, the trustees shall budget in the general fund an amount of oil and natural gas production taxes equal to the lesser of 55% of the total oil and natural gas production taxes received by the district in the prior year or the general fund levy requirement;

~~(e)~~(c) oil and natural gas production taxes received by the district must be deposited in the general fund until the budgeted amount is reached; and

~~(f)~~(d) all remaining oil and natural gas production tax revenue may be deposited in any budgeted fund.

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

~~(7)~~(6) Beginning in fiscal year 2013, for any amount retained by the department of revenue in compliance with the limitation in subsection (1), the amount retained must be allocated as follows:

(a) 70% of the retained amount must be deposited in the guarantee account provided for in 20-9-622;

(b) 5% of the retained amount must be deposited in the state school oil and natural gas impact account provided for in 20-9-517; and

(c) 25% of the retained amount must be distributed to the counties for deposit in the county school oil and natural gas impact fund provided for in 20-9-518. (Terminates June 30, 2016--sec. 29, Ch. 418, L. 2011.)"

Section 2. Section 20-9-517, MCA, is amended to read:

"20-9-517. (Effective July 1, 2013) State school oil and natural gas impact account. (1) There is a state school oil and natural gas impact account in the state special revenue fund provided for in 17-2-102. The purpose of the account is to provide money to schools that are not receiving oil and natural gas production taxes under 15-36-331 but are impacted by contiguous counties that are benefiting from receipt of oil and natural gas production taxes.

(2) There must be deposited in the account oil and natural gas production taxes, if any, pursuant to ~~20-9-310(7)~~ 20-9-310(6) and any amounts pursuant to 20-9-104(6).

(3) A school district may apply to the superintendent of public instruction for funds from the account for

circumstances that are directly related to impacts resulting from the development or cessation of development of oil and natural gas as follows:

(a) an unusual enrollment increase as determined pursuant to 20-9-314;

(b) a district's need to hire new teachers or staff as a result of increased enrollment;

(c) the opening or reopening of an elementary or high school approved by the superintendent of public instruction pursuant to 20-6-502 or 20-6-503; or

(d) major maintenance for a school or district.

(4) In reviewing an applicant's request for funding, the superintendent of public instruction shall consider the following:

(a) the local district's or school's need;

(b) the severity of the energy development impacts;

(c) availability of funds in the account; and

(d) the applicant district's ability to meet the needs identified in subsection (3).

(5) The superintendent of public instruction shall adopt rules necessary to implement the application and distribution process.

(6) The amount in the account may not exceed $7.5 million. Any amount over $7.5 million must be deposited in the state general fund."

Section 3. Section 20-9-518, MCA, is amended to read:

"20-9-518. (Effective July 1, 2013) County school oil and natural gas impact fund. (1) The governing body of a county receiving an allocation under 20-9-104(6) and ~~20-9-310(7)~~ 20-9-310(6) shall establish a county school oil and natural gas impact fund.

(2) Money received by a county pursuant to 20-9-104(6) and ~~20-9-310(7)~~ 20-9-310(6) must remain in the fund and may not be appropriated by the governing body until:

(a) the amount of oil and natural gas production taxes received by a school district for the fiscal year is 30% or less of the amount of the average received by the district in the previous 4 fiscal years;

(b) the average price of oil is $50 a barrel or less for the fiscal year; or

(c) the production of oil in the county drops 50% or more below the average oil production in the county during the immediately preceding 5-year period.

(3) Within 30 days of any of the circumstances described in subsections (2)(a) through (2)(c) occurring,

the governing body of the county shall allocate 80% of the money proportionally to affected high school districts and elementary school districts in the county.

(4) The governing body of the county may use 20% of the money in the fund to:

(a) pay for outstanding capital project bonds or other expenses incurred prior to the reduction in the price of oil described in subsection (2)(b);

(b) offset property tax levy increases that are directly caused by the cessation or reduction of oil and natural gas activity;

(c) promote diversification and development of the economic base within the jurisdiction;

(d) attract new industry to the area impacted by the changes in oil and natural gas activity described in subsection (2); or

(e) provide cash incentives for expanding the employment base of the area impacted by the changes in oil and natural gas activity described in subsection (2).

(5) Except as provided in subsection (4)(b), money held in the fund may not be considered as fund balance for the purpose of reducing mill levies.

(6) Money in the fund must be invested as provided by law. Interest and income from the investment of money in the fund must be credited to the fund."

NEW SECTION. **Section 4. Notification to tribal governments.** The secretary of state shall send a copy of [this act] to each tribal government located on the seven Montana reservations and to the Little Shell Chippewa tribe.

NEW SECTION. **Section 5. Effective date.** [This act] is effective July 1, 2013.

- END -