

SB 199 INTRODUCED BY BROWN, R., PECK, GRADY, ET AL.
LIMIT CASH RESERVE FUND OF A SCHOOL DISTRICT TO 15
PERCENT OF GENERAL FUND BUDGET

1/23 INTRODUCED
1/23 REFERRED TO EDUCATION & CULTURAL RESOURCES
2/06 HEARING
2/17 COMMITTEE REPORT--BILL PASSED AS AMENDED
2/19 2ND READING PASSED 49 0
2/21 3RD READING PASSED 46 3

TRANSMITTED TO HOUSE
2/23 REFERRED TO EDUCATION & CULTURAL RESOURCES
3/04 HEARING
3/04 FISCAL NOTE REQUESTED
3/11 FISCAL NOTE RECEIVED
3/24 COMMITTEE REPORT--BILL CONCURRED AS AMENDED
3/28 2ND READING NOT CONCURRED 74 4
3/28 RETURNED TO SENATE NOT CONCURRED

1 *Senate* BILL NO. *199*
 2 INTRODUCED BY *Bob Brown, Ray Peak, Sandy Stager*
 3 *McCallister, Snyder, Tules, D. Holden, J. Norman, Nelson*
 4 *Farnell, Blaylock* A BILL FOR AN ACT ENTITLED: "AN ACT TO LIMIT THE GENERAL *Comp. Co.*

5 FUND CASH RESERVE OF A SCHOOL DISTRICT TO 15 PERCENT OF THE
 6 GENERAL FUND BUDGET FOR THE ENSUING SCHOOL FISCAL YEAR; AND
 7 AMENDING SECTION 20-9-104, MCA."

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

10 Section 1. Section 20-9-104, MCA, is amended to read:

11 "20-9-104. General fund cash reserve. At the end of
 12 each school fiscal year, the trustees of each district shall
 13 designate what portion of the general fund end-of-the-year
 14 cash balance shall be earmarked as cash reserve for the
 15 purpose of paying general fund warrants issued by the
 16 district from July 1 to November 30 of the ensuing school
 17 fiscal year. The amount of the general fund cash balance
 18 that is earmarked as cash reserve shall not exceed ~~35%~~ 15%
 19 of the final general fund budget for the ensuing school
 20 fiscal year and shall not be used for property tax reduction
 21 in the manner permitted by 20-9-141(1)(b) for other
 22 receipts. Any portion of the general fund end-of-the-year
 23 cash balance that is not earmarked for cash reserve purposes
 24 shall be cash reappropriated which shall be used for
 25 property tax reduction as provided in 20-9-141(1)(b)(iii)."

-End-



INTRODUCED BILL
 SB 199

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for SB199, third reading copy.

DESCRIPTION OF PROPOSED LEGISLATION:

Limiting the cash reserve of a school district to 20% of the general fund budget for the ensuing school year; establishing a schedule of payments for distribution of equalization aid; providing a transition period.

ASSUMPTIONS:

1. No school district will reduce the general fund cash reserves until FY90 as required in the bill.
2. The proposed schedule of foundation payments will result in a loss of interest income to the general fund of \$2.362 million per year.
3. Additional Tax Anticipation Notes (TANS) could be issued totalling \$59.2 million.
4. Assume arbitrage earnings at 1% over issue amount.

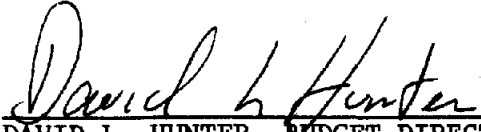
FISCAL IMPACT:

Revenues:

The net impact of this bill would be a loss to the general fund of \$1.770 million per year using the above assumptions. This loss is entirely due to reduced interest earnings because the foundation payments would be accelerated compared to the current schedule.

EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES:

Property tax relief may occur in the 1989 biennium to the extent that individual school districts decide to reduce general fund reserves prior to 1990.

 DATE 3/11/87
DAVID L. HUNTER, BUDGET DIRECTOR
Office of Budget and Program Planning

DATE _____
ROBERT BROWN, PRIMARY SPONSOR
Fiscal Note for SB199, third reading copy.

SB 199

APPROVED BY COMM. ON EDUCATION
AND CULTURAL RESOURCES

SENATE BILL NO. 199

INTRODUCED BY B. BROWN, PECK, GRADY, HARPER,
MCCALLUM, SANDS, MILES, DONALDSON, NEUMAN,
NELSON, COMPTON, FARRELL, BLAYLOCK, REGAN

A BILL FOR AN ACT ENTITLED: "AN ACT ~~TO LIMIT~~ LIMITING THE
GENERAL FUND CASH RESERVE OF A SCHOOL DISTRICT TO ~~15~~ 20
PERCENT OF THE GENERAL FUND BUDGET FOR THE ENSUING SCHOOL
FISCAL YEAR; ESTABLISHING A SCHEDULE OF PAYMENTS FOR
DISTRIBUTION OF EQUALIZATION AID; PROVIDING A TRANSITION
PERIOD; AND AMENDING SECTION SECTIONS 20-9-104 AND 20-9-344,
MCA; AND PROVIDING AN APPLICABILITY DATE AND AN EFFECTIVE
DATE."

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

Section 1. Section 20-9-104, MCA, is amended to read:

"20-9-104. General fund cash reserve. (1) At the end
of each school fiscal year, the trustees of each district
shall designate what portion of the general fund
end-of-the-year cash balance shall be earmarked as cash
reserve for the purpose of paying general fund warrants
issued by the district from July 1 to November 30 of the
ensuing school fiscal year. The amount of the general fund
cash balance that is earmarked as cash reserve shall not
exceed ~~35%~~ ~~15%~~ 20% of the final general fund budget for the

ensuing school fiscal year and shall not be used for
property tax reduction in the manner permitted by
20-9-141(1)(b) for other receipts. Any portion of the
general fund end-of-the-year cash balance that is not
earmarked for cash reserve purposes shall be cash
reappropriated which shall be used for property tax
reduction as provided in 20-9-141(1)(b)(iii).

(2) IF STATE EQUALIZATION AID IS LESS THAN 25% OF THE
FOUNDATION PROGRAM REVENUE GENERATED IN A COUNTY PURSUANT TO
20-9-331 AND 20-9-333, THEN THE CASH RESERVE FUND MAY NOT
EXCEED 35% OF THE FINAL GENERAL FUND BUDGET FOR THE ENSUING
SCHOOL FISCAL YEAR."

SECTION 2. SECTION 20-9-344, MCA, IS AMENDED TO READ:

"20-9-344. Purpose of state equalization aid and
duties of the board of public education for distribution --
conditions of first payment. (1) The money available for
state equalization aid shall be distributed and apportioned
to provide an annual minimum operating revenue for the
elementary and high schools in each county, exclusive of
revenues required for debt service and for the payment of
any and all costs and expense incurred in connection with
any adult education program, recreation program, school food
services program, new buildings, new grounds, and
transportation.

(2) The board of public education shall administer and

1 distribute the state equalization aid in the manner and with
 2 the powers and duties provided by law. To this end, the
 3 board of public education shall:

4 (a) adopt policies for regulating the distribution of
 5 state equalization aid in accordance with the provisions of
 6 law and in a manner that would most effectively meet the
 7 financial needs of districts;

8 (b) have the power to require such reports from the
 9 county superintendents, budget boards, county treasurers,
 10 and trustees as it may deem necessary; and

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

21 (3) Should a district receive more state equalization
 22 aid than it is entitled to, the county treasurer must return
 23 the overpayment to the state upon the request of the
 24 superintendent of public instruction in the manner
 25 prescribed by the department of commerce.

1 ~~(4) The first payment of state equalization aid must~~
 2 be:

3 ~~(a) based on an estimate of 20% of each district's~~
 4 ~~entitlement; and~~

5 ~~(b) distributed by July 15 of the school fiscal year;~~

6 (4) State equalization aid must be distributed every 2
 7 months in five equal payments, with:

8 (a) the first payment:

9 (i) distributed by July 31 of the school fiscal year;

10 and

11 (ii) based on an estimate of 20% of each district's
 12 entitlement; and

13 (b) the last payment distributed by March 31 of the
 14 school fiscal year."

15 NEW SECTION. SECTION 3. TRANSITION -- APPLICABILITY.

16 (1) A SCHOOL DISTRICT MAY REDUCE ITS GENERAL FUND CASH
 17 RESERVE IN THREE EQUAL INCREMENTS, ONE INCREMENT EACH SCHOOL
 18 FISCAL YEAR.

19 (2) THE PROVISIONS OF 20-9-104 ARE APPLICABLE TO EVERY
 20 SCHOOL DISTRICT AFTER JUNE 30, 1990.

21 NEW SECTION. SECTION 4. EXTENSION OF AUTHORITY. ANY
 22 EXISTING AUTHORITY OF THE BOARD OF PUBLIC EDUCATION TO MAKE
 23 RULES ON THE SUBJECT OF THE PROVISIONS OF THIS ACT IS
 24 EXTENDED TO THE PROVISIONS OF THIS ACT.

25 NEW SECTION. SECTION 5. EFFECTIVE DATE. THIS ACT IS

SB 0199/02

1 EFFECTIVE JULY 1, 1987.

-End-

1 SENATE BILL NO. 199

2 INTRODUCED BY B. BROWN, PECK, GRADY, HARPER,
3 MCCALLUM, SANDS, MILES, DONALDSON, NEUMAN,
4 NELSON, COMPTON, FARRELL, BLAYLOCK, REGAN

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6 A BILL FOR AN ACT ENTITLED: "AN ACT ~~TO LIMIT~~ LIMITING THE
7 GENERAL FUND CASH RESERVE OF A SCHOOL DISTRICT TO 15 20
8 PERCENT OF THE GENERAL FUND BUDGET FOR THE ENSUING SCHOOL
9 FISCAL YEAR; ESTABLISHING A SCHEDULE OF PAYMENTS FOR
10 DISTRIBUTION OF EQUALIZATION AID; PROVIDING A TRANSITION
11 PERIOD; AND AMENDING SECTION SECTIONS 20-9-104 AND 20-9-344,
12 MCA; AND PROVIDING AN APPLICABILITY DATE AND AN EFFECTIVE
13 DATE."

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

16 Section 1. Section 20-9-104, MCA, is amended to read:

17 "20-9-104. General fund cash reserve. (1) At the end
18 of each school fiscal year, the trustees of each district
19 shall designate what portion of the general fund
20 end-of-the-year cash balance shall be earmarked as cash
21 reserve for the purpose of paying general fund warrants
22 issued by the district from July 1 to November 30 of the
23 ensuing school fiscal year. The amount of the general fund
24 cash balance that is earmarked as cash reserve shall not
25 exceed ~~35%~~ 15% 20% of the final general fund budget for the

1 ensuing school fiscal year and shall not be used for
2 property tax reduction in the manner permitted by
3 20-9-141(1)(b) for other receipts. Any portion of the
4 general fund end-of-the-year cash balance that is not
5 earmarked for cash reserve purposes shall be cash
6 reappropriated which shall be used for property tax
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8 (2) IF STATE EQUALIZATION AID IS LESS THAN 25% OF THE
9 FOUNDATION PROGRAM REVENUE GENERATED IN A COUNTY PURSUANT TO
10 20-9-331 AND 20-9-333, THEN THE CASH RESERVE FUND MAY NOT
11 EXCEED 35% OF THE FINAL GENERAL FUND BUDGET FOR THE ENSUING
12 SCHOOL FISCAL YEAR."

13 SECTION 2. SECTION 20-9-344, MCA, IS AMENDED TO READ:

14 "20-9-344. Purpose of state equalization aid and
15 duties of the board of public education for distribution --
16 conditions of first payment. (1) The money available for
17 state equalization aid shall be distributed and apportioned
18 to provide an annual minimum operating revenue for the
19 elementary and high schools in each county, exclusive of
20 revenues required for debt service and for the payment of
21 any and all costs and expense incurred in connection with
22 any adult education program, recreation program, school food
23 services program, new buildings, new grounds, and
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25 (2) The board of public education shall administer and

1 distribute the state equalization aid in the manner and with
2 the powers and duties provided by law. To this end, the
3 board of public education shall:

4 (a) adopt policies for regulating the distribution of
5 state equalization aid in accordance with the provisions of
6 law and in a manner that would most effectively meet the
7 financial needs of districts;

8 (b) have the power to require such reports from the
9 county superintendents, budget boards, county treasurers,
10 and trustees as it may deem necessary; and

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

21 (3) Should a district receive more state equalization
22 aid than it is entitled to, the county treasurer must return
23 the overpayment to the state upon the request of the
24 superintendent of public instruction in the manner
25 prescribed by the department of commerce.

1 ~~{4}--The first payment of state equalization aid must~~
2 ~~be:~~

3 ~~{a}--based on an estimate of 20% of each district's~~
4 ~~entitlement; and~~

5 ~~{b}--distributed by July 15 of the school fiscal year.~~

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12 entitlement; and

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22 EXISTING AUTHORITY OF THE BOARD OF PUBLIC EDUCATION TO MAKE
23 RULES ON THE SUBJECT OF THE PROVISIONS OF THIS ACT IS
24 EXTENDED TO THE PROVISIONS OF THIS ACT.

25 NEW SECTION. SECTION 5. EFFECTIVE DATE. THIS ACT IS

SB 0199/02

1 EFFECTIVE JULY 1, 1987.

-End-

STANDING COMMITTEE REPORT

HOUSE

MARCH 23, 19 87

Mr. Speaker: We, the committee on EDUCATION AND CULTURAL RESOURCES

report SENATE BILL NO. 199

- do pass
- do not pass
- be concurred in
- be not concurred in
- as amended
- statement of intent attached

Jack Sands
 REP. JACK SANDS, Chairman

LIMIT CASH RESERVE FUND OF A SCHOOL DISTRICT TO 15% OF GENERAL FUND BUDGET

1. Title, line 9.
 Following: "YEAR"
 Insert: ", WITH CERTAIN EXCEPTIONS"
2. Page 1, line 23.
 Strike: "The"
 Insert: "Except as provided in subsection (2), the"
3. Page 2, lines 8 to 10.
 Following: "(2)"
 Strike: remainder of line 8 through "THE" on line 10
 Insert: "The"
4. Page 2, line 12.
 Following: "YEAR"
 Insert: "if:
 (a) state equalization aid is less than 25% of the foundation program revenue generated in a county pursuant to 20-9-331 and 20-9-333; or
 (b) the district receives payment of protested taxes or nontax revenue that was due the district for a previous school fiscal year and the payment exceeds 20% of the final general fund budget for the ensuing school fiscal year."

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REP. NELSON WILL CARRY THIS BILL IN THE HOUSE OF REPRESENTATIVES

THIRD reading copy (BLUE color)

ms