

1 SENATE BILL NO. 307

2 INTRODUCED BY L. JONES

3
4 A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING LAWS RELATED TO SCHOOL FUNDING;
5 REQUIRING TRUSTEES TO ADOPT A RESOLUTION WITH PUBLIC NOTICE PRIOR TO INCREASING
6 NONVOTED LEVIES; MAKING A SCHOOL DISTRICT'S ABILITY TO TRANSFER FUNDS FOR SCHOOL
7 SAFETY PURPOSES PERMANENT; REQUIRING SUBFUNDS TO ACCOUNT FOR VARIOUS REVENUES
8 AND USES OF THE BUILDING RESERVE FUND; AUTHORIZING A LIMITED LEVY FOR SCHOOL FACILITY
9 MAINTENANCE WITH STATE SUPPORT; PHASING OUT THE QUALITY SCHOOLS FACILITY GRANT
10 PROGRAM; AMENDING SECTIONS 20-6-702, 20-9-236, 20-9-502, AND 20-9-516, MCA; REPEALING
11 SECTIONS 90-6-801, 90-6-802, 90-6-803, 90-6-809, 90-6-810, 90-6-811, 90-6-812, 90-6-818, AND 90-6-819,
12 MCA; REPEALING SECTION 12, CHAPTER 364, LAWS OF 2013, AND SECTION 3, CHAPTER 323, LAWS
13 OF 2015; AND PROVIDING EFFECTIVE DATES AND APPLICABILITY DATES."

14
15 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

16
17 NEW SECTION. **Section 1. Resolution of intent to increase nonvoted levy -- notice.** (1) The
18 trustees of a school district shall adopt a resolution no later than April 15 in fiscal year 2017 only and no later than
19 March 31 in fiscal years 2018 and subsequent fiscal years and provide notice pursuant to subsection (2)
20 whenever the trustees intend to impose an increase in a nonvoted levy in the ensuing school fiscal year for the
21 purposes of funding any of the funds listed below:

- 22 (a) the tuition fund under 20-5-324;
23 (b) the adult education fund under 20-7-705;
24 (c) the building reserve fund under 20-9-502 and 20-9-503;
25 (d) the transportation fund under 20-10-143 and 20-10-144; and
26 (e) the bus depreciation reserve fund under 20-10-147.

27 (2) The trustees shall provide notice of intent to impose an increase in a nonvoted levy for the ensuing
28 school fiscal year by:

- 29 (a) adopting a resolution of intent to impose an increase in a nonvoted levy that includes, at a minimum,
30 the estimated number of increased or decreased mills to be imposed and the estimated increased or decreased

1 revenue to be raised compared to nonvoted levies under (1)(a) through (1)(e) imposed in the current school fiscal
 2 year and, based on the district's taxable valuation most recently certified by the department of revenue under
 3 15-10-202, the estimated impacts of the increase or decrease on a home valued at \$100,000 and a home valued
 4 at \$200,000; and

5 (b) publishing a copy of the resolution in a newspaper that will give notice to the largest number of people
 6 of the district as determined by the trustees and posting a copy of the resolution to the school district's website.

7

8 **Section 2.** Section 20-6-702, MCA, is amended to read:

9 **"20-6-702. Funding for K-12 school districts.** (1) Notwithstanding the provisions of subsections (2)
 10 through (6), a K-12 school district formed under the provisions of 20-6-701 is subject to the provisions of law for
 11 high school districts.

12 (2) The number of elected trustees of the K-12 school district must be based on the classification of the
 13 attached elementary district under the provisions of 20-3-341 and 20-3-351.

14 (3) Calculations for the following must be made separately for the elementary school program and the
 15 high school program of a K-12 school district:

16 (a) the calculation of ANB for purposes of determining the total per-ANB entitlements must be in
 17 accordance with the provisions of 20-9-311;

18 (b) the basic county tax for elementary equalization and revenue for the elementary BASE funding
 19 program for the district must be determined in accordance with the provisions of 20-9-331, and the basic county
 20 tax for high school equalization and revenue for the high school BASE funding program for the district must be
 21 determined in accordance with 20-9-333; ~~and~~

22 (c) the guaranteed tax base aid for BASE funding program purposes for a K-12 school district must be
 23 calculated separately, using each district's guaranteed tax base ratio, as defined in 20-9-366. The BASE budget
 24 levy to be levied for the K-12 school district must be prorated based on the ratio of the BASE funding program
 25 amounts for elementary school programs to the BASE funding program amounts for high school programs.

26 (d) the levy authority limits under 20-9-502(3) and the corresponding state school facility maintenance
 27 aid under 20-9-516(3) for a K-12 school district must be calculated separately for the K-12 school district's
 28 elementary and high school programs in the same manner as those limits and aid would be calculated if the K-12
 29 school district consisted of a separate elementary and high school district.

30 (4) The retirement obligation and eligibility for retirement guaranteed tax base aid for a K-12 school

1 district must be calculated and funded as a high school district retirement obligation under the provisions of
2 20-9-501.

3 (5) For the purposes of budgeting for a K-12 school district, the trustees shall adopt a single fund for any
4 of the budgeted or nonbudgeted funds described in 20-9-201 for the costs of operating all grades and programs
5 of the district.

6 (6) Tuition for attendance in the K-12 school district must be determined separately for high school pupils
7 and for elementary pupils under the provisions of 20-5-320 through 20-5-324, except that the actual expenditures
8 used for calculations in 20-5-323 must be based on an amount prorated between the elementary and high school
9 programs in the appropriate funds of each district in the year prior to the attachment of the districts."
10

11 **Section 3.** Section 20-9-236, MCA, is amended to read:

12 **"20-9-236. (Temporary) Transfer of funds -- improvements to school safety and security.** (1) A
13 school district may transfer state or local revenue from any budgeted or nonbudgeted fund, other than the debt
14 service fund or retirement fund, to its building reserve fund in an amount not to exceed the school district's
15 estimated costs of improvements to school safety and security as follows:

16 (a) planning for improvements to school safety, including but not limited to the cost of services provided
17 by architects, engineers, and other consultants;

18 (b) installing or updating locking mechanisms and ingress and egress systems at public school access
19 points, including but not limited to systems for exterior egress doors and interior passageways and rooms, using
20 contemporary technologies;

21 (c) installing or updating bullet-resistant windows and barriers; and

22 (d) installing or updating emergency response systems using contemporary technologies.

23 (2) Any transfers made pursuant to subsection (1) are not considered expenditures to be applied against
24 budget authority. Any revenue transfers that are not encumbered for expenditures in compliance with subsection
25 (1) ~~by June 30, 2019, within 2 full school fiscal years after the funds are transferred~~ must be transferred back to
26 the originating fund from which the revenue was transferred.

27 (3) The intent of this section is to increase the flexibility and efficiency of school districts without an
28 increase in local taxes. In furtherance of this intent, if transfers of funds are made from any school district fund
29 supported by a nonvoted levy, the district may not increase its nonvoted levy for the purpose of restoring the
30 transferred funds. (~~Terminates June 30, 2019--sec. 3, Ch. 323, L. 2015.~~)"

1

2 **Section 4.** Section 20-9-502, MCA, is amended to read:

3 **"20-9-502. Purpose and authorization of building reserve fund by election -- levy for school**
 4 **transition costs.** (1) The trustees of any district, ~~with the approval of the qualified electors of the district,~~ may
 5 establish a building reserve ~~fund to budget for and expend funds for any of the purposes set forth in this section.~~
 6 Appropriate subfunds must be created to ensure separate tracking of the expenditure of funds from voted and
 7 nonvoted levies and transfers for school safety pursuant to 20-9-236.

8 (2) (a) A voted levy may be imposed and a subfund must be created with the approval of the qualified
 9 electors of the district for the purpose of raising money for the future construction, equipping, or enlarging of
 10 school buildings; or for the purpose of purchasing land needed for school purposes in the district, ~~or for the~~
 11 ~~purpose of funding school transition costs as provided in subsections (5) and (6).~~ In order to submit to the
 12 qualified electors of the district a building reserve proposition for the establishment of or addition to a building
 13 reserve, the trustees shall pass a resolution that specifies:

14 ~~(a)~~(i) the purpose or purposes for which the new or addition to the building reserve will be used;

15 ~~(b)~~(ii) the duration of time over which the new or addition to the building reserve will be raised in annual,
 16 equal installments;

17 ~~(c)~~(iii) the total amount of money that will be raised during the duration of time specified ~~in subsection~~
 18 ~~(1)(b)~~ for the levy; and

19 ~~(d)~~(iv) any other requirements under 15-10-425 and 20-20-201 for the calling of an election.

20 ~~(2)(b)~~ Except as provided in subsections ~~(5)(b)~~ (4)(b) and (6), a building reserve tax authorization may
 21 not be for more than 20 years.

22 ~~(3)(c)~~ The election must be conducted in accordance with the school election laws of this title, and the
 23 electors qualified to vote in the election must be qualified under the provisions of 20-20-301. The ballot for a
 24 building reserve proposition must be substantially in compliance with 15-10-425.

25 ~~(4)(d)~~ The building reserve proposition is approved if a majority of those electors voting at the election
 26 approve the establishment of or addition to the building reserve. The annual budgeting and taxation authority of
 27 the trustees for a building reserve is computed by dividing the total authorized amount by the specified number
 28 of years. The authority of the trustees to budget and impose the taxation for the annual amount to be raised for
 29 the building reserve lapses when, at a later time, a bond issue is approved by the qualified electors of the district
 30 for the same purpose or purposes for which the building reserve fund of the district was established. Whenever

1 a subsequent bond issue is made for the same purpose or purposes of a building reserve, the money in the
2 building reserve must be used for the purpose or purposes before any money realized by the bond issue is used.

3 (3) (a) A subfund must be created to account for revenue and expenditures for school facility
4 maintenance and repairs authorized under this subsection (3). Except as provided in subsection (3)(g), the
5 trustees of a district may authorize and impose a levy of no more than 10 mills on the taxable value of all taxable
6 property within the district for that school fiscal year for the purposes of raising revenue for identified school facility
7 maintenance projects meeting the requirements of 20-9-516(1)(b). The 10-mill limit under this section must be
8 calculated using district's total taxable valuation most recently certified by the department of revenue under
9 15-10-202. The amount of money raised by the levy, deposits and transfers authorized under subsection (3)(f)
10 of this section, and state aid pursuant to 20-9-516(3) may not exceed the district's school facility maintenance
11 amount. For the purposes of this section, the term "school facility maintenance amount" means the sum of
12 \$15,000 and the product of \$100 multiplied by the district's budgeted ANB for the prior fiscal year. To authorize
13 and impose a levy under this subsection (3), the trustees shall:

14 (i) following public notice requirements pursuant to [section 1], adopt no later than April 15 for fiscal year
15 2017 only and no later than March 31 for fiscal years 2018 and subsequent fiscal years, a resolution:

16 (A) identifying the anticipated school facility maintenance projects for which the proceeds of the levy,
17 deposits and transfers authorized under subsection (3)(f) of this section, and anticipated state aid pursuant to
18 20-9-516(3) will be used; and

19 (B) estimating a total dollar amount of money to be raised by the levy, deposits and transfers authorized
20 under subsection (3)(f) of this section, anticipated state aid pursuant to 20-9-516(3), and the resulting estimated
21 number of mills to be levied using the district's taxable valuation most recently certified by the department of
22 revenue under 15-10-202; and

23 (ii) include the amount of any final levy to be imposed as part of its final budget meeting noticed in
24 compliance with 20-9-131.

25 (b) Proceeds from the levy may be expended only for the purposes under 20-9-516(1)(b), and the
26 expenditure of the money must be reported in the annual trustees' report as required by 20-9-213.

27 (c) Whenever the trustees of a district impose a levy pursuant to this section during the current school
28 fiscal year, they shall budget for the proceeds of the levy, deposits and transfers authorized under subsection
29 (3)(f) of this section, and anticipated state aid pursuant to 20-9-516(3) in the district's building reserve fund
30 budget. Any expenditures of the funds must be made in accordance with the financial administration provisions

1 of this title for a budgeted fund.

2 (d) When a tax levy pursuant to this section is included as a revenue item on the final building reserve
 3 fund budget, the county superintendent shall report the levy requirement to the county commissioners by the later
 4 of the first Tuesday in September or within 30 calendar days after receiving certified taxable values and a levy
 5 on the district must be made by the county commissioners in accordance with 20-9-142.

6 (e) A subfund in the building reserve fund must be created for the deposit of proceeds from the levy,
 7 deposits and transfers authorized under subsection (3)(f) of this section, and anticipated state aid pursuant to
 8 20-9-516(3).

9 (f) If the imposition of 10 mills pursuant to subsection (3)(a) is estimated by the trustees to generate an
 10 amount less than the maximum levy revenue specified in subsection (3)(a), the trustees may deposit additional
 11 funds from any lawfully available revenue source and may transfer additional funds from any lawfully available
 12 fund of the district to the subfund provided for in subsection (3)(a), up to the difference between the revenue
 13 estimated to be raised by the imposition of 10 mills and the maximum levy revenue specified in subsection
 14 (3)(a). The district's local effort for purposes of calculating its eligibility for state school facility maintenance aid
 15 pursuant to 20-9-516 consists of the combined total of funds raised from the imposition of 10 mills and additional
 16 funds raised from deposits and transfers in compliance with this subsection (3)(f).

17 (g) A district awarded a quality schools facility grant pursuant to Title 90, chapter 6, part 8, during the
 18 biennium beginning July 1, 2017, may not impose the levy under this subsection (3) during the biennium
 19 beginning July 1, 2017.

20 ~~(5)(4)~~ (a) The trustees may submit a proposition to the qualified electors of the district for a levy. A voted
 21 levy may be imposed and a subfund must be created with the approval of the qualified electors of the district to
 22 provide funding for transition costs incurred when the trustees:

23 (i) open a new school under the provisions of Title 20, chapter 6;

24 (ii) close a school;

25 (iii) replace a school building; or

26 (iv) consolidate with or annex another district under the provisions of Title 20, chapter 6.

27 (b) Except as provided in subsections ~~(5)(e)~~ (4)(c) and (6), the total amount the trustees may submit to
 28 the electorate for transition costs may not exceed the number of years specified in the proposition times the
 29 greater of 5% of the district's maximum general fund budget for the current year or \$250 per ANB for the current
 30 year. Except as provided in subsection (6), the duration of the levy for transition costs may not exceed 6 years.

- 1 (c) If the levy for transition costs is for consolidation or annexation:
 2 (i) the limitation on the amount levied is calculated using the ANB and the maximum general fund budget
 3 for the districts that are being combined; and
 4 (ii) the proposition must be submitted to the qualified electors in the combined district.
 5 (d) The levy for transition costs may not be considered as outstanding indebtedness for the purpose of
 6 calculating the limitation in 20-9-406.

7 (5) A subfund in the building reserve fund must be created for the funds transferred to the building
 8 reserve fund for school safety and security pursuant to 20-9-236.

- 9 (6) The trustees of a K-12 district shall create a subfund and impose a levy for transition costs to fund
 10 the payment required by 20-6-326(6)(b) when a proposition to create the K-12 district and to assess the transition
 11 levy has been approved pursuant to 20-6-326(2). The levy is limited to the amount required by 20-6-326(6)(b)
 12 for a period not to exceed 3 years."

13
 14 **Section 5.** Section 20-9-516, MCA, is amended to read:

15 **"20-9-516. School facility and technology account.** (1) There is a school facility and technology
 16 account in the state special revenue fund provided for in 17-2-102. The purpose of the account is to provide
 17 ~~money to schools for;~~ contingent on appropriation from the legislature, funding for the following in priority order:

- 18 (a) school technology purposes as provided in 20-9-534;
 19 (b) school facility maintenance aid as provided in subsection (3) for:
 20 ~~(a)~~(i) major deferred maintenance;
 21 ~~(b)~~(ii) improving energy efficiency in school facilities;
 22 ~~(c)~~(iii) critical infrastructure in school districts;
 23 ~~(d)~~(iv) emergency facility needs; and
 24 ~~(e)~~(v) technological improvements; and
 25 ~~(f)~~(c) state reimbursement for school facilities as provided in 20-9-371.

- 26 (2) There must be deposited in the account:
 27 (a) an amount of money equal to the income attributable to the difference between the average sale
 28 value of 18 million board feet and the total income produced from the annual timber harvest on common school
 29 trust lands during the fiscal year; and
 30 (b) the income received from certain lands and riverbeds as provided in 17-3-1003(5).

1 (3) (a) Beginning in the 2021 biennium, the superintendent of public instruction shall administer the
2 distribution of state school facility maintenance aid from the school facility and technology account for deposit in
3 the subfund of the building reserve fund provided for in 20-9-502(3)(e). Subject to proration under subsection (5)
4 of this section, aid must be annually distributed no later than the last working day of May to a school district
5 imposing a levy pursuant to 20-9-502(3) in the current school fiscal year, with the amount of state support per
6 dollar of local effort of the applicable elementary and high school program of each district determined as follows:
7 (i) using the taxable valuation most recently certified by the department of revenue under 15-10-202:
8 (A) divide the total statewide taxable valuation by the statewide total of school facility maintenance
9 amounts and multiply the result by 171%;
10 (B) multiply the result determined under subsection (3)(a)(i)(A) by the district's school facility
11 maintenance amount;
12 (C) subtract the district's taxable valuation from the amount determined under subsection (3)(a)(i)(B);
13 and
14 (D) divide the amount determined under subsection (3)(a)(i)(C) by 1,000;
15 (ii) determine the greater of the amount determined in subsection (3)(a)(i) or 18% of the district's mill
16 value;
17 (iii) multiply the result determined under subsection (3)(a)(ii) by the district's school facility maintenance
18 amount, then divide the product by the sum of the result determined under subsection (3)(a)(ii) and the district's
19 school facility maintenance amount.
20 (b) For a district with an adopted general fund budget in the prior year greater than or equal to 97% of
21 the district's general fund maximum budget in the prior year, the amount determined in subsection (3)(a)(iii)
22 rounded to the nearest cent is the amount of state school facility maintenance aid per dollar of local effort, not
23 to exceed an amount that would result in the state aid comprising more than 80% of the district's school facility
24 maintenance amount.
25 (c) For a district with an adopted general fund budget in the prior year less than 97% of the district's
26 maximum budget in the prior year, multiply the amount determined in subsection (3)(a)(iii) by the ratio of the
27 district's adopted general fund budget in the prior year to the district's maximum general fund budget in the prior
28 year. The result, rounded to the nearest cent, is the amount of state school facility maintenance aid per dollar of
29 local effort, not to exceed an amount that would result in the state aid comprising more than 80% of the district's
30 school facility maintenance amount.

1 (4) Using the taxable valuation most recently certified by the department of revenue under 15-10-202,
 2 the superintendent shall provide school districts with a preliminary estimated amount of state school facility
 3 maintenance aid per dollar of local effort for the ensuing school year no later than March 1 and a final amount
 4 for the current school year no later than July 31.

5 (5) If the appropriation from or the available funds in the school facility and technology account in any
 6 school fiscal year is less than the amount for which school districts would otherwise qualify, the superintendent
 7 of public instruction shall proportionally prorate the aid distributed to ensure that the distributions do not exceed
 8 the appropriated or available funds.

9 (6) For the purposes of this section, the following definitions apply:

10 (a) "Local effort" means an amount of money raised by levying no more than 10 mills pursuant to
 11 20-9-502(3) and, provided that 10 mills have been levied, any additional amount of money deposited or
 12 transferred by trustees to the subfund pursuant to 20-9-502(3).

13 (b) "School facility maintenance amount" means the sum of \$15,000 and the product of \$100 multiplied
 14 by the district's budgeted ANB for the prior fiscal year."

15
 16 NEW SECTION. Section 6. Repealer. The following sections of the Montana Code Annotated are
 17 repealed:

18 90-6-801. Short title.
 19 90-6-802. Purpose.
 20 90-6-803. Definitions.
 21 90-6-809. Quality schools facility grant program -- legislature to authorize grants -- types of grants
 22 available.
 23 90-6-810. Procedure for approval of projects -- role of department and governor -- approval by legislature.
 24 90-6-811. Priorities for projects -- application of criteria -- consideration of project attributes -- adjustments
 25 for educationally relevant factors.
 26 90-6-819. Department to adopt rules.

27
 28 NEW SECTION. Section 7. Repealer. The following sections of the Montana Code Annotated are
 29 repealed:

30 90-6-812. Conditions for grants.

1 90-6-818. Disbursement of funds -- department discretion when actual expenses are less than projected
2 expenses.

3
4 NEW SECTION. Section 8. Repealer. Section 12, Chapter 364, Laws of 2013, and section 3, Chapter
5 323, Laws of 2015, are repealed.

6
7 NEW SECTION. Section 9. Codification instruction. [Section 1] is intended to be codified as an
8 integral part of Title 20, chapter 9, part 1, and the provisions of Title 20, chapter 9, part 1, apply to [section 1].

9
10 NEW SECTION. Section 10. Effective dates -- coordination -- retroactive applicability. (1) Except
11 as provided in subsections (2) and (3), [this act] is effective on passage and approval and applies to school district
12 budgets beginning on or after July 1, 2017.

13 (2) The authority and requirement for notice under [sections 1 and 4(3)] applies retroactively, within the
14 meaning of 1-2-109, to levies noticed on or after January 1, 2017.

15 (3) (a) Except as provided in subsection (3)(b), [sections 6 and 7] are effective July 1, 2017.

16 (b) If House Bill No. 14 or [LC 2344] is passed and approved and provides grants to schools for facilities,
17 then [section 7] is effective July 1, 2019.

18 - END -