

SENATE BILL NO. 76

Introduced: 01/06/83

Referred to Committee on Taxation: 01/06/83  
Died in Committee.

1 Senate BILL NO. 76  
2 INTRODUCED BY Bob Brown  
3 BY REQUEST OF THE SUBCOMMITTEE ON EDUCATION  
4  
5 A BILL FOR AN ACT ENTITLED: "AN ACT TO CREATE A GUARANTEED  
6 TAX BASE PROGRAM TO PROMOTE MORE EQUITABLE FINANCING OF  
7 SCHOOL DISTRICT GENERAL FUND BUDGET NEEDS BEYOND FOUNDATION  
8 AND PERMISSIVE PROGRAM SUPPORT BY PROVIDING STATE AID TO ANY  
9 SCHOOL DISTRICT WITH A TAXABLE VALUATION PER PUPIL THAT IS  
10 LESS THAN THE STATE AVERAGE TAXABLE VALUATION PER PUPIL;  
11 AMENDING SECTIONS 20-3-106, 20-5-305, 20-5-312, AND  
12 20-9-141, MCA; AND PROVIDING AN EFFECTIVE DATE."  
13  
14 WHEREAS, most Montana school districts depend on the  
15 district's property wealth to generate revenue, through the  
16 voted levy, for school general fund budget needs beyond  
17 foundation and permissive program support; and  
18 WHEREAS, there is a wide disparity in the property  
19 wealth available to Montana school districts; and  
20 WHEREAS, this disparity in property wealth has resulted  
21 in inequities in taxpayer burdens and per student  
22 expenditures among districts; and  
23 WHEREAS, there is clear evidence that high property  
24 wealth districts have lower tax rates and higher  
25 expenditures per student than do lower property wealth

1 districts; and  
2 WHEREAS, Article X, Section 1, of the Montana  
3 Constitution reflects the concern of Montana citizens for  
4 equality of educational opportunity for students; and  
5 WHEREAS, Article X, Section 8, of the Montana  
6 Constitution reflects a desire for local control of  
7 elementary and secondary schools and this desire extends to  
8 approval of locally determined general fund budget needs  
9 through the voted levy process.  
10 THEREFORE, it is the intent of this act to provide more  
11 equitable financing of school district general fund budget  
12 needs beyond foundation and permissive program support by  
13 guaranteeing state aid for a portion of the deficiency  
14 between the amount of revenue raised on the district taxable  
15 valuation at the mill levy chosen by the district board of  
16 trustees and the amount the same mill levy would raise if  
17 applied to the state average taxable valuation per pupil.  
18  
19 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:  
20 NEW SECTION. Section 1. Short title. [Sections 1  
21 through 5] may be cited as the "Guaranteed Tax Base Program  
22 Act of 1983".  
23 NEW SECTION. Section 2. Creation of program. There is  
24 a guaranteed tax base program to be administered by the  
25 superintendent of public instruction in accordance with

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[section 5]. Under the program, any district that qualifies under the provisions of [section 4] may receive state aid to the extent allowable by the provisions of that section.

NEW SECTION. Section 3. Definitions. As used in [sections 1 through 5], unless the context clearly indicates otherwise, the following definitions apply:

(1) "District taxable valuation per ANB" means the taxable valuation of a district divided by the district ANB count used to calculate the district's current year foundation program schedule amount.

(2) "Guaranteed budget amount" means that portion of the voted amount of a district which does not exceed the guaranteed budget maximum calculated in the guaranteed tax base formula.

(3) "Guaranteed budget level percentage" means the percentage of general fund budgets above the foundation and permissive support program that will be guaranteed to all districts under the guaranteed tax base program.

(4) "Guaranteed tax base aid" means the amount of state aid determined under the guaranteed tax base formula and provided to help finance the voted amount of districts that qualify for the guaranteed tax base program.

(5) "Nontax revenue" means federal impact aid, state impact aid, tuition earnings, interest earnings, and all other direct income from nontax sources, except state and

county equalization aid, that accrue to the general fund of a district each school fiscal year following July 1, 1982.

(6) "State average taxable valuation per ANB" means the total state taxable valuation divided by either the total state elementary ANB count or by the total state high school ANB count used to calculate either the elementary school districts' or high school districts' foundation and permissive program schedule amounts.

(7) "Voted amount" means that portion of the general fund budget in excess of the foundation and permissive amount for a district as established by the schedules in 20-9-315 through 20-9-321 and which excess is authorized under the provisions of 20-9-353.

NEW SECTION. Section 4. Guaranteed tax base formula.

(1) Whenever the trustees of any district adopt, under the provisions of 20-9-353, a general fund budget that includes financing from a voted amount, the following calculations may be used to determine the amount of state aid available under the guaranteed tax base program:

(a) To qualify to participate in the guaranteed tax base program, an elementary district's taxable valuation per ANB must be less than the state average taxable valuation for elementary schools and a high school district's taxable valuation per ANB must be less than the state average taxable valuation for high school districts.

1 (b) For districts that qualify for the guaranteed tax  
2 base program under subsection (1)(a), determine the ratio of  
3 the district taxable valuation per ANB to the state average  
4 taxable valuation per ANB by dividing the district taxable  
5 valuation per ANB by the state average taxable valuation per  
6 ANB for the type of district.

7 (c) To determine the guaranteed budget maximum for  
8 such district, multiply the foundation and permissive  
9 program amount for such district, as established by the  
10 schedules in 20-9-316 through 20-9-320, by the guaranteed  
11 budget level percentage of 50%.

12 (d) To determine the district share maximum, multiply  
13 the ratio calculated in subsection (1)(b) by the amount  
14 calculated in subsection (1)(c) and add 70% of the amount of  
15 any nontax revenue that accrued to the district during the  
16 prior school fiscal year.

17 (e) To determine the district share percent, divide  
18 the district share maximum calculated in subsection (1)(d)  
19 by the guaranteed budget maximum calculated in subsection  
20 (1)(c), but if the district share maximum exceeds the  
21 guaranteed budget maximum, the district share percent shall  
22 be 100%.

23 (f) To determine the state share percent, subtract the  
24 district share percent from 100%.

25 (g) To determine the guaranteed tax base aid amount,

1 multiply the state share percent calculated in subsection  
2 (1)(f) by the guaranteed budget amount.

3 (2) Guaranteed tax base aid provided to any district  
4 under this section is earmarked to finance the guaranteed  
5 budget amount of that district jointly with the district  
6 according to the district share percent and the state share  
7 percent as determined in subsections (1)(e) and (1)(f). In  
8 the event that actual general fund expenditures for such  
9 district are lower than the total amount budgeted, the state  
10 portion of financing for the guaranteed budget amount shall  
11 revert in proportion to the state share percent calculated  
12 in subsection (1)(f). If a district receives more guaranteed  
13 tax base aid than it is entitled to, the county treasurer  
14 must, upon request of the superintendent of public  
15 instruction, return the overpayment to the state in the  
16 manner prescribed by the department of administration.

17 NEW SECTION. Section 5. Duties of superintendent of  
18 public instruction under guaranteed tax base program. The  
19 superintendent of public instruction shall administer the  
20 guaranteed tax base program by:

21 (1) providing each school district, by June 1 of each  
22 year, with the state average taxable valuation per ANB as  
23 defined in [section 3] for use in calculating the guaranteed  
24 tax base aid available under the guaranteed tax base program  
25 for the ensuing school fiscal year;

(2) requiring each district that qualifies for and participates in the guaranteed tax base program to report to the county superintendent all budget and accounting information required to implement the program formula outlined in [section 4];

(3) requiring each county superintendent to submit to the superintendent of public instruction by September 1 all the district reports required in subsection (2);

(4) keeping a record in his office of the full and complete data concerning appropriations available for the guaranteed tax base program and the entitlements for such aid of the districts that qualify for the program;

(5) distributing the guaranteed tax base aid amount to each qualified district from the appropriation by the legislature for that purpose. The payment shall be made at the same time as the first distribution of state equalization aid is made after January 1 of the fiscal year. If the appropriation is not sufficient to finance the state aid requirements of all the districts, reported according to subsections (2) and (3), each district is entitled to receive a prorated amount.

Section 6. Section 20-3-106, MCA, is amended to read:

"20-3-106. Supervision of schools — powers and duties. The superintendent of public instruction has the general supervision of the public schools and districts of

the state, and he shall perform the following duties or acts in implementing and enforcing the provisions of this title:

(1) resolve any controversy resulting from the proration of costs by a joint board of trustees under the provisions of 20-3-362;

(2) issue, renew, or deny teacher certification and emergency authorizations of employment;

(3) negotiate reciprocal tuition agreements with other states in accordance with the provisions of 20-5-314;

(4) serve on the teachers' retirement board in accordance with the provisions of 2-15-1010;

(5) approve or disapprove the orders of a high school boundary commission in accordance with the provisions of 20-6-311;

(6) approve or disapprove the opening or reopening of a school in accordance with the provisions of 20-6-502, 20-6-503, 20-6-504, or 20-6-505;

(7) approve or disapprove school isolation within the limitations prescribed by 20-9-302;

(8) generally supervise the school budgeting procedures prescribed by law in accordance with the provisions of 20-9-102 and prescribe the school budget format in accordance with the provisions of 20-9-103 and 20-9-506;

(9) establish a system of communication for

1 calculating joint district revenues in accordance with the  
2 provisions of 20-9-151;

3 (10) approve or disapprove the adoption of a district's  
4 emergency budget resolution under the conditions prescribed  
5 in 20-9-163 and publish rules for an application for  
6 additional state aid for an emergency budget in accordance  
7 with the approval and disbursement provisions of 20-9-166;

8 (11) generally supervise the school financial  
9 administration provisions as prescribed by 20-9-201(2);

10 (12) prescribe and furnish the annual report forms to  
11 enable the districts to report to the county superintendent  
12 in accordance with the provisions of 20-9-213(5) and the  
13 annual report forms to enable the county superintendents to  
14 report to the superintendent of public instruction in  
15 accordance with the provisions of 20-3-209;

16 (13) approve, disapprove, or adjust an increase of the  
17 average number belonging (ANB) in accordance with the  
18 provisions of 20-9-313 and 20-9-314;

19 (14) distribute state equalization aid in support of  
20 the foundation program in accordance with the provisions of  
21 20-9-342, 20-9-346, and 20-9-347;

22 (15) estimate the statewide equalization level for the  
23 foundation program in accordance with the provisions of  
24 20-9-348;

25 (16) distribute state impact aid in accordance with the

1 provisions of 20-9-304;

2 (17) provide for the uniform and equal provision of  
3 transportation by performing the duties prescribed by the  
4 provisions of 20-10-112;

5 (18) approve or disapprove an adult education program  
6 for which a district proposes to levy a tax in accordance  
7 with the provisions of 20-7-705;

8 (19) request, accept, deposit, and expend federal  
9 moneys in accordance with the provisions of 20-9-603;

10 (20) authorize the use of federal moneys for the  
11 support of an interlocal cooperative agreement in accordance  
12 with the provisions of 20-9-703 and 20-9-704;

13 (21) prescribe the form and contents of and approve or  
14 disapprove interstate contracts in accordance with the  
15 provisions of 20-9-705;

16 (22) approve or disapprove the conduct of school on a  
17 Saturday or on pupil-instruction-related days in accordance  
18 with the provisions of 20-1-303 and 20-1-304;

19 (23) recommend standards of accreditation for all  
20 schools to the board of public education and evaluate  
21 compliance with such standards and recommend accreditation  
22 status of every school to the board of public education in  
23 accordance with the provisions of 20-7-101 and 20-7-102;

24 (24) collect and maintain a file of curriculum guides  
25 and assist schools with instructional programs in accordance

1 with the provisions of 20-7-113 and 20-7-114;  
 2 (25) establish and maintain a library of visual, aural,  
 3 and other educational media in accordance with the  
 4 provisions of 20-7-201;  
 5 (26) license textbook dealers and initiate prosecution  
 6 of textbook dealers violating the law in accordance with the  
 7 provisions of the textbooks part of this title;  
 8 (27) as the governing agent and executive officer of  
 9 the state of Montana for vocational education, adopt the  
 10 policies prescribed by and in accordance with the provisions  
 11 of 20-7-301;  
 12 (28) consider applications for the designation of a  
 13 postsecondary vocational-technical center in accordance with  
 14 the provisions of 20-7-311;  
 15 (29) establish a fund for the handling of postsecondary  
 16 vocational-technical center fees in accordance with the  
 17 provisions of 20-7-333;  
 18 (30) supervise and coordinate the conduct of special  
 19 education in the state in accordance with the provisions of  
 20 20-7-403;  
 21 (31) administer the traffic education program in  
 22 accordance with the provisions of 20-7-502;  
 23 (32) administer the school food services program in  
 24 accordance with the provisions of 20-10-201, 20-10-202, and  
 25 20-10-203;

1 (33) review school building plans and specifications in  
 2 accordance with the provisions of 20-6-622;  
 3 (34) prescribe the method of identification and signals  
 4 to be used by school safety patrols in accordance with the  
 5 provisions of 20-1-408; and  
 6 ~~(35) administer the guaranteed tax base program in~~  
 7 ~~accordance with the provisions of [sections 1 through 5];~~  
 8 ~~and~~  
 9 ~~(35)(36)~~ perform any other duty prescribed from time to  
 10 time by this title, any other act of the legislature, or the  
 11 policies of the board of public education."  
 12 Section 7. Section 20-5-305, MCA, is amended to read:  
 13 "20-5-305. Elementary tuition rates. Whenever a pupil  
 14 of an elementary district has been granted approval to  
 15 attend a school outside of the district in which he resides,  
 16 under the provisions of 20-5-301 or 20-5-302, such district  
 17 shall pay tuition to the elementary district where the pupil  
 18 attends school on the basis of the rate of tuition  
 19 determined by the attended district. The rate of tuition  
 20 shall be determined by:  
 21 (1) totaling the actual expenditures from the district  
 22 general fund, retirement fund, and debt service fund;  
 23 ~~(2) subtracting from the amount determined in~~  
 24 ~~subsection (1);~~  
 25 ~~(a) the amount allowed by 20-9-316 through 20-9-321~~

1 that represents the foundation program as prescribed by  
2 20-9-303;

3 (b) the state financing of the district permissive  
4 levy; and

5 (c) the guaranteed tax base aid amount determined in  
6 [section 4]; and

7 ~~(2)(3)~~ dividing the amount determined in subsection  
8 ~~(1)~~ (2) above by the ANB of the district for the current  
9 fiscal year, as determined under the provisions of 20-9-311;  
10 and,

11 ~~(3) subtracting the total of the per-ANB amount~~  
12 ~~allowed by 20-9-316 through 20-9-321 that represents the~~  
13 ~~foundation program as prescribed by 20-9-303 plus the~~  
14 ~~per-ANB amount determined by dividing the state financing of~~  
15 ~~the district permissive levy by the ANB of the district~~  
16 ~~from the amount determined in subsection (2) above."~~

17 Section 8. Section 20-5-312, MCA, is amended to read:

18 "20-5-312. Reporting, budgeting, and payment for high  
19 school tuition. (1) At the close of the school term of each  
20 school fiscal year, the trustees of each high school  
21 district shall determine the rate of tuition for the current  
22 school fiscal year by:

23 (a) totaling the actual expenditures from the district  
24 general fund, retirement fund, and debt service fund;

25 (b) subtracting from the amount determined in

1 subsection (1)(a):

2 (i) the amount allowed by 20-9-316 through 20-9-321  
3 that represents the foundation program as prescribed by  
4 20-9-303;

5 (ii) the state financing of the district permissive  
6 levy; and

7 (iii) the guaranteed tax base aid amount determined in  
8 [section 4]; and

9 ~~(b)(c)~~ dividing the amount determined in subsection  
10 ~~(1)(a)(b)~~ above by the ANB of the district for the current  
11 fiscal year, as determined under the provisions of 20-9-311;  
12 and,

13 ~~(c) subtracting the total of the per-ANB amount~~  
14 ~~allowed by 20-9-316 through 20-9-321 that represents the~~  
15 ~~foundation program as prescribed by 20-9-303 plus the~~  
16 ~~per-ANB amount determined by dividing the state financing of~~  
17 ~~the district permissive levy by the ANB of the district~~  
18 ~~from the amount determined in subsection (1)(b) above~~

19 (2) Before July 15, the trustees shall report to the  
20 county superintendent of the county in which the district is  
21 located:

22 (a) the names, addresses, and resident districts of  
23 the pupils attending the schools of the district under an  
24 approved tuition agreement;

25 (b) the number of days of school attended by each

1 pupil;

2 (c) the amount, if any, of each pupil's tuition  
3 payment that the trustees, in their discretion, shall have  
4 the authority to waive; and

5 (d) the rate of current school fiscal year tuition, as  
6 determined under the provisions of this section.

7 (3) When the county superintendent receives a tuition  
8 report from a district, he shall immediately send the  
9 reported information to the superintendent of each district  
10 in which the reported pupils reside.

11 (4) When the district superintendent receives a  
12 tuition report or reports for high school pupils residing in  
13 his district and attending an out-of-district high school  
14 under approved tuition agreements, he shall determine the  
15 total amount of tuition due such out-of-district high  
16 schools on the basis of the following per-pupil schedule:  
17 the rate of tuition, number of pupils attending under an  
18 approved tuition agreement, and other information provided  
19 by each high school district where resident district pupils  
20 have attended school.

21 (5) The total amount of the high school tuition, with  
22 consideration of any tuition waivers, for pupils attending a  
23 high school outside the county of residence shall be  
24 financed by the county basic special tax for high schools as  
25 provided in 20-9-334. In December, the county superintendent

1 shall cause the payment by county warrant of the high school  
2 tuition obligations established under this section out of  
3 the first moneys realized from the county basic special tax  
4 for high schools. The payment shall be made to the county  
5 treasurer of the county where each high school entitled to  
6 tuition is located. The county treasurer shall credit such  
7 tuition receipts to the general fund of the applicable high  
8 school district, and the tuition receipts shall be used in  
9 accordance with the provisions of 20-9-141.

10 (6) For pupils attending a high school outside their  
11 district of residence but within the county of residence,  
12 the total amount of the tuition, with consideration of any  
13 tuition waivers, must be paid during the ensuing school  
14 fiscal year. The trustees of the sending high school  
15 district shall include the tuition amount in the tuition  
16 fund of the preliminary and final budgets. This budgeted  
17 tuition amount is not subject to the budget adjustment  
18 provisions of 20-9-132. The county superintendent shall  
19 report the net tuition fund levy requirement for each high  
20 school district to the county commissioners on the second  
21 Monday of August, and a levy on the district shall be made  
22 by the county commissioners in accordance with 20-9-142.  
23 This levy requirement shall be calculated by subtracting  
24 from the total expenditure amount authorized in the final  
25 tuition fund budget the sum of the cash balance in the

1 tuition fund at the end of the immediately preceding school  
 2 fiscal year plus any other anticipated money that may be  
 3 realized in the tuition fund. The trustees shall pay by  
 4 warrants drawn on the tuition fund the tuition amounts owed  
 5 to each district included in the county superintendent's  
 6 notification. Payments shall be made whenever there is a  
 7 sufficient amount of cash available in the tuition fund but  
 8 no later than the end of the school fiscal year for which  
 9 the budget is adopted. However, if the trustees of either  
 10 the sending or receiving high school feel the transfer  
 11 privilege provided by this subsection is being abused they  
 12 may appeal to the county superintendent of schools who shall  
 13 hold a hearing and either approve or disapprove the  
 14 transfer."

15 Section 9. Section 20-9-141, MCA, is amended to read:

16 "20-9-141. Computation of general fund net levy  
 17 requirement by county superintendent. (1) The county  
 18 superintendent shall compute the levy requirement for each  
 19 district's general fund on the basis of the following  
 20 procedure:

21 (a) Determine the total of the district's nonisolated  
 22 school foundation program requirement to be met by a  
 23 district levy as provided in 20-9-303, the district's  
 24 permissive levy amount as provided in 20-9-352, and any  
 25 additional levies authorized by the electors of the district

1 under the provisions of 20-9-353, except that the total of  
 2 the permissive and additional levies shall not exceed the  
 3 total amount of the final general fund budget less the  
 4 foundation program.

5 (b) Determine the total of the moneys available for  
 6 the reduction of the property tax on the district for the  
 7 general fund by totaling:

8 (i) anticipated federal moneys received under the  
 9 provisions of Title I of Public Law 81-874 or other  
 10 anticipated federal moneys received in lieu of such federal  
 11 act;

12 (ii) anticipated tuition payments for out-of-district  
 13 pupils under the provisions of 20-5-303, 20-5-307, 20-5-312,  
 14 and 20-5-313;

15 (iii) general fund cash reappropriated, as established  
 16 under the provisions of 20-9-104;

17 (iv) anticipated state impact aid received under the  
 18 provisions of 20-9-304;

19 (v) anticipated interest to be earned by the  
 20 investment of general fund cash in accordance with the  
 21 provisions of 20-9-213(4); and

22 (vi) anticipated guaranteed tax base aid as determined  
 23 under the provisions of [section 4]; and

24 ~~(vi)~~ (vii) any other revenue anticipated by the trustees  
 25 to be received during the ensuing school fiscal year which

1 may be used to finance the general fund.

2 (c) Subtract the total of the moneys available to  
3 reduce the property tax required to finance the general fund  
4 that has been determined in subsection (1)(b) from the total  
5 levy requirement determined in subsection (1)(a).

6 (2) The net general fund levy requirement determined  
7 in subsection (1)(c) shall be reported to the county  
8 commissioners on the second Monday of August by the county  
9 superintendent as the general fund levy requirement for the  
10 district, and a levy shall be made by the county  
11 commissioners in accordance with 20-9-142."

12 NEW SECTION. Section 10. Codification instruction.  
13 Sections 1 through 5 are intended to be codified as an  
14 integral part of Title 20, chapter 9, and the provisions of  
15 Title 20 apply to sections 1 through 5.

16 NEW SECTION. Section 11. Effective date. [Sections 1  
17 through 5] are effective July 1, 1983.

-End-

## STATE OF MONTANA

REQUEST NO. 075-83

## FISCAL NOTE

Form BD-15

In compliance with a written request received January 11, 19 83, there is hereby submitted a Fiscal Note for Senate Bill 76 pursuant to Title 5, Chapter 4, Part 2 of the Montana Code Annotated (MCA).

Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION OF PROPOSED LEGISLATION:

Senate Bill 76 is an act to guarantee that school districts that have a below state average taxable valuation per child will receive at least the state average dollar/mill/child in the voted levy area of the school districts general fund.

ASSUMPTIONS:

- 1) Foundation Program schedules will remain at current 1982-83 levels.
- 2) Decreases in enrollment, especially at the high school level, will decrease the total cost of the Foundation Program plus permissive to \$249.89 million in FY 84 and to \$248.87 million in FY 85.
- 3) Districts eligible for GTB aid will increase their budgets over current levels by 15% each year.
- 4) Increased districts budgets will increase state GTB aid payments to 12.8% of the schedule amount in FY 84 and to 14.6% of the schedule amount in FY 85.

FISCAL IMPACT:

	<u>FY 84</u>	<u>FY 85</u>	<u>Total Biennium</u>
Additional State Expenditures Under Proposed Law	\$31,990,000	\$36,335,000	\$68,325,000
Additional Expenditures Under Current Law	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Increased Expenditures To State General Fund	\$31,990,000	\$36,335,000	\$68,325,000

LOCAL IMPACT:

This bill would reduce local property taxes by \$68,325,000 for the biennium provided that assumed increases occur.

TECHNICAL NOTES:

This fiscal note is based on the parameters recommended in the bill. If these various factors are amended, the fiscal impact will change.

FISCAL NOTE3:BB/1

David M. Lewis  
BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 1-14-83