SB 322  INTRODUCED BY NEUMAN, REGAN, ECK, ET AL.
REORGANIZE SCHOOL DISTRICTS; CREATE STATE AND LOCAL
REORGANIZATION COMMITTEES

2/11  INTRODUCED
2/11  REFERRED TO EDUCATION & CULTURAL RESOURCES
2/11  FISCAL NOTE REQUESTED
2/16  HEARING
2/18  FISCAL NOTE RECEIVED
2/20  TABLED IN COMMITTEE
INTRODUCED BY

WHEREAS, there is widespread public interest in Montana in recognizing the economic reality of limited financial resources within the state, even for funding such an important public obligation as the state's public school system; and

WHEREAS, much public dialogue about conserving the state's limited resources and providing a basic quality public school system has centered on the possibility of more cost-effective organization and administration of the state's numerous school districts; and

WHEREAS, it is possible and desirable to reorganize the state's school districts and their many functions in order to deliver an adequate educational system in a more cost-effective manner.

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

Section 1. Short title. [This act] may be cited as the "School District Reorganization Act".

Section 2. Purpose. The purpose of [this act] is to:

(1) reorganize and improve the school districts in Montana by reducing the number of school districts while maintaining as many attendance units as are in the best interest of pupils who now attend such units;

(2) simplify and make more efficient the administration of the public elementary and secondary schools of the state;

(3) provide that all school districts be part of a unified system, offering a program of instruction from kindergarten through grade 12;

(4) provide adequate, more equalized funding to the school districts to ensure that the districts will be able to provide the basic quality education required by the Montana constitution and to meet the standards of school accreditation established by the board of public education as the basic instructional program for the public schools of Montana;
(5) guarantee that any state or local cost savings that result from implementation of [this act] will be shared between the school districts and the property taxpayers of the districts;

(6) provide the conditions and prerequisites for the creation of new school districts for the purposes of [this act];

(7) distribute more equitably to the taxpayers of the state the cost of public school education;

(8) establish the procedures and official agencies by which the purposes of [this act] may be accomplished;

(9) provide for the establishment of trustee districts within a school district created under the provisions of [this act]; and

(10) promote revision of any school laws of Montana that require revision for compliance with the purposes of [this act].

Section 3. Definitions. As used in [this act], the following definitions apply:

(1) "Abolished district" means a district that ceases to exist after the effective date for abolition of districts as provided in [section 13].

(2) "Altered district" means a district that continues to exist under the provisions of [this act] and from which territory is detached and annexed to one or more successor districts.

(3) "Area" means the territory encompassed by each regional committee.

(4) "Attendance center" means a school building of a district that is being used for pupil instruction.

(5) "County committee" means a county school reorganization committee created in [section 10].

(6) "Regional committee" means a regional school reorganization committee created in [section 8] and composed of the counties or portions of counties assigned to the regional committee by the state commission as provided in [section 6].

(7) "Regional plan" means a school district reorganization plan proposed by a regional committee and submitted to the state commission as provided in [section 12].

(8) "State commission" means the Montana school reorganization commission created in [section 4].

(9) "Successor district" means a district that is created or continued under the provisions of [this act] and to which territory of an abolished or altered district is annexed.

Section 4. Creation and termination of state commission. (1) There is a Montana school reorganization commission.
(2) The state commission is composed of nine members appointed by the governor. The governor shall appoint the members of the state commission no later than June 1, 1987.

(3) The membership must include:
   (a) one classroom teacher;
   (b) one member of a school board of trustees;
   (c) one school administrator;
   (d) one member of the board of public education; and
   (e) one member of the public from each of the public service commission districts set forth in 69-1-104.

(4) The governor shall select the chairman and vice-chairman from the membership of the state commission, who shall be voting members of the commission.

(5) The state commission terminates July 1, 1989, unless its term is extended by the 51st legislature.

Section 5. Organization of state commission. (1) The governor shall call the first meeting of the state commission no later than July 1, 1987.

(2) The superintendent of public instruction shall provide staff to the commission to perform the following duties:
   (a) offer technical assistance when requested;
   (b) keep appropriate minutes and records of all proceedings, decisions, and actions of the state commission; and
   (c) preserve all correspondence, maps, exhibits, and other material submitted to or produced by the state commission.

(3) The state commission shall meet as often as necessary for the performance of its duties prescribed by [this act].

(4) A majority of the members of the state commission constitutes a quorum for the transaction of business.

Section 6. Powers and duties of state commission. The state commission shall:

(1) organize, direct, and coordinate the work of reorganizing the school districts of the state in accordance with the provisions of [this act] and with implementation by the board of public education as provided in [section 23];

(2) determine the area to be encompassed by each regional committee;

(3) approve each regional plan, including setting the boundaries of each district that is created or continued, in order to establish a statewide school district reorganization plan;

(4) require that each regional plan is based on the criteria provided in [section 16] and includes consideration of the topic set forth in [section 12(2)];

(5) prescribe, when necessary, additional procedures consistent with [this act] to be followed by regional
committees, county committees, and school districts;

(6) consult with and advise the regional and county committees in performing the duties of the regional and county committees in accordance with this act;

(7) provide a final report to the governor, the board of public education, and the legislature by no later than July 1, 1988, containing at least the following:

(a) the final actions of the commission;

(b) the final boundaries of each school district created or continued under the provisions of this act; and

(c) any recommendations to the legislature and the board of public education for further policy and statutory changes that would enhance the purposes of this act;

(8) establish any subcommittees necessary for the purposes of this act;

(9) require that each regional committee report from time to time on the progress of the committee in formulating a regional plan for the area and take such steps as are necessary to expedite the work of the regional committee;

(10) (a) examine each regional plan submitted under the provisions of section 12;

(b) approve, disapprove, or recommend modification of each plan by majority action of the state commission; and

(c) provide notice to a regional committee of approval, disapproval, or recommended modification by the state commission for a regional plan;

(11) hold a joint meeting with a regional committee or committees if the state commission recommends modification of a regional plan or plans, to resolve disputes within the plan. The decision of the state commission on any dispute is final.

(12) perform the necessary work of redistricting the area of a regional committee if the regional committee fails to complete its work and to submit a plan to the state commission by March 1, 1988;

(13) report to the board of public education at least twice a year on the progress of the regional plans and other duties of the state commission; and

(14) grant special approval within a regional plan for any school district that may be created or continued but that does not meet the requirements of section 16.

Section 7. Compensation and expenses of members of state commission and regional committees. (1) The appointed members of the state commission and the regional committees shall receive travel expenses as provided in 2-18-501 through 2-18-503 for each day of attendance at a commission or committee meeting or in performance of any duty or service as a commission or committee member.

(2) The appointed members of the state commission shall receive compensation as provided in 2-15-124 for each...
day of attendance at a commission meeting or in performance of any duty or service as a commission member.

Section 8. Creation of regional school reorganization committees. The state commission shall:
(1) determine the area to be encompassed by each regional school reorganization committee using county boundaries and school district boundaries to determine the areas whenever possible; and
(2) include entire counties within each area, unless geographic or demographic conditions exist that suggest that a portion of a county should be included in the area of another regional committee. For the purpose of this subsection, an existing joint school district with an attendance center that is over 20 miles from the attendance center of another district must be included in the same area.

Section 9. Members of county and regional committees -- district representatives. (1) The county commissioners of each county shall appoint, by no later than July 1, 1987:
(a) the county superintendent of schools as a member of the county committee; and
(b) six trustees of operating school districts in the county to be members of the county committee and the regional committee to which the county is assigned. Each class of school district in the county, as provided in 20-6-201 and 20-6-301, must be represented by two trustees from districts of that class. In any county in which only two classes of district exist, three trustees must be appointed from each class. In any county in which only one class of district exists, six trustees must be appointed from districts of the existing class.
(2) Each school district board of trustees in a county may appoint an official representative to attend any meeting of a county or regional committee.

Section 10. Purpose and organization of county committee. (1) Each county must have a county committee to recommend to the regional committee to which it is assigned a county plan for reorganizing the county school districts. Each county plan must include consideration of the topics required in [section 12(2)].
(2) Each county committee shall:
(a) be organized in the manner provided in [section 11] for a regional committee;
(b) hold its first meeting by August 1, 1987;
(c) hold a public meeting on the recommended county plan prior to submission of the recommendations to the regional committee or committees to which the county is assigned; and
(d) submit a recommended school reorganization plan to the regional committee by January 1, 1988.
Section 11. Organization of regional committee. (1) Each regional committee shall hold its first meeting by September 1, 1987.

(2) At the first meeting, the regional committee shall:

(a) organize by electing a chairman and vice-chairman, who shall hold each position for the life of the committee; and

(b) establish by resolution the time for the holding of regular meetings.

(3) The chairman of a regional committee:

(a) may call a special meeting of the committee upon no less than 3 days' notice to the members and the public; and

(b) shall cause a notice to be made of each meeting of the committee at least 3 days before the meeting in a newspaper of general circulation in the area, with supplemental publication on radio or television if such notice is considered to be in the public interest.

(4) The regional committee shall keep minutes of the meetings and preserve any records, correspondence, maps, exhibits, and other materials produced by or submitted to the committee.

(5) A majority of the members of a regional committee constitutes a quorum.

(6) The regional committee terminates July 1, 1989, unless the term is extended by the 51st legislature.

Section 12. Powers and duties of regional committee. Each regional committee shall:

(1) review each county committee's recommended reorganization plan submitted under [section 10] and prepare a detailed regional redistricting plan in accordance with the purposes of [this act] and the requirements of [section 16];

(2) require that the county committee's recommendations for reorganization include consideration of:

(a) potential cost savings of any school reorganization recommended by the county committee;

(b) transportation plans and the potential cost of such plans;

(c) possible coordination or consolidation of administrative costs and duties;

(d) teacher and staff salary adjustments, if necessary;

(e) educational improvements made possible by a recommended school reorganization; and

(f) possible social or economic impacts on the communities involved in any proposed district reorganization;

(3) perform the following duties in preparation of a
regional plan:
(a) define and map the boundaries of each school district created or continued by the regional plan;
(b) designate each district by consecutive numbers;
(c) determine the method of apportionment, distribution, and assumption of property and indebtedness of school districts affected by the plan, in the manner prescribed in [sections 19 through 21]; and
(d) analyze and include the information required of counties in subsection (2);
(4) hold a public meeting on the proposed regional plan before the plan is submitted to the state commission as provided in [section 6];
(5) meet with any other regional committee on matters of mutual concern; and
(6) report to the state commission on the progress of its work or related matters when requested.

Section 13. Effective dates of state school district reorganization plan. (1) No regional plan is effective until the plan has been formally approved by the state commission.
(2) All school districts that are created or continued by a regional plan and approved by the state commission on or before June 30, 1989, come into existence at midnight on June 30, 1989, and any school district to be abolished by a regional plan and approved by the state commission or

Section 14. Moratorium on trustee elections. (1) A school district may not elect a trustee in 1989 until a regional plan providing for the continued existence of the district is approved by the state commission. A trustee of a school district that continues in existence after June 30, 1989, under an approved regional plan shall hold office until a successor is elected and qualified.
(2) A school district that is created under a regional plan approved by the state commission shall elect a board of trustees who shall qualify and take office after such election. The election must be called and held in the manner provided in [section 22].
(3) The elected trustees of a district created under an approved plan shall coordinate with the trustees of any affected district to prepare a budget and operation plan for the new district.

Section 15. Contracts protected -- consideration as property. (1) A district superintendent, principal, teacher, or other employee of a school district who has a continuing contract or right of tenure under Montana law is protected and the board of trustees of the district in which the person will perform duties shall recognize and give effect to such contract or right of tenure.
Section 16. Minimum requirements for school districts. No school district may be created after passage and approval of [this act], either by approval by the state commission of a regional plan or in any other manner, unless the district meets the following requirements at the time of creation or is granted a variance from such requirements as allowed in [section 6(14)]:

1. The school district must have and maintain within its boundaries one or more accredited high schools. To comply with this subsection, a high school must have at least an average number belonging of 100 or more, unless the high school has been granted approval by the state commission as provided in [section 6(14)].

2. The taxable valuation of a school district must be sufficient to provide an adequate and equitable property tax base.

3. All territory of a school district must be contiguous.

4. Each school district created or continued by an approved regional plan must be created or continued in such a manner as to ensure that Montana continues to receive the maximum amount of federal funds allocated in 20-9-143.

Section 17. Restrictions on state funding. After June 30, 1989, a school district:

1. may not receive state funding if the district has not been created or continued according to the purposes and procedures of [this act]; and

2. must aggregate the ANB of the district for calculating state funding under Title 20.

Section 18. Disposition of records of abolished school districts. All files and records of a school district that is abolished by a regional plan approved by the state commission must be lodged with the school district that encompasses the largest portion of the abolished school district.

Section 19. Annexation of abolished district into single district. (1) When the territory of an abolished district becomes a part of the territory of one successor district, all of the tangible property, real and personal, of the abolished district becomes the property of the successor district and all funds remaining to the credit of the abolished district after providing for payment of outstanding debts, except bonded indebtedness, must be transferred to the successor district.

(2) Any unpaid taxes levied against property in the
abolished district must be credited to the successor district as follows:

(a) taxes levied for the retirement of bonded indebtedness must be credited to the sinking fund for such bonds if any portion remains unpaid, or if the indebtedness has been paid in full, the payment must be credited to the general fund of the successor district; and

(b) all other unpaid taxes levied for the abolished district must be credited to the general fund of the successor district.

Section 20. Annexation of abolished district to two or more successor districts. When the territory of an abolished district is annexed to and becomes part of two or more successor districts, all of the tangible property, real and personal, must be apportioned in the following manner:

(1) Property of the abolished district that is situated in the portion of the territory of the abolished district annexed to a successor district must become the property of the successor district receiving the territory in which the property is situated.

(2) The value of all tangible property of an abolished district and the intangible property not having a fixed value must be determined and established in the regional plan, subject to approval by the state commission. If no agreement can be reached, appraisers may be appointed by the district court of the county in which the property is located, and such appraisers shall make an appraisal and report on such property.

(3) The total value of tangible and intangible property of the abolished district must be determined and each successor district must be entitled to share in the assets of the abolished district in the ratio that the total taxable value of the abolished territory annexed to the successor district bears to the total taxable value of the abolished district. If, because of the valuation of tangible property situated in a successor district, such successor district will receive a greater share of the assets of the abolished district than its proportionate share based on the ratio of taxable valuation, the successor district shall issue warrants to a successor district receiving less than its proportionate share of assets of the abolished district in an amount equal to the excess.

(4) All indebtedness of the abolished district, except bonded indebtedness, remaining unpaid after applying all available funds must be the joint and several liability of the successor districts and the indebtedness must be apportioned to and assumed by the districts in the same ratio that the total taxable valuation of the territory of the abolished district annexed to a successor district bears to the total taxable valuation of the abolished district.
(5) Any bonded indebtedness of the abolished district remains an indebtedness against all of the taxable property within the territory of the abolished district against which such bonds were originally issued and must be paid out of levies to be made against such taxable property.

Section 21. Territory detached from altered district.

(1) The property and funds, including subsequent tax receipts and surplus left in sinking funds after payment of bonds, from an altered district must be distributed, apportioned, and transferred in the same manner as provided in [section 20]. The altered district must retain the same proportion of its tangible and intangible property and funds as it would receive if it were a successor district.

(2) All indebtedness, except bonded indebtedness, of an altered district remaining unpaid after applying all available funds must be apportioned to the altered district and the successor district or districts in the same ratio that the total taxable valuation of the territory of the altered district annexed bears to the total taxable valuation of the altered district before its change of boundaries. The entire indebtedness of the altered district remains the primary obligation of the altered district, but the trustees of each successor district shall issue a warrant equal to the amount of indebtedness apportioned to each successor district, which warrants must be paid if funds are available or shall thereafter draw interest as for other warrants.

(3) The altered district shall set a levy to pay the principal and interest of such warrants as soon as possible. A special levy for this purpose may be called by the trustees without submitting a proposition to the electors of the district.

(4) Any bonded indebtedness of the altered district remains an indebtedness against all of the taxable property within the territory of the district before it was altered.

Section 22. Board of trustees. (1) Each school district created or continued by a regional plan as approved by the state commission must have a board of seven trustees.

(2) The district must be divided into trustee districts, as compact and equal in population and area as possible, using the latest federal decennial census.

(3) A trustee must be nominated from each of the trustee districts and elected by a vote of the qualified electors of the trustee district.

Section 23. Implementation by board of public education. The board of public education shall implement the reorganization plan approved by the state commission for the reorganization of school districts in Montana.

Section 24. Implementation dates. It is the intent of the legislature to establish the following implementation
dates for the purposes of this act:

(1) The governor shall appoint the state commission by June 1, 1987, as provided in [section 4].

(2) The county commissioners of each county shall appoint the members of the county committee by July 1, 1987, as provided in [section 9].

(3) Each county committee shall submit a recommended school reorganization plan to the regional committee to which it is assigned by January 1, 1988, as provided in [section 10].

(4) Each regional committee shall submit a regional school reorganization plan to the state commission by March 1, 1988, as provided in [section 6].

(5) The state commission must approve each regional plan and provide a final report to the governor, legislature, and board of public education by July 1, 1988, as provided in [section 6].

(6) The board of public education shall implement the reorganization plans following the submission of the final report of the state commission.

(7) A school district created or continued by an approved regional plan shall elect a board of trustees and coordinate with the trustees of any district affected by the creation or continuation of the district.

(8) All school districts created or continued by a regional plan shall come into existence at midnight on June 30, 1989, as provided in [section 13].

Section 25. Code commissioner instructions. For the purpose of this act, the code commissioner shall review and identify all sections of the Montana Code Annotated that require revision for compliance with this act.

Section 26. Effective date. This act is effective on passage and approval.

-End-
STATE OF MONTANA - FISCAL NOTE
Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for SB322, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:
An act to reorganize and improve the public school system of the state; to create a school reorganization commission and regional and county school reorganization committees to accomplish the reorganization of school districts; to define minimum requirements for creation of school districts; to provide for disposition of property and debts of altered or abolished districts; to provide effective dates for creation and continuation of school districts.

ASSUMPTIONS:
1. No district consolidations will take place in the 1989 biennium.
2. Professional and clerical staff time would be provided by existing staff from the Office of Public Instruction.
3. Additional travel expenses would be required for OPI staff, and the Board of Public Education.
4. Assume 10 meetings in FY88, 20 meetings in FY89. Each meeting will last an average of two days.
5. Per diem and travel expenses would be required for nine members of state commission.
6. Regional committee costs will be paid from district budgets.

FISCAL IMPACT:

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EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES:
Local costs for committee support would be substantial due to the number of members required and the required payment of travel expenses. Because the exact number of regional committees and their exact size is not known, specific dollar impact cannot be estimated.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:
It is not possible to determine the long term fiscal impact of this legislation until the new districts are established. It is reasonable to assume that there will be savings to the state general fund if small high schools consolidate into larger entities.

TECHNICAL OR MECHANICAL DEFECTS IN PROPOSED LEGISLATION OR CONFLICTS WITH EXISTING LEGISLATION:
Section 17(1) prohibits provision of state funding to any district that has not been created or continued by the provisions of this act. This provision may conflict with Article 10, Section 104 of the state constitution.

DAVID L. HUNTER, BUDGET DIRECTOR
Office of Budget and Program Planning

TED NEUMAN, PRIMARY SPONSOR

Fiscal Note for SB322, as introduced.