

1 SENATE BILL NO. 175

2 INTRODUCED BY L. JONES, ARTHUN, AUGARE, T. BROWN, BUTTREY, CLARK, DRISCOLL, FACEY,
3 HAMLETT, KEANE, MALEK, MCCHESENEY, MEHLHOFF, O'HARA, OLSON, PETERSON,
4 POMNICHOWSKI, RIPLEY, TUTVEDT, VUCKOVICH, WELBORN, JERGESON
5

6 A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING SCHOOL FINANCE LAWS BY
7 INCREASING FUNDING, REDUCING SCHOOL DISTRICT PROPERTY TAXES, AND INCREASING
8 FLEXIBILITY TO SUPPORT IMPROVED ACADEMIC PERFORMANCE OF STUDENTS ENROLLED IN PUBLIC
9 SCHOOLS; CREATING A K-12 DATA TASK FORCE; ESTABLISHING A DATA-FOR-ACHIEVEMENT
10 PAYMENT; ~~REDIRECTING OIL AND NATURAL GAS PRODUCTION TAX REVENUE FROM THE STATE~~
11 ~~GENERAL FUND TO A NEW NATURAL RESOURCE DEVELOPMENT K-12 FUNDING PAYMENT TO~~
12 ~~SUPPORT BASE BUDGETS OF SCHOOL DISTRICTS;~~ ENHANCING THE STATEWIDE K-12 DATA SYSTEM
13 TO IMPROVE TIMELY ACCESS TO INFORMATION NEEDED TO POSITIVELY IMPACT STUDENT
14 PERFORMANCE; STRENGTHENING SAFEGUARDS TO PROTECT THE PRIVACY OF STUDENT DATA;
15 AMENDING THE DEFINITION OF BASE AID TO INCLUDE ~~THE NATURAL RESOURCE DEVELOPMENT K-12~~
16 ~~FUNDING PAYMENT AND~~ THE TOTAL DATA-FOR-ACHIEVEMENT PAYMENT; APPLYING ~~AN~~
17 INFLATIONARY ~~ADJUSTMENT~~ ADJUSTMENTS TO THE ~~PER-ANB ENTITLEMENT~~ ENTITLEMENTS;
18 ~~REVISING AND~~ INCREASING THE BASIC ENTITLEMENT; ALLOWING SCHOOL DISTRICTS TO ADD
19 INCREASES IN THEIR BASIC AND PER-ANB ENTITLEMENT TO THE PREVIOUS YEAR'S GENERAL FUND
20 BUDGET; INCREASING THE MAXIMUM AMOUNT OF OIL AND NATURAL GAS PRODUCTION TAXES THAT
21 A SCHOOL DISTRICT MAY RETAIN TO 150% OF THE SCHOOL DISTRICT'S MAXIMUM BUDGET; REVISING
22 AND CREATING EXCEPTIONS TO THE LIMITS, ALLOCATION, AND BUDGETING REQUIREMENTS FOR A
23 SCHOOL DISTRICT RECEIVING OIL AND NATURAL GAS PRODUCTION TAX REVENUE; ADDING A THIRD
24 AND FOURTH ENROLLMENT COUNT TO CALCULATE ANB; REVISING THE CALCULATION OF ANB TO
25 INCLUDE STUDENTS MASTERING CONTENT IN FEWER HOURS THAN OTHERWISE REQUIRED;
26 ALIGNING THE REQUIREMENT OF REMOVING FUNDING FOR A SCHOOL LOSING ACCREDITATION WITH
27 THE BOARD OF PUBLIC EDUCATION'S ACCREDITATION MODEL; REVISING WHEN AN INCREASE TO ANB
28 IS APPROVED BASED ON UNUSUAL ENROLLMENT FOR PURPOSES OF ESTABLISHING THE DISTRICT'S
29 ENSUING YEAR'S BASIC ENTITLEMENT AND PER-ANB ENTITLEMENT; EXTENDING THE DEADLINE FOR
30 CERTAIN SCHOOL DISTRICT FUND BALANCE LIMITS; AMENDING BONDING PROVISIONS TO ALLOW

1 FOR THE ISSUANCE AND NEGOTIATION OF OIL AND NATURAL GAS REVENUE BONDS FOR SCHOOL
 2 PURPOSES; PROVIDING FOR SECURITY FOR OIL AND NATURAL GAS PRODUCTION BONDS;
 3 MODIFYING RECIPIENTS OF THE STATE OIL AND NATURAL GAS IMPACT ACCOUNT; PROVIDING THAT
 4 ANY EXCESS INTEREST AND INCOME REVENUE ABOVE \$1 MILLION IN THE GUARANTEE ACCOUNT
 5 MUST BE ALLOCATED TO THE DISTRIBUTION OF THE REVENUE BETWEEN SCHOOL DISTRICT
 6 PROPERTY TAX RELIEF AND INCREASED BUDGET AUTHORITY FOR FACILITIES REPAIRS AND OTHER
 7 PURPOSES; SPECIFYING AN INTENT THAT INCREASED BUDGET AUTHORITY OF SCHOOL DISTRICTS
 8 ABOVE INFLATION BE USED TO IMPLEMENT RECENT CHANGES TO THE ACCREDITATION STANDARDS
 9 ADOPTED BY THE BOARD OF PUBLIC EDUCATION; ~~PROVIDING FOR A TRANSFER FROM THE GENERAL~~
 10 ~~FUND TO THE GUARANTEE ACCOUNT OF 50% OF THE FUNDS FROM OIL AND NATURAL GAS~~
 11 ~~PRODUCTION TAXES COLLECTED IN FISCAL YEAR 2013 REMAINING AFTER DISTRIBUTION;~~
 12 ESTABLISHING A STATE SCHOOL OIL AND NATURAL GAS DISTRIBUTION ACCOUNT; AMENDING
 13 SECTIONS ~~15-36-331, 20-7-102, 20-7-104, 20-9-141,~~ 20-9-306, 20-9-308, 20-9-310, 20-9-311, 20-9-314,
 14 20-9-323, 20-9-326, 20-9-342, 20-9-344, 20-9-403, 20-9-406, 20-9-408, 20-9-422, 20-9-423, 20-9-426, 20-9-427,
 15 20-9-430, 20-9-437, 20-9-438, 20-9-440, 20-9-517, 20-9-518, AND 20-9-622, MCA; AMENDING SECTION 29,
 16 CHAPTER 418, LAWS OF 2011; AND PROVIDING EFFECTIVE DATES AND ~~RETROACTIVE AN~~
 17 ~~APPLICABILITY DATES~~ DATE."

18

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

20

21 NEW SECTION. Section 1. K-12 data task force. (1) There is a K-12 data task force established by
 22 the office of public instruction.

23 (2) The K-12 data task force is composed of:

24 (a) The presiding officer and vice presiding officer of the senate and house standing committees on
 25 education and the presiding officer and vice presiding officer of the joint subcommittee for education that deals
 26 with appropriations or their designees;

27 (b) additional positions appointed by the majority vote of the presiding officers and vice presiding officers
 28 referred to in subsection (2)(a), as follows:

29 (i) three elected school board trustees consisting of one each from a class 1, class 2, and class 3 school
 30 district;

1 (ii) three school administrators consisting of one each employed by a class 1, class 2, and class 3 school
2 district;

3 (iii) three teachers consisting of one each employed by a class 1, class 2, and class 3 school district;

4 (iv) three technology staff consisting of one each employed by a class 1, class 2, and class 3 school
5 district;

6 (v) six parents, consisting of one parent of an elementary pupil currently enrolled in each of a class 1,
7 class 2, and class 3 school district and one parent of a high school pupil currently enrolled in each of a class 1,
8 class 2, and class 3 school district; and

9 (vi) three school district clerks, as provided in 20-3-325, consisting of one each employed by a class 1,
10 class 2, and class 3 school district.

11 (3) The K-12 data task force shall serve in an advisory capacity to the office of public instruction. The
12 task force shall review, monitor, and provide input and guidance in enhancing the statewide K-12 data system
13 pursuant to 20-7-104.

14 (4) Unless otherwise provided by law, each member is entitled to be paid \$50 for each day in which the
15 member is engaged in the performance of duties under this section and is also entitled to be reimbursed for travel
16 expenses, as provided for in 2-18-501 through 2-18-503, incurred while in the performance of task force duties.
17 Members who are full-time salaried officers or employees of this state or of a political subdivision of this state are
18 not entitled to be compensated for their service as members except when they perform their task force duties
19 outside their regular working hours or during hours charged against their leave time, but those members are
20 entitled to be reimbursed for travel expenses as provided for in 2-18-501 through 2-18-503.

21
22 NEW SECTION. **Section 2. Data-for-achievement payment.** (1) The state shall provide a
23 data-for-achievement payment to public school districts as defined in 20-6-101 and 20-6-701. The
24 data-for-achievement payment is \$20 times the district's ANB, calculated in accordance with 20-9-311.

25 (2) Funds received for the data-for-achievement payment must be used by a school district to pay for
26 access fees or other costs associated with use of or participation in the statewide data system administered by
27 the office of public instruction or a comparable data system provided by a private vendor, including data entry and
28 staff training on use of the systems.

29 (3) THE OFFICE OF PUBLIC INSTRUCTION MAY SPEND AN AMOUNT UP TO THE AMOUNT OF DATA-FOR-ACHIEVEMENT
30 PAYMENT FUNDS RECEIVED FROM SCHOOL DISTRICTS TO ACCESS AND USE THE STATEWIDE DATA SYSTEM FOR THE

1 PURPOSES OF DEVELOPING, UPGRADING, ADMINISTERING, AND MAINTAINING THE STATEWIDE DATA SYSTEM.

2

3 ~~Section 3. Section 15-36-331, MCA, is amended to read:~~

4 ~~"15-36-331. Distribution of taxes. (1) (a) For each calendar quarter, the department shall determine~~
5 ~~the amount of tax, late payment interest, and penalties collected under this part.~~

6 ~~(b) For the purposes of distribution of oil and natural gas production taxes to county and school district~~
7 ~~taxing units under 15-36-332 and to the state, the department shall determine the amount of oil and natural gas~~
8 ~~production taxes paid on production in the taxing unit.~~

9 ~~(2) (a) The amount of oil and natural gas production taxes collected for the privilege and license tax~~
10 ~~pursuant to 82-11-131 must be deposited, in accordance with the provisions of 17-2-124, in the state special~~
11 ~~revenue fund for the purpose of paying expenses of the board, as provided in 82-11-135.~~

12 ~~(b) The amount of the tax allocated in 15-36-304(7)(b) for the oil and gas natural resource distribution~~
13 ~~account established in 90-6-1001(1) must be deposited in the account.~~

14 ~~(3) (a) For each tax year, the amount of oil and natural gas production taxes determined under~~
15 ~~subsection (1)(b) is allocated to each county according to the following schedule:~~

16	Big Horn	45.05%
17	Blaine	58.39%
18	Carbon	48.27%
19	Chouteau	58.14%
20	Custer	69.53%
21	Daniels	50.81%
22	Dawson	47.79%
23	Fallon	41.78%
24	Fergus	69.18%
25	Garfield	45.96%
26	Glacier	58.83%
27	Golden Valley	58.37%
28	Hill	64.51%
29	Liberty	57.94%
30	McCone	49.92%

1	Musselshell	48.64%
2	Petroleum	48.04%
3	Phillips	54.02%
4	Pondera	54.26%
5	Powder River	60.9%
6	Prairie	40.38%
7	Richland	47.47%
8	Roosevelt	45.71%
9	Rosebud	39.33%
10	Sheridan	47.99%
11	Stillwater	53.51%
12	Sweet Grass	61.24%
13	Teton	46.1%
14	Toole	57.61%
15	Valley	51.43%
16	Wibaux	49.16%
17	Yellowstone	46.74%
18	All other counties	50.15%

19 ~~_____ (b) The oil and natural gas production taxes allocated to each county must be deposited in the state~~
 20 ~~special revenue fund and transferred to each county for distribution, as provided in 15-36-332.~~

21 ~~_____ (4) The department shall, in accordance with the provisions of 17-2-124, distribute the state portion of~~
 22 ~~oil and natural gas production taxes remaining after the distributions pursuant to subsections (2) and (3) as~~
 23 ~~follows:~~

24 ~~_____ (a) for each fiscal year through the fiscal year ending June 30, 2011, to be distributed as follows:~~

25 ~~_____ (i) 1.23% to the coal bed methane protection account established in 76-15-904;~~

26 ~~_____ (ii) 1.45% to the natural resources projects state special revenue account established in 15-38-302;~~

27 ~~_____ (iii) 1.45% to the natural resources operations state special revenue account established in 15-38-301;~~

28 ~~_____ (iv) 2.99% to the orphan share account established in 75-10-743;~~

29 ~~_____ (v) 2.65% to the state special revenue fund to be appropriated to the Montana university system for the~~
 30 ~~purposes of the state tax levy as provided in 15-10-108; and~~

1 ~~—— (vi) all remaining proceeds to the state general fund;~~
 2 ~~—— (b) for fiscal years beginning after June 30, 2011, to be distributed as follows:~~
 3 ~~—— (i)(a) 2.16% to the natural resources projects state special revenue account established in 15-38-302;~~
 4 ~~—— (ii)(b) 2.02% to the natural resources operations state special revenue account established in 15-38-301;~~
 5 ~~—— (iii)(c) 2.95% to the orphan share account established in 75-10-743;~~
 6 ~~—— (iv)(d) 2.65% to the state special revenue fund to be appropriated to the Montana university system for~~
 7 ~~the purposes of the state tax levy as provided in 15-10-108; and~~
 8 ~~—— (v)(e) of all remaining proceeds, 50% to the guarantee account, to be deposited following the close of~~
 9 ~~the fiscal year of receipt but not later than October 1, for distribution in compliance with 20-9-622(3) and 50% to~~
 10 ~~the state general fund."~~

11
 12 ~~—— **Section 3.** Section 20-7-102, MCA, is amended to read:~~
 13 ~~—— "**20-7-102. Accreditation of schools.** (1) The conditions under which each elementary school, each~~
 14 ~~middle school, each junior high school, 7th and 8th grades funded at high school rates, and each high school~~
 15 ~~operates must be reviewed by the superintendent of public instruction to determine compliance with the standards~~
 16 ~~of accreditation. The accreditation status of each school must then be established by the board of public~~
 17 ~~education upon the recommendation of the superintendent of public instruction. Notification of the accreditation~~
 18 ~~status for the applicable school year or years must be given to each district by the superintendent of public~~
 19 ~~instruction.~~
 20 ~~—— (2) A school may be accredited for a period consisting of 1, 2, 3, 4, or 5 school years, except that~~
 21 ~~multiyear accreditation may be granted only to schools that are in compliance with 20-4-101.~~
 22 ~~—— (3) A nonpublic school may, through its governing body, request that the board of public education~~
 23 ~~accredit the school. Nonpublic schools may be accredited in the same manner as provided in subsection (1).~~
 24 ~~—— (4) As used in this section, "7th and 8th grades funded at high school rates" means an elementary school~~
 25 ~~district or K-12 district elementary program whose 7th and 8th grades are funded as provided in~~
 26 ~~20-9-306(14)(c)(ii) 20-9-306(15)(c)(ii)."~~

27
 28 **Section 3.** Section 20-7-104, MCA, is amended to read:
 29 **"20-7-104. Transparency and public availability of public school performance data -- reporting**
 30 **-- availability for timely use to improve instruction.** (1) The office of public instruction shall develop a publicly

1 available instruction's statewide data system that must, at a minimum:

2 (a) include data entry and intuitive reporting options that school districts can use to make timely decisions
 3 that improve instruction and impact student performance while creating a collaborative environment for parents,
 4 teachers, and students to work together in improving student performance. Options that the office of public
 5 instruction shall incorporate and make available for each school district must include data linkages to provide for
 6 automated conversion of data from systems already in use by school districts or by the office of public instruction
 7 that allow districts to collect, manage, and present local classroom assessment scores, grades, attendance, and
 8 other data to assist in instructional intervention alongside the existing school accountability and statewide student
 9 achievement results. The office of public instruction shall ensure that the design of the system is enhanced to
 10 prioritize collaborative support of each student's needs by classroom educators, administrators, and parents.

11 (b) ~~displays an~~ display a publicly available educational data profile for each school district that protects
 12 each student's education records in compliance with the Family Educational Rights and Privacy Act of 1974, 20
 13 U.S.C. 1232g, as amended, and its implementing regulations at 34 CFR, part 99.

14 (2) Each Subject to subsection (1)(b), each school district's educational profile must include, at a
 15 minimum, the following elements:

16 (a) school district contact information and links to district websites, when available;

17 (b) state criterion-referenced testing results;

18 (c) program and course offerings;

19 (d) student enrollment and demographics by grade level; and

20 (e) graduation rates.

21 (3) Each school district shall annually report to the office of public instruction and publish and post on
 22 the school district's internet website the following district data for the preceding school year:

23 (a) the number and type of employee positions, including administrators;

24 (b) for the current employee in each position:

25 (i) the total amount of compensation paid to the employee by the district. The total amount of
 26 compensation includes but is not limited to the employee's base wage or salary, overtime pay, and other income
 27 from school-sanctioned extracurricular activities, including coaching and similar activities; and

28 (ii) the certification held by and required of the employee;

29 (c) the student-teacher ratio by grade;

30 (d) (i) the amount, by category, spent by the district for operation and maintenance, stated in total cost

1 and cost per square foot; and

2 (ii) the amount of principal and interest paid on bonds;

3 (e) the total district expenditures per student;

4 (f) the total budget for all funds;

5 (g) the total number of students enrolled and the average daily attendance;

6 (h) the total amount spent by the district on extracurricular activities and the total number of students that
7 participated in extracurricular activities; and

8 (i) the number of students that entered the 9th grade in the school district but did not graduate from a
9 high school in that district and for which the school district did not receive a transfer request. For reporting
10 purposes, the students identified under this subsection (3)(i) are considered to have dropped out of school.

11 (4) Each school district shall also post on the school district's internet website a copy of every working
12 agreement the district has with any organized labor organization and the district's costs, if any, associated with
13 employee union representation, collective bargaining, and union grievance procedures and litigation resulting
14 from union employee grievances.

15 (5) If a school district does not have an internet website, the school district shall publish the information
16 required under subsections (2) and (3) in printed form and provide a copy of the information upon request at the
17 cost incurred by the school district for printing only.

18 (6) The superintendent of public instruction shall continually work in consultation with the K-12 data task
19 force provided for in [section 1] to analyze the best options for a statewide data system that will best enhance the
20 ability of school districts to use data for the purposes identified in this section. Emphasis must be placed on
21 developing or purchasing and customizing a statewide data system that promotes and preserves community
22 ownership and local control and that incorporates innovative technologies available in the marketplace that may
23 be in use and that are successfully working in other states. The office of public instruction and the K-12 data task
24 force shall collaborate to enhance the statewide data system to support:

25 (a) the needs of school districts in using data to improve instruction and student performance;

26 (b) the collection of data from schools through a process that provides for automated conversion of data
27 from systems already in use by school districts or the office of public instruction and that resolves the repetition
28 of data entry and redundancy of data requested that has been characteristic of the data system in the past and
29 that otherwise reduces the diversion of district staff time away from instruction and supervision; ~~implement a data~~
30 ~~collection plan to reduce redundant data requests;~~

1 (c) ~~increase~~ increased use of data use from the centralized system by various functions within the office
2 of public instruction; and

3 (d) ~~promote~~ transparency in reporting to schools, school districts, communities, and the public.

4 ~~Actionable data analysis must be produced to promote academic improvement.~~

5 (7) The superintendent of public instruction shall gather, maintain, and distribute longitudinal, actionable
6 data in the following areas:

7 (a) statewide student identifier;

8 (b) student-level enrollment data, including average daily attendance;

9 (c) student-level statewide assessment data;

10 (d) information on untested students;

11 (e) student-level graduation and dropout data;

12 (f) ability to match student-level K-12 and higher education data;

13 (g) a statewide data audit system;

14 (h) a system to track student achievement with a direct teacher-to-student match to help track, report,
15 and create opportunities for improved individual student performance;

16 (i) student-level course completion data, including transcripts, to assess career and college readiness;
17 and

18 (j) student-level ACT results, scholastic achievement test results, and advanced placement exam data.

19 (8) The superintendent of public instruction shall emphasize the creation of and distribution of individual
20 diagnostic data for each student in a manner that is timely and protects the privacy rights of students and families
21 as they relate to education so that school districts may use the data to support timely academic intervention as
22 needed and to otherwise improve the academic achievement of the students of each school district.

23 (9) IN ADDITION TO THE DATA PRIVACY PROTECTIONS IN SUBSECTION (1)(B), THE SUPERINTENDENT OF PUBLIC
24 INSTRUCTION MAY PROVIDE THE INFORMATION GATHERED, MAINTAINED, AND DISTRIBUTED PURSUANT TO SUBSECTION (7)
25 AND ANY OTHER INDIVIDUAL DATA ONLY TO THE OFFICE OF PUBLIC INSTRUCTION, THE SCHOOL DISTRICT WHERE THE
26 STUDENT IS OR HAS BEEN ENROLLED, THE PARENT, AND THE STUDENT. THE SUPERINTENDENT OF PUBLIC INSTRUCTION
27 MAY NOT SHARE, SELL, OR OTHERWISE RELEASE THIS INFORMATION TO ANY FOR-PROFIT BUSINESS, NONPROFIT
28 ORGANIZATION, PUBLIC-PRIVATE PARTNERSHIP, GOVERNMENTAL UNIT, OR OTHER ENTITY UNLESS THE STUDENT'S PARENT
29 HAS PROVIDED WRITTEN CONSENT SPECIFYING THE DATA TO BE RELEASED, THE REASON FOR THE RELEASE, AND THE
30 RECIPIENT TO WHOM THE DATA MAY BE RELEASED.

1 ~~(9)(10)~~ On or before June 30, 2013, the superintendent of public instruction shall begin presenting
 2 longitudinal data on academic achievement and shall develop plans for a measurement of growth for the
 3 statewide student assessment required by the board of public education."
 4

5 ~~SECTION 5. SECTION 20-9-141, MCA, IS AMENDED TO READ:~~

6 ~~"20-9-141. Computation of general fund net levy requirement by county superintendent. (1) The~~
 7 ~~county superintendent shall compute the levy requirement for each district's general fund on the basis of the~~
 8 ~~following procedure:~~

9 ~~(a) Determine the funding required for the district's final general fund budget less the sum of direct state~~
 10 ~~aid, the natural resource development K-12 funding payment, and the special education allowable cost payment~~
 11 ~~for the district by totaling:~~

12 ~~(i) the district's nonisolated school BASE budget requirement to be met by a district levy as provided in~~
 13 ~~20-9-303; and~~

14 ~~(ii) any general fund budget amount adopted by the trustees of the district under the provisions of~~
 15 ~~20-9-308 and 20-9-353.~~

16 ~~(b) Determine the money available for the reduction of the property tax on the district for the general fund~~
 17 ~~by totaling:~~

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

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

21 ~~(A) interest earned by the investment of general fund cash in accordance with the provisions of~~
 22 ~~20-9-213(4); and~~

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

25 ~~(iii) anticipated oil and natural gas production taxes;~~

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

27 ~~(v) school district block grants distributed under 20-9-630.~~

28 ~~(c) Notwithstanding the provisions of subsection (2), subtract the money available to reduce the property~~
 29 ~~tax required to finance the general fund that has been determined in subsection (1)(b) from any general fund~~
 30 ~~budget amount adopted by the trustees of the district, up to the BASE budget amount, to determine the general~~

1 fund BASE budget levy requirement.

2 ~~———(d) Determine the sum of any amount remaining after the determination in subsection (1)(c) and any~~
 3 ~~tuition payments for out-of-district pupils to be received under the provisions of 20-5-320 through 20-5-324, except~~
 4 ~~the amount of tuition received for a pupil who is a child with a disability in excess of the amount received for a~~
 5 ~~pupil without disabilities, as calculated under 20-5-323(2).~~

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

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

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

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

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

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

23

24 **Section 4.** Section 20-9-306, MCA, is amended to read:

25 **"20-9-306. Definitions.** As used in this title, unless the context clearly indicates otherwise, the following
 26 definitions apply:

27 (1) "BASE" means base amount for school equity.

28 (2) "BASE aid" means:

29 (a) direct state aid for 44.7% of the basic entitlement and 44.7% of the total per-ANB entitlement for the
 30 general fund budget of a district;

1 ~~_____ (b) the natural resource development K-12 funding payment for a variable percentage of the basic and~~
 2 ~~per-ANB entitlements ABOVE THE DIRECT STATE AID for the general fund budget of a district, based on the revenue~~
 3 ~~available for distribution in any school fiscal year pursuant to the process provided for in 20-9-622(4) WHICH MUST~~
 4 ~~BE AN AMOUNT EQUIVALENT TO THE GREATER OF 50% OF THE FISCAL YEAR 2012 OIL AND NATURAL GAS PRODUCTION~~
 5 ~~TAXES DEPOSITED INTO THE GENERAL FUND PURSUANT TO 15-36-331(4) OR 50% OF THE OIL AND NATURAL GAS~~
 6 ~~PRODUCTION TAXES DEPOSITED INTO THE GENERAL FUND PURSUANT TO 15-36-331(4) FOR THE FISCAL YEAR OCCURRING~~
 7 ~~2 FISCAL YEARS PRIOR TO THE SCHOOL FISCAL YEAR IN WHICH THE PAYMENT IS PROVIDED PLUS ANY EXCESS INTEREST~~
 8 ~~AND INCOME REVENUE APPROPRIATED BY THE LEGISLATURE PURSUANT TO 20-9-622(3)(A);~~

9 ~~(b)(c)(B)~~ guaranteed tax base aid for an eligible district for any amount up to 35.3% of the
 10 basic entitlement, up to 35.3% of the total per-ANB entitlement budgeted in the general fund budget of a district,
 11 and 40% of the special education allowable cost payment;

12 ~~(c)(d)(C)~~ the total quality educator payment;

13 ~~(d)(e)(D)~~ the total at-risk student payment;

14 ~~(e)(f)(E)~~ the total Indian education for all payment; and

15 ~~(f)(g)(F)~~ the total American Indian achievement gap payment; and

16 ~~(h)(G)~~ the total data-for-achievement payment.

17 (3) "BASE budget" means the minimum general fund budget of a district, which includes 80% of the basic
 18 entitlement, 80% of the total per-ANB entitlement, 100% of the total quality educator payment, 100% of the total
 19 at-risk student payment, 100% of the total Indian education for all payment, 100% of the total American Indian
 20 achievement gap payment, 100% of the total data-for-achievement payment, and 140% of the special education
 21 allowable cost payment.

22 (4) "BASE budget levy" means the district levy in support of the BASE budget of a district, which may
 23 be supplemented by guaranteed tax base aid if the district is eligible under the provisions of 20-9-366 through
 24 20-9-369.

25 (5) "BASE funding program" means the state program for the equitable distribution of the state's share
 26 of the cost of Montana's basic system of public elementary schools and high schools, through county equalization
 27 aid as provided in 20-9-331 and 20-9-333 and state equalization aid as provided in 20-9-343, in support of the
 28 BASE budgets of districts and special education allowable cost payments as provided in 20-9-321.

29 (6) "Basic entitlement" means:

30 (a) for each high school district: ₁

1 ~~———— (i) \$256,003 for fiscal year 2012; and~~

2 ~~———— (ii) \$260,099 for each succeeding fiscal year;~~

3 ~~———— (i) \$290,000 for fiscal year 2014 and \$300,000 for each succeeding fiscal year for school districts with~~
4 ~~an ANB of 800 or fewer; and~~

5 ~~———— (ii) \$290,000 for fiscal year 2014 and \$300,000 for each succeeding fiscal year for school districts with~~
6 ~~an ANB of more than 800, plus \$12,000 for fiscal year 2014 and \$15,000 for each succeeding fiscal year for each~~
7 ~~additional 80 ANB over 800;~~

8 (b) for each elementary school district or K-12 district elementary program without an approved and
9 accredited junior high school, 7th and 8th grade program, or middle school;

10 ~~———— (i) \$23,033 for fiscal year 2012;~~

11 ~~———— (ii) \$23,402 for each succeeding fiscal year; and~~

12 ~~———— (i) \$40,000 for fiscal year 2014 and \$50,000 for each succeeding fiscal year for school districts or K-12~~
13 ~~district elementary programs with an ANB of 250 or fewer; and~~

14 ~~———— (ii) \$40,000 for fiscal year 2014 and \$50,000 for each succeeding fiscal year for school districts or K-12~~
15 ~~district elementary programs with an ANB of more than 250, plus \$2,000 for fiscal year 2014 and \$2,500 for each~~
16 ~~succeeding fiscal year for each additional 25 ANB over 250;~~

17 (c) for each elementary school district or K-12 district elementary program with an approved and
18 accredited junior high school, 7th and 8th grade program, or middle school:

19 (i) for the district's kindergarten through grade 6 elementary program;

20 ~~———— (A) \$23,033 for fiscal year 2012; and~~

21 ~~———— (B) \$23,402 for each succeeding fiscal year; plus~~

22 ~~———— (A) \$40,000 for fiscal year 2014 and \$50,000 for each succeeding fiscal year for school districts or K-12~~
23 ~~district elementary programs with an ANB of 250 or fewer; and~~

24 ~~———— (B) \$40,000 for fiscal year 2014 and \$50,000 for each succeeding fiscal year for school districts or K-12~~
25 ~~district elementary programs with an ANB of more than 250, plus \$2,000 for fiscal year 2014 and \$2,500 for each~~
26 ~~succeeding fiscal year for each additional 25 ANB over 250; and~~

27 (ii) for an the district's approved and accredited junior high school program, 7th and 8th grade program
28 programs, or middle school;

29 ~~———— (A) \$65,231 for fiscal year 2012; and~~

30 ~~———— (B) \$66,275 for each succeeding fiscal year.~~

1 ~~——— (A) \$80,000 for fiscal year 2014 and \$100,000 for each succeeding fiscal year for the school districts or~~
 2 ~~K-12 district elementary programs with combined grades 7 and 8 with an ANB of 450 or fewer; and~~

3 ~~——— (B) \$80,000 for fiscal year 2014 and \$100,000 for each succeeding fiscal year for the school districts or~~
 4 ~~K-12 district elementary programs with combined grades 7 and 8 with an ANB of more than 450, plus \$4,000 for~~
 5 ~~fiscal year 2014 and \$5,000 for each succeeding fiscal year for each additional 45 ANB over 450.~~

6 (7) "Budget unit" means the unit for which the ANB of a district is calculated separately pursuant to
 7 20-9-311.

8 (8) "Direct state aid" means 44.7% of the basic entitlement and 44.7% of the total per-ANB entitlement
 9 for the general fund budget of a district and funded with state and county equalization aid.

10 (9) "Maximum general fund budget" means a district's general fund budget amount calculated from the
 11 basic entitlement for the district, the total per-ANB entitlement for the district, the total quality educator payment,
 12 the total at-risk student payment, the total Indian education for all payment, the total American Indian achievement
 13 gap payment, the total data-for-achievement payment, and the greater of:

14 (a) 175% of special education allowable cost payments; or

15 (b) the ratio, expressed as a percentage, of the district's special education allowable cost expenditures
 16 to the district's special education allowable cost payment for the fiscal year that is 2 years previous, with a
 17 maximum allowable ratio of 200%.

18 ~~——— (10) "Natural resource development K-12 funding payment" means the payment of a variable percentage~~
 19 ~~of the basic and per-ANB entitlements ABOVE THE DIRECT STATE AID for the general fund budget of a district funded~~
 20 ~~with revenue available for distribution in any school fiscal year pursuant to the process provided in 20-9-622(3),~~
 21 ~~WHICH MUST BE AN AMOUNT EQUIVALENT TO THE GREATER OF 50% OF THE FISCAL YEAR 2012 OIL AND NATURAL GAS~~
 22 ~~PRODUCTION TAXES DEPOSITED INTO THE GENERAL FUND PURSUANT TO 15-36-331(4) OR 50% OF THE OIL AND NATURAL~~
 23 ~~GAS PRODUCTION TAXES DEPOSITED INTO THE GENERAL FUND PURSUANT TO 15-36-331(4) FOR THE FISCAL YEAR~~
 24 ~~OCCURRING 2 FISCAL YEARS PRIOR TO THE SCHOOL FISCAL YEAR IN WHICH THE PAYMENT IS PROVIDED PLUS ANY EXCESS~~
 25 ~~INTEREST AND INCOME REVENUE APPROPRIATED BY THE LEGISLATURE PURSUANT TO 20-9-622(3)(A).~~

26 ~~(10)(11)~~(10) "Over-BASE budget levy" means the district levy in support of any general fund amount
 27 budgeted that is above the BASE budget and below the maximum general fund budget for a district.

28 ~~(11)(12)~~(11) "Total American Indian achievement gap payment" means the payment resulting from
 29 multiplying \$200 times the number of American Indian students enrolled in the district as provided in 20-9-330.

30 ~~(12)(13)~~(12) "Total at-risk student payment" means the payment resulting from the distribution of any

1 funds appropriated for the purposes of 20-9-328.

2 ~~(13)(14)(13)~~ "Total Indian education for all payment" means the payment resulting from multiplying \$20.40
3 times the ANB of the district or \$100 for each district, whichever is greater, as provided for in 20-9-329.

4 ~~(14)(15)(14)~~ "Total per-ANB entitlement" means the district entitlement resulting from the following
5 calculations and using either the current year ANB or the 3-year ANB provided for in 20-9-311:

6 (a) for a high school district or a K-12 district high school program, a maximum rate of ~~\$6,343~~ \$6,555
7 for fiscal year ~~2012~~ 2014 and ~~\$6,444~~ \$6,691 for each succeeding fiscal year for the first ANB, decreased at the
8 rate of 50 cents per ANB for each additional ANB of the district up through 800 ANB, with each ANB in excess
9 of 800 receiving the same amount of entitlement as the 800th ANB;

10 (b) for an elementary school district or a K-12 district elementary program without an approved and
11 accredited junior high school, 7th and 8th grade program, or middle school, a maximum rate of ~~\$4,955~~ \$5,120
12 for fiscal year ~~2012~~ 2014 and ~~\$5,034~~ \$5,226 for each succeeding fiscal year for the first ANB, decreased at the
13 rate of 20 cents per ANB for each additional ANB of the district up through 1,000 ANB, with each ANB in excess
14 of 1,000 receiving the same amount of entitlement as the 1,000th ANB; and

15 (c) for an elementary school district or a K-12 district elementary program with an approved and
16 accredited junior high school, 7th and 8th grade program, or middle school, the sum of:

17 (i) a maximum rate of ~~\$4,955~~ \$5,120 for fiscal year ~~2012~~ 2014 and ~~\$5,034~~ \$5,226 for each succeeding
18 fiscal year for the first ANB for kindergarten through grade 6, decreased at the rate of 20 cents per ANB for each
19 additional ANB up through 1,000 ANB, with each ANB in excess of 1,000 receiving the same amount of
20 entitlement as the 1,000th ANB; and

21 (ii) a maximum rate of ~~\$6,343~~ \$6,555 for fiscal year ~~2012~~ 2014 and ~~\$6,444~~ \$6,691 for each succeeding
22 fiscal year for the first ANB for grades 7 and 8, decreased at the rate of 50 cents per ANB for each additional ANB
23 for grades 7 and 8 up through 800 ANB, with each ANB in excess of 800 receiving the same amount of
24 entitlement as the 800th ANB.

25 ~~(16)(15)~~ "Total data-for-achievement payment" means the payment resulting from multiplying \$20 times
26 the school district's ANB calculated in accordance with 20-9-311, as provided in [section 2].

27 ~~(15)(17)(16)~~ "Total quality educator payment" means the payment resulting from multiplying ~~\$3,036~~ for
28 fiscal year ~~2008~~ and \$3,042 for each succeeding fiscal year times by the number of full-time equivalent educators
29 as provided in 20-9-327."

30

1 **Section 5.** Section 20-9-308, MCA, is amended to read:

2 **"20-9-308. BASE budgets and maximum general fund budgets.** (1) (a) The trustees of a district shall
3 adopt a general fund budget that is at least equal to the BASE budget established for the district. The trustees
4 of a district may adopt a general fund budget up to the maximum general fund budget or the previous year's
5 general fund budget, whichever is greater.

6 (b) For purposes of the budget limitation in subsection (1)(a), the trustees may add any increase in ~~state~~
7 ~~funding~~ DIRECT STATE AID for the basic and per-ANB entitlements; AND ANY INCREASES IN STATE FUNDING OF the
8 data-for-achievement payment under [section 2]; and IN the general fund payments in 20-9-327 through 20-9-330
9 to the district's previous year's general fund budget.

10 (2) (a) ~~Whenever~~ Except as provided in subsection (2)(b), whenever the trustees of a district propose
11 to adopt a general fund budget that exceeds the BASE budget for the district and PROPOSE to increase the
12 over-BASE budget levy over THE HIGHEST revenue previously authorized by the electors of the district or imposed
13 by the district in ~~any of~~ ANY OF the previous 5 years to support the general fund budget, the trustees shall submit
14 a proposition to the electors of the district, as provided in 20-9-353.

15 **(b)** The intent of this section is to increase the flexibility and efficiency of elected school boards without
16 increasing school district property taxes. In furtherance of this intent and provided that budget limitations
17 otherwise specified in law are not exceeded, the trustees of a district may increase the district's over-BASE
18 budget levy without a vote if the board of trustees reduces nonvoted property tax levies authorized by law to be
19 imposed by action of the trustees of the district by at least as much as the amount by which the over-BASE
20 budget levy is increased. The ongoing authority for any nonvoted increase in the over-BASE budget levy imposed
21 under this subsection must be decreased in future years to the extent that the trustees of the district impose any
22 increase in other nonvoted property tax levies.

23 (3) The BASE budget for the district must be financed by the following sources of revenue:

24 (a) state equalization aid, as provided in 20-9-343, including any guaranteed tax base aid for which the
25 district may be eligible, as provided in 20-9-366 through 20-9-369;

26 (b) county equalization aid, as provided in 20-9-331 and 20-9-333;

27 (c) a district levy for support of a school not approved as an isolated school under the provisions of
28 20-9-302;

29 (d) payments in support of special education programs under the provisions of 20-9-321;

30 (e) nonlevy revenue, as provided in 20-9-141; and

1 (f) a BASE budget levy on the taxable value of all property within the district.

2 (4) The over-BASE budget amount of a district must be financed by a levy on the taxable value of all
3 property within the district or other revenue available to the district, as provided in 20-9-141."

4

5 **Section 6.** Section 20-9-310, MCA, is amended to read:

6 **"20-9-310. (Temporary) Oil and natural gas production taxes for school districts -- allocation and**
7 **limits.** (1) ~~The~~ Except as provided in subsection (8), the maximum amount of oil and natural gas production taxes
8 that a school district may retain is ~~430%~~ 150% of the school district's maximum budget, determined in accordance
9 with 20-9-308.

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

13 (3) The department of revenue shall make the full quarterly distribution of oil and natural gas production
14 taxes as required under 15-36-332(6) until the amount distributed reaches the limitation in subsection (1) of this
15 section. The department of revenue shall deposit any amount exceeding the limitation in subsection (1) in the
16 state school oil and natural gas distribution account provided for in [section ~~30~~ 32 30].

17 (4) ~~(a) For fiscal year 2012, any~~ By the last day of the last month following MONTH IMMEDIATELY FOLLOWING
18 THE MONTH IN WHICH the quarterly distribution of oil and natural gas production taxes in subsection (3) IS MADE,
19 the office of public instruction shall distribute any amount of oil and natural gas production taxes exceeding the
20 limitation in subsection (1) ~~must be deposited in the guarantee account as provided in 20-9-622:~~ based on
21 allocations determined by the department of revenue pursuant to subsection (3) in the following priority:

22 (i) to the other school district within the unified school system from which the oil and natural gas
23 production revenue originates or to any school district having a joint board status with the district, as provided
24 in 20-3-361, from which the oil and natural gas production revenue originates, up to ~~430%~~ 150% of the maximum
25 budget of the school district receiving a distribution of revenue under this subsection (4)(a)(i) on a prorated basis;

26 (ii) if funds remain to be distributed after distribution to school districts under subsection (4)(a)(i), to all
27 school districts immediately contiguous to the district from which the oil and natural gas production revenue
28 originates, up to ~~430%~~ 150% of the maximum budget of each school district receiving a distribution of revenue
29 under this subsection (4)(a)(ii) on a prorated basis. If there is more than one school district from which
30 distributable oil and natural gas production revenue originates and is available for a distribution under this

1 subsection (4)(a)(ii) that is immediately contiguous to a school district qualifying for receipt of a distribution of oil
 2 and natural gas revenue under this subsection (4)(a)(ii), the distribution of oil and natural gas production revenue
 3 must be prorated from the districts from which oil and natural gas production revenue originates in relative
 4 proportion to the amount that the oil and natural gas revenue available for distribution from each school district
 5 bears to the total oil and natural gas revenue available for distribution from all school districts from which the
 6 distributable revenue originates;

7 (iii) if funds remain to be distributed after distribution to school districts under subsection (4)(a)(ii), to all
 8 school districts that are located in whole or in part in the same county as the school district from which the oil and
 9 natural gas production revenue originates, up to ~~430%~~ 150% of the maximum budget of each school district
 10 receiving a distribution of revenue under this subsection (4)(a)(iii) on a prorated basis. If there is more than one
 11 school district from which distributable oil and natural gas production revenue originates and is available for
 12 distribution under this subsection (4)(a)(iii), the distribution of oil and natural gas production revenue must be
 13 prorated from the districts from which oil and natural gas production revenue originates in relative proportion to
 14 the amount that the oil and natural gas revenue available for distribution from each school district bears to the
 15 total oil and natural gas revenue available for distribution from all school districts from which the distributable
 16 revenue originates; and

17 (iv) if funds remain to be distributed after distribution to school districts under subsection (4)(a)(iii), to all
 18 school districts that are located in whole or in part in a county contiguous to a county where a horizontally
 19 completed well, as defined in 15-36-303, has been drilled within the last 3 years ACCORDING TO THE DEPARTMENT
 20 OF NATURAL RESOURCES AND CONSERVATION, up to ~~430%~~ 150% of the maximum budget of each school district
 21 receiving a distribution under this subsection (4)(a)(iv) on a prorated basis. If there is more than one school district
 22 from which distributable oil and natural gas production revenue originates and is available for distribution under
 23 this subsection (4)(a)(iv), the distribution of oil and natural gas production revenue must be prorated from the
 24 districts from which oil and natural gas production revenue originates in relative proportion to the amount that the
 25 oil and natural gas revenue available for distribution from each school district bears to the total oil and natural gas
 26 revenue available for distribution from all school districts from which the distributable revenue originates.

27 (b) Any funds remaining after distribution under subsections (4)(a)(i) through (4)(a)(iv) must be deposited
 28 as follows:

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

30 (ii) 5% of the retained amount must be deposited in the state school oil and natural gas impact account

1 provided for in 20-9-517; and

2 (iii) 25% of the retained amount must be distributed to the counties for deposit in the county school oil
3 and natural gas impact fund provided for in 20-9-518.

4 (5) Subject to the limitation in subsection (1) and except as provided in subsection (7), the trustees shall
5 budget and allocate the oil and natural gas production taxes received by the district as follows:

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

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

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

15 ~~(d)~~(a) for each succeeding fiscal year, the trustees shall budget in the general fund an amount of oil and
16 natural gas production taxes equal to the lesser of ~~55%~~ 25% of the total oil and natural gas production taxes
17 received by the district in the prior year or the general fund levy requirement;

18 ~~(e)~~(b) oil and natural gas production taxes received by the district must be deposited in the general fund
19 until the ~~budgeted amount limit~~ limit under subsection (5)(a) is reached; and

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

21 (6) Except as provided in subsection (7), 50% of the oil and natural gas production taxes deposited in
22 the general fund pursuant to subsection (5)(a) must be applied to the BASE budget levy. Remaining oil and
23 natural gas production taxes deposited in the general fund may be applied to either the BASE budget levy or the
24 over-BASE budget levy at the discretion of the board of trustees.

25 (7) The provisions of subsections (5) and (6) do not apply to the following:

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

27 (b) a district whose oil and gas revenue combined with its adopted general fund budget total 105% or
28 less of its maximum general fund budget;

29 (c) a district that has a maximum general fund budget of \$1 million or more and has had an unusual
30 enrollment increase approved by the superintendent of public instruction as provided in 20-9-314 in the year

1 immediately preceding the fiscal year to which subsections (5) and (6) would otherwise apply;

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

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

12 ~~(6)~~(9) In any year in which the actual oil and natural gas production taxes received by a school district
 13 are less than 50% of the total oil and natural gas production taxes received by the district in the prior year, the
 14 district may transfer money from any budgeted fund to its general fund in an amount not to exceed the amount
 15 of the shortfall.

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

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

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

21 ~~———— (c) 25% of the retained amount must be distributed to the counties for deposit in the county school oil~~
 22 ~~and natural gas impact fund provided for in 20-9-518. (Terminates June 30, 2016 2020--sec. 29, Ch. 418, L.~~
 23 ~~2014.)"~~

24
 25 **Section 7.** Section 20-9-311, MCA, is amended to read:

26 **"20-9-311. Calculation of average number belonging (ANB) -- ~~three-year~~ 3-year averaging.** (1)
 27 Average number belonging (ANB) must be computed for each budget unit as follows:

28 (a) compute an average enrollment by adding a count of regularly enrolled full-time pupils who were
 29 enrolled as of the first Monday in October of the prior school fiscal year to a count of regularly enrolled pupils on
 30 ~~February 1~~ the first Monday in December of the prior school fiscal year ~~and to a count of regularly enrolled pupils~~

1 ~~on, the first Monday in February of the prior school fiscal year, AND THE THIRD MONDAY IN APRIL OF THE PRIOR~~
 2 ~~SCHOOL FISCAL YEAR,~~ or the next school day if those dates do not fall on a school day, and divide the sum by ~~two~~
 3 ~~three~~ FOUR; and

4 (b) multiply the average enrollment calculated in subsection (1)(a) by the sum of 180 and the approved
 5 pupil-instruction-related days for the current school fiscal year and divide by 180.

6 (2) For the purpose of calculating ANB under subsection (1), up to 7 approved pupil-instruction-related
 7 days may be included in the calculation.

8 (3) When a school district has approval to operate less than the minimum aggregate hours under
 9 20-9-806, the total ANB must be calculated in accordance with the provisions of 20-9-805.

10 (4) (a) ~~For~~ Except as provided in subsection (4)(d), for the purpose of calculating ANB, enrollment in an
 11 education program:

12 (i) from 180 to 359 aggregate hours of pupil instruction per school year is counted as one-quarter-time
 13 enrollment;

14 (ii) from 360 to 539 aggregate hours of pupil instruction per school year is counted as half-time
 15 enrollment;

16 (iii) from 540 to 719 aggregate hours of pupil instruction per school year is counted as three-quarter-time
 17 enrollment; and

18 (iv) 720 or more aggregate hours of pupil instruction per school year is counted as full-time enrollment.

19 (b) Except as provided in subsection (4)(d), ~~Enrollment~~ enrollment in a program intended to provide fewer
 20 than 180 aggregate hours of pupil instruction per school year may not be included for purposes of ANB.

21 (c) Enrollment in a self-paced program or course may be converted to an hourly equivalent based on
 22 the hours necessary and appropriate to provide the course within a regular classroom schedule.

23 (d) A school district may include in its calculation of ANB a pupil who is enrolled in a program providing
 24 fewer than the required aggregate hours of pupil instruction required under subsection (4)(a) or (4)(b) if the pupil
 25 has demonstrated proficiency in the content ordinarily covered by the instruction as determined by the school
 26 board using district assessments. The ANB of a pupil under this subsection (4)(d) must be converted to an hourly
 27 equivalent based on the hours of instruction ordinarily provided for the content over which the student has
 28 demonstrated proficiency.

29 ~~(d)~~(e) A pupil in kindergarten through grade 12 who is concurrently enrolled in more than one public
 30 school, program, or district may not be counted as more than one full-time pupil for ANB purposes.

1 (5) For a district that is transitioning from a half-time to a full-time kindergarten program, the state
2 superintendent shall count kindergarten enrollment in the previous year as full-time enrollment for the purpose
3 of calculating ANB for the elementary programs offering full-time kindergarten in the current year. For the
4 purposes of calculating the 3-year ANB, the superintendent of public instruction shall count the kindergarten
5 enrollment as one-half enrollment and then add the additional kindergarten ANB to the 3-year average ANB for
6 districts offering full-time kindergarten.

7 (6) When a pupil has been absent, with or without excuse, for more than 10 consecutive school days,
8 the pupil may not be included in the enrollment count used in the calculation of the ANB unless the pupil resumes
9 attendance prior to the day of the enrollment count.

10 (7) The enrollment of preschool pupils, as provided in 20-7-117, may not be included in the ANB
11 calculations.

12 (8) The average number belonging of the regularly enrolled, full-time pupils for the public schools of a
13 district must be based on the aggregate of all the regularly enrolled, full-time pupils attending the schools of the
14 district, except that:

15 (a) the ANB is calculated as a separate budget unit when:

16 (a) (i) a school of the district is located more than 20 miles beyond the incorporated limits of a city or town
17 located in the district and at least 20 miles from any other school of the district, the number of regularly enrolled,
18 full-time pupils of the school must be calculated as a separate budget unit for ANB purposes and the district must
19 receive a basic entitlement for the school calculated separately from the other schools of the district;

20 (ii) a school of the district is located more than 20 miles from any other school of the district and
21 incorporated territory is not involved in the district, the number of regularly enrolled, full-time pupils of the school
22 must be calculated separately for ANB purposes and the district must receive a basic entitlement for the school
23 calculated separately from the other schools of the district;

24 (iii) the superintendent of public instruction approves an application not to aggregate when conditions
25 exist affecting transportation, such as poor roads, mountains, rivers, or other obstacles to travel, or when any
26 other condition exists that would result in an unusual hardship to the pupils of the school if they were transported
27 to another school, the number of regularly enrolled, full-time pupils of the school must be calculated separately
28 for ANB purposes and the district must receive a basic entitlement for the school calculated separately from the
29 other schools of the district; or

30 (iv) two or more districts consolidate or annex under the provisions of 20-6-422 or 20-6-423, the ANB and

1 the basic entitlements of the component districts must be calculated separately for a period of 3 years following
2 the consolidation or annexation. Each district shall retain a percentage of its basic entitlement for 3 additional
3 years as follows:

4 (A) 75% of the basic entitlement for the fourth year;

5 (B) 50% of the basic entitlement for the fifth year; and

6 (C) 25% of the basic entitlement for the sixth year.

7 (b) when a junior high school has been approved and accredited as a junior high school, all of the
8 regularly enrolled, full-time pupils of the junior high school must be considered as high school district pupils for
9 ANB purposes;

10 (c) when a middle school has been approved and accredited, all pupils below the 7th grade must be
11 considered elementary school pupils for ANB purposes and the 7th and 8th grade pupils must be considered high
12 school pupils for ANB purposes; or

13 (d) when a school has ~~not been accredited~~ been designated as nonaccredited by the board of public
14 education because of failure to meet the board of public education's assurance and performance standards, the
15 regularly enrolled, full-time pupils attending the nonaccredited school are not eligible for average number
16 belonging calculation purposes, nor will an average number belonging for the nonaccredited school be used in
17 determining the BASE funding program for the district.

18 (9) The district shall provide the superintendent of public instruction with semiannual reports of school
19 attendance, absence, and enrollment for regularly enrolled students, using a format determined by the
20 superintendent.

21 (10) (a) Except as provided in subsections (10)(b) and (10)(c), enrollment in a basic education program
22 provided by the district through any combination of onsite or offsite instruction may be included for ANB purposes
23 only if the pupil is offered access to the complete range of educational services for the basic education program
24 required by the accreditation standards adopted by the board of public education.

25 (b) Access to school programs and services for a student placed by the trustees in a private program
26 for special education may be limited to the programs and services specified in an approved individual education
27 plan supervised by the district.

28 (c) Access to school programs and services for a student who is incarcerated in a facility, other than a
29 youth detention center, may be limited to the programs and services provided by the district at district expense
30 under an agreement with the incarcerating facility.

1 (d) This subsection (10) may not be construed to require a school district to offer access to activities
2 governed by an organization having jurisdiction over interscholastic activities, contests, and tournaments to a
3 pupil who is not otherwise eligible under the rules of the organization.

4 (11) A district may include only, for ANB purposes, an enrolled pupil who is otherwise eligible under this
5 title and who is:

6 (a) a resident of the district or a nonresident student admitted by trustees under a student attendance
7 agreement and who is attending a school of the district;

8 (b) unable to attend school due to a medical reason certified by a medical doctor and receiving
9 individualized educational services supervised by the district, at district expense, at a home or facility that does
10 not offer an educational program;

11 (c) unable to attend school due to the student's incarceration in a facility, other than a youth detention
12 center, and who is receiving individualized educational services supervised by the district, at district expense, at
13 a home or facility that does not offer an educational program;

14 (d) receiving special education and related services, other than day treatment, under a placement by the
15 trustees at a private nonsectarian school or private program if the pupil's services are provided at the district's
16 expense under an approved individual education plan supervised by the district;

17 (e) participating in the running start program at district expense under 20-9-706;

18 (f) receiving educational services, provided by the district, using appropriately licensed district staff at
19 a private residential program or private residential facility licensed by the department of public health and human
20 services;

21 (g) enrolled in an educational program or course provided at district expense using electronic or offsite
22 delivery methods, including but not limited to tutoring, distance learning programs, online programs, and
23 technology delivered learning programs, while attending a school of the district or any other nonsectarian offsite
24 instructional setting with the approval of the trustees of the district. The pupil shall:

25 (i) meet the residency requirements for that district as provided in 1-1-215;

26 (ii) live in the district and must be eligible for educational services under the Individuals With Disabilities
27 Education Act or under 29 U.S.C. 794; or

28 (iii) attend school in the district under a mandatory attendance agreement as provided in 20-5-321.

29 (h) a resident of the district attending the Montana youth challenge program or a Montana job corps
30 program under an interlocal agreement with the district under 20-9-707.

1 (12) A district shall, for ANB purposes, calculate the enrollment of an eligible Montana youth challenge
2 program participant as half-time enrollment.

3 (13) (a) For an elementary or high school district that has been in existence for 3 years or more, the
4 district's maximum general fund budget and BASE budget for the ensuing school fiscal year must be calculated
5 using the current year ANB for all budget units or the 3-year average ANB for all budget units, whichever
6 generates the greatest maximum general fund budget.

7 (b) For a K-12 district that has been in existence for 3 years or more, the district's maximum general fund
8 budget and BASE budget for the ensuing school fiscal year must be calculated separately for the elementary and
9 high school programs pursuant to subsection (13)(a) and then combined.

10 (14) The term "3-year ANB" means an average ANB over the most recent 3-year period, calculated by:

11 (a) adding the ANB for the budget unit for the ensuing school fiscal year to the ANB for each of the
12 previous 2 school fiscal years; and

13 (b) dividing the sum calculated under subsection (14)(a) by three."
14

15 **Section 8.** Section 20-9-314, MCA, is amended to read:

16 **"20-9-314. Procedures for determining eligibility and amount of increased average number**
17 **belonging due to unusual enrollment increase.** A district that anticipates an unusual increase in enrollment
18 in the ensuing school fiscal year, as provided for in 20-9-313(1)(d), may increase its basic entitlement and total
19 per-ANB entitlement for the ensuing school fiscal year in accordance with the following provisions:

20 (1) Prior to June 1, the district shall estimate the elementary or high school enrollment to be realized
21 during the ensuing school fiscal year, based on as much factual information as may be available to the district.

22 (2) No later than June 1, the district shall submit its application for an ANTICIPATED unusual enrollment
23 increase by elementary or high school level to the superintendent of public instruction. The application must
24 include:

25 (a) the enrollment for the current school fiscal year;

26 (b) the average number belonging used to calculate the basic entitlement and total per-ANB entitlement
27 for the current school fiscal year;

28 (c) the average number belonging that will be used to calculate the basic entitlement and total per-ANB
29 entitlement for the ensuing school fiscal year;

30 (d) the ~~estimated~~ ANTICIPATED enrollment, including the factual information on which the estimate is

1 based, as provided in subsection (1); and

2 (e) any other information or data that may be requested by the superintendent of public instruction.

3 (3) The superintendent of public instruction shall immediately review all the factors of the application and
4 shall approve or disapprove the application or adjust the ~~estimated~~ ENROLLMENT USED TO CALCULATE THE
5 BUDGETED average number belonging for the ensuing ~~ANB calculation period~~ SCHOOL FISCAL YEAR. After approving
6 an estimate, with or without adjustment, the superintendent of public instruction shall:

7 (a) determine the percentage by which the ~~estimated~~ ADJUSTED enrollment exceeds the enrollment used
8 for the budgeted ~~ANB~~ AVERAGE NUMBER BELONGING; and

9 (b) approve an increase of the average number belonging used to establish the ensuing year's basic
10 entitlement and total per-ANB entitlement in accordance with subsection (5) if the increase in subsection (3)(a)
11 is at least ~~6%~~ 4% or 25 40 students, whichever is less.

12 (4) The superintendent of public instruction shall notify the district of the decision by the fourth Monday
13 in June.

14 (5) Whenever an unusual enrollment increase is approved by the superintendent of public instruction,
15 ~~the increase of the average number belonging used to establish the basic entitlement and total per-ANB~~
16 ~~entitlement for the ensuing ANB calculation period is determined using the difference between the enrollment for~~
17 ~~the ensuing school fiscal year and 106% of the enrollment used to calculate the budgeted ANB. The amount~~
18 ~~determined is the maximum allowable increase must be added to the average number belonging for the purpose~~
19 ~~of establishing the ensuing year's basic entitlement and total per-ANB entitlement~~ THE MAXIMUM ALLOWABLE
20 INCREASE TO THE AVERAGE NUMBER BELONGING IS EQUAL TO THE ADJUSTED ENROLLMENT AS DETERMINED BY THE
21 SUPERINTENDENT OF PUBLIC INSTRUCTION IN SUBSECTION (3) MINUS THE SUM OF:

22 (A) THE ENROLLMENT USED TO CALCULATE THE BUDGETED AVERAGE NUMBER BELONGING FOR THE ENSUING
23 SCHOOL FISCAL YEAR; AND

24 (B) THE LESSER OF 40 STUDENTS OR 4% OF THE ENROLLMENT USED TO CALCULATE THE BUDGETED AVERAGE
25 NUMBER BELONGING FOR THE ENSUING SCHOOL FISCAL YEAR.

26 (6) (a) Any entitlement increases resulting from provisions of this section must be reviewed at the end
27 of the ensuing school fiscal year.

28 (b) If the actual enrollment is less than the enrollment used to determine the budgeted ANB, the
29 superintendent of public instruction shall revise the total per-ANB entitlement and basic entitlement calculations,
30 as provided in subsection (5), using the actual enrollment in place of the ~~estimated~~ ADJUSTED enrollment. All total

1 per-ANB entitlements received by the district in excess of the revised entitlements are overpayments subject to
 2 the refund provisions of 20-9-344(4)."

3

4 **Section 9.** Section 20-9-323, MCA, is amended to read:

5 **"20-9-323. Ending fund balance limits.** (1) Beginning July 1, ~~2016~~ 2020, the combined ending fund
 6 balance for all budgeted funds of a school district may not exceed 300% of the maximum general fund budget.
 7 The 300% limit is not applicable to the building reserve fund, the debt service fund, or the bus depreciation
 8 reserve fund.

9 (2) The county superintendent shall, upon completion of a school fiscal year, redistribute any amounts
 10 in excess of the 300% limit among any other school districts in the same county whose combined ending fund
 11 balance for all budgeted funds included in subsection (1) has not exceeded the 300% limit. The county
 12 superintendent shall redistribute funds equally to the school districts qualifying for redistribution on a
 13 per-quality-educator basis, calculated by dividing the total funds by the total number of quality educators, as
 14 defined in 20-4-502, employed by the qualifying school districts in the county in the immediately preceding school
 15 fiscal year. School districts receiving the funds may place the funds in any budgeted fund of the district at the
 16 discretion of the board of trustees of each district.

17 (3) Unless an exception is granted under subsection (5), upon completion of a school fiscal year, a
 18 school district with combined ending fund balances in excess of the 300% limit shall cooperate with the county
 19 superintendent in effectuating the redistribution of excess funds as provided in subsection (2). A school district
 20 may make the payment required under this subsection from any fund or funds of the district other than the debt
 21 service fund, the building reserve fund, and the bus depreciation reserve fund.

22 (4) Any funds that cannot be redistributed within a county without causing a school district in the county
 23 to exceed the 300% limit must be remitted by the county treasurer to the state for deposit in the guarantee
 24 account ~~and distribution as provided for in~~ IN THE SAME MANNER AS PROVIDED IN 20-9-622(4) 20-9-622(3).

25 (5) In accordance with 20-9-161, a school district shall report to the education and local government
 26 interim committee for any exception taken to the limits prescribed by subsection (1) of this section.

27 (6) This section does not apply to school districts that are in a nonoperating status under 20-9-505 or
 28 that are in the first year of operation after reopening under 20-6-502 or 20-6-503.

29 (7) Beginning July 1, ~~2013~~ 2020, the balance of a school district's flexibility fund may not exceed 150%
 30 of the school district's maximum general fund budget."

1

2 **SECTION 10.** SECTION 20-9-326, MCA, IS AMENDED TO READ:3 **"20-9-326. Annual inflation-related adjustments to basic entitlements and per-ANB entitlements.**

4 (1) In preparing and submitting an agency budget pursuant to 17-7-111 and 17-7-112, the superintendent of
 5 public instruction shall determine the inflation factor for the basic and per-ANB entitlements, ~~the~~
 6 ~~data for achievement payment, and the general fund payments in 20-9-327 through 20-9-330~~ in each fiscal year
 7 of the ensuing biennium. The inflation factor is calculated as follows:

8 (a) for the first year of the biennium, divide the consumer price index for July 1 of the prior calendar year
 9 by the consumer price index for July 1 of the calendar year 3 years prior to the prior calendar year and raise the
 10 resulting ratio to the power of one-third; and

11 (b) for the second year of the biennium, divide the consumer price index for July 1 of the current calendar
 12 year by the consumer price index for July 1 of the calendar year 3 years prior to the current calendar year and
 13 raise the resulting ratio to the power of one-third.

14 (2) The present law base for the ~~basic and per-ANB~~ entitlements referenced in subsection (1), calculated
 15 under Title 17, chapter 7, part 1, must consist of any enrollment increases or decreases plus the inflation factor
 16 calculated pursuant to this section, not to exceed 3% in each year, applied to both years of the biennium.

17 (3) For the purposes of this section, "consumer price index" means the consumer price index, U.S. city
 18 average, all urban consumers, for all items, using the 1982-84 base of 100, as published by the bureau of labor
 19 statistics of the U.S. department of labor."
 20

21 **Section 11.** Section 20-9-342, MCA, is amended to read:

22 **"20-9-342. Deposit of interest and income money by state board of land commissioners.** (1) Except
 23 as provided in 20-9-516 and subsection (2) of this section, the state board of land commissioners shall deposit
 24 the interest and income money for each fiscal year into the guarantee account, provided for in 20-9-622, for state
 25 equalization aid by the last business day of February and June before the close of the fiscal year in which the
 26 money was received.

27 (2) Subject to subsection (3), any excess interest and income revenue deposited in the guarantee
 28 account IN EACH FISCAL YEAR must be distributed in accordance with 20-9-622(4) 20-9-622(3).

29 (3) The excess interest and income revenue must equal at least \$1 million in order to be transferred
 30 DISTRIBUTED pursuant to subsection (2). EXCESS INTEREST AND INCOME REVENUE OF \$1 MILLION OR LESS MUST BE

1 CARRIED FORWARD AND ADDED TO THE EXCESS INTEREST AND INCOME REVENUE IN THE NEXT ENSUING SCHOOL FISCAL
2 YEAR AND DISTRIBUTED IN ACCORDANCE WITH 20-9-622(3).

3 (4) For purposes of this section, "excess interest and income revenue" means an ANNUAL amount in
4 excess of the average amount of interest and income revenue generated in the preceding biennium to be
5 deposited in the guarantee account established in 20-9-622 \$56 MILLION."

6

7 **Section 12.** Section 20-9-344, MCA, is amended to read:

8 **"20-9-344. Duties of board of public education for distribution of BASE aid.** (1) The board of public
9 education shall administer and distribute the BASE aid and state advances for county equalization in the manner
10 and with the powers and duties provided by law. The board of public education:

11 (a) shall adopt policies for regulating the distribution of BASE aid and state advances for county
12 equalization in accordance with the provisions of law;

13 (b) may require reports from the county superintendents, county treasurers, and trustees that it considers
14 necessary; and

15 (c) shall order the superintendent of public instruction to distribute the BASE aid on the basis of each
16 district's annual entitlement to the aid as established by the superintendent of public instruction. In ordering the
17 distribution of BASE aid, the board of public education may not increase or decrease the BASE aid distribution
18 to any district on account of any difference that may occur during the school fiscal year between budgeted and
19 actual receipts from any other source of school revenue.

20 (2) The board of public education may order the superintendent of public instruction to withhold
21 distribution of BASE aid from a district when the district fails to:

22 (a) submit reports or budgets as required by law or rules adopted by the board of public education; or

23 (b) maintain accredited status because of failure to meet the board of public education's assurance and
24 performance standards.

25 (3) Prior to any proposed order by the board of public education to withhold distribution of BASE aid or
26 county equalization money, the district is entitled to a contested case hearing before the board of public
27 education, as provided under the Montana Administrative Procedure Act.

28 (4) If a district or county receives more BASE aid than it is entitled to, the county treasurer shall return
29 the overpayment to the state upon the request of the superintendent of public instruction in the manner prescribed
30 by the superintendent of public instruction.

1 (5) Except as provided in 20-9-347(2), the BASE aid payment must be distributed according to the
 2 following schedule:

3 (a) from August to October of the school fiscal year, to each district 10% of:

4 (i) direct state aid;

5 (ii) the total quality educator payment;

6 (iii) the total at-risk student payment;

7 (iv) the total Indian education for all payment; ~~and~~

8 (v) the total American Indian achievement gap payment; AND

9 (vi) the total data-for-achievement payment; and

10 ~~———— (vii) the total natural resource development K-12 funding payment;~~

11 (b) from December to April of the school fiscal year, to each district 10% of:

12 (i) direct state aid;

13 (ii) the total quality educator payment;

14 (iii) the total at-risk student payment;

15 (iv) the total Indian education for all payment; ~~and~~

16 (v) the total American Indian achievement gap payment; AND

17 (vi) the total data-for-achievement payment; and

18 ~~———— (vii) the total natural resource development K-12 funding payment;~~

19 (c) in November of the school fiscal year, one-half of the guaranteed tax base aid payment to each
 20 district or county that has submitted a final budget to the superintendent of public instruction in accordance with
 21 the provisions of 20-9-134;

22 (d) in May of the school fiscal year, the remainder of the guaranteed tax base aid payment to each district
 23 or county; and

24 (e) in June of the school fiscal year, the remaining payment to each district of direct state aid, the total
 25 quality educator payment, the total at-risk student payment, the total Indian education for all payment, ~~and~~ the
 26 total American Indian achievement gap payment, AND the total data-for-achievement payment, and the total
 27 natural resource development K-12 funding payment.

28 (6) The distribution provided for in subsection (5) must occur by the last working day of each month."
 29

30 **Section 13.** Section 20-9-403, MCA, is amended to read:

1 **"20-9-403. Bond issues for certain purposes.** (1) The trustees of a school district may issue and
 2 negotiate general obligation bonds, oil and natural gas revenue bonds, or impact aid bonds of the school district
 3 for the purpose of:

4 (a) building, altering, repairing, buying, furnishing, equipping, purchasing lands for, or obtaining a water
 5 supply for a school, teacherage, dormitory, gymnasium, other building, or combination of buildings for school
 6 purposes;

7 (b) buying a school bus or buses;

8 (c) providing the necessary money to redeem matured bonds, maturing bonds, or coupons appurtenant
 9 to bonds when there is not sufficient money to redeem them;

10 (d) providing the necessary money to redeem optional or redeemable bonds when it is for the best
 11 interest of the school district to issue refunding bonds;

12 (e) funding a judgment against the district, including the repayment of tax protests lost by the district; or

13 (f) funding a debt service reserve account that may be required for oil and natural gas revenue bonds
 14 or impact aid revenue bonds.

15 (2) Money realized from the sale of bonds issued on the credit of a high school district may not be used
 16 for any of the purposes listed in subsection (1) in an elementary school district, and the money may be used for
 17 any of the purposes listed in subsection (1) for a junior high school but only to the extent that the 9th grade of the
 18 high school is served.

19 (3) If applicable, the trustees shall specify whether the bonds are qualified school construction bonds
 20 as described in 17-5-116(1) or tax credit bonds as provided in 17-5-117."

21

22 **Section 14.** Section 20-9-406, MCA, is amended to read:

23 **"20-9-406. Limitations on amount of bond issue -- definition of federal impact aid basic support**
 24 **payment -- oil and natural gas payment.** (1) (a) Except as provided in subsection (1)(c), the maximum amount
 25 for which an elementary district or a high school district may become indebted by the issuance of general
 26 obligation bonds, including all indebtedness represented by outstanding general obligation bonds of previous
 27 issues, registered warrants, outstanding obligations under 20-9-471, oil and natural gas revenue bonds to which
 28 a deficiency tax levy is pledged, and any other loans or notes payable that are held as general obligations of the
 29 district, is 50% of the taxable value of the property subject to taxation, as ascertained by the last assessment for
 30 state, county, and school taxes previous to the incurring of the indebtedness.

1 (b) Except as provided in subsection (1)(c), the maximum amount for which a K-12 school district, as
2 formed pursuant to 20-6-701, may become indebted by the issuance of general obligation bonds, including all
3 indebtedness represented by outstanding general obligation bonds of previous issues, registered warrants,
4 outstanding obligations under 20-9-471, oil and natural gas revenue bonds to which a deficiency tax levy is
5 pledged, and any other loans or notes payable that are held as general obligations of the district, is up to 100%
6 of the taxable value of the property subject to taxation, as ascertained by the last assessment for state, county,
7 and school taxes previous to the incurring of the indebtedness.

8 (c) (i) The maximum amount for which an elementary district or a high school district with a district mill
9 value per elementary ANB or per high school ANB that is less than the facility guaranteed mill value per
10 elementary ANB or high school ANB under 20-9-366 may become indebted by the issuance of general obligation
11 bonds, including all indebtedness represented by outstanding general obligation bonds of previous issues,
12 registered warrants, outstanding obligations under 20-9-471, oil and natural gas revenue bonds to which a
13 deficiency tax levy is pledged, and any other loans or notes payable that are held as general obligations of the
14 district, is 50% of the corresponding facility guaranteed mill value per ANB times 1,000 times the ANB of the
15 district. For a K-12 district, the maximum amount for which the district may become indebted is 50% of the sum
16 of the facility guaranteed mill value per elementary ANB times 1,000 times the elementary ANB of the district and
17 the facility guaranteed mill value per high school ANB times 1,000 times the high school ANB of the district. For
18 the purpose of calculating ANB under this subsection, a district may use the greater of the current year ANB or
19 the 3-year ANB calculated under 20-9-311.

20 (ii) If mutually agreed upon by the affected districts, for the purpose of calculating its maximum bonded
21 indebtedness under this subsection (1)(c), a district may include the ANB of the district plus the number of
22 students residing within the district for which the district or county pays tuition for attendance at a school in an
23 adjacent district. The receiving district may not use out-of-district ANB for the purpose of calculating its maximum
24 indebtedness if the out-of-district ANB has been included in the ANB of the sending district pursuant to the mutual
25 agreement. For the purpose of calculating ANB under this subsection, a district may use the greater of the current
26 year ANB or the 3-year ANB calculated under 20-9-311.

27 (2) The maximum amounts determined in subsection (1) do not pertain to indebtedness imposed by
28 special improvement district obligations or assessments against the school district or to general obligation bonds
29 issued for the repayment of tax protests lost by the district. All general obligation bonds issued in excess of the
30 amount are void, except as provided in this section.

1 (3) The maximum amount of impact aid revenue bonds that an elementary district, high school district,
 2 or K-12 school district may issue may not exceed a total aggregate amount equal to three times the average of
 3 the school district's annual federal impact aid basic support payments for the 5 years immediately preceding the
 4 issuance of the bonds. However, at the time of issuance of the bonds, the average annual payment of principal
 5 of and interest on the impact aid bonds each year may not exceed 35% of the total federal impact aid basic
 6 support payments of the school district for the current year.

7 (4) The maximum amount of oil and natural gas revenue bonds that an elementary district, high school
 8 district, or K-12 school district may issue may not exceed a total aggregate amount equal to three times the
 9 average of the school district's annual oil and natural gas production taxes received pursuant to 15-36-331,
 10 15-36-332, and 20-9-310 for the 2 fiscal years immediately preceding the issuance of the bonds. At the time of
 11 the issuance of the bonds, the average annual payment of principal of and interest on the oil and natural gas
 12 revenue bonds each year may not exceed 35% of the total oil and natural gas production taxes received by the
 13 school district under the limitations in 20-9-310 for the immediately preceding fiscal year. If the oil and natural gas
 14 revenue bonds are also secured by a deficiency tax levy as provided in 20-9-437, the debt limitation provided in
 15 subsection (1) of this section applies to the bonds.

16 ~~(4)~~(5) When the total indebtedness of a school district has reached the limitations prescribed in this
 17 section, the school district may pay all reasonable and necessary expenses of the school district on a cash basis
 18 in accordance with the financial administration provisions of this chapter.

19 ~~(5)~~(6) Whenever bonds are issued for the purpose of refunding bonds, any money to the credit of the
 20 debt service fund for the payment of the bonds to be refunded is applied toward the payment of the bonds and
 21 the refunding bond issue is decreased accordingly.

22 ~~(6)~~(7) As used in this part, "federal impact aid basic support payment" means the annual impact aid
 23 revenue received by a district under 20 U.S.C. 7703(b) but excludes revenue received for impact aid special
 24 education under 20 U.S.C. 7703(d) and impact aid construction under 20 U.S.C. 7707."

25

26 **Section 15.** Section 20-9-408, MCA, is amended to read:

27 **"20-9-408. Definition of forms of bonds.** As used in this part, the following definitions apply:

28 (1) "Amortization bond" means that form of bond on which a part of the principal is required to be paid
 29 each time that interest becomes due and payable. The part payment of principal increases with each following
 30 installment in the same amount that the interest payment decreases, so that the combined amount payable on

1 principal and interest is the same on each payment date. However, the payment on the initial interest payment
 2 date may be less or greater than the amount of other payments on the bond, reflecting the payment of interest
 3 only or the payment of interest for a period different from that between other interest payment dates. The final
 4 payment may vary from prior payments in amount as a result of rounding prior payments.

5 (2) "General obligation bonds" means bonds that pledge the full faith and credit and the taxing power
 6 of a school district.

7 (3) "Impact aid revenue bonds" means bonds that pledge and are payable solely from federal impact aid
 8 basic support payments received and deposited to the credit of the fund established in 20-9-514.

9 (4) "Oil and natural gas revenue bonds" means bonds that pledge and are payable from a first lien on
 10 oil and natural gas production taxes received by a school district pursuant to 20-9-310. OIL AND NATURAL GAS
 11 REVENUE BONDS TO WHICH A TAX DEFICIENCY IS PLEDGED ARE NOT CONSIDERED GENERAL OBLIGATION BONDS THAT ARE
 12 ELIGIBLE TO RECEIVE GUARANTEED TAX BASE AID PURSUANT TO 20-9-367 BUT ARE TO BE CONSIDERED IN DETERMINING
 13 THE DEBT LIMIT OF A SCHOOL DISTRICT FOR THE PURPOSES OF 20-9-406.

14 ~~(4)(5)~~ "Serial bonds" means a bond issue payable in annual installments of principal commencing not
 15 more than 2 years from the date of issue, any one installment consisting of one or more bonds, with the principal
 16 amount of bonds maturing or subject to mandatory sinking fund redemption in each installment, commencing with
 17 the installment payable in the fourth year after the date of issue, not exceeding three times the principal amount
 18 of the bonds payable in the immediately preceding installment."

19

20 **Section 16.** Section 20-9-422, MCA, is amended to read:

21 **"20-9-422. Additional requirements for trustees' resolution calling bond election.** (1) In addition
 22 to the requirements for calling an election that are prescribed in 20-20-201 and 20-20-203, the trustees' resolution
 23 calling a school district bond election must:

24 (a) specify whether the bonds will be general obligation bonds, oil and natural gas revenue bonds, or
 25 impact aid revenue bonds AND, IF OIL AND NATURAL GAS REVENUE BONDS, WHETHER A TAX DEFICIENCY IS PLEDGED
 26 TO THE REPAYMENT OF THE BONDS;

27 (b) fix the exact amount of the bonds proposed to be issued, which may be more or less than the
 28 amounts estimated in a petition;

29 (c) fix the maximum number of years in which the proposed bonds would be paid;

30 (d) in the case of initiation by a petition, state the essential facts about the petition and its presentation;

1 and

2 (e) state the amount of the state advance for school facilities estimated, pursuant to subsection (2), to
3 be received by the district in the first school fiscal year in which a debt service payment would be due on the
4 proposed bonds.

5 (2) Prior to the adoption of the resolution calling for a school bond election for a general obligation bond,
6 the trustees of a district may request from the superintendent of public instruction a statement of the estimated
7 amount of state advance for school facilities that the district will receive for debt service payments on the
8 proposed general obligation bonds in the first school fiscal year in which a debt service payment is due. The
9 district shall provide the superintendent with an estimate of the debt service payment due in the first school fiscal
10 year. The superintendent shall estimate the state advance for the general obligation bond issue pursuant to
11 20-9-371(2)."

12

13 **Section 17.** Section 20-9-423, MCA, is amended to read:

14 **"20-9-423. Form, contents, and circularization of petition proposing school district bond election.**

15 Any petition for the calling of an election on the proposition of issuing school district bonds must:

16 (1) specify whether the bonds will be general obligation bonds, oil and natural gas revenue bonds, or
17 impact aid revenue bonds AND, IF OIL AND NATURAL GAS REVENUE BONDS, WHETHER A TAX DEFICIENCY IS PLEDGED
18 TO THE REPAYMENT OF THE BONDS;

19 (2) plainly state each purpose of the proposed bond issue and the estimated amount of the bonds that
20 would be issued for each purpose;

21 (3) be signed by not less than 20% of the school district electors qualified to vote under the provisions
22 of 20-20-301 in order to constitute a valid petition;

23 (4) be a single petition or it may be composed of more than one petition, all being identical in form, and
24 after being circulated and signed, they must be fastened together to form a single petition when submitted to the
25 county registrar;

26 (5) be circulated by any one or more qualified electors of the school district; and

27 (6) contain an affidavit of each registered elector circulating a petition attached to the portion of the
28 petition circulated. The affidavit must attest to the authenticity of the signatures and that the signers knew the
29 contents of the petition at the time of signing it."

30

1 **Section 18.** Section 20-9-426, MCA, is amended to read:

2 **"20-9-426. Preparation and form of ballots for bond election.** (1) The school district shall cause
3 ballots to be prepared for all bond elections, and whenever bonds for more than one purpose are to be voted
4 upon at the same election, separate ballots must be prepared for each purpose.

5 (2) For bond elections that are not held in conjunction with a school election, the ballots for absentee
6 voting must be printed and made available at least 30 days before the bond election.

7 (3) All ballots must be substantially in the following form:

8 OFFICIAL BALLOT

9 SCHOOL DISTRICT BOND ELECTION

10 INSTRUCTIONS TO VOTERS: Make an X or similar mark in the vacant square before the words
11 "BONDS--YES" if you wish to vote for the bond issue; if you are opposed to the bond issue, make an X or similar
12 mark in the square before the words "BONDS--NO".

13 Shall the board of trustees be authorized to issue and sell (state type of bonds here: general obligation,
14 oil and natural gas revenue, OIL AND NATURAL GAS REVENUE FOR WHICH A TAX DEFICIENCY IS PLEDGED, or impact aid
15 revenue) bonds of this school district in the amount of dollars (\$), payable semiannually, during
16 a period not more than years, for the purpose (here state the purpose the same way as
17 in the notice of election)?

18 BONDS -- YES.

19 BONDS -- NO."

20

21 **Section 19.** Section 20-9-427, MCA, is amended to read:

22 **"20-9-427. Notice of bond election by separate purpose.** (1) A school district bond election must be
23 conducted in accordance with the school election provisions of this title, except that the election notice must be
24 in substantially the following form:

25 NOTICE OF SCHOOL DISTRICT BOND ELECTION

26 Notice is hereby given by the trustees of School District No. of..... County, state of
27 Montana, that pursuant to a certain resolution adopted at a meeting of the board of trustees of the school district
28 held on the..... day of.....,....., an election of the registered electors of School District No.....
29 of..... County, state of Montana, will be held on the..... day of.....,....., at..... for the
30 purpose of voting upon the question of whether or not the trustees may issue and sell (state here: general

1 obligation, oil and natural gas revenue, OIL AND NATURAL GAS REVENUE FOR WHICH A TAX DEFICIENCY IS PLEDGED,
 2 or impact aid revenue) bonds of the school district in the amount of..... dollars (\$.....), payable
 3 semiannually, for the purpose of..... (here state purpose). The bonds to be issued will be payable in
 4 installments over a period not exceeding..... (state number) years.

5 The polls will be open from..... o'clockm. and until..... o'clockm. of the election day.

6 Dated and posted this..... day of.....

7

8 Presiding officer, School District No.....

9 of..... County

10 Address.....

11 (2) If the bonds proposed to be issued are for more than one purpose, then each purpose must be
 12 separately stated in the notice, together with the proposed amount of bonds for each purpose.

13 (3) The notice must specify whether the bonds will be general obligation bonds, oil and natural gas
 14 revenue bonds, or impact aid revenue bonds."

15

16 **Section 20.** Section 20-9-430, MCA, is amended to read:

17 **"20-9-430. Sale of school district bonds and notice of public sale.** The trustees may sell school
 18 district bonds at public or private sale pursuant to 17-5-107. If the trustees conduct a public sale, the trustees shall
 19 give notice of the sale of school district bonds. The notice must state the purpose for which the bonds are to be
 20 issued and the amount proposed to be issued and must be substantially in the following form:

21 NOTICE OF SALE OF SCHOOL DISTRICT BONDS

22 Notice is hereby given by the trustees of School District No. of County, state of
 23 Montana, that the trustees will on the day of, at the hour of o'clockm. at
 24, in the school district, sell to the highest and best bidder for cash (state here: general obligation, oil and
 25 natural gas revenue, or impact aid revenue) bonds of the school district in the total amount of dollars (\$
 26), for the purpose of

27 The bonds will be issued and sold in the aggregate principal amount of dollars (\$) each
 28 and will become payable according to the maturity schedule set forth below (set forth maturity schedule adopted
 29 by the school district). (If the bonds are to be issued as amortization bonds, indicate that here.)

30 The bonds will bear an original issue date of, will pay interest commencing on the

1 day of (month),, will be payable semiannually on the day of (month)
2 and (month) in each year thereafter, and will be redeemable in full. (Here insert optional provisions, if
3 any, to be recited on the bonds.)

4 The bonds will be sold for not less than \$, with accrued interest on the principal amount of the
5 bonds to the date of their delivery, and all bidders shall state the lowest rate of interest at which they will purchase
6 the bonds at the price specified for the bonds. The trustees reserve the right to reject any bids and to sell the
7 bonds at private sale.

8 All bids must be accompanied by (insert appropriate bid security as permitted by 18-1-202) in the sum
9 of dollars (\$) payable to the order of the district, which will be forfeited by the successful bidder
10 in the event that the bidder refuses to purchase the bonds.

11 All bids should be addressed to the undersigned district.

12
13 Presiding officer, School District No.....
14 of..... County
15 Address:

16 ATTEST:

17 Subscribed and sworn to before me this day of,; Notary Public
18 for the State residing at, Montana. My commission expires"

19

20 **Section 21.** Section 20-9-437, MCA, is amended to read:

21 **"20-9-437. School district liable on bonds.** (1) The full faith, credit, and taxable resources of a school
22 district issuing general obligation bonds under the provisions of this title are pledged for the repayment of the
23 bonds with interest according to the terms of the bonds. For the purpose of making the provisions of this part
24 enforceable, each school district is a body corporate that may sue and be sued by or in the name of the trustees
25 of the school district.

26 (2) A school district may use up to 25% of its federal impact aid funds received pursuant to 20-9-514 ~~or~~
27 ~~25% of its oil and natural gas production taxes received under the limitations in 20-9-310 and pursuant to~~
28 ~~15-36-331(3)~~ for repayment of general obligation bonds.

29 (3) Impact aid revenue bonds must be payable solely from the federal impact aid basic support payment
30 received by the school district and deposited to the credit of the impact aid fund established in 20-9-514 and do



1 not constitute a general obligation of the school district. The school district's taxing power is not pledged for the
2 repayment of impact aid revenue bonds.

3 (4) (a) Oil and natural gas revenue bonds must be payable from the oil and natural gas production taxes
4 received by the school district under the limitations in 20-9-310 and deposited to the debt service fund.

5 (b) A school district, as long as it has specified that its oil and natural gas revenue bonds are further
6 secured by a deficiency tax levy in the bond election question and notice under 20-9-426 and 20-9-427, may
7 additionally provide that if for any reason the oil and natural gas production taxes received by the school district
8 and the amounts in the debt service reserve account are inadequate to pay the principal of or interest on the
9 bonds as they become due, payment will be made from a deficiency tax levy.

10 (5) If for any reason the oil and natural gas taxes or the amounts in the debt service reserve account are
11 inadequate to pay the principal of or interest on any oil and natural gas revenue bonds as to which the school
12 district has pledged a deficiency tax levy in accordance with subsection (4) as it becomes due, the school district
13 shall, at least 15 days before the first day of the month in which the board of county commissioners of the county
14 or counties in which the school district is located levies the amount of taxes required, furnish to the county
15 treasurer an estimate in writing of the amount of money required:

16 (a) by the school district for the payment of the principal of or interest on the bonded debt as it becomes
17 due and to replenish the debt service reserve account;

18 (b) to establish reasonable reserve funds for either purpose; and

19 (c) by the school district for any other purpose set forth in this section.

20 (6) Annually and at the time and in the manner of levying other county or city and county taxes, the
21 county treasurer shall, as instructed by the school district, to the extent of any deficiency resulting from oil and
22 natural gas taxes to pay or secure oil and natural gas revenue bonds to which a deficiency tax is pledged and
23 for any other purpose set forth in this section:

24 (a) until the bonded debt is fully paid, levy upon the taxable property located in the school district and
25 collect a school district oil and natural gas revenue bond deficiency tax sufficient for the payment OR
26 REIMBURSEMENT OF THE PAYMENT of the bonded debt IN THE CURRENT OR ENSUING FISCAL YEAR, OR BOTH; and

27 (b) ~~until all other expenses or claims are~~ THE BONDED DEBT IS fully paid, levy upon all of the taxable
28 property located in the school district and collect a school district oil and natural gas revenue bond deficiency tax
29 sufficient for ~~the payment of the other expenses or claims, including~~ replenishing amounts in the debt service
30 reserve account.

1 (7) Taxes for the payment of any oil and natural gas revenue bonds to which the school district has
 2 pledged a deficiency tax must be levied on the taxable property located in the school district as stated in the
 3 resolution fixing the terms and conditions of the bonds, and all taxes for other purposes must be levied on all
 4 property located within the school district."

5
 6 **SECTION 22. SECTION 20-9-438, MCA, IS AMENDED TO READ:**

7 **"20-9-438. Preparation of general obligation debt service fund budget -- operating reserve.** (1) The
 8 trustees of each school district having outstanding general obligation bonds shall include in the debt service fund
 9 of the final budget adopted in accordance with 20-9-133 an amount of money that is necessary to pay the interest
 10 and the principal amount becoming due during the ensuing school fiscal year for each series or installment of
 11 bonds, according to the terms and conditions of the bonds and the redemption plans of the trustees.

12 (2) The trustees shall also include in the debt service fund of the final budget:

13 (a) the amount of money necessary to pay the special improvement district assessments levied against
 14 the school district that become due during the ensuing school fiscal year; ~~and~~

15 (b) a limited operating reserve for the school fiscal year following the ensuing school fiscal year as
 16 provided in subsection ~~(3)~~ (4); and

17 (c) an amount to satisfy the reserve requirement for oil and natural gas revenue bonds.

18 (3) The trustees of a school district having outstanding oil and natural gas bonds shall include in the debt
 19 service reserve account of the final budget adopted in accordance with 20-9-133 oil and natural gas production
 20 taxes received by a school district or other legally available funds sufficient to satisfy the reserve requirement.
 21 Funds remaining in the debt service reserve account may not be reappropriated or reverted and must be used
 22 for the purposes set forth in [section 27 25].

23 ~~(3)~~(4) At the end of each school fiscal year, the trustees of a school district may designate a portion of
 24 the end-of-the-year fund balance of the debt service fund to be earmarked as a limited operating reserve for the
 25 purpose of paying, whenever a cash flow shortage occurs, debt service fund warrants and bond obligations that
 26 must be paid from July 1 through November 30 of the school fiscal year following the ensuing school fiscal year.
 27 Any portion of the debt service fund end-of-the-year fund balance not earmarked for limited operating reserve
 28 purposes must be reappropriated to be used for property tax reduction as provided in 20-9-439.

29 ~~(4)~~(5) The county superintendent shall compare the final budgeted amount for the debt service fund with
 30 the bond retirement and interest requirement and the special improvement district assessments for the school

1 fiscal year just beginning as reported by the county treasurer in the statement supplied under the provisions of
2 20-9-121. If the county superintendent finds that the requirement stated by the county treasurer is more than the
3 final budget amount, the county superintendent shall increase the budgeted amount for interest or principal in the
4 debt service fund of the final budget. The amount confirmed or revised by the county superintendent is the final
5 budget expenditure amount for the debt service fund of the school district."
6

7 **Section 23.** Section 20-9-440, MCA, is amended to read:

8 **"20-9-440. Payment of debt service obligations -- termination of interest.** (1) The school district shall
9 provide the county treasurer with a general obligation bond, oil and natural gas revenue bond, or impact aid
10 revenue bond debt services schedule. The county treasurer shall maintain a separate debt service fund for each
11 school district and, if bonds are to be issued as either impact aid revenue bonds or oil and natural gas revenue
12 bonds, shall maintain a separate impact aid revenue bond debt service fund or oil and natural gas revenue bond
13 debt service fund, as applicable, and an impact aid revenue bond debt service reserve account or oil and natural
14 gas revenue bond debt service reserve account, if required, ~~and~~. The school district shall credit all tax money,
15 oil and natural gas revenue, or impact aid revenue collected for debt service to the appropriate fund and use the
16 money credited to the fund for the payment of debt service obligations in accordance with the school financial
17 administration provisions of this title.

18 (2) The county treasurer shall pay from the debt service fund all amounts of interest and principal on
19 school district bonds as the interest or principal becomes due when the coupons or bonds are presented and
20 surrendered for payment and shall pay all special improvement district assessments as they become due. If the
21 bonds are held by the state of Montana, then all payments must be remitted to the state treasurer who shall
22 cancel the coupons or bonds and return the coupons or bonds to the county treasurer with the state treasurer's
23 receipt. If the bonds are not held by the state of Montana and the interest or principal is made payable at some
24 designated bank or financial institution, the county treasurer shall remit the amount due for interest or principal
25 to the bank or financial institution for payment against the surrender of the canceled coupons or bonds.

26 (3) Whenever any school district bond or installment on school district bonds becomes due and payable,
27 interest ceases on that date unless sufficient funds are available to pay the bond when it is presented for payment
28 or when payment of an installment is demanded. In either case, interest on the bond or installment continues until
29 payment is made.

30 (4) Any installment on interest and principal on bonds held by the state that is not promptly paid when

1 due draws interest at an annual rate of 6% from the date due until actual payment, irrespective of the rate of
2 interest on the bonds."

3
4 **NEW SECTION. Section 24. Security for oil and natural gas revenue bonds.** (1) To secure the
5 payment of principal of and interest on oil and natural gas revenue bonds, the trustees of a school district, by
6 resolution or indenture of trust, may provide that oil and natural gas revenue bonds are secured by a first lien on
7 the oil and natural gas production revenue received pursuant to 20-9-310 and pledge to the holders of the oil and
8 natural gas revenue bonds all of the oil and natural gas revenue deposited in the district's debt service fund.

9 (2) Upon receipt of oil and natural gas revenue, the county treasurer shall deposit in the district's debt
10 service fund the amount that is required to pay the principal of and interest on the oil and natural gas revenue
11 bonds due in the next 12-month period and to restore any deficiency in the oil and natural gas revenue debt
12 service reserve account. ~~All other oil and natural gas revenue must be deposited in the school district's oil and~~
13 ~~natural gas revenue bond debt service reserve account~~ up to reserve requirements. Any remaining oil and natural
14 gas revenue must be deposited as directed by the board of trustees as provided in 20-9-310. The school district
15 and county treasurer may designate a trustee for holders of the bonds to receive the school district's oil and
16 natural gas revenue for purposes of making the annual debt service payments on oil and natural gas revenue
17 bonds and may authorize the trustee to establish and maintain the oil and natural gas revenue bond debt service
18 fund and oil and natural gas revenue bond debt service reserve account.

19 (3) Any pledge made pursuant to this section is valid and binding from the time the pledge is made, and
20 the money pledged and received by the county treasurer on behalf of the school district to be placed in the debt
21 service fund is immediately subject to the lien of the pledge without any future physical delivery or further act. A
22 lien of any pledge is valid and binding against all parties that have claims of any kind against the school district
23 regardless of whether the parties have notice of the lien. The bond resolution or indenture of trust that creates
24 the pledge, when adopted by the trustees of any district, is notice of the creation of the pledge, and those
25 instruments are not required to be recorded in any other place to perfect the pledge.

26 (4) The state may not limit, alter, or impair the ability of a school district to qualify for oil and natural gas
27 revenue or in any way impair the rights and remedies of the bondholders until all bonds issued under this section,
28 together with interest on the bonds, interest on any unpaid installments of principal or interest, and all costs and
29 expenses in connection with any action or proceedings by or on behalf of the bondholders, are fully met and
30 discharged. The trustees of any district, as agents for the state, may include a pledge and undertaking in

1 resolutions and indentures authorizing and securing the bonds as described in this subsection.

2

3 **NEW SECTION. Section 25. Debt service reserve account.** (1) If a school district issues oil and
4 natural gas revenue bonds, the school district shall establish and maintain an oil and natural gas revenue bond
5 debt service reserve account, to which there must be deposited or transferred an amount from bond proceeds
6 or oil and natural gas production taxes received by a school district or other legally available funds sufficient to
7 satisfy the reserve requirement.

8 (2) All money held in the oil and natural gas revenue bond debt service reserve account must be used
9 solely for the payment of the principal of or interest on the bonds secured in whole or in part by the account or
10 the debt service fund payments with respect to the bonds, the purchase or redemption of the bonds, the payment
11 of interest on the bonds, or the payment of any redemption premium required to be paid when the bonds are
12 redeemed prior to maturity.

13

14 **Section 26.** Section 20-9-517, MCA, is amended to read:

15 **"20-9-517. (Effective July 1, 2013) State school oil and natural gas impact account.** (1) There is a
16 state school oil and natural gas impact account in the state special revenue fund provided for in 17-2-102. The
17 purpose of the account is to provide money to schools that are ~~not~~ receiving oil and natural gas production taxes
18 under 15-36-331 in an amount less than 20% of the district's maximum general fund budget but that are impacted
19 by contiguous counties that are benefiting from receipt of oil and natural gas production taxes development.

20 (2) There must be deposited in the account oil and natural gas production taxes, if any, pursuant to
21 ~~20-9-310(7)~~ 20-9-310(4)(b) and any amounts pursuant to 20-9-104(6).

22 (3) A school district may apply to the superintendent of public instruction for funds from the account for
23 circumstances that are directly related to impacts resulting from the development or cessation of development
24 of oil and natural gas as follows:

- 25 (a) an unusual enrollment increase as determined pursuant to 20-9-314;
26 (b) a district's need to hire new teachers or staff as a result of increased enrollment;
27 (c) the opening or reopening of an elementary or high school approved by the superintendent of public
28 instruction pursuant to 20-6-502 or 20-6-503; or
29 (d) major maintenance for a school or district.

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

1 the following:

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

3 (b) the severity of the energy development impacts;

4 (c) availability of funds in the account; and

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

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

8 (6) The amount in the account may not exceed \$7.5 million. Any amount over \$7.5 million must be
9 deposited in the state ~~general fund~~ guarantee account and distributed in compliance with THE SAME MANNER AS
10 PROVIDED IN 20-9-622(3)."

11

12 **Section 27.** Section 20-9-518, MCA, is amended to read:

13 **"20-9-518. (Effective July 1, 2013) County school oil and natural gas impact fund.** (1) The governing
14 body of a county receiving an allocation under 20-9-104(6) and ~~20-9-310(7)~~ 20-9-310(4)(b) shall establish a
15 county school oil and natural gas impact fund.

16 (2) Money received by a county pursuant to 20-9-104(6) and ~~20-9-310(7)~~ 20-9-310(4)(b) must remain
17 in the fund and may not be appropriated by the governing body until:

18 (a) the amount of oil and natural gas production taxes received by a school district for the fiscal year is
19 30% or less of the amount of the average received by the district in the previous 4 fiscal years;

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

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

23 (3) Within 30 days of any of the circumstances described in subsections (2)(a) through (2)(c) occurring,
24 the governing body of the county shall allocate 80% of the money proportionally to affected high school districts
25 and elementary school districts in the county, WHICH MUST BE CALCULATED BY DIVIDING THE TOTAL FUNDS AVAILABLE
26 FOR DISTRIBUTION BY THE TOTAL NUMBER OF QUALITY EDUCATORS, AS DEFINED IN 20-4-502, EMPLOYED BY THE
27 QUALIFYING SCHOOL DISTRICTS IN THE COUNTY IN THE IMMEDIATELY PRECEDING SCHOOL FISCAL YEAR. SCHOOL DISTRICTS
28 RECEIVING THE FUNDS MAY PLACE THE FUNDS IN ANY BUDGETED FUND OF THE DISTRICT AT THE DISCRETION OF THE
29 BOARD OF TRUSTEES.

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

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

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

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

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

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

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

12 (6) Money in the fund must be invested as provided by law. Interest and income from the investment of
13 money in the fund must be credited to the fund."
14

15 **Section 28.** Section 20-9-622, MCA, is amended to read:

16 **"20-9-622. Guarantee account.** (1) There is a guarantee account in the state special revenue fund. The
17 guarantee account is intended to:

18 (a) stabilize the long-term growth of the permanent fund; and

19 (b) maintain a constant and increasing distributable revenue stream. All realized capital gains and all
20 distributable revenue must be deposited in the guarantee account. Except as provided in subsection (2), the
21 guarantee account is statutorily appropriated, as provided in 17-7-502, for distribution to school districts through
22 school equalization aid as provided in 20-9-343.

23 (2) As long as a portion of the coal severance tax loan authorized in section 8, Chapter 418, Laws of
24 2001, is outstanding, the department of natural resources and conservation shall monthly transfer from the
25 guarantee account to the general fund an amount that represents the amount of interest income that would be
26 earned from the investment of the amount of the loan that is currently outstanding. When the loan is fully paid,
27 all mineral royalties deposited in the guarantee account must be transferred to the school facility and technology
28 account pursuant to 17-6-340.

29 ~~_____ (3) Any excess interest and income revenue allocated for distribution under subsection (4)(a) and oil and~~
30 ~~natural gas production tax revenue transferred to the guarantee account pursuant to 15-36-331(4)(e);~~

1 ~~20-9-323(4), and 20-9-517(6) must be designated as the natural resource development K-12 funding payment~~
 2 ~~and must be used and distributed as local assistance by the office of public instruction as a funding source for~~
 3 ~~BASE aid, as defined in 20-9-306, in the fiscal year immediately after deposit of those funds to the guarantee~~
 4 ~~account. If the natural resource development K-12 funding payment exceeds the amount needed to meet the total~~
 5 ~~statewide costs of BASE aid in any fiscal year, any excess amount must be distributed as provided in subsection~~
 6 ~~(4).~~

7 ~~(4)(3) Any excess interest and income revenue deposited in the guarantee account for distribution under~~
 8 ~~this section must be allocated as follows:~~

9 ~~(a) 50% of the excess interest and income revenue must be distributed~~ RESERVED FOR AN APPROPRIATION
 10 IN THE NEXT REGULAR SESSION OF THE LEGISLATURE ~~as part of the natural resource development K-12 funding~~
 11 ~~payment as provided in subsection (3) REFERRED TO IN 20-9-306; and~~

12 ~~(b) 50% of the excess interest and income revenue must be distributed to schools on a~~
 13 ~~per-quality-educator basis, with the amount to be distributed to each district calculated by dividing the total funds~~
 14 ~~available for distribution under this subsection (4)(b) (3)(B) by the total number of quality educators, as defined~~
 15 ~~in 20-4-502, employed by each school district in the state in the immediately preceding school fiscal year. A~~
 16 ~~school district receiving funds under this section shall deposit the funds in its miscellaneous programs fund~~
 17 ~~provided for in 20-9-507 and shall use the funds in the following order:~~

18 ~~(i) to address any repairs categorized as "safety", "damage/wear out", or "codes and standards" in the~~
 19 ~~facilities condition inventory for buildings of the school district as referenced in the K-12 public schools facility~~
 20 ~~condition and needs assessment prepared by the Montana department of administration pursuant to section 1,~~
 21 ~~Chapter 1, Special Laws of December 2005; and~~

22 ~~(ii) if repairs under subsection (4)(b)(i) (3)(B)(i) have been completed, to any other purpose authorized~~
 23 ~~by 20-9-543."~~

24
 25 **NEW SECTION. Section 29. Purpose of increased funding beyond inflation.** The purpose of
 26 increases in state funding of BASE aid, as defined in 20-9-306, that a school district uses to increase its previous
 27 year's adopted general fund budget by an amount in excess of the inflation calculated in compliance with
 28 20-9-326 are for the purpose of assisting school districts in meeting costs of implementing the common core
 29 curriculum ADOPTED BY THE BOARD OF PUBLIC EDUCATION ON NOVEMBER 4, 2011, WITHOUT THE FISCAL ANALYSIS
 30 REQUIRED BY 20-7-101(2) AND (3), and related changes to the Administrative Rules of Montana adopted by the

1 Montana board of public education during fiscal years 2012 and 2013 and to continue to enhance efforts at
2 improving academic achievement for students enrolled in Montana's public schools.

3
4 **NEW SECTION. Section 30. State school oil and natural gas distribution account.** (1) There is a
5 state school oil and natural gas distribution account in the state special revenue fund provided for in 17-2-102.
6 The purpose of the account is for distribution of the oil and natural gas production revenue exceeding the
7 limitation in 20-9-310(1) to school districts in accordance with 20-9-310(4).

8 (2) The department of revenue shall deposit in the account oil and natural gas production taxes that
9 exceeds ~~130%~~ 150% of a school district's maximum budget.

10 (3) The superintendent of public instruction shall distribute the money from the account in accordance
11 with 20-9-310(4) as long as funds remain in the account.

12 (4) If funds remain after all of the provisions of ~~20-9-310(4)(a) through (4)(e)~~ 20-9-310(4)(A)(I) THROUGH
13 (4)(A)(IV) HAVE OCCURRED, the superintendent of public instruction will deposit the remaining funds in accordance
14 with ~~20-9-310(4)(f)~~ 20-9-310(4)(B).

15
16 **Section 31.** Section 29, Chapter 418, Laws of 2011, is amended to read:

17 "Termination. [Sections 1, 7, and 8] terminate June 30, ~~2016~~ 2020."

18
19 ~~NEW SECTION. Section 32. Transfer. By October 1, 2013, the state treasurer shall transfer from the~~
20 ~~general fund to the guarantee account, provided for in 20-9-622, 50% of the funds from oil and natural gas~~
21 ~~production taxes collected in fiscal year 2013 remaining after distribution in accordance with 15-36-331(2), (3),~~
22 ~~and (4)(a) through (4)(d).~~

23
24 **NEW SECTION. Section 32. Notification to tribal governments.** The secretary of state shall send
25 a copy of [this act] to each tribal government located on the seven Montana reservations and to the Little Shell
26 Chippewa tribe.

27
28 **NEW SECTION. Section 33. Codification instruction.** (1) [Section 1] is intended to be codified as an
29 integral part of Title 20, chapter 7, part 1, and the provisions of Title 20, chapter 7, part 1, apply to [section 1].

30 (2) [Sections 2, ~~25, and 29~~ 27, AND 31 ~~25, 29, AND 30~~] are intended to be codified as an integral part of

1 Title 20, chapter 9, part 3, and the provisions of Title 20, chapter 9, part 3, apply to [sections 2, ~~25, and 29~~ 27,
2 ~~AND 31~~ 25, 29, AND 30].

3 (3) [Section ~~24~~ 26 ~~24~~] is intended to be codified as an integral part of Title 20, chapter 9, part 4, and the
4 provisions of Title 20, chapter 9, part 4, apply to [section ~~24~~ 26 ~~24~~].

5
6 COORDINATION SECTION. SECTION 34. COORDINATION INSTRUCTION. IF BOTH HOUSE BILL NO. 378 AND
7 [THIS ACT] ARE PASSED AND APPROVED, THEN HOUSE BILL NO. 378 IS VOID.

8
9 NEW SECTION. Section 35. Effective dates -- retroactive applicability. (1) Except as provided in
10 ~~subsections (2) and (3)~~ SUBSECTION (2), [this act] is effective on passage and approval and applies to school fiscal
11 year 2014 and subsequent school fiscal years.

12 (2) [Section 3] ~~applies retroactively, within the meaning of 1-2-109, to oil and natural gas production taxes~~
13 ~~paid on production in fiscal year 2013 as determined by the department of revenue pursuant to 15-36-331(1).~~

14 (3)(2) [Sections ~~26 and 27~~ 28 AND 29 ~~26 AND 27~~] are effective July 1, 2013.

15 - END -