1	1 HOUSE BI	ILL NO. 611			
2	2 INTRODUCEI	D BY D. SKEES			
3	3				
4	4 A BILL FOR AN ACT ENTITLED: "AN ACT GENERALL	Y REVISING LAWS RELATED TO IMMIGRATION AND			
5	REFUGEES; PROHIBITING STATE AGENCIES AN	ND LOCAL GOVERNMENTS FROM ENACTING OR			
6	6 ENFORCING CERTAIN POLICIES CONCERNING C	ITIZENSHIP AND IMMIGRATION; PROHIBITING THE			
7	7 DISTRIBUTION OF CERTAIN FUNDS AND GRAN	TS TO LOCAL GOVERNMENTS UNDER CERTAIN			
8	CIRCUMSTANCES; REQUIRING THE ATTORNEY G	ENERAL TO INVESTIGATE AND ENFORCE CERTAIN			
9	PROVISIONS; ALLOWING COMPLIANCE ACTIONS	S; PROVIDING DEFINITIONS, PENALTIES, AND AN			
10	APPROPRIATION; AMENDING SECTIONS 15-1-12	21, 15-23-703, 15-36-332, 20-9-310, 90-6-209, AND			
11	1 90-6-710, MCA; AND PROVIDING AN EFFECTIVE DA	ATE."			
12	2				
13	BE IT ENACTED BY THE LEGISLATURE OF THE ST	ATE OF MONTANA:			
14	4				
15	NEW SECTION. Section 1. Definitions. Fo	or the purposes of [sections 1 through 5], the following			
16	definitions apply:				
17	7 (1) "Local government" means a municipality,	a county, or a consolidated city-county government.			
18	3 (2) "Policy" means a formal or informal rule, o	rder, ordinance, or policy, whether written or unwritten.			
19	9 (3) "State agency" means an office, position	n, commission, committee, board, department, council,			
20	division, bureau, section, or any other entity or instrum	entality of the executive branch of state government.			
21	1 (4) "State legislator with an interest in the curr	ent or future appropriation of state funds" means a state			
22	2 legislator serving during the regular Montana legislative	session, or, during the interim between regular legislative			
23	sessions, a holdover senator or an unopposed represe	entative in the Montana legislature.			
24	4				
25	NEW SECTION. Section 2. Sanctuary jurise	diction prohibited exception. (1) Except as provided			
26	by subsection (2), a state agency or local government in	may not enact, adopt, implement, enforce, or refer to the			
27	electorate a policy that prohibits or restricts a government	electorate a policy that prohibits or restricts a government entity, official, or employee from:			
28	(a) sending to, receiving from, exchanging with, or maintaining for a federal, state, or local governmen				
29	entity information regarding a person's citizenship or in	nmigration status; or			
30	(b) complying with an immigration detainer red	quest or a notification request concerning the release of			
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an individual if the request is lawfully made by the United States department of homeland security acting pursuant to its authority under sections 8 U.S.C 1226 and 1357 as those sections read on [the effective date of this act].

(2) A state agency or local government may not be considered in violation of this section solely based on a policy otherwise subject to subsection (1) that exclusively concerns an individual who comes forward as a victim of or a witness to a criminal offense.

<u>NEW SECTION.</u> **Section 3. Monitoring and compliance.** The attorney general shall monitor state and local government compliance with the provisions of [section 2], investigate compliance compliants, and take appropriate enforcement actions against a state or local government violating the provisions of [section 2].

- NEW SECTION. Section 4. Standing and venue. (1) The attorney general or a state legislator with an interest in the current or future appropriation of state funds has standing to bring a civil action under this part to compel compliance by the state agency or local government and to enjoin the distribution of funds as provided in [section 5].
- (2) An action under [sections 1 through 5] must be instituted in the state district court for the county where the local government or state agency is located.

- NEW SECTION. Section 5. Penalties -- exemptions -- attorney fees and costs. (1) In addition to any other penalties or remedies provided by law, and except as provided in subsection (4), a state agency or local government that violates the provisions of [section 2] shall be punished by a fine of \$10,000 every 5 calendar days that the state agency or local government is not in compliance with the provisions of [section 2].
 - (2) Except as provided by subsection (4), a local government in violation of [section 2] may not:
- 23 (a) receive distributions of:
 - (i) the local government's entitlement share provided in 15-1-121;
 - (ii) the local government's share of oil and natural gas production taxes provided in 15-36-332; or
- (iii) the coal gross proceeds tax in 15-23-703. The county treasurer shall distribute the county sharesto the state general fund.
 - (b) receive new grants awarded under the provisions of Title 90, chapter 6, part 2; or
- (c) have projects prioritized or recommended by the department of commerce for infrastructure projects
 under the provisions of Title 90, chapter 6, part 7.



(3) If the attorney general determines that the funds or a portion of the funds withheld pursuant to subsection (2) are necessary for law enforcement purposes, the attorney general may authorize the department of revenue to distribute the funds or a portion of the funds.

- (4) A state agency or local government may not be penalized under this section if the state or local government comes into compliance with the provisions of [sections 1 through 5] within 14 calendar days after the filing of an action under [section 4].
 - (5) A fine collected pursuant to this section must be deposited in the state general fund.
- (6) The court may award costs and reasonable attorney fees to a legislator who prevails in an action brought under [section 4].

NEW SECTION. Section 6. Sanctuary jurisdiction prohibited. A local government as defined in [section 1] may not enact, adopt, implement, enforce, or refer to the electorate a policy described by [section 2].

Section 7. Section 15-1-121, MCA, is amended to read:

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

- (2) The sources of dedicated revenue that were relinquished by local governments in exchange for an entitlement share of the state general fund were:
- (a) personal property tax reimbursements pursuant to sections 167(1) through (5) and 169(6), Chapter
 584, Laws of 1999;
 - (b) vehicle, boat, and aircraft taxes and fees pursuant to:
- 30 (i) Title 23, chapter 2, part 5;



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              (ii) Title 23, chapter 2, part 6;
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              (iii) Title 23, chapter 2, part 8;
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              (iv) 61-3-317;
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              (v) 61-3-321;
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              (vi) Title 61, chapter 3, part 5, except for 61-3-509(3), as that subsection read prior to the amendment
 6
      of 61-3-509 in 2001;
 7
              (vii) Title 61, chapter 3, part 7;
 8
              (viii) 5% of the fees collected under 61-10-122;
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              (ix) 61-10-130;
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              (x) 61-10-148; and
11
              (xi) 67-3-205;
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              (c) gaming revenue pursuant to Title 23, chapter 5, part 6, except for the permit fee in 23-5-612(2)(a);
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              (d) district court fees pursuant to:
              (i) 25-1-201, except those fees in 25-1-201(1)(d), (1)(g), and (1)(j);
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              (ii) 25-1-202;
              (iii) 25-9-506; and
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              (iv) 27-9-103;
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              (e) certificate of title fees for manufactured homes pursuant to 15-1-116;
19
              (f) financial institution taxes collected pursuant to the former provisions of Title 15, chapter 31, part 7;
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              (g) all beer, liquor, and wine taxes pursuant to:
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              (i) 16-1-404;
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              (ii) 16-1-406; and
23
              (iii) 16-1-411;
24
              (h) late filing fees pursuant to 61-3-220;
25
              (i) title and registration fees pursuant to 61-3-203;
26
              (j) veterans' cemetery license plate fees pursuant to 61-3-459;
27
              (k) county personalized license plate fees pursuant to 61-3-406;
28
              (I) special mobile equipment fees pursuant to 61-3-431;
29
              (m) single movement permit fees pursuant to 61-4-310;
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(n) state aeronautics fees pursuant to 67-3-101; and

(o) department of natural resources and conservation payments in lieu of taxes pursuant to Title 77, chapter 1, part 5.

- (3) (a) Except as provided in subsection (3)(b), the total amount received by each local government in the prior fiscal year as an entitlement share payment under this section is the base component for the subsequent fiscal year distribution, and in each subsequent year the prior year entitlement share payment, including any reimbursement payments received pursuant to subsection (7), is each local government's base component. Subject to subsection (3)(b), the sum of all local governments' base components is the fiscal year entitlement share pool.
 - (b) For fiscal year 2016, the fiscal year entitlement share pool is reduced by \$1,049,904.
- (4) (a) Subject to subsection (3)(b), the base entitlement share pool must be increased annually by an entitlement share growth rate as provided for in this subsection (4). The amount determined through the application of annual growth rates is the entitlement share pool for each fiscal year.
- (b) By October 1 of each year, the department shall calculate the growth rate of the entitlement share pool for the next fiscal year in the following manner:
- (i) The department shall calculate the entitlement share growth rate based on the ratio of two factors of state revenue sources for the first, second, and third most recently completed fiscal years as recorded on the statewide budgeting and accounting system. The first factor is the sum of the revenue for the first and second previous completed fiscal years received from the sources referred to in subsections (2)(b), (2)(c), and (2)(g) divided by the sum of the revenue for the second and third previous completed fiscal years received from the same sources multiplied by 0.75. The second factor is the sum of the revenue for the first and second previous completed fiscal years received from individual income tax as provided in Title 15, chapter 30, and corporate income tax as provided in Title 15, chapter 31, divided by the sum of the revenue for the second and third previous completed fiscal years received from the same sources multiplied by 0.25.
 - (ii) Except as provided in subsection (4)(b)(iii), the entitlement share growth rate is the lesser of:
 - (A) the sum of the first factor plus the second factor; or
 - (B) 1.03 for counties, 1.0325 for consolidated local governments, and 1.035 for cities and towns.
- (iii) In no instance can the entitlement growth factor be less than 1. Subject to subsection (4)(b)(iv), the entitlement share growth rate is applied to the most recently completed fiscal year entitlement payment to determine the subsequent fiscal year payment.
 - (iv) For fiscal year 2016, the entitlement share growth rate is applied to the most recently completed fiscal



1 year entitlement payment minus \$1,049,904 to determine the subsequent fiscal year payment.

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

- (6) (a) The entitlement share pools calculated in this section, the amounts determined under 15-1-123(2) for local governments, the funding provided for in subsection (8) of this section, and the amounts determined under 15-1-123(4) for tax increment financing districts are statutorily appropriated, as provided in 17-7-502, from the general fund to the department for distribution to local governments. Except for the distribution made under 15-1-123(2)(b), the distributions must be made on a quarterly basis.
- (b) (i) The growth amount is the difference between the entitlement share pool in the current fiscal year and the entitlement share pool in the previous fiscal year. The growth factor in the entitlement share must be calculated separately for:
- (A) counties;

- 18 (B) consolidated local governments; and
- (C) incorporated cities and towns.
 - (ii) In each fiscal year, the growth amount for counties must be allocated as follows:
 - (A) 50% of the growth amount must be allocated based upon each county's percentage of the prior fiscal year entitlement share pool for all counties; and
 - (B) 50% of the growth amount must be allocated based upon the percentage that each county's population bears to the state population not residing within consolidated local governments as determined by the latest interim year population estimates from the Montana department of commerce as supplied by the United States bureau of the census.
- 27 (iii) In each fiscal year, the growth amount for consolidated local governments must be allocated as 28 follows:
 - (A) 50% of the growth amount must be allocated based upon each consolidated local government's percentage of the prior fiscal year entitlement share pool for all consolidated local governments; and



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

- (iv) In each fiscal year, the growth amount for incorporated cities and towns must be allocated as follows:
- (A) 50% of the growth amount must be allocated based upon each incorporated city's or town's percentage of the prior fiscal year entitlement share pool for all incorporated cities and towns; and
- (B) 50% of the growth amount must be allocated based upon the percentage that each city's or town's population bears to the state's total population residing within incorporated cities and towns as determined by the latest interim year population estimates from the Montana department of commerce as supplied by the United States bureau of the census.
- (v) In each fiscal year, the amount of the entitlement share pool before the growth amount or adjustments made under subsection (7) are applied is to be distributed to each local government in the same manner as the entitlement share pool was distributed in the prior fiscal year.
- (7) If the legislature enacts a reimbursement provision that is to be distributed pursuant to this section, the department shall determine the reimbursement amount as provided in the enactment and add the appropriate amount to the entitlement share distribution under this section. The total entitlement share distributions in a fiscal year, including distributions made pursuant to this subsection, equal the local fiscal year entitlement share pool. The ratio of each local government's distribution from the entitlement share pool must be recomputed to determine each local government's ratio to be used in the subsequent year's distribution determination under subsections (6)(b)(ii)(A), (6)(b)(iii)(A), and (6)(b)(iv)(A).
- (8) (a) Except for a tax increment financing district entitled to a reimbursement under 15-1-123(4), if a tax increment financing district was not in existence during the fiscal year ending June 30, 2000, then the tax increment financing district is not entitled to any funding. If a tax increment financing district referred to in subsection (8)(b) terminates, then the funding for the district provided for in subsection (8)(b) terminates.
- (b) Except for the reimbursement made under 15-1-123(4)(b), one-half of the payments provided for in this subsection (8)(b) must be made by November 30 and the other half by May 31 of each year. Subject to subsection (8)(a), the entitlement share for tax increment financing districts is as follows:

29 Deer Lodge TIF District 1 \$2,833



1	Deer Lodge	TIF District 2	2,813
2	Flathead	Kalispell - District 2	4,638
3	Flathead	Kalispell - District 3	37,231
4	Flathead	Whitefish District	148,194
5	Gallatin	Bozeman - downtown	31,158
6	Missoula	Missoula - 1-1C	225,251
7	Missoula	Missoula - 4-1C	30,009
8	Silver Bow	Butte - uptown	255,421

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

- (10) When there has been an underpayment of a local government's share of the entitlement share pool, the department shall distribute the difference between the underpayment and the correct amount of the entitlement share. When there has been an overpayment of a local government's entitlement share, the local government shall remit the overpaid amount to the department.
- (11) A local government may appeal the department's estimation of the base component, the entitlement share growth rate, or a local government's allocation of the entitlement share pool, according to the uniform dispute review procedure in 15-1-211.
- (12) A payment required pursuant to this section may not be offset by a debt owed to a state agency by a local government in accordance with Title 17, chapter 4, part 1.
- 21 (13) (a) A payment required pursuant to this section to a local government that is in violation of [section 2] must be withheld pursuant to the provisions of [section 5].
- (b) For the purposes of this subsection (13), "local government" has the meaning provided by [section
 11."

Section 8. Section 15-23-703, MCA, is amended to read:

"15-23-703. Taxation of gross proceeds -- taxable value for nontax purposes. (1) (a) The department shall compute from the reported value of coal gross proceeds a tax roll that must be transmitted to the county treasurer on or before September 15 of each year. The department may not levy or assess any mills



against coal gross proceeds but shall, subject to subsection (1)(b) and except as provided in subsection (1)(c), levy a tax of 5% against the value of coal as provided in 15-23-701(4). The county treasurer shall give full notice to each coal producer of the taxes due and shall collect the taxes.

- (b) If the county grants a tax abatement for production from a new or expanding underground mine as provided in 15-23-715, the department shall levy a tax at a rate that would, after providing for payment to the state of the amount attributable to all applicable state mill levies as if the tax rate were 5%, reduce the tax received by county taxing jurisdictions and any school district on the new or expanded production by the percentage amount of the tax abated by the county under 15-23-715.
- (c) (i) For tax years beginning after December 31, 2011, the initial tax on coal mined from a new underground coal mine is 2.5% against the value of coal as provided in 15-23-701(4) for the first 10 years of coal production. After 10 years, coal production from the mine is taxed as provided in subsection (1)(a).
- (ii) For tax years beginning on or after January 1, 2011, and ending December 31, 2020, the initial tax rate under subsection (1)(c)(i) applies to coal mined from an existing underground coal mine producing coal from the mine as of December 31, 2010. For tax years beginning after December 31, 2020, coal production is taxed as provided in subsection (1)(a).
- (2) For all nontax purposes, the taxable value of the gross proceeds of coal is 45% of the contract sales price as defined in 15-35-102.
- (3) (a) Except as provided in subsections (4) and (7) and subject to subsection (3)(b), coal gross proceeds taxes must be allocated to the state, county, and school districts in the same relative proportions as the taxes were distributed in fiscal year 1990.
- (b) The county treasurer shall multiply the coal gross proceeds taxes collected in the county under this part by the relative proportions determined for the state, county, and school districts under subsection (3)(a). Those amounts must be distributed as follows:
- (i) the state share must be distributed in the relative proportions required by levies for state purposes in the same manner as property taxes were distributed in fiscal year 1990;
- (ii) except as provided in subsection (5), the county share must be distributed in the relative proportions required by levies for county purposes, other than an elementary school or high school, in the same manner as property taxes were distributed in the previous fiscal year;
- (iii) except as provided in subsection (6), the school districts' share must be distributed in the relative proportions required by levies for school district purposes in the same manner as property taxes were distributed



1 in the previous fiscal year.

- (4) If there is a distribution of coal gross proceeds from a new or expanding underground mine with a tax abatement as provided under 15-23-715, the county treasurer shall distribute:
- (a) the state's share of the coal gross proceeds determined under subsection (1)(b) in the relative proportion required by the appropriate levies for state purposes; and
- (b) the county's share and any school district's share of the coal gross proceeds determined under subsection (1)(b) as provided in this section.
- (5) The board of county commissioners of a county may direct the county treasurer to reallocate the distribution of coal gross proceeds taxes that would have gone to a taxing unit, as provided in subsection (3)(b)(i), to another taxing unit or taxing units, other than an elementary school or high school, within the county under the following conditions:
- (a) The county treasurer shall first allocate the coal gross proceeds taxes to the taxing units within the county in the same proportion that all other property tax proceeds were distributed in the county in the previous fiscal year.
- (b) If the allocation in subsection (5)(a) exceeds the total budget of a taxing unit, the commissioners may direct the county treasurer to reallocate the excess to any taxing unit within the county.
- (6) The board of trustees of an elementary or high school district may reallocate the coal gross proceeds taxes distributed to the district by the county treasurer under the following conditions:
- (a) The district shall first allocate the coal gross proceeds taxes to the budgeted funds of the district in the same proportion that all other property tax proceeds were distributed in the district in the previous fiscal year.
- (b) If the allocation under subsection (6)(a) exceeds the total budget for a fund, the trustees may reallocate the excess to any budgeted fund of the school district.
- (7) Except as provided in subsections (8) and (9), the county treasurer shall credit all taxes collected under this part from coal mines that began production after December 31, 1988, in the relative proportions required by the levies for state, county, and school district purposes in the same manner as property taxes were distributed in the previous fiscal year.
- (8) The board of county commissioners of a county may direct the county treasurer to reallocate the distribution of coal gross proceeds under subsection (7) in the same manner as provided in subsection (5).
- (9) The board of trustees of an elementary or high school district may reallocate the coal gross proceeds taxes distributed to the district by the county treasurer under subsection (7) in the same manner as provided in



- 1 subsection (6).
 - (10) (a) If a county is in violation of [section 2], the county treasurer shall distribute the payment of the county's shares under this section to the state general fund pursuant to the provisions of [section 5].

(b) This provision may not be construed to impact a school district's share of the coal gross proceeds."

- **Section 9.** Section 15-36-332, MCA, is amended to read:
- "15-36-332. (Temporary) Distribution of taxes to taxing units -- appropriation. (1) (a) Subject to 20-9-310 and subsection (9) of this section, by the dates referred to in subsection (6) of this section, the department shall distribute oil and natural gas production taxes allocated under 15-36-331(3) to each eligible county.
- (b) By Except as provided by subsection (9), by the dates referred to in subsection (6), the department shall distribute the amount deposited in the oil and gas natural resource distribution account under 15-36-331(2)(b) as provided in subsection (7) of this section.
- (2) (a) Each county treasurer shall distribute the amount of oil and natural gas production taxes designated under subsection (1)(a), including the amounts referred to in subsection (2)(b), to the countywide elementary and high school retirement funds, countywide transportation funds, and eligible school districts according to the following schedule:

18		Elementary	High School	Countywide	School
19		Retirement	Retirement	Transportation	Districts
20	Big Horn	14.81%	10.36%	2.99%	26.99%
21	Blaine	5.86%	2.31%	2.71%	24.73%
22	Carbon	3.6%	6.62%	1.31%	49.18%
23	Chouteau	8.1%	4.32%	3.11%	23.79%
24	Custer	6.9%	3.4%	1.19%	31.25%
25	Daniels	0	7.77%	3.92%	48.48%
26	Dawson	5.53%	2.5%	1.11%	35.6%
27	Fallon	0	7.63%	1.24%	42.58%
28	Fergus	7.88%	4.84%	2.08%	53.25%
29	Garfield	4.04%	3.13%	5.29%	26.19%



1	Glacier	11.2%	4.87%	3.01%	46.11%
2	Golden Valley	0	11.52%	2.77%	54.65%
3	Hill	6.7%	4.07%	1.59%	49.87%
4	Liberty	4.9%	4.56%	1.15%	35.22%
5	McCone	4.18%	3.19%	2.58%	43.21%
6	Musselshell	5.98%	4.07%	3.53%	32.17%
7	Petroleum	0	11.92%	4.59%	55.48%
8	Phillips	0.43%	6.6%	1.08%	41.29%
9	Pondera	6.96%	5.06%	1.94%	45.17%
10	Powder River	3.96%	2.97%	4.57%	22.25%
11	Prairie	0	8.88%	1.63%	36.9%
12	Richland	4.1%	3.92%	2.26%	43.77%
13	Roosevelt	9.93%	7.37%	2.74%	40.94%
14	Rosebud	3.87%	2.24%	1.05%	72.97%
15	Sheridan	0	3.39%	2.22%	47.63%
16	Stillwater	6.87%	4.86%	1.63%	41.16%
17	Sweet Grass	6.12%	6.5%	2.4%	37.22%
18	Teton	6.88%	8.19%	3.8%	29.43%
19	Toole	2.78%	4.78%	1.3%	43.56%
20	Valley	2.26%	12.61%	4.63%	41.11%
21	Wibaux	0	4.1%	0.77%	31.46%
22	Yellowstone	7.98%	4.56%	1.07%	52.77%
23	All other	3.81%	7.84%	1.81%	41.04%
24	counties	3.0170	1.0470	1.01/0	1 1.U4/0

- (b) (i) The county treasurer shall distribute 9.8% of the Custer County share to the countywide community college district in Custer County.
- (ii) The county treasurer shall distribute 14.5% of the Dawson County share to the countywide community
 college district in Dawson County.
- 29 (3) The remaining oil and natural gas production taxes for each county must be used for the exclusive



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1 use and benefit of the county, including districts within the county established by the county.

(4) (a) The county treasurer shall distribute oil and natural gas production taxes to school districts in each county referred to in subsection (2) as provided in subsections (4)(b) through (4)(d) and subject to the provisions of 20-9-310.

- (b) The amount distributed to each K-12 district within the county is equal to oil and natural gas production taxes in the county multiplied by the ratio that oil and natural gas production taxes attributable to oil and natural gas production in the K-12 school district bear to total oil and natural gas production taxes attributable to total oil and natural gas production in the county and multiply that amount by the school district percentage figure for the county referred to in subsection (2)(a).
- (c) For the amount to be distributed to each elementary school district and to each high school district under subsection (4)(d), the department shall first determine the amount of oil and natural gas production taxes in the high school district that is attributable to oil and natural gas production in each elementary school district that is located in whole or in part within the exterior boundaries of a high school district and multiply that amount by the school district percentage figure for the county referred to in subsection (2)(a).
- (d) (i) The amount distributed to each elementary school district that is located in whole or in part within the exterior boundaries of a high school district is equal to the amount determined in subsection (4)(c) multiplied by the ratio that the total mills of the elementary school district bear to the sum of the total mills of the elementary school district and the total mills of the high school district.
- (ii) The amount distributed to the high school district is equal to the amount determined in subsection (4)(c) multiplied by the ratio that the total mills of the high school district bear to the sum of the total mills of each elementary school district referred to in subsection (4)(c) and the total mills of the high school district.
- (5) Oil and natural gas production taxes calculated for each school district under subsections (4)(b) through (4)(d) must be distributed to each school district as provided in 20-9-310.
- (6) Subject to 20-9-310 <u>and subsection (9) of this section</u>, the department shall remit the amounts to be distributed in this section to the county treasurer by the following dates:
- (a) On or before August 1 of each year, the department shall remit to the county treasurer oil and natural gas production tax payments received for the calendar quarter ending March 31 of the current year.
- (b) On or before November 1 of each year, the department shall remit to the county treasurer oil and natural gas production tax payments received for the calendar quarter ending June 30 of the current year.
 - (c) On or before February 1 of each year, the department shall remit to the county treasurer oil and



natural gas production tax payments received for the calendar quarter ending September 30 of the previous year.

(d) On or before May 1 of each year, the department shall remit to the county treasurer oil and natural gas production tax payments received for the calendar quarter ending December 31 of the previous year.

- (7) The department shall distribute the funds received under 15-36-331(2)(b) to counties based on county oil and gas production. Of the distribution to a county, one-third must be distributed to the county government and two-thirds must be distributed to incorporated cities and towns within the county. If there is more than one incorporated city or town within the county, the city and town allocation must be distributed to the cities and towns based on their relative populations.
- (8) The distributions to taxing units and to counties and incorporated cities and towns under this section are statutorily appropriated, as provided in 17-7-502, from the state special revenue fund.
- (9) (a) A payment required pursuant to this section to a local government in violation of [section 2] must be withheld pursuant to the provisions of [section 5].
- (b) For the purposes of this subsection (9), "local government" has the meaning provided by [section 1]. (Terminates June 30, 2020--sec. 38, Ch. 400, L. 2013.)
- 15-36-332. (Effective July 1, 2020) Distribution of taxes to taxing units -- appropriation. (1) (a) By Except as provided by subsection (9), by the dates referred to in subsection (6), the department shall distribute oil and natural gas production taxes allocated under 15-36-331(3) to each eligible county.
- (b) By Except as provided by subsection (9), by the dates referred to in subsection (6), the department shall distribute the amount deposited in the oil and gas natural resource distribution account under 15-36-331(2)(b) as provided in subsection (7) of this section.
- (2) (a) Each county treasurer shall distribute the amount of oil and natural gas production taxes designated under subsection (1)(a), including the amounts referred to in subsection (2)(b), to the countywide elementary and high school retirement funds, countywide transportation funds, and eligible school districts according to the following schedule:

25		Elementary	High School	Countywide	School
26		Retirement	Retirement	Transportation	Districts
27	Big Horn	14.81%	10.36%	2.99%	26.99%
28	Blaine	5.86%	2.31%	2.71%	24.73%
29	Carbon	3.6%	6.62%	1.31%	49.18%



1	Chouteau	8.1%	4.32%	3.11%	23.79%
2	Custer	6.9%	3.4%	1.19%	31.25%
3	Daniels	0	7.77%	3.92%	48.48%
4	Dawson	5.53%	2.5%	1.11%	35.6%
5	Fallon	0	7.63%	1.24%	42.58%
6	Fergus	7.88%	4.84%	2.08%	53.25%
7	Garfield	4.04%	3.13%	5.29%	26.19%
8	Glacier	11.2%	4.87%	3.01%	46.11%
9	Golden Valley	0	11.52%	2.77%	54.65%
10	Hill	6.7%	4.07%	1.59%	49.87%
11	Liberty	4.9%	4.56%	1.15%	35.22%
12	McCone	4.18%	3.19%	2.58%	43.21%
13	Musselshell	5.98%	4.07%	3.53%	32.17%
14	Petroleum	0	11.92%	4.59%	55.48%
15	Phillips	0.43%	6.6%	1.08%	41.29%
16	Pondera	6.96%	5.06%	1.94%	45.17%
17	Powder River	3.96%	2.97%	4.57%	22.25%
18	Prairie	0	8.88%	1.63%	36.9%
19	Richland	4.1%	3.92%	2.26%	43.77%
20	Roosevelt	9.93%	7.37%	2.74%	40.94%
21	Rosebud	3.87%	2.24%	1.05%	72.97%
22	Sheridan	0	3.39%	2.22%	47.63%
23	Stillwater	6.87%	4.86%	1.63%	41.16%
24	Sweet Grass	6.12%	6.5%	2.4%	37.22%
25	Teton	6.88%	8.19%	3.8%	29.43%
26	Toole	2.78%	4.78%	1.3%	43.56%
27	Valley	2.26%	12.61%	4.63%	41.11%
28	Wibaux	0	4.1%	0.77%	31.46%
29	Yellowstone	7.98%	4.56%	1.07%	52.77%



1 All other 3.81% 7.84% 1.81% 41.04% 2 counties

(b) (i) The county treasurer shall distribute 9.8% of the Custer County share to the countywide community college district in Custer County.

- (ii) The county treasurer shall distribute 14.5% of the Dawson County share to the countywide community college district in Dawson County.
- (3) The remaining oil and natural gas production taxes for each county must be used for the exclusive use and benefit of the county, including districts within the county established by the county.
- (4) (a) The county treasurer shall distribute oil and natural gas production taxes to school districts in each county referred to in subsection (2) as provided in subsections (4)(b) through (4)(d).
- (b) The amount distributed to each K-12 district within the county is equal to oil and natural gas production taxes in the county multiplied by the ratio that oil and natural gas production taxes attributable to oil and natural gas production in the K-12 school district bear to total oil and natural gas production taxes attributable to total oil and natural gas production in the county and multiply that amount by the school district percentage figure for the county referred to in subsection (2)(a).
- (c) For the amount to be distributed to each elementary school district and to each high school district under subsection (4)(d), the department shall first determine the amount of oil and natural gas taxes in the high school district that is attributable to oil and natural gas production in each elementary school district that is located in whole or in part within the exterior boundaries of a high school district and multiply that amount by the school district percentage figure for the county referred to in subsection (2)(a).
- (d) (i) The amount distributed to each elementary school district that is located in whole or in part within the exterior boundaries of a high school district is equal to the amount determined in subsection (4)(c) multiplied by the ratio that the total mills of the elementary school district bear to the sum of the total mills of the elementary school district and the total mills of the high school district.
- (ii) The amount distributed to the high school district is equal to the amount determined in subsection (4)(c) multiplied by the ratio that the total mills of the high school district bear to the sum of the total mills of each elementary school district referred to in subsection (4)(c) and the total mills of the high school district.
- (5) (a) Oil and natural gas production taxes calculated for each school district under subsections (4)(b) through (4)(d) must be distributed to each school district in the relative proportion of the mill levy for each fund.



(b) If a distribution under subsection (5)(a) exceeds the total budget for a school district fund, the board of trustees of an elementary or high school district may reallocate the excess to any budgeted fund of the school district.

- (6) The Except as provided by subsection (9), the department shall remit the amounts to be distributed in this section to the county treasurer by the following dates:
- (a) On or before August 1 of each year, the department shall remit to the county treasurer oil and natural gas production tax payments received for the calendar quarter ending March 31 of the current year.
- (b) On or before November 1 of each year, the department shall remit to the county treasurer oil and natural gas production tax payments received for the calendar quarter ending June 30 of the current year.
- (c) On or before February 1 of each year, the department shall remit to the county treasurer oil and natural gas production tax payments received for the calendar quarter ending September 30 of the previous year.
- (d) On or before May 1 of each year, the department shall remit to the county treasurer oil and natural gas production tax payments received for the calendar quarter ending December 31 of the previous year.
- (7) The department shall distribute the funds received under 15-36-331(2)(b) to counties based on county oil and gas production. Of the distribution to a county, one-third must be distributed to the county government and two-thirds must be distributed to incorporated cities and towns within the county. If there is more than one incorporated city or town within the county, the city and town allocation must be distributed to the cities and towns based on their relative populations.
- (8) The distributions to taxing units and to counties and incorporated cities and towns under this section are statutorily appropriated, as provided in 17-7-502, from the state special revenue fund.
- (9) (a) A payment required pursuant to this section to a local government that is in violation of [section 2] must be withheld pursuant to the provisions of [section 5].
 - (b) For the purposes of this subsection (9), "local government" has the meaning provided by [section 1]."

Section 10. 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) Except as provided in subsection (6), 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



1 instruction shall provide the department of revenue with a list reporting the maximum general fund budget for 2 each school district.

- (3) The 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 state school oil and natural gas distribution account provided for in 20-9-520.
- (4) (a) By the last day of the month immediately following the month in which the quarterly distribution of oil and natural gas production taxes in subsection (3) is made, the office of public instruction shall distribute any amount of oil and natural gas production taxes exceeding the limitation in subsection (1) based on allocations determined by the department of revenue pursuant to subsection (3) to school districts that are directly impacted by oil and natural gas development, but that receive insufficient oil and natural gas revenue to address the oil and natural gas development impacts. The office of public instruction shall adopt administrative rules to establish a process, criteria, and a mechanism for distribution under this subsection (4), using the negotiated rulemaking process set forth in the Montana Negotiated Rulemaking Act, Title 2, chapter 5, part 1.
- (b) In developing administrative rules, the office of public instruction shall establish two independent negotiated rulemaking committees to consider issues for the purpose of reaching a consensus to develop proposed rules for the distribution of the funds under this subsection (4).
- (c) The members of the first negotiated rulemaking committee appointed by the office of public instruction must include public school officials and public school employees from school districts that are located in or are immediately adjacent to a county in which oil and natural gas production taxes are generated and professional organizations representing these public school officials and employees. This committee shall transmit proposed rules regarding distribution of 50% of the funds available under this subsection (4) in accordance with 2-5-108.
- (d) The members of the second negotiated rulemaking committee appointed by the office of public instruction must include public school officials and public school employees from school districts around the state and professional organizations representing these public school officials and employees. This committee shall transmit proposed rules regarding the distribution of the remaining 50% of the funds available under this subsection (4) in accordance with 2-5-108.
- (5) (a) Subject to the limitation in subsection (1) and the conditions in subsection (5)(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 (5)(c), if the trustees apply an amount less than 12.5% of the 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 (5)(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 (5)(b)(i) must be added to the number of mills calculated in 20-9-141(2).
 - (c) The provisions of subsection (5)(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 totals105% 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 (5) 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.
- (6) 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

1 multiplying \$45,000 times each additional ANB approved by the superintendent of public instruction as provided 2 in 20-9-314.

- (7) 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. (Terminates June 30, 2019--sec. 7, Ch. 433, L. 2015.)
- 20-9-310. (Effective July 1, 2019) Oil and natural gas production taxes for school districts -- allocation and limits. (1) Except as provided in subsection (6), 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) The 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 state school oil and natural gas distribution account provided for in 20-9-520.
- (4) By the last day of the month immediately following the month in which the quarterly distribution of oil and natural gas production taxes in subsection (3) is made, the office of public instruction shall distribute any amount of oil and natural gas production taxes exceeding the limitation in subsection (1) based on allocations determined by the department of revenue pursuant to subsection (3) 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 in proportion to a county's oil and natural gas production taxes for the preceding 3 years compared to the total of all counties' oil and natural gas production taxes for the preceding 3 years. Funds distributed must be deposited in a county's county school oil and natural gas impact fund provided for in 20-9-518.
 - (5) (a) Subject to the limitation in subsection (1) and the conditions in subsection (5)(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 (5)(c), if the trustees apply an amount less than 12.5% of the 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 (5)(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 (5)(b)(i) must be added to the number of mills calculated in 20-9-141(2).
 - (c) The provisions of subsection (5)(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 (5) 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.
- (6) 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 public instruction as provided in 20-9-314.

(7) 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."

- **Section 11.** Section 90-6-209, MCA, is amended to read:
- "90-6-209. Limitations on grants. (1) The board may commit itself to the expenditure of funds for more than 1 year for a single project, but the board may not obligate funds not yet appropriated by the legislature. The total amount of grants to state agencies, except grants made pursuant to 90-6-205(4)(b), and Indian tribes may not exceed 7% of the total money allocated to the board during each fiscal year.
 - (2) A grant to an Indian tribe under 90-6-205 may not be approved by the board unless:
- (a) the governing body of the tribe has agreed:
- (i) to waive its immunity from suit on any issue specifically arising from the transaction of a grant obtained under this part; and
- (ii) to the adjudication of any dispute arising out of the grant transaction in the district court of the first judicial district of the state of Montana; and
- (b) approval of the transaction has been obtained from the secretary of the United States department of the interior whenever approval is necessary.
- (3) (a) The board may not award a new grant to a local government that is in violation of [section 2] pursuant to the provisions of [section 5].
 - (b) For the purposes of this subsection (3), "local government" has the meaning provided by [section 1]."

- **Section 12.** Section 90-6-710, MCA, is amended to read:
- "90-6-710. Priorities for projects -- procedure -- rulemaking. (1) The department of commerce must receive proposals for infrastructure projects from local governments on a continual basis. The department shall work with a local government in preparing cost estimates for a project. In reviewing project proposals, the department may consult with other state agencies with expertise pertinent to the proposal. For the projects under



90-6-703(1)(a), the department shall prepare and submit two lists containing the recommended projects and the recommended form and amount of financial assistance for each project to the governor, prioritized pursuant to subsection (2) and this subsection. One list must contain the ranked and recommended bridge projects, and the other list must contain the remaining ranked and recommended infrastructure projects referred to in 90-6-701(3)(a). Each list must be prioritized pursuant to subsection (2) of this section, but the department may recommend up to 20% of the interest earnings anticipated to be deposited into the treasure state endowment fund established in 17-5-703 during the following biennium for bridge projects. Before making recommendations to the governor, the department may adjust the ranking of projects by giving priority to urgent and serious public health or safety problems. The governor shall review the projects recommended by the department and shall submit the lists of recommended projects and the recommended financial assistance to the legislature.

(2) (a) In preparing recommendations under subsection (1), preference must be given to infrastructure projects based on the following order of priority:

(a)(i) projects that solve urgent and serious public health or safety problems or that enable local governments to meet state or federal health or safety standards;

(b)(ii) projects that reflect greater need for financial assistance than other projects;

(c)(iii) projects that incorporate appropriate, cost-effective technical design and that provide thorough, long-term solutions to community public facility needs;

(d)(iv) projects that reflect substantial past efforts to ensure sound, effective, long-term planning and management of public facilities and that attempt to resolve the infrastructure problem with local resources;

(e)(v) projects that enable local governments to obtain funds from sources other than the funds provided under this part;

(f)(vi) projects that provide long-term, full-time job opportunities for Montanans, that provide public facilities necessary for the expansion of a business that has a high potential for financial success, or that maintain the tax base or that encourage expansion of the tax base; and

(g)(vii) projects that are high local priorities and have strong community support.

- (b) (i) The department may not recommend or prioritize projects submitted by a local government that is in violation of [section 2] pursuant to the provisions of [section 5].
- 28 (ii) For the purposes of this subsection (2)(b), "local government" has the meaning provided by [section 29 1].
 - (3) After the review required by subsection (1), the projects must be approved by the legislature.



1 (4) The department shall adopt rules necessary to implement the treasure state endowment program. 2 (5) The department shall report to each regular session of the legislature the status of all projects that 3 have not been completed in order for the legislature to review each project's status and determine whether the 4 authorized grant should be withdrawn." 5 6 NEW SECTION. Section 13. Appropriation. There is appropriated \$50,000 for the biennium beginning 7 July 1, 2017, from the state general fund to the department of justice for compliance monitoring, investigation, 8 and enforcement of the provisions in [sections 1 through 5]. 9 10 NEW SECTION. Section 14. Codification instruction. (1) [Sections 1 through 5] are intended to be 11 codified as an integral part of Title 2, chapter 1, and the provisions of Title 2, chapter 1, apply to [sections 1 12 through 5]. 13 (2) [Section 6] is intended to be codified as an integral part of Title 7, chapter 5, part 1, and the provisions 14 of Title 7, chapter 5, part 1, apply to [section 6]. 15

NEW SECTION. Section 15. Effective date. [This act] is effective July 1, 2017.

- END -

Legislative Services Division

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