

SENATE BILL 20

Introduced by Nathe, et al.

6/20	Introduced
6/20	Referred to Education & Cultural Resources
6/21	Fiscal Note Requested
6/22	Hearing
6/27	Fiscal Note Received
6/29	Fiscal Note Printed Died in Committee

1 20-9-506, 20-10-104, 20-10-141 THROUGH 20-10-145, 23-5-1027,
 2 AND 90-6-309, MCA, AND SECTION 12, CHAPTER 666, LAWS OF
 3 1987; REPEALING SECTIONS 20-9-105, 20-9-352, 20-9-501,
 4 20-9-531, 20-9-532, AND 20-10-146, MCA; AND PROVIDING
 5 EFFECTIVE DATES AND APPLICABILITY DATES."

6
 7 STATEMENT OF INTENT

8 It is the intent of the legislature to enhance equality
 9 of educational opportunity for students in the elementary
 10 schools and secondary schools of Montana by revising the
 11 school funding laws to provide greater equalization of the
 12 funding available to school districts and to promote
 13 equalization of school district expenditures per student.
 14 It is the further intent of the legislature to preserve
 15 local control of the public school system, as guaranteed by
 16 Montana's constitution.

17 For these purposes, the legislature determines to
 18 equalize funding aid to the school districts through the
 19 foundation program schedules for the school fiscal year
 20 ending June 30, 1991, and succeeding years in an amount
 21 equal to the following percentages of the total costs
 22 incurred by all the districts in the state in school fiscal
 23 year 1988: 100% of retirement, social security, and
 24 unemployment insurance, except costs associated with special
 25 education personnel; 90% of comprehensive insurance, after

1 subtracting Public Law 81-874 support for insurance, and 90%
 2 of general fund expenditures, after subtracting special
 3 education and Public Law 81-874 general fund support.
 4 Recognizing the disparate costs between districts for
 5 retirement fund obligations, the legislature determines that
 6 the trustees of districts that incur obligations for
 7 retirement, social security, and unemployment insurance in
 8 excess of 10% of their foundation program schedule amount
 9 may impose retirement deficiency levies for the excess
 10 amount.

11 The legislature also determines to include retirement
 12 and other benefits associated with the salaries of special
 13 education personnel as costs for which foundation program
 14 support for special education is allowed and determines to
 15 fully fund approved allowable costs for the special
 16 education programs of the school districts through the
 17 foundation program.

18 The legislature also determines to provide state
 19 funding for transportation costs in school fiscal year 1991
 20 in the amount provided by the statutory transportation
 21 schedules and to limit any overschedule amount in the
 22 transportation fund budget of each district to the
 23 overschedule amount of transportation expenditures in school
 24 fiscal year 1988, except as allowed by the superintendent of
 25 public instruction under 20-10-143(2) in case of emergency

1 or unusual circumstances. It is intended that the
 2 superintendent of public instruction adopt rules necessary
 3 to implement this provision, including rules that address
 4 the circumstances that may require a district to increase
 5 the transportation fund budget beyond the limitation, such
 6 as anticipated enrollment increases, the destruction or
 7 impairment of transportation property, the need for new or
 8 altered routes due to school population changes, or other
 9 extenuating circumstances. It is specifically intended that
 10 the rules allow appropriate increases for districts that
 11 have contracts containing escalator clauses with
 12 transportation providers.

13 The legislature recognizes its responsibility to devise
 14 an equalized system of school funding prior to July 1, 1989,
 15 and recognizes that measures in addition to the provisions
 16 in this bill are necessary to fully address equalization of
 17 funding and expenditures for transportation, retirement,
 18 capital improvements, and other needs of the districts.
 19 Because it is necessary to identify those factors that
 20 affect disparate expenditure patterns, to determine whether
 21 those factors are educationally relevant, and to develop
 22 data not currently available to devise methods of equitably
 23 funding those needs, the legislature determines that a study
 24 should be conducted, as provided in [sections 60 through
 25 65], and that equitable funding methods for these needs

1 should be addressed by the 52nd legislature.

2 The legislature acknowledges the constitutional
 3 guarantee of equal educational opportunity for each public
 4 school pupil in Montana. The legislature also acknowledges
 5 the sound policy considerations for empowering local
 6 trustees to supervise and control the schools in the
 7 district, as required by the Montana constitution.
 8 Therefore, to guarantee more equal expenditures per student
 9 in similarly sized schools throughout Montana, while also
 10 providing each district board of trustees the power to
 11 determine and meet the unique and individual needs of
 12 students and schools in the district, the legislature
 13 determines that it is reasonable and necessary to establish
 14 a maximum general fund budget limitation for each district,
 15 except as provided in 20-9-315, of 130% of the district's
 16 foundation program amount. Because of different
 17 circumstances that exist from district to district, the
 18 legislature finds that it is reasonable and necessary to
 19 permit that range of disparity in expenditures by similarly
 20 sized districts throughout the state.

21 The legislature intends that the current system of
 22 funding county equalization with elementary and high school
 23 levies and other revenue sources be maintained without
 24 change in order to preserve the current method of providing
 25 equalized local support of schools. The statutory

1 appropriation of all revenue earmarked to fund county
2 equalization does not affect the manner in which that
3 revenue is collected, controlled, and distributed to
4 districts by the county. It is intended that a district
5 eligible for federal funds under Title I of Public Law
6 81-874 will be able to maintain a local contribution rate as
7 required by 20 U.S.C. 238(d)(3)(C) for continuing
8 eligibility.

9 It is intended that while school districts may conduct
10 more than 180 days of instruction, a school district may not
11 receive foundation program support for more than 180 days of
12 pupil instruction.

13 Under 20-3-106, 20-9-102, 20-9-201, 20-9-211, and
14 20-9-213, the superintendent of public instruction is
15 authorized to supervise school financial administration and
16 to adopt rules establishing requirements for budgeting and
17 financial administration of public school districts,
18 including accounting and reporting requirements. Under
19 20-9-344, the board of public education has authority to
20 require any reports it considers necessary. It is intended
21 that school districts be required to maintain accounting
22 systems based on generally accepted accounting principles
23 and that the superintendent of public instruction adopt
24 rules necessary to implement the requirement. The
25 superintendent of public instruction shall provide training

1 and assistance to the districts as necessary to enable the
2 districts to comply.

3 It is intended that the districts be required to file
4 accurate and timely reports with the superintendent of
5 public instruction. Districts must be required to provide
6 student and school district data as may be required by the
7 superintendent of public instruction concerning the
8 condition of education in Montana, including personnel
9 information, student and school district demographics,
10 assessment of student and school district achievement, and
11 other appropriate educational factors necessary to enable
12 the legislature to assess the equality of educational
13 opportunity being provided by the public school districts
14 and to determine the amount of state aid to be distributed
15 to school districts. Districts shall also provide data to
16 meet grant requirements and other national reporting needs.

17 It is intended that the superintendent of public
18 instruction conduct training and provide forms for the
19 personnel responsible for completing reports. Whenever
20 possible, the superintendent of public instruction shall
21 develop methods for collecting educational data
22 electronically, using formats consistent with school
23 district data processing capabilities. The educational data
24 must be maintained in an electronic format easily accessible
25 by other state agencies and the legislature.

1 State equalization aid and county equalization money
2 may be withheld from school districts, as provided by
3 20-9-344, that do not comply with accounting and reporting
4 requirements.

5 It is intended that the superintendent of public
6 instruction employ additional personnel as necessary during
7 fiscal year 1990 and fiscal year 1991, not to exceed the
8 appropriation, for the purpose of establishing standard
9 accounting and reporting practices in the public school
10 districts.

11 The legislature determines that if county equalization
12 revenue is deficient because of noncollected tax payments,
13 state equalization aid may be provided to offset the
14 delinquency.

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

17 **Section 1.** Section 2-7-504, MCA, is amended to read:

18 "2-7-504. **Accounting methods.** The Unless otherwise
19 required by law, the department shall prescribe the general
20 methods and details of accounting for the receipt and
21 disbursement of all moneys money belonging to governmental
22 entities referred to in this part and shall establish in
23 those offices general methods and details of accounting.
24 All governmental entity officers shall conform with the
25 standards prescribed by the department."

1 **Section 2.** Section 15-1-501, MCA, is amended to read:

2 "15-1-501. **Disposition of moneys from certain**
3 **designated license and other taxes.** (1) The state treasurer
4 shall deposit to the credit of the state general fund all
5 moneys money received by him from the collection of:

6 (a) fees from driver's licenses, motorcycle
7 endorsements, and duplicate driver's licenses as provided in
8 61-5-121;

9 (b) electrical energy producer's license taxes under
10 chapter 51;

11 (c) severance taxes allocated to the general fund
12 under chapter 36;

13 (d) liquor license taxes under Title 16;

14 (e) telephone [company] license taxes under chapter
15 53; and

16 (f) inheritance and estate taxes under Title 72,
17 chapter 16.

18 (2) All moneys money received from the collection of
19 income taxes under chapter 30 of this title ~~shall~~ must be
20 deposited as follows:

21 (a) ~~50+2%~~ 52.9% to the credit of the state general
22 fund;

23 (b) ~~10%~~ 9.1% to the credit of the debt service account
24 for long-range building program bonds as described in
25 17-5-408; and

1 (c) ~~31.8%~~ 38% to the credit of the state special
2 revenue fund for state equalization aid to the public
3 schools of Montana as described in 20-9-343.

4 (3) All moneys money received from the collection of
5 corporation license and income taxes under chapter 31 of
6 this title, except as provided in 15-31-702, ~~shall~~ must be
7 deposited as follows:

8 (a) ~~64%~~ 52.9% to the credit of the state general fund;

9 (b) ~~11%~~ 9.1% to the credit of the debt service account
10 for long-range building program bonds as described in
11 17-5-408; and

12 (c) ~~25%~~ 38% to the credit of the state special revenue
13 fund for state equalization aid to the public schools of
14 Montana as described in 20-9-343.

15 (4) The state treasurer shall also deposit to the
16 credit of the state general fund all moneys money received
17 by him from the collection of license taxes, fees, and all
18 net revenues and receipts from all other sources under the
19 operation of the Montana Alcoholic Beverage Code.

20 (5) After the distribution provided for in 15-36-112,
21 the remainder of the oil severance tax collections ~~shall~~
22 must be deposited in the general fund."

23 **Section 3.** Section 15-10-402, MCA, is amended to read:

24 "15-10-402. Property tax limited to 1986 levels. (1)
25 Except as provided in subsections (2) and (3), the amount of

1 taxes levied on property described in 15-6-133, 15-6-134,
2 15-6-136, 15-6-139, 15-6-142, and 15-6-144 may not, for any
3 taxing jurisdiction, exceed the amount levied for taxable
4 year 1986.

5 (2) The limitation contained in subsection (1) does
6 not apply to levies for rural improvement districts, Title
7 7, chapter 12, part 21; special improvement districts, Title
8 7, chapter 12, part 41; elementary and high school
9 districts, Title 20; or bonded indebtedness.

10 (3) New construction or improvements to or deletions
11 from property described in subsection (1) are subject to
12 taxation at 1986 levels.

13 (4) As used in this section, the "amount of taxes
14 levied" and the "amount levied" mean the actual dollar
15 amount of taxes imposed on an individual piece of property,
16 notwithstanding an increase or decrease in value due to
17 inflation, reappraisal, adjustments in the percentage
18 multiplier used to convert appraised value to taxable value,
19 changes in the number of mills levied, or increase or
20 decrease in the value of a mill."

21 **Section 4.** Section 15-10-412, MCA, is amended to read:

22 "15-10-412. Property tax limited to 1986 levels --
23 clarification -- extension to all property classes. Section
24 15-10-402 is interpreted and clarified as follows:

25 (1) The limitation to 1986 levels is extended to apply

1 to all classes of property described in Title 15, chapter 6,
2 part 1.

3 (2) The limitation on the amount of taxes levied is
4 interpreted to mean that, except as otherwise provided in
5 this section, the actual tax liability for an individual
6 property is capped at the dollar amount due in each taxing
7 unit for the 1986 tax year. In tax years thereafter, the
8 property must be taxed in each taxing unit at the 1986 cap
9 or the product of the taxable value and mills levied,
10 whichever is less for each taxing unit, except in a taxing
11 unit that levied a tax in tax years 1983 through 1985 but
12 did not levy a tax in 1986, in which case the actual tax
13 liability for an individual property is capped at the dollar
14 amount due in that taxing unit for the 1985 tax year.

15 (3) The limitation on the amount of taxes levied does
16 not mean that no further increase may be made in the total
17 taxable valuation of a taxing unit as a result of:

- 18 (a) annexation of real property and improvements into
- 19 a taxing unit;
- 20 (b) construction, expansion, or remodeling of
- 21 improvements;
- 22 (c) transfer of property into a taxing unit;
- 23 (d) subdivision of real property;
- 24 (e) reclassification of property;
- 25 (f) increases in the amount of production or the value

1 of production for property described in 15-6-131 or
2 15-6-132;

3 (g) transfer of property from tax-exempt to taxable
4 status;

5 (h) revaluations caused by:

6 (i) cyclical reappraisal; or

7 (ii) expansion, addition, replacement, or remodeling of
8 improvements; or

9 (i) increases in property valuation pursuant to
10 15-7-111(4) through (8) in order to equalize property values
11 annually.

12 (4) The limitation on the amount of taxes levied does
13 not mean that no further increase may be made in the taxable
14 valuation or in the actual tax liability on individual
15 property in each class as a result of:

16 (a) a revaluation caused by:

17 (i) construction, expansion, replacement, or
18 remodeling of improvements that adds value to the property;
19 or

20 (ii) cyclical reappraisal;

21 (b) transfer of property into a taxing unit;

22 (c) reclassification of property;

23 (d) increases in the amount of production or the value
24 of production for property described in 15-6-131 or
25 15-6-132;

1 (e) annexation of the individual property into a new
2 taxing unit;

3 (f) conversion of the individual property from
4 tax-exempt to taxable status; or

5 (g) increases in property valuation pursuant to
6 15-7-111(4) through (8) in order to equalize property values
7 annually.

8 (5) Property in classes four, twelve, and fourteen is
9 valued according to the procedures used in 1986, including
10 the designation of 1982 as the base year, until the
11 reappraisal cycle beginning January 1, 1986, is completed
12 and new valuations are placed on the tax rolls and a new
13 base year designated, if the property is:

14 (a) new construction;

15 (b) expanded, deleted, replaced, or remodeled
16 improvements;

17 (c) annexed property; or

18 (d) property converted from tax-exempt to taxable
19 status.

20 (6) Property described in subsections (5)(a) through
21 (5)(d) that is not class four, class twelve, or class
22 fourteen property is valued according to the procedures used
23 in 1986 but is also subject to the dollar cap in each taxing
24 unit based on 1986 mills levied.

25 (7) The limitation on the amount of taxes, as

1 clarified in this section, is intended to leave the property
2 appraisal and valuation methodology of the department of
3 revenue intact. Determinations of county classifications,
4 salaries of local government officers, and all other matters
5 in which total taxable valuation is an integral component
6 are not affected by 15-10-401 and 15-10-402 except for the
7 use of taxable valuation in fixing tax levies. In fixing tax
8 levies, the taxing units of local government may anticipate
9 the deficiency in revenues resulting from the tax
10 limitations in 15-10-401 and 15-10-402, while understanding
11 that regardless of the amount of mills levied, a taxpayer's
12 liability may not exceed the dollar amount due in each
13 taxing unit for the 1986 tax year unless the taxing unit's
14 taxable valuation decreases by 5% or more from the 1986 tax
15 year. If a taxing unit's taxable valuation decreases by 5%
16 or more from the 1986 tax year, it may levy additional mills
17 to compensate for the decreased taxable valuation, but in no
18 case may the mills levied exceed a number calculated to
19 equal the revenue from property taxes for the 1986 tax year
20 in that taxing unit.

21 (8) The limitation on the amount of taxes levied does
22 not apply to the following levy or special assessment
23 categories, whether or not they are based on commitment
24 made before or after approval of 15-10-401 and 15-10-402:

25 (a) rural improvement districts;

1 (b) special improvement districts;
 2 (c) levies pledged for the repayment of bonded
 3 indebtedness, including tax increment bonds;
 4 (d) city street maintenance districts;
 5 (e) tax increment financing districts;
 6 (f) elementary and high school districts;
 7 ~~(f)~~(g) satisfaction of judgments against a taxing
 8 unit;
 9 ~~(g)~~(h) street lighting assessments; and
 10 ~~(h)~~(i) revolving funds to support any categories
 11 specified in this subsection (8).
 12 (9) The limitation on the amount of taxes levied does
 13 not apply in a taxing unit if the voters in the taxing unit
 14 approve an increase in tax liability following a resolution
 15 of the governing body of the taxing unit containing:
 16 (a) a finding that there are insufficient funds to
 17 adequately operate the taxing unit as a result of 15-10-401
 18 and 15-10-402;
 19 (b) an explanation of the nature of the financial
 20 emergency;
 21 (c) an estimate of the amount of funding shortfall
 22 expected by the taxing unit;
 23 (d) a statement that applicable fund balances are or
 24 by the end of the fiscal year will be depleted;
 25 (e) a finding that there are no alternative sources of

1 revenue;
 2 (f) a summary of the alternatives that the governing
 3 body of the taxing unit has considered; and
 4 (g) a statement of the need for the increased revenue
 5 and how it will be used.
 6 (10) The limitation on the amount of taxes levied does
 7 not apply to levies required to address the funding of
 8 relief of suffering of inhabitants caused by famine,
 9 conflagration, or other public calamity.
 10 (11) The limitation on the amount of taxes levied by a
 11 taxing jurisdiction subject to a statutory maximum mill levy
 12 does not prevent a taxing jurisdiction from increasing its
 13 number of mills beyond the statutory maximum mill levy to
 14 produce revenue equal to its 1986 revenue.
 15 (12) The limitation on the amount of taxes levied does
 16 not apply to a levy increase to repay taxes paid under
 17 protest in accordance with 15-1-402."
 18 **Section 5.** Section 15-30-108, MCA, is amended to read:
 19 "**15-30-108. (Temporary) Surtax.** After In addition to
 20 the amount of tax liability has-been computed as required in
 21 15-30-103, each person filing a Montana individual income
 22 tax return shall add as a surtax 10% of the tax liability,
 23 and--the--amount--so--arrived--at--is--the--amount--due--the--state--
 24 ~~(Terminates-December-31-1989--sec-127-Ch-6667-E-1987).~~"
 25 **Section 6.** Section 15-35-108, MCA, is amended to read:

1 *15-35-108. Disposal of severance taxes. Severance
2 taxes collected under this chapter must be allocated
3 according to the provisions in effect on the date the tax is
4 due under 15-35-104. Severance taxes collected under the
5 provisions of this chapter are allocated as follows:

6 (1) To the trust fund created by Article IX, section
7 5, of the Montana constitution, 50% of total coal severance
8 tax collections. The trust fund moneys shall be deposited
9 in the fund established under 17-6-203(5) and invested by
10 the board of investments as provided by law.

11 (2) Starting July 1, 1987, and ending June 30, 1993,
12 12% of coal severance tax collections are allocated to the
13 highway reconstruction trust fund account in the state
14 special revenue fund.

15 (3) Coal severance tax collections remaining after the
16 allocations provided by subsections (1) and (2) are
17 allocated in the following percentages of the remaining
18 balance:

19 (a) after June 30, 1991, 20% to the state special
20 revenue fund to the credit of the education trust fund
21 account and 17.5% to the credit of the local impact account.
22 Unencumbered funds remaining in the local impact account at
23 the end of each biennium are allocated to the education
24 trust-fund-account state special revenue fund for state
25 equalization aid to public schools of the state.

1 (b) 59.95% until June 30, 1991, and thereafter 10% to
2 the state special revenue fund for state equalization aid to
3 public schools of the state;

4 (c) after June 30, 1991, 1% to the state special
5 revenue fund to the credit of the county land planning
6 account;

7 (d) after June 30, 1991, 1 1/4% to the credit of the
8 renewable resource development bond fund;

9 (e) after June 30, 1991, 5% to a nonexpendable trust
10 fund for the purpose of parks acquisition or management,
11 protection of works of art in the state capitol, and other
12 cultural and aesthetic projects. Income from this trust fund
13 shall be appropriated as follows:

14 (i) 1/3 for protection of works of art in the state
15 capitol and other cultural and aesthetic projects; and

16 (ii) 2/3 for the acquisition, development, operation,
17 and maintenance of any sites and areas described in
18 23-1-102;

19 (f) 1% to the state special revenue fund to the credit
20 of the state library commission for the purposes of
21 providing basic library services for the residents of all
22 counties through library federations and for payment of the
23 costs of participating in regional and national networking;

24 (g) 1/2 of 1% to the state special revenue fund for
25 conservation districts;

1 (h) 1 1/4% to the debt service fund type to the credit
2 of the water development debt service fund;

3 (i) 2% to the state special revenue fund for the
4 Montana Growth Through Agriculture Act;

5 (j) all other revenues from severance taxes collected
6 under the provisions of this chapter to the credit of the
7 general fund of the state."

8 **Section 7.** Section 17-3-213, MCA, is amended to read:

9 "17-3-213. Allocation to general road fund and
10 countywide school levies. (1) The forest reserve funds so
11 apportioned to each county ~~shall~~ must be apportioned by the
12 county treasurer in each county ~~between-the-several-funds~~ as
13 follows:

14 (a) to the general road fund, 66 2/3% of the total
15 amount received;

16 (b) to the following countywide school levies, 33 1/3%
17 of the total sum received:

18 (i) ~~the-annual-basic-tax-levy~~ county equalization for
19 elementary schools provided for in 20-9-331; and

20 (ii) ~~the-annual-special-tax~~ county equalization for
21 high schools provided for in 20-9-333;

22 ~~(iii)-the-high-school-transportation-fund-provided-for~~
23 ~~in-20-10-143;~~

24 ~~(iv)-the-elementary-teacher-retirement-and-social~~
25 ~~security-fund-provided-for-in-20-9-501;~~

1 ~~(v)-the-high-school-teacher-retirement-and-social~~
2 ~~security-fund-provided-for-in-20-9-501.~~

3 (2) The apportionment of money to the funds provided
4 for under subsection (1)(b) ~~shall~~ must be made by the county
5 superintendent based on the proportion that the mill levy of
6 each fund bears to the total number of mills for all the
7 funds. Whenever the total amount of money available for
8 apportionment under this section is greater than the total
9 requirements of a levy, the excess money and any interest
10 income must be retained in a separate reserve fund, to be
11 reapportioned in the ensuing school fiscal year to the
12 levies designated in subsection (1)(b).

13 (3) In counties wherein in which special road
14 districts have been created according to law, the board of
15 county commissioners shall distribute a proportionate share
16 of the 66 2/3% of the total amount received for the general
17 road fund to such the special road ~~district-or~~ districts
18 within the county based upon the percentage that the total
19 area of such the road district bears to the total area of
20 the entire county."

21 **Section 8.** Section 17-5-408, MCA, is amended to read:

22 "17-5-408. Percentage of income, corporation license,
23 and cigarette tax pledged. (1) (a) The state pledges and
24 appropriates and directs to be credited as received to the
25 debt service account ~~10%~~ 9.1% of all money received from the

1 collection of the individual income tax and ~~11%~~ 9.1% of all
 2 money, except as provided in 15-31-702, received from the
 3 collection of the corporation license and income tax as
 4 provided in 15-1-501, and ~~such~~ any additional amount of ~~said~~
 5 those taxes, if any, as may at any time be needed to comply
 6 with the principal and interest and reserve requirements
 7 stated in 17-5-405(4).

8 (b) No more than the percentages described in
 9 subsection (1)(a) of ~~such~~ the tax collections may be pledged
 10 for the purpose of 17-5-403(2). The pledge and appropriation
 11 ~~herein made shall-be-and-remain-at-all-times~~ in this section
 12 is a first and prior charge upon all money received from the
 13 collection of ~~said~~ the taxes.

14 (2) The state pledges and appropriates and directs to
 15 be credited to the debt service account 70.89% of all money
 16 received from the collection of the excise tax on cigarettes
 17 which is levied, imposed, and assessed by 16-11-111. The
 18 state also pledges and appropriates and directs to be
 19 credited as received to the debt service account all money
 20 received from the collection of the taxes on other tobacco
 21 products which are or may hereafter be levied, imposed, and
 22 assessed by law for that purpose, including the tax levied,
 23 imposed, and assessed by 16-11-202. Nothing ~~herein-shall~~
 24 impair in this section impairs or otherwise affect affects
 25 the provisions and covenants contained in the resolutions

1 authorizing the presently outstanding long-range building
 2 program bonds. Subject to the provisions of the preceding
 3 sentence, the pledge and appropriation ~~herein-made-shall--be~~
 4 ~~and--remain-at-all-times~~ made in this section is a first and
 5 prior charge upon all money received from the collection of
 6 all taxes referred to in this subsection (2)."

7 **Section 9.** Section 17-5-704, MCA, is amended to read:

8 "17-5-704. Investment of funds. ~~{1}~~ Money in the coal
 9 severance tax bond fund, the coal severance tax permanent
 10 fund, and the coal severance tax income fund must be
 11 invested in accordance with the investment standards for
 12 coal severance tax funds ~~except-as--provided--in--subsection~~
 13 ~~{2}~~. Income and earnings from all funds must be transferred
 14 to and retained in the coal severance tax income fund until
 15 appropriated by the legislature.

16 ~~{2}--Except-as-provided-in-section-17-Chapter-6347-baws~~
 17 ~~of--1989--beginning--on-July-17-1989--the-legislature-shall~~
 18 ~~appropriate-15%--of--the--income--and--earnings--from--all--funds--to~~
 19 ~~be-deposited-to-the-coal-severance-tax-permanent--fund--each~~
 20 ~~year.--The--funds--appropriated--to--the--coal-severance-tax~~
 21 ~~permanent-fund-under-this--subsection--may--not--be--further~~
 22 ~~appropriated--except-by-vote-of-three-fourths-of-the-members~~
 23 ~~of--each--house--of--the--legislature--"~~

24 **Section 10.** Section 17-7-502, MCA, is amended to read:

25 "17-7-502. Statutory appropriations -- definition --

1 requisites for validity. (1) A statutory appropriation is an
 2 appropriation made by permanent law that authorizes spending
 3 by a state agency without the need for a biennial
 4 legislative appropriation or budget amendment.

5 (2) Except as provided in subsection (4), to be
 6 effective, a statutory appropriation must comply with both
 7 of the following provisions:

8 (a) The law containing the statutory authority must be
 9 listed in subsection (3).

10 (b) The law or portion of the law making a statutory
 11 appropriation must specifically state that a statutory
 12 appropriation is made as provided in this section.

13 (3) The following laws are the only laws containing
 14 statutory appropriations: 2-9-202; 2-17-105; 2-18-812;
 15 10-3-203; 10-3-312; 10-3-314; 10-4-301; 13-37-304;
 16 15-25-123; 15-31-702; 15-36-112; 15-37-117; 15-70-101;
 17 16-1-404; 16-1-410; 16-1-411; 17-3-212; 17-5-404; 17-5-424;
 18 17-5-804; 19-8-504; 19-9-702; 19-9-1007; 19-10-205;
 19 19-10-305; 19-10-506; 19-11-512; 19-11-513; 19-11-606;
 20 19-12-301; 19-13-604; 20-6-406; 20-8-111; [section 58];
 21 23-5-306; 23-5-409; 23-5-610; 23-5-612; 23-5-1016;
 22 23-5-1027; 27-12-206; 37-51-501; 39-71-2504; 53-6-150;
 23 53-24-206; 61-2-406; 61-5-121; 67-3-205; 75-1-1101;
 24 75-5-1108; 75-11-313; 76-12-123; 80-2-103; 82-11-136;
 25 82-11-161; 90-3-301; 90-4-215; 90-4-613; 90-6-331; 90-9-306;

1 and section 13, House Bill No. 861, Laws of 1985.

2 (4) There is a statutory appropriation to pay the
 3 principal, interest, premiums, and costs of issuing, paying,
 4 and securing all bonds, notes, or other obligations, as due,
 5 that have been authorized and issued pursuant to the laws of
 6 Montana. Agencies that have entered into agreements
 7 authorized by the laws of Montana to pay the state
 8 treasurer, for deposit in accordance with 17-2-101 through
 9 17-2-107, as determined by the state treasurer, an amount
 10 sufficient to pay the principal and interest as due on the
 11 bonds or notes have statutory appropriation authority for
 12 such payments. (In subsection (3), pursuant to sec. 10, Ch.
 13 664, L. 1987, the inclusion of 39-71-2504 terminates June
 14 30, 1991.)"

15 **Section 11.** Section 19-4-605, MCA, is amended to read:

16 "19-4-605. Pension accumulation fund -- employer's
 17 contribution. The pension accumulation fund is the fund in
 18 which the reserves for payment of pensions and annuities
 19 shall must be accumulated and from which pensions,
 20 annuities, and benefits in lieu thereof--~~shall~~ of pensions
 21 and annuities must be paid to or on account of beneficiaries
 22 credited with prior service. Contributions to and payments
 23 from the pension accumulation fund shall must be made as
 24 follows:

25 (1) Each employer shall pay into the pension

1 accumulation fund an amount equal to 7.459% of the earned
2 compensation of each member employed during the whole or
3 part of the preceding payroll period.

4 (2) If the employer is a district or community college
5 district, the trustees shall budget ~~and pay~~ for the
6 employer's contribution ~~under the provisions of 20-9-501~~ in
7 the general fund budget.

8 (3) If the employer is the superintendent of public
9 instruction, a public institution of the state of Montana, a
10 unit of the Montana university system, or the Montana state
11 school for the deaf and blind, the legislature shall
12 appropriate to the employer an adequate amount to allow the
13 payment of the employer's contribution.

14 (4) If the employer is a county, the county
15 commissioners shall budget and pay for the employer's
16 contribution in the manner provided by law for the adoption
17 of a county budget and for payments under the budget.

18 (5) All interest and other earnings realized on the
19 ~~moneys~~ money of the retirement system ~~shall~~ must be credited
20 to the pension accumulation fund, and the amount required to
21 allow regular interest on the annuity savings fund ~~shall~~
22 must be transferred to that fund from the pension
23 accumulation fund.

24 (6) All pensions, annuities, and benefits in lieu
25 ~~thereof~~ of pensions and annuities must be paid from

1 the pension accumulation fund.

2 (7) The retirement board may, in its discretion,
3 transfer from the pension accumulation fund an amount
4 necessary to cover expenses of administration."

5 **Section 12.** Section 20-3-106, MCA, is amended to read:

6 **"20-3-106. Supervision of schools -- powers and**
7 **duties.** The superintendent of public instruction has the
8 general supervision of the public schools and districts of
9 the state, and he shall perform the following duties or acts
10 in implementing and enforcing the provisions of this title:

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

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

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

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

20 (5) approve or disapprove the orders of a high school
21 boundary commission in accordance with the provisions of
22 20-6-311;

23 (6) approve or disapprove the opening or reopening of
24 a school in accordance with the provisions of 20-6-502,
25 20-6-503, 20-6-504, or 20-6-505;

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

3 (8) generally supervise the school budgeting
4 procedures prescribed by law in accordance with the
5 provisions of 20-9-102 and prescribe the school budget
6 format in accordance with the provisions of 20-9-103 and
7 20-9-506;

8 (9) establish a system of communication for
9 calculating joint district revenues in accordance with the
10 provisions of 20-9-151;

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

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

18 (12) prescribe and furnish the annual report forms to
19 enable the districts to report to the county superintendent
20 in accordance with the provisions of 20-9-213(5) and the
21 annual report forms to enable the county superintendents to
22 report to the superintendent of public instruction in
23 accordance with the provisions of 20-3-209;

24 (13) approve, disapprove, or adjust an increase of the
25 average number belonging (ANB) in accordance with the

1 provisions of 20-9-313 and 20-9-314;

2 (14) distribute state equalization aid in support of
3 the foundation program in accordance with the provisions of
4 20-9-331, 20-9-333, 20-9-342, 20-9-346, and 20-9-347;

5 (15) distribute state impact aid in accordance with the
6 provisions of 20-9-304;

7 (16) provide for the uniform and equal provision of
8 transportation by performing the duties prescribed by the
9 provisions of 20-10-112;

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

13 (18) request, accept, deposit, and expend federal
14 moneys money in accordance with the provisions of 20-9-603;

15 (19) authorize the use of federal moneys money for the
16 support of an interlocal cooperative agreement in accordance
17 with the provisions of 20-9-703 and 20-9-704;

18 (20) prescribe the form and contents of and approve or
19 disapprove interstate contracts in accordance with the
20 provisions of 20-9-705;

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

24 (22) recommend standards of accreditation for all
25 schools to the board of public education and evaluate

1 compliance with ~~such~~ the standards and recommend
 2 accreditation status of every school to the board of public
 3 education in accordance with the provisions of 20-7-101 and
 4 20-7-102;

5 (23) collect and maintain a file of curriculum guides
 6 and assist schools with instructional programs in accordance
 7 with the provisions of 20-7-113 and 20-7-114;

8 (24) establish and maintain a library of visual, aural,
 9 and other educational media in accordance with the
 10 provisions of 20-7-201;

11 (25) license textbook dealers and initiate prosecution
 12 of textbook dealers violating the law in accordance with the
 13 provisions of the textbooks part of this title;

14 (26) as the governing agent and executive officer of
 15 the state of Montana for K-12 vocational education, adopt
 16 the policies prescribed by and in accordance with the
 17 provisions of 20-7-301;

18 (27) supervise and coordinate the conduct of special
 19 education in the state in accordance with the provisions of
 20 20-7-403;

21 (28) administer the traffic education program in
 22 accordance with the provisions of 20-7-502;

23 (29) 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 (30) review school building plans and specifications in
 2 accordance with the provisions of 20-6-622;

3 (31) 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;

6 (32) provide schools with information and technical
 7 assistance for compliance with the student assessment rules
 8 provided for in 20-2-121 and collect and summarize the
 9 results of ~~such~~ the student assessment for the board of
 10 public education and the legislature; and

11 ~~(33)-administer--the--distribution--of--state--retirement~~
 12 ~~equalization--aid--in--accordance--with--20-9-532;--and~~

13 ~~(34)~~(33) perform any other duty prescribed from time to
 14 time by this title, any other act of the legislature, or the
 15 policies of the board of public education."

16 **Section 13.** Section 20-3-205, MCA, is amended to read:

17 "20-3-205. Powers and duties. The county
 18 superintendent has general supervision of the schools of the
 19 county within the limitations prescribed by this title and
 20 shall perform the following duties or acts:

21 (1) determine, establish, and reestablish trustee
 22 nominating districts in accordance with the provisions of
 23 20-3-352, 20-3-353, and 20-3-354;

24 (2) administer and file the oaths of members of the
 25 boards of trustees of the districts in his county in

1 accordance with the provisions of 20-3-307;

2 (3) register the teacher or specialist certificates or
3 emergency authorization of employment of any person employed
4 in the county as a teacher, specialist, principal, or
5 district superintendent in accordance with the provisions of
6 20-4-202;

7 (4) act on each tuition application submitted to him
8 in accordance with the provisions of 20-5-301, 20-5-302,
9 20-5-304, and 20-5-311 and transmit the tuition information
10 required by 20-5-312;

11 (5) file a copy of the audit report for a district in
12 accordance with the provisions of 20-9-203;

13 (6) classify districts in accordance with the
14 provisions of 20-6-201 and 20-6-301;

15 (7) keep a transcript and reconcile the district
16 boundaries of the county in accordance with the provisions
17 of 20-6-103;

18 (8) fulfill all responsibilities assigned to him under
19 the provisions of this title regulating the organization,
20 alteration, or abandonment of districts;

21 (9) act on any unification proposition and, if
22 approved, establish additional trustee nominating districts
23 in accordance with 20-6-312 and 20-6-313;

24 (10) estimate the average number belonging (ANB) of an
25 opening school in accordance with the provisions of

1 20-6-502, 20-6-503, 20-6-504, or 20-6-506;

2 (11) process and, when required, act on school
3 isolation applications in accordance with the provisions of
4 20-9-302;

5 (12) complete the budgets, compute the budgeted
6 revenues and tax levies, file final and emergency budgets,
7 and fulfill such other responsibilities assigned to him
8 under the provisions of this title regulating school
9 budgeting systems;

10 (13) submit an annual financial report to the
11 superintendent of public instruction in accordance with the
12 provisions of 20-9-211;

13 (14) quarterly monthly, unless otherwise provided by
14 law, order the county treasurer to apportion state money,
15 county school money, and any other school money subject to
16 apportionment in accordance with the provisions of 20-9-212,
17 20-9-334, 20-9-347, or ~~20-10-1457-or-20-10-146~~;

18 (15) act on any request to transfer average number
19 belonging (ANB) in accordance with the provisions of
20 20-9-313(3);

21 (16) calculate the estimated budgeted general fund
22 sources of revenue in accordance with the provisions of
23 20-9-348 and the other general fund revenue provisions of
24 the general fund part of this title;

25 (17) compute the revenues and the district and county

1 levy requirements for each fund included in each district's
2 final budget and report such the computations to the board
3 of county commissioners in accordance with the provisions of
4 the general fund, transportation, bonds, and other school
5 funds parts of this title;

6 (18) file and forward bus driver certifications,
7 transportation contracts, and state transportation
8 reimbursement claims in accordance with the provisions of
9 20-10-103, 20-10-143, or 20-10-145;

10 (19) for districts which do not employ a district
11 superintendent or principal, recommend library book and
12 textbook selections in accordance with the provisions of
13 20-7-204 or 20-7-602;

14 (20) notify the superintendent of public instruction of
15 a textbook dealer's activities when required under the
16 provisions of 20-7-605 and otherwise comply with the
17 textbook dealer provisions of this title;

18 (21) act on district requests to allocate federal money
19 for indigent children for school food services in accordance
20 with the provisions of 20-10-205;

21 (22) perform any other duty prescribed from time to
22 time by this title, any other act of the legislature, the
23 policies of the board of public education, the policies of
24 the board of regents relating to community college
25 districts, or the rules of the superintendent of public

1 instruction;

2 (23) administer the oath of office to trustees without
3 the receipt of pay for administering the oath;

4 (24) keep a record of his official acts, preserve all
5 reports submitted to him under the provisions of this title,
6 preserve all books and instructional equipment or supplies,
7 keep all documents applicable to the administration of the
8 office, and surrender such all records, books, supplies, and
9 equipment to his successor;

10 (25) within 90 days after the close of the school
11 fiscal year, publish an annual report in the county
12 newspaper stating the following financial information for
13 the school fiscal year just ended for each district of the
14 county:

15 (a) the total of the cash balances of all funds
16 maintained by the district at the beginning of the year;

17 (b) the total receipts that were realized in each fund
18 maintained by the district;

19 (c) the total expenditures that were made from each
20 fund maintained by the district; and

21 (d) the total of the cash balances of all funds
22 maintained by the district at the end of the school fiscal
23 year; and

24 (26) hold meetings for the members of the trustees from
25 time to time at which matters for the good of the districts

1 shall must be discussed."

2 **Section 14.** Section 20-3-324, MCA, is amended to read:

3 "20-3-324. Powers and duties. As prescribed elsewhere
4 in this title, the trustees of each district shall:

5 (1) employ or dismiss a teacher, principal, or other
6 assistant upon the recommendation of the district
7 superintendent, the county high school principal, or other
8 principal as the board considers necessary, accepting or
9 rejecting any recommendation as the trustees in their sole
10 discretion determine, in accordance with the provisions of
11 Title 20, chapter 4;

12 (2) employ and dismiss administrative personnel,
13 clerks, secretaries, teacher aides, custodians, maintenance
14 personnel, school bus drivers, food service personnel,
15 nurses, and any other personnel considered necessary to
16 carry out the various services of the district;

17 (3) administer the attendance and tuition provisions
18 and otherwise govern the pupils of the district in
19 accordance with the provisions of the pupils chapter of this
20 title;

21 (4) call, conduct, and certify the elections of the
22 district in accordance with the provisions of the school
23 elections chapter of this title;

24 (5) participate in the teachers' retirement system of
25 the state of Montana in accordance with the provisions of

1 the teachers' retirement system chapter of Title 19;

2 (6) participate in district boundary change actions in
3 accordance with the provisions of the districts chapter of
4 this title;

5 (7) organize, open, close, or acquire isolation status
6 for the schools of the district in accordance with the
7 provisions of the school organization part of this title;

8 (8) adopt and administer the annual budget or an
9 emergency budget of the district in accordance with the
10 provisions of the school budget system part of this title;

11 (9) conduct the fiscal business of the district in
12 accordance with the provisions of the school financial
13 administration part of this title;

14 (10) establish the ANB, foundation program, permissive
15 levy retirement deficiency levy, additional levy, cash
16 reserve, and state impact aid amount for the general fund of
17 the district in accordance with the provisions of the
18 general fund part of this title;

19 (11) establish, maintain, budget, and finance the
20 transportation program of the district in accordance with
21 the provisions of the transportation parts of this title;

22 (12) issue, refund, sell, budget, and redeem the bonds
23 of the district in accordance with the provisions of the
24 bonds parts of this title;

25 (13) when applicable, establish, financially

1 administer, and budget for the tuition fund, retirement
 2 fund, building reserve fund, adult education fund,
 3 nonoperating fund, school food services fund, miscellaneous
 4 federal programs fund, building fund, lease or rental
 5 agreement fund, traffic education fund, and interlocal
 6 cooperative agreement fund in accordance with the provisions
 7 of the other school funds parts of this title;

8 (14) when applicable, administer any interlocal
 9 cooperative agreement, gifts, legacies, or devises in
 10 accordance with the provisions of the miscellaneous
 11 financial parts of this title;

12 (15) hold in trust, acquire, and dispose of the real
 13 and personal property of the district in accordance with the
 14 provisions of the school sites and facilities part of this
 15 title;

16 (16) operate the schools of the district in accordance
 17 with the provisions of the school calendar part of this
 18 title;

19 (17) establish and maintain the instructional services
 20 of the schools of the district in accordance with the
 21 provisions of the instructional services, textbooks,
 22 vocational education, and special education parts of this
 23 title;

24 (18) establish and maintain the school food services of
 25 the district in accordance with the provisions of the school

1 food services parts of this title;

2 (19) make reports from time to time as the county
 3 superintendent, superintendent of public instruction, and
 4 board of public education may require;

5 (20) retain, when considered advisable, a physician or
 6 registered nurse to inspect the sanitary conditions of the
 7 school or the general health conditions of each pupil and,
 8 upon request, make available to any parent or guardian any
 9 medical reports or health records maintained by the district
 10 pertaining to his child;

11 (21) for each member of the trustees, visit each school
 12 of the district not less than once each school fiscal year
 13 to examine its management, conditions, and needs, except
 14 trustees from a first-class school district may share the
 15 responsibility for visiting each school in the district;

16 (22) procure and display outside daily in suitable
 17 weather at each school of the district an American flag that
 18 measures not less than 4 feet by 6 feet;

19 (23) adopt and administer a district policy on
 20 assessment for placement of any child who enrolls in a
 21 school of the district from a nonpublic school that is not
 22 accredited, as required in 20-5-110; and

23 (24) perform any other duty and enforce any other
 24 requirements for the government of the schools prescribed by
 25 this title, the policies of the board of public education,

1 or the rules of the superintendent of public instruction."

2 **Section 15.** Section 20-3-331, MCA, is amended to read:

3 "20-3-331. Purchase of liability insurance. The
4 trustees of any district may purchase insurance coverage for
5 the district, trustees, and employees against liability for
6 the death, injury, or disability of any person or damage to
7 property. The trustees shall include the cost of coverage in
8 the general fund budget of the district."

9 **Section 16.** Section 20-5-305, MCA, is amended to read:

10 "20-5-305. Elementary tuition rates. (1) Whenever a
11 pupil of an elementary district has been granted approval to
12 attend a school outside of the district in which he resides,
13 under the provisions of 20-5-301 or 20-5-302, such the
14 district of residence shall pay tuition to the elementary
15 district where the pupil attends school. Except as provided
16 in subsection (2), the basis of the rate of tuition shall be
17 determined by the attended district. The rate of tuition
18 ~~shall~~ must be determined by:

19 (a) totaling the actual expenditures from the district
20 general fund, and the debt service fund, ~~and, if the pupil~~
21 ~~is a resident of another county, the retirement fund;~~

22 (b) dividing the amount determined in subsection
23 (1)(a) by the ANB of the district for the current fiscal
24 year, as determined under the provisions of 20-9-311; and

25 (c) subtracting ~~the total of~~ from the amount

1 determined in subsection (1)(b) the per-ANB amount allowed
2 ~~by 20-9-316 through 20-9-321 that represents~~ the foundation
3 ~~program schedules as prescribed by 20-9-303 plus the per-ANB~~
4 ~~amount determined by dividing the state financing of the~~
5 ~~district permissive levy by the ANB of the district, from~~
6 ~~the amount determined in subsection (1)(b).~~

7 (2) The tuition for a full-time elementary special
8 education pupil must be determined under rules adopted by
9 the superintendent of public instruction for the calculation
10 of elementary tuition for full-time elementary special
11 education pupils as designated in 20-9-311 for funding
12 purposes."

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

14 "20-5-312. Reporting, budgeting, and payment for high
15 school tuition. (1) Except as provided in subsection (2), at
16 the close of the school term of each school fiscal year, the
17 trustees of each high school district shall determine the
18 rate of tuition for the current school fiscal year by:

19 (a) totaling the actual expenditures from the district
20 general fund, and the debt service fund, ~~and, if the pupil~~
21 ~~is a resident of another county, the retirement fund;~~

22 (b) dividing the amount determined in subsection
23 (1)(a) above by the ANB of the district as determined under
24 the provisions of 20-9-311; and

25 (c) subtracting ~~the total of~~ from the amount

1 determined in subsection (1)(b) the per-ANB amount allowed
 2 ~~by 20-9-316 through 20-9-321 that represents the foundation~~
 3 ~~program as prescribed by 20-9-303 plus the per-ANB amount~~
 4 ~~determined by dividing the state financing of the district~~
 5 ~~permissive levy by the ANB of the district, from the amount~~
 6 ~~determined in subsection (1)(b) schedules.~~

7 (2) The tuition for a full-time high school special
 8 education pupil must be determined under rules adopted by
 9 the superintendent of public instruction for the calculation
 10 of tuition for full-time high school special education
 11 pupils as designated in 20-9-311 for funding purposes.

12 (3) Before July 15, the trustees shall report to the
 13 county superintendent of the county in which the district is
 14 located;

15 (a) the names, addresses, and resident districts of
 16 the pupils attending the schools of the district under an
 17 approved tuition agreement;

18 (b) the number of days of school attended by each
 19 pupil;

20 (c) the amount, if any, of each pupil's tuition
 21 payment that the trustees, in their discretion, have the
 22 authority to waive; and

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

25 (4) When the county superintendent receives a tuition

1 report from a district, he shall immediately send the
 2 reported information to the superintendent of each district
 3 in which the reported pupils reside.

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

14 (6) The total amount of the high school tuition, with
 15 consideration of any tuition waivers, for pupils attending a
 16 high school outside the county of residence must be financed
 17 by the county basic special tax for high schools as provided
 18 in 20-9-334. In December, the county superintendent shall
 19 cause the payment by county warrant of at least one-half of
 20 the high school tuition obligations established under this
 21 section out of the first money realized from the county
 22 basic special tax for high schools. The remaining
 23 obligations must be paid by June 15 of the school fiscal
 24 year. The payments must be made to the county treasurer of
 25 the county where each high school entitled to tuition is

1 located. The county treasurer shall credit tuition receipts
2 to the general fund of the applicable high school district,
3 and the tuition receipts must be used in accordance with the
4 provisions of 20-9-141.

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

1 Payments must be made whenever there is a sufficient amount
2 of cash available in the tuition fund but no later than the
3 end of the school fiscal year for which the budget is
4 adopted. However, if the trustees of either the sending or
5 receiving high school district feel the transfer privilege
6 provided by this subsection is being abused, they may appeal
7 to the county superintendent of schools, who shall hold a
8 hearing and either approve or disapprove the transfer."

9 **Section 18.** Section 20-6-401, MCA, is amended to read:
10 "20-6-401. Definitions. As used in this part, unless
11 the context clearly indicates otherwise, the following
12 definitions apply:

13 (1) "Component districts" means the elementary or high
14 school districts incorporated into the enlarged district.

15 (2) "Eligible pupils" means the average number
16 belonging (ANB) in the operating schools of the component
17 districts and the tuition pupils residing in the component
18 districts and attending another district's school under the
19 tuition provisions of the school laws, except that the
20 pupils residing in the component district having the largest
21 total number of pupils are ineligible for bonus payment
22 consideration.

23 (3) "Enlarged district" means the elementary or high
24 school district resulting from the consolidation or
25 annexation of two or more component districts.

(4) "General bonus payment" for first- and second-class school districts must be ~~\$300~~ \$450 per eligible pupil per year for a period of 3 years and must be deposited in the enlarged district's general fund. General bonus payment for third-class school districts must be ~~\$500~~ \$750 per eligible pupil per year for a period of 3 years and must be deposited in the enlarged district's general fund. The general bonus payment must be made from the state school equalization aid account.

~~(5) --"Transportation-bonus-payment" is the provision of 66-2/3% state financing of the on-schedule transportation amount as provided by the transportation provisions of the school laws. When an eligible pupil is entitled to transportation, the enlarged district is entitled to the transportation-bonus payment for the eligible pupil for a period of 3 years. The payment must be made from the state transportation aid account. When the eligible pupil rides a bus providing transportation for ineligible pupils, the 66-2/3% state financing of the on-schedule amount for this payment must be prorated to provide financing for the eligible pupil."~~

Section 19. Section 20-6-506, MCA, is amended to read:

"20-6-506. Budgeting and cost sharing when junior high school operated by elementary district and high school district operating a county high school. (1) Whenever the

opening of a junior high school is approved for the ensuing school fiscal year under 20-6-505, the county superintendent shall estimate the average number belonging (ANB) after investigating the probable enrollment for the junior high school. The ANB determined by the county superintendent and the ANB actually realized in subsequent school fiscal years ~~shall~~ must be applied under 20-9-320 to prorate the ~~maximum-general-fund-budget-without-a-voted-levy~~ foundation program schedule amount between the elementary and high school districts. Each district shall adopt its general fund budget on the basis of the prorated amount and shall finance its proportionate share of the cost of operating the junior high school.

(2) The cost of operating the junior high school ~~shall~~ must be prorated between the elementary district and the high school district on the basis of the ratio that the number of pupils of their district is to the total enrollment of the junior high school."

Section 20. Section 20-6-603, MCA, is amended to read:

"20-6-603. Trustees' authority to acquire or dispose of sites and buildings -- when election required. (1) The trustees of any district ~~shall have the authority to~~ may purchase, build, exchange, or otherwise acquire, or sell, or otherwise dispose of sites and buildings of the district. ~~Such action shall~~ Action may not be taken by the trustees

1 without the approval of the qualified electors of the
2 district at an election called for ~~such~~ the purpose of
3 approval unless:

4 (a) a bond issue has been authorized for the purpose
5 of constructing, purchasing, or acquiring the site or
6 building;

7 (b) an additional levy under the provisions of
8 20-9-353 has been approved for the purpose of constructing,
9 purchasing, or acquiring the site or building;

10 (c) the cost of constructing, purchasing, or acquiring
11 the site or building is financed without exceeding the
12 ~~maximum-general-fund-budget-without-a-vote-amount-prescribed~~
13 ~~in--20-9-316--through--20-9-321~~ foundation program schedule
14 amount provided in 20-9-303(2)(a), and, in the case of a
15 site purchase, the site has been approved under the
16 provisions of 20-6-621; or

17 (d) ~~moneys-are~~ money is otherwise available under the
18 provisions of this title and the ballot for the site
19 approval for ~~such~~ the building incorporated a description of
20 the building to be located on the site.

21 (2) When an election is conducted under the provisions
22 of this section, it ~~shall~~ must be called under the
23 provisions of 20-20-201 and ~~shall~~ must be conducted in the
24 manner prescribed by this title for school elections. An
25 elector qualified to vote under the provisions of 20-20-301

1 ~~shall-be-permitted-to~~ may vote in ~~such~~ the election. If a
2 majority of those electors voting at the election approve
3 the proposed action, the trustees may take the proposed
4 action."

5 **Section 21.** Section 20-6-608, MCA, is amended to read:

6 "20-6-608. Authority and duty of trustees to insure
7 district property. The trustees of any district shall ~~have~~
8 ~~the--authority--and--it--shall--be--their--duty--to~~ insure any or
9 all real and personal property of the district. The trustees
10 shall include the cost of insurance in the general fund
11 budget of the district."

12 **Section 22.** Section 20-7-414, MCA, is amended to read:

13 "20-7-414. Determination of children in need and type
14 of special education needed -- approval of classes and
15 programs by superintendent. (1) The determination of the
16 children requiring special education and the type of special
17 education needed by these children ~~shall--be~~ is the
18 responsibility of the trustees, and ~~such~~ the determination
19 ~~shall~~ must be made in compliance with the procedures
20 established in the rules of the superintendent of public
21 instruction. Whenever the trustees of a school district or
22 the governing authority of an institution learn of a
23 handicapped child in their jurisdiction who is in need of
24 special education, they shall determine whether the child is
25 in need of a surrogate parent by determining whether the

1 parents or guardian is unknown or unavailable or if the
 2 child is a ward of the state. The determination must be made
 3 within 10 days of the date on which the trustees of a school
 4 district or the governing authority of an institution
 5 learned of the presence of the child in the district. If the
 6 child is in need of a surrogate parent, the trustees of a
 7 school district or the governing authority of an institution
 8 must nominate a surrogate parent for the child as provided
 9 in 20-7-461.

10 (2) Whenever the trustees of any district intend to
 11 establish a special education class or program, they shall
 12 apply for approval and funding of the class or program by
 13 the superintendent of public instruction. The superintendent
 14 of public instruction shall approve or disapprove the
 15 application for the special education class or program on
 16 the basis of its compliance with the laws of the state of
 17 Montana, the special education policies adopted by the board
 18 of public education, and the rules of the superintendent of
 19 public instruction. No special education class may be
 20 operated by the trustees without the approval of the
 21 superintendent of public instruction. Each special education
 22 class or program must be approved annually to be funded as
 23 part of the maximum-budget-without-a-vote foundation program
 24 for special education."

25 **Section 23.** Section 20-7-422, MCA, is amended to read:

1 **"20-7-422. Out-of-state tuition for special education**
 2 **children.** (1) If the trustees of any district recommend to
 3 the superintendent of public instruction the attendance of
 4 a child in need of special education in a special education
 5 program offered outside of the state of Montana, such the
 6 arrangements shall are not be subject to the out-of-state
 7 attendance provisions of the laws governing the attendance
 8 of pupils in schools outside the state of Montana.

9 (2) Whenever the attendance of a child at an
 10 out-of-state special education program is approved by the
 11 superintendent of public instruction, ~~it shall be the~~
 12 ~~responsibility of~~ the superintendent of public instruction
 13 shall, in cooperation with the department of family
 14 services, ~~to~~ negotiate the program for the child and the
 15 amount and manner of payment of tuition. The amount of
 16 tuition ~~shall~~ must be included as a contracted service in
 17 20-7-431(1)(a)(iii)(A) in the maximum-budget-without-a-vote
 18 foundation program amount for special education."

19 **Section 24.** Section 20-7-431, MCA, is amended to read:

20 **"20-7-431. Allowable cost schedule for special**
 21 **programs -- superintendent to make rules -- annual**
 22 **accounting.** (1) For the purpose of determining the
 23 maximum-budget-without-a-vote foundation program amount for
 24 special education as defined in 20-9-321, the following
 25 schedule of allowable costs ~~shall~~ must be followed by the

1 school district in preparation of its special education
 2 budget for state aid request purposes and by the
 3 superintendent of public instruction in his review and
 4 approval of the budget (for the purposes of determining the
 5 amount of the maximum-budget-without-a-vote foundation
 6 program for special education for the district, and as used
 7 in this schedule, "full-time special pupil" and "regular
 8 ANB" are to be determined in accordance with 20-9-311 and
 9 20-9-313):

10 (a) instruction: salaries, benefits, supplies,
 11 textbooks, and other expenses including:

12 (i) salaries and benefits of special program teachers,
 13 regular program teachers, teacher aides, special education
 14 supervisors, audiologists, and speech and hearing
 15 clinicians--the entire cost if employed full time in the
 16 special program; if such personnel are shared between
 17 special and regular programs--a portion of the entire cost
 18 corresponding to the entire working time which each such
 19 person devotes to the special program;

20 (ii) teaching supplies and textbooks if used
 21 exclusively for special programs--the actual total cost;

22 (iii) other expenses:

23 (A) contracted services, including fees paid for
 24 professional advice and consultation regarding special
 25 students or the special program, and the delivery of special

1 education services by public or private agencies--the actual
 2 total cost;

3 (B) transportation costs for special education
 4 personnel who must travel on an itinerant basis from school
 5 to school or district to district or to in-state child study
 6 team meetings or in-state individualized education program
 7 meetings--the actual cost to the district calculated on the
 8 same mileage rate used by the district for other travel
 9 reimbursement purposes;

10 (b) supportive services, including:

11 (i) salaries and benefits of professional supportive
 12 personnel--the entire cost if employed full time in the
 13 special program; if such the personnel are shared between
 14 special and regular programs--a portion of the entire cost
 15 corresponding to the entire working time which each such
 16 person devotes to the special program. Professional
 17 supportive personnel may include counselors, social workers,
 18 psychologists, psychometrists, physicians, nurses, and
 19 physical and occupational therapists.

20 (ii) salaries and benefits of clerical personnel for
 21 who assist professional personnel in supportive
 22 services--the entire cost if employed full time in the
 23 special program; if such the personnel are shared between
 24 special and regular programs--a portion of the entire cost
 25 corresponding to the entire working time which each such

1 person devotes to the special program;

2 (c) equipment:

3 (i) equipment--the actual total cost;

4 (ii) special equipment for district-owned school buses
5 necessary to accommodate special students--the actual total
6 cost;

7 (iii) special equipment for school buses contracted to
8 transport special students--that portion of the contract
9 price attributable to the cost of special equipment or
10 personnel required to accommodate special students--the
11 actual special cost;

12 (iv) repair and maintenance of equipment--the actual
13 total cost;

14 (d) room and board costs when the special pupil has to
15 attend a program at such a distance from his home that
16 commuting is undesirable as determined by the superintendent
17 of public instruction.

18 (2) The superintendent of public instruction shall
19 ~~prior--to--September--17--1977--revise--the~~ adopt rules in
20 accordance with the policies of the board of public
21 education for:

22 (a) keeping necessary records for supportive and
23 administrative personnel and any personnel shared between
24 special and regular programs;

25 (b) defining the total special program caseload that

1 ~~shall~~ must be assigned to specific support persons and the
2 kinds of professional specialties to be considered relevant
3 to the program before the district may count an allowable
4 cost under subsection (1)(b) of this section; and

5 (c) defining the kinds or types of equipment whose
6 costs may be counted under subsection (1)(c)(i) of this
7 section.

8 (3) An annual accounting of all expenditures of school
9 district general fund moneys money for special education
10 ~~shall~~ must be made by the district trustees on forms
11 furnished by the superintendent of public instruction. The
12 superintendent of public instruction shall make rules for
13 such the accounting.

14 (4) If a board of trustees chooses to exceed the
15 budget approved by the superintendent of public instruction,
16 costs in excess of the approved budget may not be reimbursed
17 under the ~~maximum-budget-without-a-vote~~ foundation program
18 for special education.

19 (5) Allowable costs prescribed in this section ~~do-not~~
20 include the costs of the teachers' retirement system, the
21 public employees' retirement system, the federal social
22 security system, or and the costs for unemployment
23 compensation insurance.

24 (6) (a) Notwithstanding other provisions of the law,
25 the superintendent of public instruction ~~shall~~ may not

1 approve a ~~maximum-budget-without-a-vote~~ foundation program
 2 amount for special education which that exceeds legislative
 3 appropriations; however, any unexpended balance from the
 4 first year of a biennial appropriation may be spent in the
 5 second year of the biennium in addition to the second year
 6 appropriation.

7 (b) If the total allowable cost of the special
 8 education budgets exceeds legislative appropriations
 9 available for special education, each district shall receive
 10 a pro rata share of the available appropriations based upon
 11 prioritized budget items as established by the
 12 superintendent of public instruction. The amount of the
 13 approved budgets in excess of the available appropriations
 14 may not be reimbursed under the
 15 ~~maximum-budget-without-a-vote~~ foundation program for special
 16 education and is the responsibility of the school district."

17 **Section 25.** Section 20-7-442, MCA, is amended to read:

18 "20-7-442. State transportation reimbursement for
 19 special education children. Districts providing children
 20 with transportation to a special education class or program
 21 and complying with the special education transportation
 22 regulations promulgated by the superintendent of public
 23 instruction ~~shall--be~~ are eligible for a the state
 24 transportation reimbursement under the provisions of
 25 20-10-145. The reimbursement ~~shall~~ must be calculated from a

1 schedule established by the superintendent of public
 2 instruction ~~with--the--state--providing--two-thirds--of--the~~
 3 ~~reimbursement--and--the--county--in--which--the--children--reside~~
 4 ~~providing--the--remainder."~~

5 **Section 26.** Section 20-9-104, MCA, is amended to read:

6 "20-9-104. General fund cash reserve. (1) At the end
 7 of each school fiscal year, the trustees of each district
 8 shall designate what the portion of the general fund
 9 end-of-the-year cash balance ~~shall~~ that is to be earmarked
 10 as cash reserve for the purpose of paying general fund
 11 warrants issued by the district from July 1 to November 30
 12 of the ensuing school fiscal year. The amount of the general
 13 fund cash balance that is earmarked as cash reserve ~~shall~~
 14 may not exceed 35% the following percentages of the final
 15 general fund budget for the ensuing school fiscal year and
 16 ~~shall:~~

17 (a) 35% for a district that did not receive state
 18 equalization aid during the current school fiscal year;

19 (b) 30% for a district that received state
 20 equalization aid equal to 25% or less of its foundation
 21 program schedule entitlement in the current school fiscal
 22 year; and

23 (c) 20% for a district that received state
 24 equalization aid equal to more than 25% of its foundation
 25 program schedule entitlement in the current school fiscal

1 year.

2 (2) The amount held as cash reserve may not be used
3 for property tax reduction in the manner permitted by
4 20-9-141(1)(b) for other receipts. Any portion of the
5 general fund end-of-the-year cash balance that is not
6 earmarked for cash reserve purposes shall--be is cash
7 reappropriated which-shall and must be used for property tax
8 reduction as provided in 20-9-141(1)(b)(iii).

9 (3) The limitation of subsection (1) does not apply
10 when the amount in excess of the limitation is equal to or
11 less than:

12 (a) any amount received during the current school
13 fiscal year under Public Law 81-874; or

14 (b) the unused balance of any amount received in
15 settlement of tax payments protested prior to [the effective
16 date of this section]."

17 **Section 27.** Section 20-9-141, MCA, is amended to read:

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

23 **(a) Determine the total-of-the funding required for**
24 **the district's final general fund budget less the amount**
25 **established by the schedules in 20-9-316 through 20-9-321 by**

1 totaling:

2 (i) the district's nonisolated school foundation
3 program requirement to be met by a district levy as provided
4 in 20-9-303;

5 ~~(ii) the--district's-permissive-levy-amount-as-provided~~
6 ~~in-20-9-352;~~ and

7 ~~(iii)~~(ii) any additional general fund budget amount
8 adopted by the trustees of the district under the provisions
9 of 20-9-353, including any additional levies authorized by
10 the electors of the district.

11 (b) Determine the ~~total-of-the-moneys~~ money available
12 for the reduction of the property tax on the district for
13 the general fund by totaling:

14 (i) anticipated federal ~~moneys~~ money received under
15 the provisions of Title I of Public Law 81-874 or other
16 anticipated federal ~~moneys~~ money received in lieu of such
17 that federal act;

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

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

23 (iv) anticipated or reappropriated state impact aid
24 received under the provisions of 20-9-304;

25 (v) anticipated or reappropriated revenue from vehicle

1 property taxes and fees imposed under 23-2-517, 23-2-803,
2 61-3-504(2), 61-3-521, and 61-3-537, and 67-3-204;

3 (vi) anticipated net proceeds taxes for interim
4 production and new production, as defined in 15-23-601;

5 (vii) anticipated interest to be earned or
6 reappropriated interest earned by the investment of general
7 fund cash in accordance with the provisions of 20-9-213(4);
8 and

9 (viii) anticipated revenue from corporation license
10 taxes collected from financial institutions under the
11 provisions of 15-31-702; and

12 ~~(viii)~~(ix) any other revenue anticipated by the
13 trustees to be received during the ensuing school fiscal
14 year which may be used to finance the general fund.

15 (c) Subtract the ~~total-of-the-moneys~~ money available
16 to reduce the property tax required to finance the general
17 fund that has been determined in subsection (1)(b) from the
18 total requirement determined in subsection (1)(a).

19 (2) The net general fund levy requirement determined
20 in subsection (1)(c) ~~shall~~ must be reported to the county
21 commissioners on the second Monday of August by the county
22 superintendent as the general fund levy requirement for the
23 district, and a levy ~~shall~~ must be made by the county
24 commissioners in accordance with 20-9-142."

25 **Section 28.** Section 20-9-201, MCA, is amended to read:

1 **"20-9-201. Definitions and application.** (1) As used in
2 this title, unless the context clearly indicates otherwise,
3 "fund" means a separate detailed account of receipts and
4 expenditures for a specific purpose as authorized by law.
5 Funds are classified as follows:

6 (a) A "budgeted fund" means any fund for which a
7 budget must be adopted in order to expend any money from
8 such the fund. The general fund, transportation fund, bus
9 depreciation reserve fund, elementary tuition fund,
10 retirement-fund, debt service fund, leased facilities fund,
11 building reserve fund, adult education fund, nonoperating
12 fund, ~~vocational-technical-center-fund,~~ and any other funds
13 so designated by the legislature shall be budgeted funds.

14 (b) A "nonbudgeted fund" means any fund for which a
15 budget is not required in order to expend any money on
16 deposit in such the fund. The school food services fund,
17 miscellaneous federal programs fund, building fund, lease or
18 rental agreement fund, traffic education fund, interlocal
19 cooperative fund, and any other funds so designated by the
20 legislature ~~shall-be~~ are nonbudgeted funds.

21 (2) The school financial administration provisions of
22 this title apply to all money of any elementary or high
23 school district except the extracurricular money realized
24 from pupil activities. Elementary and high school districts
25 shall record the receipt and disbursement of all money in

1 accordance with generally accepted accounting principles.
 2 The superintendent of public instruction has general
 3 supervisory authority as prescribed by law over the school
 4 financial administration provisions, as they relate to
 5 elementary and high school districts;~~as prescribed by law~~
 6 and. He shall establish such adopt rules ~~as are~~ necessary to
 7 secure compliance with the law."

8 **Section 29.** Section 20-9-212, MCA, is amended to read:

9 ***20-9-212. Duties of county treasurer.** The county
 10 treasurer of each county shall:

11 (1) receive and hold all school money subject to
 12 apportionment and keep a separate accounting of its
 13 apportionment to the several districts which are entitled to
 14 a portion of such the money according to the apportionments
 15 ordered by the county superintendent. A separate accounting
 16 ~~shall must~~ be maintained for each county fund supported by a
 17 countywide levy for a specific, authorized purpose,
 18 including:

19 (a) the basic county tax in support of the elementary
 20 foundation programs;

21 (b) the basic special tax for high schools in support
 22 of the high school foundation programs; and

23 ~~(c)--the--county--tax--in--support--of--the--county's--high~~
 24 ~~school--transportation--obligation;~~

25 ~~(d)--the--county--tax--in--support--of--the--high--school~~

1 ~~obligations--to--the--retirement--systems--of--the--state--of~~
 2 ~~Montana;~~

3 ~~(e)--any--additional--county--tax--required--by--law--to~~
 4 ~~provide--for--deficiency--financing--of--the--elementary~~
 5 ~~foundation--programs;~~

6 ~~(f)--any--additional--county--tax--required--by--law--to~~
 7 ~~provide--for--deficiency--financing--of--the--high--school~~
 8 ~~foundation--programs;--and~~

9 ~~(g)~~(c) any other county tax for schools, including the
 10 community colleges, which may be authorized by law and
 11 levied by the county commissioners;

12 (2) whenever requested, notify the county
 13 superintendent and the superintendent of public instruction
 14 of the amount of county school money on deposit in each of
 15 the funds enumerated in subsection (1) of this section and
 16 the amount of any other school money subject to
 17 apportionment and apportion such the county and other school
 18 money to the districts in accordance with the apportionment
 19 ordered by the county superintendent;

20 (3) keep a separate accounting of the expenditures for
 21 each budgeted fund included in the final budget of each
 22 district;

23 (4) keep a separate accounting of the receipts,
 24 expenditures, and cash balances for each budgeted fund
 25 included in the final budget of each district and for each

1 nonbudgeted fund established by each district;

2 (5) except as otherwise limited by law, pay all
3 warrants properly drawn on the county or district school
4 money and properly endorsed by their holders;

5 (6) receive all revenue collected by and for each
6 district and deposit these receipts in the fund designated
7 by law or by the district if no fund is designated by law.
8 Interest and penalties on delinquent school taxes shall be
9 credited to the same fund and district for which the
10 original taxes were levied.

11 (7) send all revenues revenue received for a joint
12 district, part of which is situated in his county, to the
13 county treasurer designated as the custodian of such
14 revenues the revenue, no later than December 15 of each year
15 and every 3 months thereafter until the end of the school
16 fiscal year;

17 (8) at the direction of the trustees of a district,
18 assist the district in the issuance and sale of tax and
19 revenue anticipation notes as provided in Title 7, chapter
20 6, part 11;

21 (9) register district warrants drawn on a budgeted
22 fund in accordance with 7-6-2604 when there is insufficient
23 money available ~~in the sum of money~~ in all funds of the
24 district to make payment of such the warrant. Redemption of
25 registered warrants ~~shall~~ must be made in accordance with

1 7-6-2116, 7-6-2605, and 7-6-2606.

2 (10) invest the money of any district as directed by
3 the trustees of the district within 3 working days of such
4 the direction;

5 (11) give each month give to the trustees of each
6 district an itemized report for each fund maintained by the
7 district, showing the paid warrants, outstanding warrants,
8 registered warrants, amounts and types of revenue received,
9 and the cash balance; and

10 (12) remit promptly to the state treasurer receipts for
11 the county tax for a vocational-technical center when levied
12 by the board of county commissioners under the provisions of
13 20-16-202; and

14 (13) invest the money received from the basic county
15 tax in support of the elementary foundation programs and the
16 basic special tax in support of the high school foundation
17 programs within 3 working days of receipt. The money must be
18 invested until the working day before it is required to be
19 distributed to school districts within the county or
20 remitted to the state. Permissible investments are specified
21 in 20-9-213(4). All investment income must be deposited, and
22 credited proportionately, in the funds established to
23 account for the taxes received for the purposes specified in
24 subsections (1)(a) and (1)(b)."

25 **Section 30.** Section 20-9-213, MCA, is amended to read:

1 **"20-9-213. Duties of trustees.** The trustees of each
 2 district ~~shall~~ have the sole power and authority to transact
 3 all fiscal business and execute all contracts in the name of
 4 ~~such~~ the district. No person other than the trustees acting
 5 as a governing board ~~shall have the authority to~~ may expend
 6 moneys money of the district. In conducting the fiscal
 7 business of the district, the trustees shall:

8 (1) cause the keeping of an accurate, detailed
 9 accounting of all receipts and expenditures of school moneys
 10 money for each fund maintained by the district in accordance
 11 with generally accepted accounting principles and the rules
 12 prescribed by the superintendent of public instruction. The
 13 record of ~~such~~ the accounting ~~shall~~ must be open to public
 14 inspection at any meeting of the trustees.

15 (2) authorize all expenditures of district moneys
 16 money and cause warrants to be issued for the payment of
 17 lawful obligations;

18 (3) ~~have--the--authority--to~~ issue warrants on any
 19 budgeted fund in anticipation of budgeted revenues, except
 20 that ~~such~~ the expenditures ~~shall~~ may not exceed the amount
 21 budgeted for ~~such~~ the fund;

22 (4) invest any moneys money of the district, whenever
 23 in the judgment of the trustees ~~such~~ the investment would be
 24 advantageous to the district, by directing the county
 25 treasurer to invest any money of the district in direct

1 obligations of the United States government; in savings or
 2 time deposits in a state or national bank, building or loan
 3 association, savings and loan association, or credit union
 4 insured by the FDIC, FSLIC, or NCUA located in the state; or
 5 in a repurchase agreement as authorized in 7-6-213. All
 6 interest collected on ~~such~~ the deposits or investments ~~shall~~
 7 must be credited to the fund from which the money was
 8 withdrawn, except that interest earned on account of the
 9 investment of money realized from the sale of bonds ~~shall~~
 10 must be credited to the debt service fund or the building
 11 fund, at the discretion of the board of trustees. The
 12 placement of the investment by the county treasurer ~~shall~~ is
 13 not be subject to ratable distribution laws and ~~shall~~ must
 14 be done in accordance with the directive from the board of
 15 trustees. A district may invest moneys money under the state
 16 unified investment program established in Title 17, chapter
 17 6.

18 (5) cause the district to record every transaction in
 19 the appropriate account before the accounts are closed at
 20 the end of the fiscal year in order to properly report the
 21 receipt, use, and disposition of all money and property for
 22 which the district is accountable;

23 †5†(6) report annually to the county superintendent,
 24 not later than August 1, the financial activities of each
 25 fund maintained by the district during the last completed

1 school fiscal year, on the forms prescribed and furnished by
2 the superintendent of public instruction. Annual fiscal
3 reports for joint school districts ~~shall~~ must be submitted
4 to the county superintendent of each county in which part of
5 the joint district is situated.

6 ~~(6)~~(7) whenever requested, report any other fiscal
7 activities to the county superintendent, superintendent of
8 public instruction, or board of public education;

9 ~~(7)~~(8) cause the accounting records of the district to
10 be audited ~~annually~~ biennially as required by law 2-7-503;
11 and

12 ~~(8)~~(9) perform, in the manner permitted by law, ~~such~~
13 other fiscal duties that are in the best interests of the
14 district."

15 **Section 31.** Section 20-9-301, MCA, is amended to read:

16 "20-9-301. Purpose and definition of foundation
17 program and definition of general fund budget. (1) A uniform
18 system of free public schools sufficient for the education
19 of and open to all school age children of the state ~~shall~~
20 must be established and maintained throughout the state of
21 Montana. The state shall aid in the support of its several
22 school districts on the basis of their financial need as
23 measured by the foundation program and in the manner
24 established in this title.

25 (2) The principal budgetary vehicle for achieving the

1 minimum financing as established by the foundation program
2 ~~shall--be~~ is the general fund budget of the district. The
3 purpose of the general fund ~~shall--be~~ budget is to finance
4 those general maintenance and operational costs of a
5 district not financed by other funds established for special
6 purposes in this title.

7 (3) The amount of the general fund budget for each
8 school fiscal year ~~shall~~ may not exceed the financing
9 limitations established by this title but ~~shall--be--no~~ may
10 not be less than the amount established by law as the
11 foundation program. The general fund budget ~~shall~~ must be
12 financed by the foundation program revenues and may be
13 supplemented ~~by--the--permissive--levy--and--additional--voted~~
14 ~~levies--in--the--manner~~ as provided by law 20-9-353."

15 **Section 32.** Section 20-9-303, MCA, is amended to read:

16 "20-9-303. Definition of foundation program and its
17 proportion-of-the--maximum-general-fund-without-a-voted-levy
18 schedule--amount -- nonisolated school foundation program
19 financing -- special education funds. (1) As used in this
20 title, the term "foundation program" ~~shall--mean~~ means the
21 minimum operating expenditures, ~~as--established--herein,~~ that
22 are sufficient to provide for the educational program of a
23 school. The foundation program relates only to those
24 expenditures authorized by a district's general fund budget
25 and ~~shall~~ may not include expenditures from any other fund.

1 It ~~shall be~~ is financed by:

2 (a) county equalization ~~moneys; and~~ money, as provided
3 in 20-9-331 and 20-9-333;

4 (b) state equalization aid, as provided in 20-9-343;

5 (c) appropriations for special education;

6 (d) a district levy as provided in subsection (3) for
7 support of a school not approved as an isolated school under
8 the provisions of 20-9-302; and

9 (e) a district retirement deficiency levy imposed as
10 provided in [section 56].

11 (2) ~~The dollar amount of the foundation program shall~~
12 ~~be-----80%-----of-----the~~
13 ~~maximum general fund budget without a voted levy--limitation~~
14 ~~as--set forth in the schedules in 20-9-316 through 20-9-321--~~

15 The foundation program ~~of-an~~ includes:

16 (a) amounts in support of general education programs
17 as provided in the schedules in 20-9-316 through 20-9-320
18 and supplemented by a retirement deficiency levy authorized
19 under [section 56]; and

20 (b) payments in support of special education programs
21 under 20-9-321.

22 (3) An elementary school having an ANB of nine or
23 fewer pupils for 2 consecutive years which is not approved
24 as an isolated school under the provisions of 20-9-302 shall
25 be-80%-of may budget and spend the schedule amount, but the

1 county and state shall participate in financing one-half of
2 the foundation program, and the district shall finance the
3 remaining one-half by a tax levied on the property of the
4 district. When a school of nine or fewer pupils is approved
5 as isolated under the provisions of 20-9-302, the county and
6 state shall participate in the financing of the total amount
7 of the foundation program.

8 {3}{4} Funds provided to support the special education
9 accounting budget may be expended only for special education
10 purposes as approved by the superintendent of public
11 instruction in accordance with the special education
12 budgeting provisions of this title. Expenditures for special
13 education ~~shall~~ must be accounted for separately from the
14 balance of the school district general fund. Transfers
15 between items within the special education budget for
16 accounting purposes may be made at the discretion of the
17 board of trustees in accordance with the financial
18 administration part of this title. The unexpended balance of
19 the special education accounting budget ~~shall carry~~ carries
20 over to the next year to reduce the amount of funding
21 required to finance the district's ensuing year's
22 ~~maximum budget without a vote~~ foundation program amount for
23 special education."

24 **Section 33.** Section 20-9-311, MCA, is amended to read:
25 "20-9-311. Calculation of average number belonging

1 (ANB). (1) Average number belonging must be computed by
 2 determining the total of the aggregate days of attendance by
 3 regularly enrolled, full-time pupils during the second
 4 semester of the preceding school fiscal year and the first
 5 semester of the current school fiscal year plus the
 6 aggregate days of absence by regularly enrolled, full-time
 7 pupils during the second semester of the preceding school
 8 fiscal year and the first semester of the current school
 9 fiscal year and by dividing the total by 180. However, when
 10 a school district has approval to operate less than 180
 11 school days under 20-9-804, the total must be calculated in
 12 accordance with the provisions of 20-9-805. For the purpose
 13 of calculating ANB under this section, the days of
 14 attendance for a regularly enrolled pupil may not exceed 180
 15 pupil-instruction days and 7 pupil-instruction-related days.
 16 Attendance for a part of a morning session or a part of an
 17 afternoon session by a pupil must be counted as attendance
 18 for one-half day. In calculating the ANB for pupils enrolled
 19 in a program established under ~~20-7-117-prior-to-January-17,~~
 20 ~~1974,~~ or-pursuant-to 20-7-117(1), attendance at or absence
 21 from a regular session of the program for at least 2 hours
 22 of either a morning or an afternoon session will be counted
 23 as one-half day attended or absent as the case may be. If a
 24 variance has been granted as provided in 20-1-302, ANB will
 25 be computed in a manner prescribed by the superintendent of

1 public instruction, but in no case may the ANB exceed
 2 one-half for each kindergarten pupil. When any pupil has
 3 been absent, with or without excuse, for more than 10
 4 consecutive school days, including pupil-instruction-related
 5 days, his absence after the 10th day of absence may not be
 6 included in the aggregate days of absence and his enrollment
 7 in the school may not be considered in the calculation of
 8 the average number belonging until he resumes attendance at
 9 school.

10 (2) If a student spends less than half his time in the
 11 regular program and the balance of his time in school in the
 12 special education program, he is considered a full-time
 13 special pupil but is not considered regularly enrolled for
 14 ANB purposes. If a student spends half or more of his time
 15 in school in the regular program and the balance of his time
 16 in the special education program, he is considered regularly
 17 enrolled for ANB purposes.

18 (3) The average number belonging of the regularly
 19 enrolled, full-time pupils for the public schools of a
 20 district must be based on the aggregate of all the regularly
 21 enrolled, full-time pupils attending the schools of the
 22 district, except that when:

23 (a) a school of the district is located more than 3
 24 miles beyond the incorporated limits of a city or town or
 25 from another school of the district, all of the regularly

1 enrolled, full-time pupils of the school must be calculated
2 individually for ANB purposes;

3 (b) a junior high school has been approved and
4 accredited as a junior high school, all of the regularly
5 enrolled, full-time pupils of the junior high school must be
6 considered as high school district pupils for ANB purposes;

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

12 (d) a school has not been accredited by the board of
13 public education, the regularly enrolled, full-time pupils
14 attending the nonaccredited school are not eligible for
15 average number belonging calculation purposes, nor will an
16 average number belonging for the nonaccredited school be
17 used in determining the foundation program for the district.

18 (4) When 11th or 12th grade students are regularly
19 enrolled on a part-time basis, high schools may calculate
20 the ANB to include an "equivalent ANB" for those students.
21 The method for calculating an equivalent ANB must be
22 determined in a manner prescribed by the superintendent of
23 public instruction."

24 **Section 34.** Section 20-9-312, MCA, is amended to read:

25 **"20-9-312. Maximum--general--fund--budget** Foundation

1 program schedule for grades seven and eight. The ANB
2 calculated for grades 7 and 8 shall must be funded at the
3 high school rate, provided that the school meets the
4 standards for accreditation of a middle school. When such
5 the pupils are actually enrolled in an elementary school,
6 the foundation program schedule amount ~~of the--general--fund~~
7 ~~budget~~ per ANB is determined from the high school schedule
8 using the total ANB of the elementary school. To determine
9 the total ANB of ~~such-an~~ the elementary school, the 7th and
10 8th grade pupils shall must be included in such the total."

11 **Section 35.** Section 20-9-315, MCA, is amended to read:

12 **"20-9-315. Maximum general fund budget and exceptions.**
13 (1) The total amount of the general fund budget of any
14 district shall may not be greater than the ~~general--fund~~
15 ~~budget---amount---specified---in---20-9-316---through---20-9-321~~
16 district's foundation program as provided in 20-9-303,
17 except when a district has adopted an emergency general fund
18 budget under the provisions of 20-9-165 or when a district
19 satisfies the requirements of 20-9-353.

20 (2) Notwithstanding the provisions of subsection (1),
21 a district's maximum general fund budget may not exceed 130%
22 of the foundation program amount for that district, except:

23 (a) when Public Law 81-874 funds are the source of
24 funding for the excess amount, until the state receives
25 approval of an application to equalize the funds under 20

1 U.S.C. 240(d);

2 (b) when a district had a combined budget amount in
 3 school fiscal year 1988 for its general fund, retirement
 4 fund, and comprehensive insurance fund greater than the
 5 maximum general fund budget allowed by this section, in
 6 which case the maximum general fund budget of the district
 7 is limited to its school fiscal year 1988 combined budget
 8 amount for its general fund, retirement fund, and
 9 comprehensive insurance fund, until that amount does not
 10 exceed 130% of the district's foundation program amount."

11 **Section 36.** Section 20-9-318, MCA, is amended to read:

12 **"20-9-318. Elementary school maximum-budget foundation**
 13 **program schedule for 1987-88 school fiscal year 1991 and**
 14 **succeeding years. For 1987-88 the school fiscal year ending**
 15 **June 30, 1991, and succeeding school years, the elementary**
 16 **school maximum-budget foundation program schedule is as**
 17 **follows:**

18 (1) For each elementary school having an ANB of nine
 19 or fewer pupils, the maximum ~~shall-be-\$20,150~~ is \$29,143 if
 20 ~~said the~~ school is approved as an isolated school.

21 (2) For schools with an ANB of 10 pupils but less than
 22 18 pupils, the maximum ~~shall--be-\$20,150~~ is \$29,143 plus
 23 ~~\$842-50~~ \$1,218 per pupil on the basis of the average number
 24 belonging over nine.

25 (3) For schools with an ANB of at least 14 pupils but

1 less than 18 pupils that qualify for instructional aide
 2 funding under 20-9-322, the maximum ~~shall-be-\$33,042~~ is
 3 \$47,769 plus ~~\$842-50~~ \$1,218 per pupil on the basis of the
 4 average number belonging over 14.

5 (4) For schools with an ANB of 18 pupils and employing
 6 one teacher, the maximum ~~shall-be-\$27,741~~ is \$40,106 plus
 7 ~~\$842-50~~ \$1,218 per pupil on the basis of the average number
 8 belonging over 18, not to exceed an ANB of 25.

9 (5) For schools with an ANB of 18 pupils and employing
 10 two full-time teachers, the maximum ~~shall-be-\$44,290~~ is
 11 \$64,031 plus ~~\$527-60~~ \$762.76 per pupil on the basis of the
 12 average number belonging over 18, not to exceed an ANB of
 13 50.

14 (6) For schools having an ANB in excess of 40, the
 15 maximum, on the basis of the total pupils (ANB) in the
 16 district ~~for-elementary-pupils-will-be,~~ is as follows:

17 (a) For a school having an ANB of more than 40 and
 18 employing a minimum of three teachers, the maximum of ~~\$1,957~~
 19 ~~shall--be \$2,829~~ is decreased at the rate of ~~\$1-90~~ \$2.75 for
 20 each additional pupil until the total number (ANB) ~~shall~~
 21 ~~have-reached~~ reaches a total of 100 pupils.

22 (b) For a school having an ANB of more than 100
 23 pupils, the maximum of ~~\$1,843-should-be~~ \$2,664 is decreased
 24 at the rate of ~~\$1-74~~ \$1.50 for each additional pupil until
 25 the ANB ~~shall-have-reached~~ reaches 300 pupils.

1 (c) For a school having an ANB of more than 300
2 pupils, the maximum ~~shall~~ may not exceed ~~\$1,496~~ \$2,357 for
3 each pupil.

4 (7) The maximum per pupil for all pupils (ANB) and for
5 all elementary schools ~~shall~~ must be computed on the basis
6 of the amount allowed herein in this section on account of
7 the last eligible pupil (ANB). All elementary schools
8 operated within the incorporated limits of a city or town
9 ~~shall~~ must be treated as one school for the purpose of this
10 schedule."

11 **Section 37.** Section 20-9-319, MCA, is amended to read:

12 "20-9-319. High school maximum--budget foundation
13 program schedule for 1987-88 school fiscal year 1991 and
14 succeeding years. For 1987-88 the school fiscal year ending
15 June 30, 1991, and succeeding school years, the high school
16 maximum-budget foundation program schedule is as follows:

17 (1) For each high school having an ANB of 24 or fewer
18 pupils, the maximum ~~shall-be-\$114,845~~ is \$175,537.

19 (2) For a secondary high school having an ANB of more
20 than 24 pupils, the maximum ~~\$47,785-shall-be~~ of \$7,314 is
21 decreased at the rate of \$26-10 \$39.89 for each additional
22 pupil until the ANB ~~shall-have-reached~~ reaches a total of 40
23 such pupils.

24 (3) For a school having an ANB of more than 40 pupils,
25 the maximum of ~~\$47,368-shall-be~~ \$6,676 is decreased at the

1 rate of ~~\$26-10 \$39.89~~ for each additional pupil until the
2 ANB ~~shall-have-reached~~ reaches 100 pupils.

3 (4) For a school having an ANB of more than 100
4 pupils, a the maximum of ~~\$27,882-shall-be~~ \$4,283 is decreased
5 at the rate of ~~\$4-37 \$6.68~~ for each additional pupil until
6 the ANB ~~shall-have-reached~~ reaches 200 pupils.

7 (5) For a school having an ANB of more than 200
8 pupils, the maximum of ~~\$27,365-shall-be~~ \$3,615 is decreased
9 by ~~\$2-40 \$3.67~~ for each additional pupil until the ANB shall
10 have-reached reaches 300 pupils.

11 (6) For a school having an ANB of more than 300
12 pupils, the maximum of ~~\$27,125-shall-be~~ \$3,248 is decreased
13 at the rate of 44 67 cents for each additional pupil until
14 the ANB ~~shall-have-reached~~ reaches 600 pupils.

15 (7) For a school having an ANB over of more than 600
16 pupils, the maximum ~~shall~~ may not exceed ~~\$17,993~~ \$3,046 per
17 pupil.

18 (8) The maximum per pupil for all pupils (ANB) and for
19 all high schools ~~shall~~ must be computed on the basis of the
20 amount allowed herein in this section on account of the last
21 eligible pupil (ANB). All high schools and junior high
22 schools which have been approved and accredited as junior
23 high schools, operated within the incorporated limits of a
24 city or town, ~~shall~~ must be treated as one school for the
25 purpose of this schedule."

1 **Section 38.** Section 20-9-320, MCA, is amended to read:

2 "20-9-320. ~~Maximum---general--fund--budget~~ Foundation
3 program schedule amount for junior high school. (1) The
4 ~~general--fund--budget~~ foundation program schedule amount for
5 an approved and accredited junior high school ~~shall must~~ be
6 prorated between the elementary district ~~general-fund-budget~~
7 foundation program schedule amount and the high school
8 district ~~general-fund--budget~~ foundation program schedule
9 amount in the following manner:

10 (a) determine the per-ANB schedule amount for the
11 school, as defined by 20-9-317 and 20-9-319, from the high
12 school schedule;

13 (b) calculate the ANB for the regularly enrolled
14 full-time pupils enrolled in the 7th and 8th grades of the
15 junior high school;

16 (c) multiply the per-ANB schedule amount determined in
17 subsection (1)(a) by the ANB calculated in subsection (1)(b)
18 to determine the authorized ~~general-fund-budget~~ amount ~~which~~
19 ~~shall--be~~ available for the elementary district ~~general-fund~~
20 budget foundation program; and

21 (d) subtract the amount determined in subsection
22 (1)(c) from the total authorized ~~general-fund-budget~~ amount
23 for the school to determine the authorized ~~general--fund~~
24 budget amount ~~which-shall-be~~ available for the high school
25 district ~~general-fund-budget~~ foundation program.

1 (2) The ~~general-fund-budget~~ amount determined for each
2 school of a district under the schedules provided in
3 20-9-316 through 20-9-319 ~~shall must~~ be totaled to determine
4 the ~~maximum-general-fund-budget-without-a-voted-levy~~
5 foundation program schedule amount for ~~such~~ the district."

6 **Section 39.** Section 20-9-321, MCA, is amended to read:

7 "20-9-321. ~~Maximum---general--fund--budget~~ Foundation
8 program and contingency funds for special education. (1) For
9 the purpose of establishing the
10 ~~maximum-budget-without-a-vote~~ foundation program amount for
11 a current year special education program for a school
12 district, the superintendent of public instruction ~~will~~
13 shall determine the total estimated cost of the special
14 education program for the school district on the basis of a
15 special education program budget submitted by the district.
16 The budget ~~will must~~ be prepared on forms provided by the
17 superintendent of public instruction and ~~will must~~ set out
18 for each program:

19 (a) the estimated allowable costs associated with
20 operating the program where allowable costs are as defined
21 in 20-7-431;

22 (b) the number of pupils expected to be enrolled in
23 the program; and

24 (c) any other data required by the superintendent of
25 public instruction for budget justification purposes and to

1 administer the provisions of 20-9-315 through 20-9-321.

2 (2) The total amount of allowable costs approved by
3 the superintendent of public instruction ~~shall be~~ is
4 special education ~~maximum-budget-without-a-vote~~ foundation
5 program amount for current year special education program
6 purposes. The total amount of allowable costs that are
7 approved for the special education budget ~~shall~~ may not,
8 under any condition, be less than the
9 ~~maximum-budget-without-a-vote~~ foundation program amount for
10 one regular ANB for each ~~special~~ full-time special pupil in
11 the school district.

12 (3) If a special education program is implemented or
13 expanded during a given school term too late to be included
14 in the determination of the district
15 ~~maximum-budget-without-a-vote~~ foundation program for the
16 school year as prescribed in this part, allowable costs
17 approved under the budgeting provisions of subsections (1)
18 and (2) for the operation of the program during the given
19 year must be funded from any legislative appropriation for
20 contingency financing for special education. Contingency
21 funds granted under this subsection must be deposited in a
22 separate account of the miscellaneous programs fund of the
23 district as provided in 20-9-507. However, if contingency
24 funds are not available, then subject to the approval of the
25 program by the superintendent under the emergency budget

1 provisions of 20-9-161(5), allowable costs for the given
2 year may be added to the ~~maximum-budget-without-a-vote~~
3 foundation program amount for special education for the
4 subsequent school year. Such The allowable costs must be
5 recorded as previous year special education expenses in the
6 school district budget for the subsequent school year.

7 (4) The sum of the previous year special education
8 expenses as defined in subsection (3) ~~above~~ and the
9 ~~maximum-budget-without-a-vote~~ foundation program amount for
10 current year special education as defined in subsections (1)
11 and (2) ~~shall--be~~ is the special education budget for
12 accounting purposes.

13 (5) The ~~maximum-budget-without-a-vote~~ foundation
14 program amount for special education ~~will~~ must be added to
15 the ~~maximum-budget-without-a-vote~~ foundation program amount
16 of the regular program ANB defined in 20-9-311 and 20-9-313
17 to obtain the total ~~maximum-budget-without-a-vote~~ foundation
18 program amount for the district."

19 **Section 40.** Section 20-9-322, MCA, is amended to read:
20 "20-9-322. Elementary instructional aide funding
21 qualification. (1) An elementary school that anticipates an
22 ANB of at least 14 but less than 18 pupils for the ensuing
23 school fiscal year may determine the ~~maximum--general--fund~~
24 budget foundation program amount under the provisions of
25 20-9-316(3) or 20-9-318(3) if eligibility is approved in

1 accordance with the following provisions:

2 (a) No later than May 10 of each year, the school
3 district shall submit its application for approval for
4 instructional aide funding to the superintendent of public
5 instruction. The application must include:

6 (i) the ANB for the preceding ANB calculation period;

7 (ii) the current ANB and the number of grade levels
8 being taught on May 1 of the current year;

9 (iii) an estimate of the ANB and the number of grade
10 levels anticipated for the ensuing ANB calculation period;

11 (iv) the factual information on which the estimate is
12 based; and

13 (v) any other information or data that may be required
14 by the superintendent of public instruction.

15 (b) The superintendent of public instruction shall
16 immediately review all of the factors of the application and
17 shall approve the application if the anticipated ANB is at
18 least 14 but less than 18 pupils and a minimum of five grade
19 levels are being taught as of May 1 of the current year or
20 documentation is provided that indicates that the
21 anticipated ANB will require a minimum of five grade levels
22 to be taught in the ensuing school year.

23 (2) Whenever a school district applies for and is
24 approved for instructional aide funding under the provisions
25 of subsection (1), the district shall hire an instructional

1 aide.

2 (3) For the purposes of this section, the term
3 "instructional aide" means:

4 (a) a person who is under the direct supervision of a
5 teacher; or

6 (b) a certified teacher."

7 **Section 41.** Section 20-9-331, MCA, is amended to read:

8 ***20-9-331. Basic county tax and other revenues for**
9 **county equalization of the elementary district foundation**
10 **program. (1) ~~It shall be the duty of the~~ The county**
11 **commissioners of each county to shall levy an annual basic**
12 **tax of ~~20~~ 46.67 mills on the ~~dollars~~ dollar of the taxable**
13 **value of all taxable property within the county, except for**
14 **~~vehicles subject to taxation under 61-3-504(2)~~ property**
15 **subject to a tax or fee under 23-2-517, 23-2-803,**
16 **61-3-504(2), 61-3-521, 61-3-537, and 67-3-204, for the**
17 **purposes of local and state foundation program support. The**
18 **revenue ~~to be~~ collected from this levy ~~shall~~ must be**
19 **apportioned to the support of the foundation programs of the**
20 **elementary school districts in the county and to the state**
21 **special revenue fund, state equalization aid account, in the**
22 **following manner:**

23 (a) In order to determine the amount of revenue raised
24 by this levy which is retained by the county, the sum of the
25 estimated revenues revenue identified in subsection (2)

1 ~~below--shall~~ must be subtracted from the ~~sum-of-the-county~~
 2 ~~elementary-transportation-obligation-and-the~~ total of the
 3 foundation programs of all elementary districts of the
 4 county.

5 (b) If the basic levy prescribed by this section
 6 produces more revenue than is required to finance the
 7 difference determined ~~above~~ in subsection (1)(a), the county
 8 treasurer shall remit the surplus funds to the state
 9 treasurer for deposit to the state special revenue fund,
 10 state equalization aid account, immediately upon occurrence
 11 of a surplus balance and each subsequent month thereafter,
 12 with any final remittance due no later than June 20 of the
 13 fiscal year for which the levy has been set.

14 (c) If revenue from the basic levy prescribed by this
 15 section when combined with the other revenue from subsection
 16 (2) is insufficient to fully fund the percentage determined
 17 in 20-9-347(1)(b) and the county is eligible for an
 18 apportionment of state equalization aid under the provisions
 19 of 20-9-347(1)(c), the county superintendent shall notify
 20 the superintendent of public instruction of the deficiency.
 21 The superintendent of public instruction shall increase the
 22 state equalization aid payments to the districts in the
 23 affected county to offset the deficiency. A payment may not
 24 be made under this subsection (c) that allows a district to
 25 receive foundation program funding in excess of the

1 foundation program amount of the district.

2 (2) The proceeds revenue realized from the county's
 3 portion of the levy prescribed by this section and the
 4 revenues revenue from the following sources ~~shall~~ must be
 5 used for the equalization of the elementary district
 6 foundation programs of the county as prescribed in 20-9-334,
 7 and a separate accounting ~~shall~~ must be kept of ~~such~~
 8 proceeds-and-revenues the revenue by the county treasurer in
 9 accordance with 20-9-212(1):

10 (a) the portion of the federal Taylor Grazing Act
 11 funds distributed to a county and designated for the common
 12 school fund under the provisions of 17-3-222;

13 (b) the portion of the federal flood control act funds
 14 distributed to a county and designated for expenditure for
 15 the benefit of the county common schools under the
 16 provisions of 17-3-232;

17 (c) all money paid into the county treasury as a
 18 result of fines for violations of law, except money paid to
 19 a justice's court, and the use of which is not otherwise
 20 specified by law;

21 (d) any money remaining at the end of the immediately
 22 preceding school fiscal year in the county treasurer's
 23 account accounts for the various sources of revenue
 24 established or referred to in this section;

25 (e) any federal or state money distributed to the

1 county as payment in lieu of the property taxation,
 2 ~~established by the county levy required by this section~~
 3 including federal forest reserve funds allocated under the
 4 provisions of 17-3-213;

5 (f) net proceeds taxes for interim production and new
 6 production, as defined in 15-23-601; and

7 (g) anticipated revenue from ~~vehicle~~ property taxes
 8 and fees imposed under 23-2-517, 23-2-803, 61-3-504(2),
 9 61-3-521, and 61-3-537, and 67-3-204."

10 **Section 42.** Section 20-9-333, MCA, is amended to read:

11 "20-9-333. Basic special levy and other revenues for
 12 county equalization of high school district foundation
 13 program. (1) ~~It shall be the duty of the~~ The county
 14 commissioners of each county to shall levy an annual basic
 15 special tax for high schools of ~~17~~ 28.33 mills on the dollar
 16 of the taxable value of all taxable property within the
 17 county, except for ~~vehicles subject to taxation under~~
 18 61-3-504(2) property subject to a tax or fee under 23-2-517,
 19 23-2-803, 61-3-504(2), 61-3-521, 61-3-537, and 67-3-204, for
 20 the purposes of local and state foundation program support.
 21 The revenue ~~to be~~ collected from this levy shall must be
 22 apportioned to the support of the foundation programs of
 23 high school districts in the county and to the state special
 24 revenue fund, state equalization aid account, in the
 25 following manner:

1 (a) In order to determine the amount of revenue raised
 2 by this levy which is retained by the county, the sum of the
 3 estimated revenues revenue identified in subsections (2)(a)
 4 and (2)(b) below shall subsection (2) must be subtracted
 5 from the sum of the county's high school tuition obligation
 6 and the total of the foundation programs of all high school
 7 districts of the county.

8 (b) If the basic levy prescribed by this section
 9 produces more revenue than is required to finance the
 10 difference determined above in subsection (1)(a), the county
 11 treasurer shall remit the surplus to the state treasurer for
 12 deposit to the state special revenue fund, state
 13 equalization aid account, immediately upon occurrence of a
 14 surplus balance and each subsequent month thereafter, with
 15 any final remittance due no later than June 20 of the fiscal
 16 year for which the levy has been set.

17 (c) If revenue from the basic levy prescribed by this
 18 section when combined with the other revenue from subsection
 19 (2) is insufficient to fully fund the percentage determined
 20 in 20-9-347(1)(b) and the county is eligible for an
 21 apportionment of state equalization aid under the provisions
 22 of 20-9-347(1)(c), the county superintendent shall notify
 23 the superintendent of public instruction of the deficiency.
 24 The superintendent of public instruction shall increase the
 25 state equalization aid payments to the districts in the

1 affected county to offset the deficiency. A payment may not
 2 be made under this subsection (c) that allows a district to
 3 receive foundation program funding in excess of the
 4 foundation program amount of the district.

5 (2) The proceeds revenue realized from the county's
 6 portion of the levy prescribed in this section and the
 7 revenues revenue from the following sources ~~shall~~ must be
 8 used for the equalization of the high school district
 9 foundation programs of the county as prescribed in 20-9-334,
 10 and a separate accounting ~~shall~~ must be kept of these
 11 proceeds the revenue by the county treasurer in accordance
 12 with 20-9-212(1):

13 (a) any money remaining at the end of the immediately
 14 preceding school fiscal year in the county treasurer's
 15 accounts for the various sources of revenue established in
 16 this section;

17 (b) any federal or state moneys money distributed to
 18 the county as a payment in lieu of the property taxation,
 19 ~~established--by--the--county--levy--required--by--this--section~~
 20 including federal forest reserve funds allocated under the
 21 provisions of 17-3-213;

22 (c) net proceeds taxes for interim production and new
 23 production, as defined in 15-23-601; and

24 (d) anticipated revenue from ~~vehicle~~ property taxes
 25 and fees imposed under 23-2-517, 23-2-803, 61-3-504(2),

1 61-3-521, and 61-3-537, and 67-3-204."

2 **Section 43.** Section 20-9-334, MCA, is amended to read:

3 **"20-9-334. Apportionment of county equalization moneys**
 4 **money by county superintendent.** The county superintendent
 5 shall separately apportion the revenues deposited in the
 6 basic county tax account and the revenues deposited in the
 7 basic special tax for high schools account to the several
 8 districts of the county on a monthly basis. The
 9 apportionments ~~shall~~ must be known as "county equalization
 10 moneys money". Before the county superintendent makes the
 11 monthly apportionments, ~~he the county superintendent shall:~~
 12 ~~{1}--deduct--from--the--revenues--available--in--the--basic~~
 13 ~~county--tax--account--the--amount--required--for--the--month--to--pay~~
 14 ~~the--county's--obligation--for---elementary---transportation~~
 15 ~~reimbursements;--and~~

16 ~~{2} deduct from the revenues available in the basic~~
 17 ~~special tax for high schools account the amount required for~~
 18 ~~the month to pay the county's obligation for high school~~
 19 ~~out-of-county tuition."~~

20 **Section 44.** Section 20-9-343, MCA, is amended to read:

21 **"20-9-343. Definition of and revenue for state**
 22 **equalization aid.** (1) As used in this title, the term "state
 23 equalization aid" means ~~those-moneys~~ the money deposited in
 24 the state special revenue fund as required in this section
 25 plus any legislative appropriation of money from other

1 sources for distribution to the public schools for the
2 purpose of equalization of the foundation program.

3 ~~(2) The legislative appropriation for state~~
4 ~~equalization aid shall be made in a single sum for the~~
5 ~~biennium. The superintendent of public instruction has~~
6 ~~authority to may spend such appropriation together with the~~
7 ~~earmarked revenues provided in subsection (3), funds~~
8 ~~appropriated for state equalization aid as required for~~
9 foundation program purposes throughout the biennium.

10 (3) The following ~~shall~~ must be paid into the state
11 special revenue fund for state equalization aid to public
12 schools of the state:

13 (a) ~~31.0% of all~~ money received from the collection of
14 income taxes under chapter 30 of Title 15, as provided by
15 15-1-501;

16 (b) ~~25% of all money~~, except as provided in 15-31-702,
17 money received from the collection of corporation license
18 and income taxes under chapter 31 of Title 15, as provided
19 by 15-1-501;

20 (c) ~~100% of the~~ money allocated to state equalization
21 from the collection of the severance tax on coal;

22 (d) ~~100% of the~~ money received from the treasurer of
23 the United States as the state's shares of oil, gas, and
24 other mineral royalties under the federal Mineral Lands
25 Leasing Act, as amended;

1 (e) interest and income money described in 20-9-341
2 and 20-9-342;

3 (f) income from the education trust fund account; and
4 (g) income from the lottery, as provided in 23-5-1027;

5 ~~(g)(h) in addition to these revenues~~, the surplus
6 revenues collected by the counties for foundation program
7 support according to 20-9-331 and 20-9-333-; and

8 (i) investment income earned by investing money in the
9 state equalization aid account in the state special revenue
10 fund.

11 (4) The superintendent of public instruction shall
12 request the board of investments to invest the money in the
13 state equalization aid account to maximize investment
14 earnings to the account.

15 ~~(4)(5)~~ Any surplus revenue in the state equalization
16 aid account in the second year of a biennium may be used to
17 reduce the any appropriation required for the next
18 succeeding biennium."

19 **Section 45.** Section 20-9-344, MCA, is amended to read:

20 "20-9-344. Purpose of state equalization aid and
21 duties of the board of public education for distribution --
22 conditions of first payment. (1) The money available for
23 state equalization aid ~~shall~~ must be distributed and
24 apportioned to provide an annual minimum operating revenue
25 for the elementary and high schools in each county,

1 exclusive of revenues required for debt service and for the
2 payment of any ~~and--at~~ costs and expense incurred in
3 connection with any adult education program, recreation
4 program, school food services program, new buildings, ~~--new~~
5 and grounds, and transportation.

6 (2) The board of public education shall administer and
7 distribute the state equalization aid in the manner and with
8 the powers and duties provided by law. To this end, the
9 board of public education shall:

10 (a) adopt policies for regulating the distribution of
11 state equalization aid in accordance with the provisions of
12 law and in a manner that ~~would--most--effectively--meet--the~~
13 financial--needs---of---districts provides for monthly
14 distribution to each district of its foundation program
15 amount;

16 (b) have the power to require such reports from the
17 county superintendents, budget boards, county treasurers,
18 and trustees as it ~~may-deem~~ considers necessary; and

19 (c) order the superintendent of public instruction to
20 distribute the state equalization aid on the basis of each
21 district's annual entitlement to ~~such~~ the aid as established
22 by the superintendent of public instruction. In ordering the
23 distribution of state equalization aid, the board of public
24 education ~~shall~~ may not increase or decrease the state
25 equalization aid distribution to any district on account of

1 any difference which that may occur during the school fiscal
2 year between budgeted and actual receipts from any other
3 source of school revenue.

4 (3) The board of public education may order the
5 superintendent of public instruction to withhold
6 distribution of state equalization aid or order the county
7 superintendent of schools to withhold county equalization
8 money from a district when the district fails to:

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

11 (b) maintain accredited status.

12 (4) Prior to any proposed order by the board of public
13 education to withhold distribution of state equalization aid
14 or county equalization money, the district is entitled to a
15 contested case hearing before the board of public education,
16 as provided under the Montana Administrative Procedure Act.

17 ~~†3†~~ (5) Should If a district ~~receive~~ receives more
18 state equalization aid than it is entitled to, the county
19 treasurer ~~must~~ shall return the overpayment to the state
20 upon the request of the superintendent of public instruction
21 in the manner prescribed by the department of commerce.

22 ~~†4†~~ (6) (a) The first payment of state-equalization-aid
23 each district's foundation program amount must be:

24 ~~†5†~~ based on an estimate of 20% of each district's
25 entitlement; and

1 (b) distributed by July 15 of the school fiscal year.
 2 (b) Each subsequent monthly payment must be at least
 3 7% of the district's amount."

4 **Section 46.** Section 20-9-353, MCA, is amended to read:

5 "20-9-353. Additional levy for general fund --
 6 election for authorization to impose. (1) The Except as
 7 limited by 20-9-315(2), the trustees of any district may
 8 propose to adopt a general fund budget in excess of the
 9 general-fund-budget-amount foundation program for such the
 10 district as-established-by-the-schedules-in-20-9-316-through
 11 20-9-321 for any of the following purposes:

- 12 (a) building, altering, repairing, or enlarging any
 13 schoolhouse of the district;
 14 (b) furnishing additional school facilities for the
 15 district;
 16 (c) acquisition of land for the district;
 17 (d) proper maintenance and operation of the school
 18 programs of the district.

19 (2) When the trustees of any district determine that
 20 an additional amount of financing is required for the
 21 general fund budget that is in excess of the statutory
 22 schedule amount, the trustees shall submit the proposition
 23 of an additional levy to raise such the excess amount of
 24 general fund financing to the electors who are qualified
 25 under 20-20-301 to vote upon such the proposition, except

1 that no an election shall-be is not required to permit the
 2 school trustees to use any funds available to finance the
 3 additional amount other than those funds to be raised by the
 4 additional levy. Such The special election shall must be
 5 called and conducted in the manner prescribed by this title
 6 for school elections. The ballot for such the election shall
 7 must state only the amount of money to be raised by
 8 additional property taxation, the approximate number of
 9 mills required to raise such the money, and the purpose for
 10 which such the money will be expended, and--it--shall The
 11 ballot must be in the following format:

12 PROPOSITION

13 Shall a levy be made in addition to the levies
 14 authorized by law in such the number of mills as may be
 15 necessary to raise the sum of (state the amount to be raised
 16 by additional tax levy), and being approximately (give
 17 number) mills, for the purpose of (insert the purpose for
 18 which the additional tax levy is made)?

19 FOR the levy.

20 AGAINST the levy.

21 (3) If the election on any additional levy for the
 22 general fund is approved by a majority vote of those the
 23 electors voting at such the election, the proposition shall
 24 carry carries and the trustees may use any portion or all of
 25 the authorized amount in adopting the preliminary general

1 fund budget. The trustees shall certify the additional levy
 2 amount authorized by ~~such-a~~ the special election on the
 3 budget form that is submitted to the county superintendent,
 4 and the county commissioners shall levy ~~such~~ the authorized
 5 number of mills on the taxable value of all taxable property
 6 within the district, as prescribed in 20-9-141, ~~as-are~~
 7 ~~required~~ to raise the amount of ~~such~~ the additional levy.

8 (4) Authorization to levy an additional tax under the
 9 provisions of this section ~~shall-be~~ is effective for only 1
 10 school fiscal year and ~~shall~~ must be authorized by a special
 11 election conducted before August 1 of the school fiscal year
 12 for which it is effective."

13 **Section 47.** Section 20-9-506, MCA, is amended to read:

14 **"20-9-506. Budgeting and net levy requirement for**
 15 **nonoperating fund.** (1) The trustees of any district ~~which~~
 16 that does not operate a school or will not operate a school
 17 during the ensuing school fiscal year shall adopt a
 18 nonoperating school district budget in accordance with the
 19 school budgeting provisions of this title. Such nonoperating
 20 budget ~~shall~~ must contain the nonoperating fund and, when
 21 appropriate, a debt service fund. The nonoperating budget
 22 form ~~shall~~ must be promulgated and distributed by the
 23 superintendent of public instruction under the provisions of
 24 20-9-103.

25 (2) After the adoption of a final budget for the

1 nonoperating fund, the county superintendent shall compute
 2 the net levy requirement for ~~such~~ the fund by subtracting
 3 from the amount authorized by ~~such~~ the budget the sum of:

4 (a) the end-of-the-year cash balance of the
 5 nonoperating fund or, if it is the first year of
 6 nonoperation, the cash balance determined under the transfer
 7 provisions of 20-9-505;

8 (b) the estimated state ~~and--county~~ transportation
 9 ~~reimbursements~~ reimbursement; and

10 (c) any other ~~moneys~~ money that may become available
 11 during the ensuing school fiscal year.

12 (3) The county superintendent shall report the net
 13 nonoperating fund levy requirement and any net debt service
 14 fund levy requirement determined under the provisions of
 15 20-9-439 to the county commissioners on the second Monday of
 16 August, and ~~such~~ the levies ~~shall~~ must be made on the
 17 district by the county commissioners in accordance with
 18 20-9-142."

19 **Section 48.** Section 20-10-104, MCA, is amended to
 20 read:

21 **"20-10-104. Penalty for violating law or rules.** (1)
 22 Every district, its trustees and employees, and every person
 23 under a transportation contract with a district ~~shall-be~~ are
 24 subject to the policies prescribed by the board of public
 25 education and the rules prescribed by the superintendent of

1 public instruction. When a district knowingly violates a
 2 transportation law or board of public education
 3 transportation policy, ~~such~~ the district shall forfeit any
 4 reimbursement otherwise payable under 20-10-145 and
 5 ~~20-10-146~~ for bus miles actually traveled during that fiscal
 6 year in violation of ~~such law~~ any laws or policies. The
 7 county superintendent shall suspend ~~all---such~~ any
 8 reimbursements payable to the district until the district
 9 corrects the violation. When the district corrects the
 10 violation, the county superintendent shall resume paying any
 11 reimbursements to the district, but the amount forfeited may
 12 not be paid to the district.

13 (2) When a person operating a bus under contract with
 14 a district knowingly fails to comply with the transportation
 15 law or the board of public education transportation
 16 policies, the district may not pay him for any bus miles
 17 traveled during the contract year in violation of such law
 18 or policies. Upon discovering ~~such~~ a violation, the trustees
 19 of the district shall give written notice to the person that
 20 unless the violation is corrected within 10 days of the
 21 giving of notice, the contract will be canceled. The
 22 trustees of a district shall order the operation of a bus
 23 operated under contract suspended when the bus is being
 24 operated in violation of transportation law or policies and
 25 the trustees find that ~~such~~ the violation jeopardizes the

1 safety of pupils."

2 **Section 49.** Section 20-10-141, MCA, is amended to
 3 read:

4 "20-10-141. Schedule of maximum reimbursement by
 5 mileage rates. (1) The following mileage rates for school
 6 transportation constitute the maximum reimbursement to
 7 districts for school transportation from state ~~and--county~~
 8 ~~sources--of~~ transportation revenue under the provisions of
 9 20-10-145 ~~and--20-10-146~~. ~~These~~ Except as provided in
 10 20-10-143, the rates shall may not limit the amount which a
 11 district may budget in its transportation fund budget in
 12 order to provide for the estimated and necessary cost of
 13 school transportation during the ensuing school fiscal year.
 14 All bus miles traveled on routes approved by the county
 15 transportation committee are reimbursable. Nonbus mileage is
 16 reimbursable for a vehicle driven by a bus driver to and
 17 from an overnight location of a school bus when the location
 18 is more than 10 miles from the school. A district may
 19 approve additional bus or nonbus miles within its own
 20 district or approved service area but may not claim
 21 reimbursement for such mileage. Any vehicle, the operation
 22 of which is reimbursed for bus mileage under the rate
 23 provisions of this schedule, ~~shall~~ must be a school bus, as
 24 defined by this title, driven by a qualified driver on a bus
 25 route approved by the county transportation committee and

1 the superintendent of public instruction.

2 (2) The rate per bus mile traveled ~~shall~~ must be
3 determined in accordance with the following schedule when
4 the number of eligible transportees that board a school bus
5 on an approved route is not less than one-half of its rated
6 capacity:

7 (a) ~~72 cents in fiscal 1984 and 80 cents in fiscal~~
8 ~~1985 and each year thereafter~~ per bus mile for a school bus
9 with a rated capacity of not less than 12 but not more than
10 45 children; and

11 (b) when the rated capacity is more than 45 children,
12 an additional 2 cents per bus mile for each additional child
13 in the rated capacity in excess of 45 shall be added to a
14 base rate of ~~72 cents in fiscal 1984 and 80 cents in fiscal~~
15 ~~1985 and each year thereafter~~ per bus mile.

16 (3) Reimbursement for nonbus mileage provided for in
17 subsection (1) may not exceed 50% of the maximum
18 reimbursement rate determined under subsection (2).

19 (4) When the number of eligible transportees boarding
20 a school bus on an approved route is less than one-half of
21 its rated capacity, the rate per bus mile traveled ~~shall~~
22 must be computed as follows:

23 (a) determine the number of eligible transportees that
24 board the school bus on the route;

25 (b) multiply the number determined in subsection

1 (4)(a) by two and round off to the nearest whole number; and

2 (c) use the adjusted rated capacity determined in
3 subsection (4)(b) as the rated capacity of the bus to
4 determine the rate per bus mile traveled from the rate
5 schedule in subsection (2).

6 (5) The rated capacity ~~shall be~~ is the number of
7 riding positions of a school bus as determined under the
8 policy adopted by the board of public education."

9 **Section 50.** Section 20-10-142, MCA, is amended to
10 read:

11 "20-10-142. Schedule of maximum reimbursement for
12 individual transportation. The following rates for
13 individual transportation constitute the maximum
14 reimbursement to districts for individual transportation
15 from state ~~and county sources of~~ transportation revenue
16 under the provisions of 20-10-145 and ~~20-10-146~~. ~~These~~ The
17 rates also ~~shall~~ constitute the limitation of the budgeted
18 amounts for individual transportation for the ensuing school
19 fiscal year. The schedules provided in this section ~~shall~~
20 may not be altered by any authority other than the
21 legislature of the state of Montana. When the trustees
22 contract with the parent or guardian of any eligible
23 transportee to provide individual transportation for each
24 day of school attendance, they shall reimburse the parent or
25 guardian on the basis of the following schedule:

1 (1) When a parent or guardian transports an eligible
 2 transportee or transportees from the residence of the parent
 3 or guardian to a school or to schools located within 3 miles
 4 of one another, the total reimbursement per day of
 5 attendance shall must be determined by multiplying the
 6 distance in miles between the residence and the school, or
 7 the most distant school if more than one, by 2, subtracting
 8 6 miles from the product so obtained, and multiplying the
 9 difference by 20 cents provided that:

10 (a) if two or more eligible transportees are
 11 transported by a parent or guardian to two or more schools
 12 located within 3 miles of one another and if such schools
 13 are operated by different school districts, the total amount
 14 of the reimbursement shall must be divided equally between
 15 the districts;

16 (b) if two or more eligible transportees are
 17 transported by a parent or guardian to two or more schools
 18 located more than 3 miles from one another, the parent or
 19 guardian shall must be separately reimbursed for
 20 transporting the eligible transportee or transportees to
 21 each school;

22 (c) if a parent transports two or more eligible
 23 transportees to a school and a bus stop which school and bus
 24 stop are located within 3 miles of one another, the total
 25 reimbursement shall must be determined under the provisions

1 of this subsection and shall must be divided equally between
 2 the district operating the school and the district operating
 3 the bus;

4 (d) if a parent transporting two or more eligible
 5 transportees to a school or bus stop must, because of
 6 varying arrival and departure times, make more than one
 7 round-trip journey to the bus stop or school, the total
 8 reimbursement allowed by this section shall must be limited
 9 to one round trip per day for each scheduled arrival or
 10 departure time;

11 (e) notwithstanding subsection (1)(a), (1)(b), (1)(c),
 12 or (1)(d), no a reimbursement may not be less than 25 cents
 13 a day.

14 (2) When the parent or guardian transports an eligible
 15 transportee or transportees from the residence to a bus stop
 16 of a bus route approved by the trustees for the
 17 transportation of the transportee or transportees, the total
 18 reimbursement per day of attendance shall must be determined
 19 by multiplying the distance in miles between the residence
 20 and the bus stop by 2, subtracting 3 miles from the product
 21 so obtained, and multiplying the difference by 20 cents
 22 provided that:

23 (a) if the eligible transportees transported attend
 24 schools in different districts but ride on one bus, the
 25 districts shall divide the total reimbursement equally; and

1 (b) if the parent or guardian is required to transport
2 the eligible transportees to more than one bus, the parent
3 or guardian ~~shall~~ must be separately reimbursed for
4 transportation to each bus.

5 (3) Where, due to excessive distances, impassable
6 roads, or other special circumstances of isolation the rates
7 prescribed in subsection (1) or (2) would be an inadequate
8 reimbursement for the transportation costs or would result
9 in a physical hardship for the eligible transportee, his the
10 transportee's parent or guardian may request an increase in
11 the reimbursement rate. ~~Such-a~~ A request for increased rates
12 due to isolation ~~shall~~ must be made by the parent or
13 guardian on the contract for individual transportation for
14 the ensuing school fiscal year by indicating the special
15 facts and circumstances which exist to justify the increase.
16 Before any increased rate due to isolation ~~can~~ may be paid
17 to the requesting parent or guardian, such the rate must be
18 approved by the county transportation committee and the
19 superintendent of public instruction after the trustees have
20 indicated their approval or disapproval. Regardless of the
21 action of the trustees and when approval is given by the
22 county transportation committee and the superintendent of
23 public instruction, the trustees shall pay such the
24 increased rate due to isolation. The increased rate ~~shall~~
25 must be 1 1/2 times the rate prescribed in subsection (1)

1 above.

2 (4) When the isolated conditions of the household
3 where an eligible transportee resides require such the
4 eligible transportee to live away from the household in
5 order to attend school, ~~he--shall--be~~ the transportee is
6 eligible for the room and board reimbursement. Approval to
7 receive the room and board reimbursement ~~shall~~ must be
8 obtained in the same manner prescribed in subsection (3)
9 above. The per diem rate for room and board ~~shall-be~~ is \$5
10 for one eligible transportee and \$3 for each additional
11 eligible transportee of the same household.

12 (5) When the individual transportation provision is ~~to~~
13 ~~be~~ satisfied by supervised home study or supervised
14 correspondence study, the reimbursement rate ~~shall~~ must be
15 the cost of such study, provided that the course of
16 instruction is approved by the trustees and supervised by
17 the district."

18 **Section 51.** Section 20-10-143, MCA, is amended to
19 read:

20 "20-10-143. Budgeting for transportation and
21 transmittal of transportation contracts ~~-- transportation~~
22 fund limitation. (1) The Except as provided in subsection
23 (2), the trustees of any district furnishing transportation
24 to pupils who are residents of such the district shall have
25 ~~the authority-and-it--shall--be--their--duty--to~~ provide a

1 transportation fund budget that is adequate to finance such
2 the district's transportation contractual obligations and
3 any other transportation expenditures necessary for the
4 conduct of its transportation program. The transportation
5 fund budget shall must include:

6 (a) an adequate amount to finance the maintenance and
7 operation of district owned and operated school buses;

8 (b) the annual contracted amount for the maintenance
9 and operation of school buses by a private party;

10 (c) the annual contracted amount for individual
11 transportation, including any increased amount due to
12 isolation, which shall must not exceed the schedule amounts
13 prescribed in 20-10-142;

14 (d) any amount necessary for the purchase, rental, or
15 insurance of school buses; and

16 (e) any other amount necessary to finance the
17 administration, operation, or maintenance of the
18 transportation program of the district, as determined by the
19 trustees.

20 (2) The overschedule amount in the transportation fund
21 budget of a district may not exceed the overschedule amount
22 of expenditures from the transportation fund for school
23 fiscal year 1988, except the superintendent of public
24 instruction may approve a request to exceed the budget
25 limitation if an emergency or change in circumstance occurs,

1 as prescribed in rules adopted by the superintendent of
2 public instruction.

3 ~~(2)~~(3) The trustees may include a contingency amount
4 in the transportation fund budget for the purpose of
5 enabling the district to fulfill any obligation to provide
6 transportation in accordance with the transportation law
7 for:

8 (a) any pupils not residing in the district at the
9 time of the adoption of the preliminary budget and who
10 subsequently became residents of such the district during
11 the school fiscal year; or

12 (b) pupils who have become eligible transportees since
13 the adoption of the preliminary budget because their legal
14 residence has been changed. The budgeted contingency amount
15 shall must not exceed 10% of the transportation schedule
16 amount as calculated under the provisions of 20-10-141 and
17 20-10-142 for all transportation services authorized by such
18 schedule and provided by the district unless 10% of such the
19 transportation schedule amount ~~shall-be~~ is less than \$100,
20 in which case \$100 shall must be the maximum limitation for
21 such the budgeted contingency amount.

22 ~~(3)~~(4) As provided in 20-9-162, an emergency
23 transportation fund budget may be adopted subject to the
24 provisions of the emergency budgeting law.

25 ~~(4)~~(5) The transportation fund budgeted expenditures

1 appropriated by the trustees shall must be reported on the
 2 regular budget form prescribed by the superintendent of
 3 public instruction in accordance with 20-9-103, and the
 4 adoption of the transportation fund budget shall must be
 5 completed in accordance with the school budgeting laws. When
 6 the adopted preliminary budget is sent to the county
 7 superintendent, the trustees shall also send copies of all
 8 completed transportation contracts for school bus
 9 transportation and individual transportation to the county
 10 superintendent. Such The contracts shall must substantiate
 11 all contracted transportation services incorporated in the
 12 preliminary budget, and after the county superintendent has
 13 utilized the contracts for such that purpose but before the
 14 fourth Monday of July, he shall send all the transportation
 15 contracts received ~~by--him~~ to the superintendent of public
 16 instruction. When the county superintendent determines a
 17 deviation between the preliminary transportation fund budget
 18 amount for contracted transportation services and the
 19 contracted amount for such the services, he shall
 20 immediately call the deviation to the attention of the
 21 appropriate trustees and shall allow the trustees to change
 22 the preliminary budgeted amount to compensate for such
 23 deviation."

24 **Section 52.** Section 20-10-144, MCA, is amended to
 25 read:

1 "20-10-144. Computation of revenues and net tax levy
 2 requirements for the transportation fund budget. Before the
 3 fourth Monday of July and in accordance with 20-9-123, the
 4 county superintendent shall compute the revenue available to
 5 finance the transportation fund budget of each district. The
 6 county superintendent shall compute the revenue for each
 7 district on the following basis:

8 (1) The "schedule amount" of the preliminary budget
 9 expenditures that is derived from the rate schedules in
 10 20-10-141 and 20-10-142 shall must be determined by adding
 11 the following amounts:

12 (a) the sum of the maximum reimbursable expenditures
 13 for all approved school bus routes maintained by the
 14 district (to determine the maximum reimbursable expenditure,
 15 multiply the applicable rate per bus mile by the total
 16 number of miles to be traveled during the ensuing school
 17 fiscal year on each bus route approved by the county
 18 transportation committee and maintained by such district);
 19 plus

20 (b) the total of all individual transportation per
 21 diem reimbursement rates for such the district as determined
 22 from the contracts submitted by the district multiplied by
 23 the number of pupil-instruction days scheduled for the
 24 ensuing school attendance year; plus

25 (c) any estimated costs for supervised home study or

1 supervised correspondence study for the ensuing school
2 fiscal year; plus

3 (d) the amount budgeted on the preliminary budget for
4 the contingency amount permitted in 20-10-143, except if
5 such the amount exceeds 10% of the total of subsections
6 (1)(a), (1)(b), and (1)(c) or \$100, whichever is larger, the
7 contingency amount on the preliminary budget shall must be
8 reduced to such the limitation amount and used in this
9 determination of the schedule amount.

10 (2) The schedule amount determined in subsection (1)
11 or the total preliminary transportation fund budget,
12 whichever is smaller, shall--be--divided--by--3--and--the
13 resulting-one-third-amount-shall-be is used to determine the
14 available state and--county revenue to be budgeted, on-the
15 following-basis:

16 (a)--the--resulting--one-third--amount--shall--be--the
17 budgeted-state-transportation-reimbursement, except that the
18 state-transportation-reimbursement-for-the-transportation-of
19 special-education-pupils--under-the-provisions-of-20-7-442
20 shall-be-two-thirds-of-the-schedule-amount-attributed-to-the
21 transportation-of-special-education-pupils;

22 (b)--the--resulting--one-third--amount, except as provided
23 for-joint-elementary-districts-in-subsection--(2)(e), shall
24 be--the--budgeted--county--transportation--reimbursement-for
25 elementary-districts-and-shall-be-financed--by--the--basic

1 county-tax-under-the-provisions-of-20-9-334;

2 (c)--the--resulting--one-third--amount--multiplied-by-2
3 shall-be-the-budgeted--county--transportation--reimbursement
4 amount--for--high--school--districts--financed--under--the
5 provisions-of-subsection-(5)--of--this--section, except--as
6 provided--for--joint--high--school--districts--in-subsection
7 (2)(e), and--except--that--the--county--transportation
8 reimbursement--for--the--transportation-of-special-education
9 pupils-under-the-provisions-of-20-7-442-shall--be--one-third
10 of--the--schedule-amount-attributed-to-the-transportation-of
11 special-education-pupils;

12 (d)(3) when If the district has a sufficient amount of
13 cash for reappropriation and other sources of district
14 revenue, as determined in subsection (3) (4), to reduce the
15 total district obligation for financing to zero, any
16 remaining amount of such district revenue and cash
17 reappropriated shall must be used to reduce the--county
18 financing-obligation-in-subsections-(2)(b)-or-(2)(c)-and, if
19 such--county--financing-obligations-are-reduced-to-zero, to
20 reduce-the-state-financial-obligation-in-subsection--(2)(a);
21 and

22 (e)--the--county--revenue--requirement--for--a--joint
23 district, after-the-application-of-any-district-moneys-under
24 subsection-(2)(d)-above, shall-be-prorated--to--each--county
25 incorporated-by-the-joint-district-in-the-same-proportion-as

1 ~~the--AND--of--the--joint--district--is--distributed--by--pupil~~
 2 ~~residence--in--each--such--county~~ the state financial obligation
 3 in 20-10-145.

4 ~~{3}(4)~~ The total of the moneys money available for the
 5 reduction of property tax on the district for the
 6 transportation fund ~~shall~~ must be determined by totaling:

7 (a) anticipated federal moneys money received under
 8 the provisions of Title I of Public Law 81-874 or other
 9 anticipated federal moneys money received in lieu of ~~such~~
 10 ~~that~~ federal act; plus

11 (b) anticipated payments from other districts for
 12 providing school bus transportation services for ~~such~~ the
 13 district; plus

14 (c) anticipated payments from a parent or guardian for
 15 providing school bus transportation services for his child;
 16 plus

17 (d) anticipated or reappropriated interest to be
 18 earned by the investment of transportation fund cash in
 19 accordance with the provisions of 20-9-213(4); plus

20 (e) anticipated or reappropriated revenue from ~~vehicle~~
 21 property taxes and fees imposed under 23-2-517, 23-2-803,
 22 61-3-504(2), 61-3-521, and 61-3-537, and 67-3-204; plus

23 (f) net proceeds taxes for interim production and new
 24 production, as defined in 15-23-601; plus

25 (g) any other revenue anticipated by the trustees to

1 be earned during the ensuing school fiscal year which may be
 2 used to finance the transportation fund; plus

3 (h) any cash available for reappropriation as
 4 determined by subtracting the amount of the end-of-the-year
 5 cash balance earmarked as the transportation fund cash
 6 reserve for the ensuing school fiscal year by the trustees
 7 from the end-of-the-year cash balance in the transportation
 8 fund. ~~Such~~ The cash reserve ~~shall~~ may not be more than 20%
 9 of the final transportation fund budget for the ensuing
 10 school fiscal year and ~~shall-be~~ is for the purpose of paying
 11 transportation fund warrants issued by the district under
 12 the final transportation fund budget.

13 ~~{4}(5)~~ The district levy requirement for each
 14 district's transportation fund ~~shall~~ must be computed by:

15 (a) subtracting the schedule amount calculated in
 16 subsection (1) from the total preliminary transportation
 17 budget amount ~~and, for an elementary district, adding such~~
 18 ~~difference to the district obligation to finance one-third~~
 19 ~~of the schedule amount as determined in subsection (2); and~~

20 (b) subtracting the amount of moneys money available
 21 to reduce the property tax on the district, as determined in
 22 subsection ~~{3}~~ (4), from the amount determined in subsection
 23 ~~{4}(a)~~ (5)(a) above.

24 ~~{5}--The--county--levy--requirement--for--the--financing--of~~
 25 ~~the--county--transportation--reimbursement--to--high--school~~

1 ~~districts--shall-be-computed-by-adding-all-such-requirements~~
 2 ~~for-all-the-high-school-districts-of-the--county,--including~~
 3 ~~the--county's--obligation--for--reimbursements-in-joint-high~~
 4 ~~school-districts.~~

5 (6) The transportation fund levy requirements
 6 determined in subsection ~~(4)~~ (5) for each district ~~and-in~~
 7 ~~subsection-(5)-for-the-county-shall~~ must be reported to the
 8 county commissioners on the second Monday of August by the
 9 county superintendent as the transportation fund levy
 10 requirements for the district ~~and-for-the-county~~, and such
 11 ~~levies--shall~~ the levy must be made by the county
 12 commissioners in accordance with 20-9-142."

13 **Section 53.** Section 20-10-145, MCA, is amended to
 14 read:

15 "20-10-145. State transportation reimbursement. (1)
 16 Any district providing school bus transportation or
 17 individual transportation in accordance with ~~the~~
 18 ~~transportation--law~~ this title, board of public education
 19 transportation policy, and superintendent of public
 20 instruction transportation rules shall receive a state
 21 reimbursement of its transportation expenditures under the
 22 transportation reimbursement rate provisions of 20-10-141
 23 and 20-10-142. The state transportation reimbursement ~~shall~~
 24 ~~not--exceed--one-third~~ is 100% of the reimbursement amounts
 25 ~~established-in-such-sections-or-one-third~~ or 100% of the

1 district's transportation fund budget, whichever is smaller,
 2 and ~~shall-be~~ is computed on the basis of the number of days
 3 the transportation services were actually rendered. In
 4 determining the amount of the state transportation
 5 reimbursement, ~~no~~ an amount claimed by a district ~~shall~~ may
 6 ~~not~~ be considered for reimbursement unless ~~such~~ the amount
 7 has been paid in the regular manner provided for the payment
 8 of other financial obligations of the district.

9 (2) Requests for the state transportation
 10 reimbursement ~~shall~~ must be made by each district
 11 semiannually during the school fiscal year on the claim
 12 forms and procedure promulgated by the superintendent of
 13 public instruction. The claims for state transportation
 14 reimbursements ~~shall~~ must be routed by the district to the
 15 county superintendent, who after reviewing ~~such~~ the claims
 16 shall send them to the superintendent of public instruction.
 17 The superintendent of public instruction shall establish the
 18 validity and accuracy of the claims for the state
 19 transportation reimbursements by determining ~~their~~
 20 compliance with ~~the-transportation-law~~ this title, board of
 21 public education transportation policy, and the
 22 transportation rules of the superintendent of public
 23 instruction. After making any necessary adjustments to such
 24 claims, ~~he--shall--cause-their~~ the superintendent of public
 25 instruction shall provide payment by ordering a disbursement

1 from the state moneys appropriated by the legislature of the
 2 state of Montana legislative appropriation for the state
 3 transportation reimbursement. Such The payment of all the
 4 district's claims within one county ~~shall~~ must be made to
 5 the county treasurer of such the county, and the county
 6 superintendent shall apportion such the payment in
 7 accordance with the apportionment order supplied by the
 8 superintendent of public instruction."

9 **Section 54.** Section 23-5-1027, MCA, is amended to
 10 read:

11 **"23-5-1027. Disposition of revenue.** (1) A minimum of
 12 45% of the money paid for tickets or chances must be paid
 13 out as prize money. The prize money is statutorily
 14 appropriated, as provided in 17-7-502, to the lottery.

15 (2) Commissions paid to lottery ticket or chance sales
 16 agents are not a state lottery operating expense.

17 (3) That part of all gross revenue not used for the
 18 payment of prizes, commissions, and operating expenses,
 19 together with the interest earned on the gross revenue while
 20 the gross revenue is in the enterprise fund, is net revenue
 21 and must be paid quarterly from the enterprise fund
 22 established by 23-5-1026 to the superintendent of public
 23 instruction for distribution as state equalization aid to
 24 the ~~retirement fund obligations of elementary and high~~
 25 ~~school districts in the manner provided in 20-9-532.~~ The

1 net revenue is ~~statutorily appropriated, as provided in~~
 2 ~~17-7-502, to the superintendent of public instruction~~ public
 3 schools of Montana as provided in 20-9-343.

4 (4) The spending authority of the lottery may be
 5 increased in accordance with this section upon review and
 6 approval of a revised operation plan by the budget office."

7 **Section 55.** Section 90-6-309, MCA, is amended to read:

8 **"90-6-309. Tax prepayment -- large-scale mineral**
 9 **development.** (1) After permission to commence operation is
 10 granted by the appropriate governmental agency, and upon
 11 request of the governing body of a county in which a
 12 facility is to be located, a person intending to construct
 13 or locate a large-scale mineral development in this state
 14 shall prepay property taxes as specified in the impact plan.
 15 This prepayment shall exclude the 6-mill university levy
 16 established under 20-25-423 and may exclude the mandatory
 17 county levy levies for the school foundation program ~~of~~ 45
 18 ~~millis~~ established in 20-9-331 and 20-9-333.

19 (2) The person who is to prepay under this section
 20 ~~shall~~ is not be obligated to prepay the entire amount
 21 established in subsection (1) at one time. Upon request of
 22 the governing body of an affected local government unit, the
 23 person shall prepay the amount shown to be needed from time
 24 to time as determined by the board.

25 (3) The person who is to prepay shall guarantee to the

1 hard-rock mining impact board, through an appropriate
2 financial institution, as may be required by the board, that
3 property tax prepayments will be paid as needed for
4 expenditures created by the impacts of the large-scale
5 mineral development.

6 (4) When the mineral development facilities are
7 completed and assessed by the department of revenue, they
8 ~~shall be~~ are subject during the first 3 years and thereafter
9 to taxation as all other property similarly situated, except
10 that in each year after the start of production, the local
11 government unit that received a property tax prepayment
12 shall provide for repayment of prepaid property taxes in
13 accordance with subsection (5).

14 (5) A local government unit that received all or a
15 portion of the property tax prepayment under this section
16 shall provide for tax crediting as specified in the impact
17 plan. The tax credit allowed in any year may not, however,
18 exceed the tax obligation of the developer for that year,
19 and the time period for tax crediting is limited to the
20 productive life of the mining operation."

21 NEW SECTION. Section 56. District retirement
22 deficiency levy. If a district's approved final budgeted
23 cost for personnel retirement, social security, and
24 unemployment insurance is in excess of 10% of its foundation
25 program schedule amount, the board of trustees may levy a

1 tax on the property within the district, except property for
2 which a tax or fee is required under 23-2-517, 23-2-803,
3 61-3-504(2), 61-3-521, 61-3-537, and 67-3-204, sufficient to
4 pay the deficiency. The tax must be imposed in the manner
5 provided in 20-9-142.

6 NEW SECTION. Section 57. Retirement fund,
7 comprehensive insurance fund, and school transportation fund
8 balances -- transfer. (1) A district that has a balance
9 remaining on [the effective date of this section] in the
10 district retirement fund formerly established under 20-9-501
11 or the district comprehensive insurance fund shall transfer
12 the balance to the district general fund.

13 (2) Any balance in a county school transportation fund
14 or county school retirement fund on [the effective date of
15 this section] must be treated as county equalization money
16 and be apportioned as provided in 20-9-334.

17 NEW SECTION. Section 58. State and county
18 equalization revenue -- statutory appropriation. Revenue
19 received in support of state and county equalization under
20 the provisions of 20-9-331, 20-9-333, and 20-9-343 is
21 statutorily appropriated, as provided in 17-7-502, to the
22 superintendent of public instruction to be used for county
23 equalization and state equalization aid for the public
24 schools, as provided by law, and must be accounted for in
25 accordance with generally accepted accounting principles.

NEW SECTION. Section 59. Purpose

telecommunications network -- implementation -- consultant.

(1) The purpose of this section is to promote the use of telecommunications technology for the purposes of enhancing educational opportunities provided to students in the Montana public school system and promoting equal access by students to those opportunities.

(2) To provide for the training and education needs of public schools, the department of administration shall retain a telecommunications engineering consultant to support the development of design criteria and specifications for statewide video networking and improvements in the use of existing voice and data networks in the state.

(3) The telecommunications engineering consultant shall:

(a) seek advice and recommendations on improvements in telecommunications within Montana from the following entities:

(i) the office of the superintendent of public instruction;

(ii) the university system;

(iii) local government and school district officials;

(iv) agencies involved in economic development;

(v) the executive, judicial, and legislative branches

of state government; and

(vi) local exchange carriers providing service within the state; and

(b) recommend and initiate network improvements during the biennium through shared use and enhancements of existing telecommunications systems, with emphasis on limiting financial commitments to the extent possible.

NEW SECTION. Section 60. Definition. As used in

[sections 60 through 65], "committee" means the legislative oversight committee on school funding implementation created in [section 61].

NEW SECTION. Section 61. Legislative oversight

committee on school funding implementation -- composition and appointment. (1) There is a legislative oversight committee on school funding implementation.

(2) The committee consists of 11 members, including:

(a) four members of the house of representatives appointed by the speaker of the house;

(b) four members of the senate appointed by the committee on committees of the senate;

(c) the superintendent of public instruction or his designee as an ex officio nonvoting member;

(d) a member of the board of public education as an ex officio nonvoting member; and

(e) the governor or his designee as an ex officio

1 nonvoting member.

2 (3) No more than two legislative members from each
3 house may be of the same political party.

4 **NEW SECTION. Section 62. Term of office -- vacancies.**

5 (1) A committee member shall serve until the committee
6 terminates as provided in [section 66].

7 (2) A vacancy on the committee must be filled in the
8 same manner as the original appointment.

9 **NEW SECTION. Section 63. Officers -- meetings --**
10 **quorum -- compensation.** (1) The committee shall choose from
11 its membership a chairman and vice chairman.

12 (2) The committee shall meet upon the call of the
13 chairman or at the request of any five members.

14 (3) Six members constitute a quorum to transact
15 business.

16 (4) A legislative member is entitled to compensation
17 as provided in 5-2-302.

18 (5) Members must be appointed no later than June 1,
19 1989.

20 **NEW SECTION. Section 64. Duties of the committee.** The
21 duties of the committee include but are not limited to:

22 (1) monitoring the implementation of school funding
23 equalization, including:

24 (a) identification of any problems of implementation
25 and options for resolving these problems;

1 (b) continued analysis of school district budget and
2 expenditure data and of improvements in school district
3 accounting and reporting procedures; and

4 (c) examination of other issues related to
5 implementation;

6 (2) directing the following studies of issues related
7 to school funding equalization:

8 (a) school transportation equalization, including but
9 not limited to:

10 (i) mechanisms to equalize transportation funding; and

11 (ii) analysis of issues related to the costs and
12 efficiencies of school transportation, including
13 reimbursement schedules, load requirements, 3-mile limit,
14 transporting ineligible transportees, functions of the
15 county transportation committee, and school district
16 reporting and budgeting duties;

17 (b) school district capital outlay and debt service
18 equalization, including but not limited to:

19 (i) analysis of school district funds and budgets for
20 various school district capital outlay and debt service
21 obligations; and

22 (ii) options for equalizing school district capital
23 outlay and debt service obligations; and

24 (c) continued study of issues related to equalization,
25 including but not limited to comprehensive insurance,

1 uncollected taxes, tuition, retirement, student-based
2 funding distribution methods, special education funding, and
3 federal Public Law 81-874 revenue, especially as it pertains
4 to revenue not linked to Native American students;

5 (3) ongoing analysis of revenue sources related to
6 school funding;

7 (4) holding discussions with any party contemplating
8 litigation regarding compliance with the supreme court and
9 district court rulings on school funding equalization; and

10 (5) reporting its findings, options for legislative
11 consideration, and any proposed legislation to the governor
12 and the 52nd legislature.

13 NEW SECTION. Section 65. Staff assistance. The
14 committee may request the following governmental entities to
15 provide staff assistance to the committee:

16 (1) the office of public instruction;

17 (2) the governor's office of budget and program
18 planning;

19 (3) the board of public education;

20 (4) the legislative council;

21 (5) the office of the legislative fiscal analyst; and

22 (6) the office of the legislative auditor.

23 NEW SECTION. Section 66. Termination. [Sections 60
24 through 65] terminate December 31, 1990.

25 **Section 67.** Section 12, Chapter 666, Laws of 1987, is

1 amended to read:

2 "Section 12. **Termination -- special applicability.**
3 Section 6 applies retroactively, within the meaning of
4 1-2-109, to taxable years beginning after December 31, 1986,
5 and ending prior to January 1, 1991, and terminates December
6 31,--1989 January 1, 1991. It is intended that the surtax
7 apply to tax liabilities for all of taxable years 1987,
8 1988, 1989, and 1990, regardless of when the tax liability
9 or the surcharge is calculated."

10 NEW SECTION. Section 68. Reversions. Any money
11 remaining in the accounts established in 90-6-202(1) or (3)
12 as of June 30, 1989, is allocated to state equalization aid
13 to public schools provided in 20-9-343.

14 NEW SECTION. Section 69. Repealer. Sections 20-9-105,
15 20-9-352, 20-9-501, 20-9-531, 20-9-532, and 20-10-146, MCA,
16 are repealed.

17 NEW SECTION. Section 70. Appropriation. (1) There is
18 appropriated from the general fund \$48,400,000 for the
19 fiscal year ending June 30, 1991, to the superintendent of
20 public instruction to be used to the extent that funds
21 appropriated in [section 58] are insufficient to finance the
22 foundation program schedules for public schools, excluding
23 special education.

24 (2) There is appropriated from the general fund
25 \$4,636,000 for the fiscal year ending June 30, 1991, to the

1 superintendent of public instruction to be used to finance
2 state support of the special education programs, including
3 retirement benefits, of the public school districts and
4 cooperatives.

5 (3) There is appropriated from the general fund
6 \$11,658,000 for the fiscal year ending June 30, 1991, to the
7 superintendent of public instruction to be used to finance
8 the public school transportation reimbursement schedules.

9 (4) There is appropriated from the general fund
10 \$204,950 for the biennium ending June 30, 1991, to the
11 superintendent of public instruction to establish standard
12 accounting and reporting practices in all Montana public
13 school districts.

14 (5) There is appropriated from the general fund
15 \$20,000 to the legislative council for the biennium ending
16 June 30, 1991, for use by the committee established in
17 [section 61].

18 (6) There is appropriated from the general fund to the
19 department of administration \$200,000 for the fiscal year
20 ending June 30, 1990, to retain a telecommunications
21 engineering consultant and to support development of and
22 improvements in telecommunications networks in Montana as
23 provided in [section 59].

24 (7) There is appropriated from the general fund to the
25 department of administration \$300,000 for the biennium

1 ending June 30, 1991, to be used for education network
2 implementation and improvements if a 50% match in funds or
3 equipment is available from other sources.

4 NEW SECTION. Section 71. Codification instruction.
5 [Sections 56 and 58] are intended to be codified as an
6 integral part of Title 20, chapter 9, and the provisions of
7 Title 20 apply to [Sections 56 and 58].

8 NEW SECTION. Section 72. Effective dates -- rules.
9 (1) (a) [Sections 1, 3, 4, 7, 11 through 43, 44(1) and (3)
10 through (5), 45 through 57, and 69] are effective July 1,
11 1990.

12 (b) The superintendent of public instruction may,
13 prior to July 1, 1990, adopt rules and conduct training
14 necessary to implement [sections 28, 30, 45, and 51].

15 (2) [Sections 2, 5, 6, 8 through 10, 58 through 67,
16 70, and 71] are effective July 1, 1989.

17 (3) [Sections 44(2), 68, 73, and this section] are
18 effective on passage and approval.

19 NEW SECTION. Section 73. Applicability. (1) [Sections
20 41 and 42] apply retroactively, within the meaning of
21 1-2-109, to all taxable years beginning after December 31,
22 1989.

23 (2) [Section 67] applies retroactively, within the
24 meaning of 1-2-109, to May 22, 1987.

25 (3) [Sections 2, 6, and 8] apply to all tax revenue

LC 0075/01

- 1 recorded on or after July 1, 1989, without regard to the
- 2 time the tax accrued.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

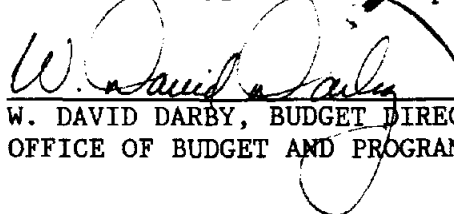
In compliance with a written request, there is hereby submitted a Fiscal Note for SB20, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:


An act to generally revise public school funding; to include comprehensive insurance and school personnel retirement costs in the general fund budget; to eliminate county retirement levies and district retirement funds; to authorize a district retirement deficiency levy to fund retirement costs in excess of 10 percent of the district's foundation program schedule amount; to eliminate the present permissive levy; to limit to 180 the number of pupil-instruction days for which foundation program support may be received; to adjust the foundation program schedules for school fiscal year 1991 and succeeding years; to limit, with certain exceptions, the maximum general fund budget of a district to 130 percent of the district's foundation program amount; to further limit the general fund reserve of certain districts; to reallocate lottery revenue from retirement equalization to state equalization aid; to require distribution of state equalization aid in monthly payments; to require state funding of transportation schedule amounts and limit total transportation expenditures; to increase the general bonus payments for enlarged districts; to provide for a telecommunications network for education; to require school districts to use generally accepted accounting principles; to provide for a legislative oversight committee on school funding implementation to direct studies on further equalization of transportation, retirement, insurance, and capital expenditures and to perform other duties; to provide additional funding for the school foundation program by continuing the 10 percent surtax on personal income and allocating the incremental revenue derived thereby to state equalization, increasing the allocation to state equalization aid of coal severance tax collections, increasing the basic levies for county equalization of the foundation program from 45 mills to 75 mills, and reallocating other state revenue; to exclude all school levies from the property tax limitations of initiative measure no. 105; to statutorily appropriate all revenue allocated by law to county and state equalization; to appropriate funds for equalization support and other purposes; and providing effective dates and applicability dates.

ASSUMPTIONS:

1. Total individual tax collections are estimated to be \$256,616,109 in FY90 and \$274,731,883 in FY91, with 31.8% each year available for state equalization aid. (HJR13).
2. Total corporation tax receipts are estimated to be \$51,039,648 in FY90 and \$51,468,353 in FY91 with 25% each year available for state equalization aid net of county distribution. (HJR13)
3. Total coal severance tax receipts are estimated to be \$52,902,000 in FY90 and \$46,871,000 in FY91, with 3.8% each year available for state equalization aid. (HJR13)
4. Total interest earnings from the Education Coal Trust are estimated to be \$2,318,000 in FY90 and \$2,712,000 in FY91 with 67.5% available for state equalization aid. (HJR13)
5. Total royalties from the Federal Mineral Leasing Act are estimated to be \$17,119,000 in FY90 and \$17,404,000 in FY91. All receipts are available for state equalization aid. (HJR13)


W. DAVID DARBY, BUDGET DIRECTOR
OFFICE OF BUDGET AND PROGRAM PLANNING

DATE 6/27/89


DENNIS G. NATHE, PRIMARY SPONSOR

DATE 6/30/89

Fiscal Note for SB20, as introduced**SB 20**

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6. Revenue raised from the lottery is estimated to be \$13,934,000 in FY90 and \$14,003,000 in FY91, with 40% available for state equalization of retirement costs.(HJR13)
7. The taxable value of all property in Montana is estimated to be \$1,903,008,000 in FY90 and \$1,882,194,000 in FY91. Revenue raised through the mandatory 45 mills for state equalization aid is estimated to be \$85,635,000 in FY90 and \$84,699,000 in FY91.(HJR13)
8. The portion of miscellaneous district revenue allocated to state equalization due to the permissive levy is estimated to be \$1,410,000 in FY90 and \$1,454,000 in FY91.(HJR13)
9. The portion of miscellaneous county revenue allocated to state equalization due to the mandatory levy is estimated to be \$4,310,000 in both FY90 and FY91.(HJR13)
10. Total receipts allocated to the foundation program from interest and income are estimated to be \$33,699,000 in FY90 and \$34,770,000 in FY91.(HJR13)
11. The general fund appropriation for special education is \$33,861,646 in both FY90 and FY91.(HB100)
12. The increase in revenue for the foundation program due to the 75 mill mandatory levy is estimated at \$56,465,550 in FY91.(HJR13)
13. The increase in individual income tax collections due to the 10% surtax is estimated to be \$38,491,805 in FY90 and \$27,473,975 in FY91.

FISCAL IMPACT:

	<u>FY90</u>			<u>FY91</u>		
	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
<u>Revenue Impact:</u>						
<u>Individual</u>						
Income Tax	\$256,617,000	\$295,108,805	\$38,491,805	\$274,732,000	\$302,205,975	\$27,473,975
Corporation Tax	51,044,000	51,044,000	-0-	51,574,000	51,574,000	-0-
Coal Severance Tax	52,902,000	52,902,000	-0-	46,871,000	46,871,000	-0-
Total	\$360,563,000	\$399,054,805	\$38,491,805	\$373,177,000	\$400,650,975	\$27,473,975
<u>Individual Income Tax:</u>						
General Fund	\$149,351,094	\$156,112,558	\$ 6,761,464	\$159,894,024	\$159,866,961	(\$27,063)
Foundation Program	81,604,206	112,141,346	30,537,140	87,364,776	114,838,271	27,473,495
Debt Service	25,661,700	26,854,901	1,193,201	27,473,200	27,500,744	27,544
Total	\$256,617,000	\$295,108,805	\$38,491,805	\$274,732,000	\$302,205,975	\$27,473,975
<u>Corporation License Tax:</u>						
General Fund	\$ 29,931,973	\$ 24,740,646	(\$5,191,327)	\$ 30,223,651	\$ 24,981,737	(\$5,241,915)
Foundation Program	11,692,177	17,772,109	6,079,932	11,806,114	17,945,293	6,139,179
Debt Service	5,144,558	4,255,952	(888,605)	5,194,690	4,297,425	(897,265)
Counties	4,275,292	4,275,292	-0-	4,349,545	4,349,545	-0-
Total	\$ 51,044,000	\$ 51,044,000	\$ -0-	\$ 51,574,000	\$ 51,574,000	\$ -0-

Coal Severance Tax:

	<u>FY90</u>			<u>FY91</u>		
	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
Coal Tax Trust						
Fund	\$ 26,451,000	\$ 26,451,000	\$ -0-	\$ 23,435,500	\$ 23,435,500	\$ -0-
Highway						
Reconstruction	6,348,240	6,348,240	-0-	5,624,520	5,624,520	-0-
Alternative						
Energy	904,624	-0-	(904,624)	801,494	-0-	(801,494)
Local Impact	3,517,983	-0-	(3,517,983)	3,116,922	-0-	(3,116,922)
Education Trust	4,020,552	-0-	(4,020,552)	3,562,196	-0-	(3,562,196)
School						
Equalization	2,010,276	12,051,605	10,041,329	1,781,098	10,677,683	8,896,585
County Land						
Planning	201,028	-0-	(201,028)	178,110	-0-	(178,110)
Renewable						
Resource	251,285	-0-	(251,285)	222,637	-0-	(222,637)
Cultural/						
Aesthetic	1,005,138	-0-	(1,005,138)	890,549	-0-	(890,549)
State Library						
Commission	201,028	201,028	-0-	178,110	178,110	-0-
Conservation Dis.	100,514	100,514	-0-	89,055	89,055	-0-
Water Development	251,285	251,285	-0-	222,637	222,637	-0-
MGTA Act	402,055	402,055	-0-	356,220	356,220	-0-
General Fund	7,236,994	7,096,274	(140,719)	6,411,953	6,287,276	(124,677)
Total	<u>\$52,902,000</u>	<u>\$ 52,902,000</u>	<u>\$ -0-</u>	<u>\$ 46,871,000</u>	<u>\$ 46,871,000</u>	<u>\$ -0-</u>

Foundation Program:

Taxable						
Valuation	\$1,903,008,000	\$1,903,008,000	\$ -0-	\$1,882,194,000	\$1,882,194,000	\$ -0-

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	FY90			FY91		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
<u>STATE REVENUE</u>						
Income Tax	\$ 81,603,923	\$ 112,141,346	\$30,537,423	\$87,364,723	\$114,838,271	\$ 27,473,548
Corporation Tax	11,692,195	17,772,109	6,079,914	11,783,305	17,945,293	6,161,988
Coal Severance Tax	2,010,000	12,051,605	10,041,605	1,781,000	10,677,683	8,896,683
Interest & Income	33,699,000	33,699,000	0	34,770,000	34,770,000	0
US Oil & Gas Royal.	17,119,000	17,119,000	0	17,404,000	17,404,000	0
Ed. Trust Fund	1,564,000	1,564,000	0	1,831,000	1,831,000	0
Special Ed. Approp.	0	0	0	0	38,497,646	38,497,646
Lottery	0	0	0	0	5,598,684	5,598,684
<u>COUNTY REVENUE</u>						
Mandatory Levy	\$85,635,000	\$ 85,635,000	0	\$84,699,000	\$141,164,550	\$ 56,465,550
Elementary Trans.	(3,717,000)	(3,717,000)	0	(3,717,000)	(3,717,000)	0
Cash Reappropriated	2,604,000	2,604,000	0	2,955,000	2,955,000	0
Forest Funds	1,465,000	1,465,000	0	1,465,000	2,779,744	1,314,744
Taylor Grazing	102,000	102,000	0	102,000	102,000	0
Misc. Rev.	4,310,000	4,310,000	0	4,310,000	9,050,250	4,740,250
High School Tuition	\$ (838,000)	\$ (838,000)	\$ 0	\$ (838,000)	\$ (838,000)	\$ 0
<u>DISTRICT REVENUE</u>						
Permissive Levy	\$17,127,000	\$ 17,127,000	\$ 0	\$16,940,000	\$ 0	(\$ 16,940,000)
Misc. Rev.	1,410,000	1,410,000	0	1,454,000	0	(1,454,000)
Total Revenue	\$255,786,118	\$302,445,060	\$46,658,942	\$262,304,028	\$393,059,121	\$ 130,755,093
<u>SCHEDULE INCREASE IN PERCENT</u>						
BEGINNING FUND BAL.	\$ 0	\$ 0	\$ 0	\$ 0	\$ 49,134,060	\$ 49,134,060
	0%	0%		0%	52.78%	
Total Revenue	\$255,786,118	\$302,445,060	\$46,658,942	\$262,304,028	\$393,059,121	\$130,755,093
Education Trust	\$ 0	\$ 24,493,000	\$24,493,000	\$ 0	\$ 0	\$ 0
Local Imp. Acct	0	551,000	551,000	0	0	0
Total Available	\$255,786,118	\$327,489,060	\$71,702,942	\$262,304,028	\$442,193,181	\$179,889,153
<u>Expenditures:</u>						
Foundation Pgm.	\$278,355,000	\$278,355,000	\$ 0	\$276,678,000	\$422,711,000	\$146,033,000
Special Education	0	0	0	0	38,497,646	38,497,646
Total Expenditures	\$278,355,000	\$278,355,000	\$ 0	\$276,678,000	\$461,208,646	\$184,530,646
Ending Fund Balance	(\$22,568,882)	49,134,060	\$71,702,942	(\$14,373,972)	(\$19,015,465)	(\$4,641,493)
General Fund Need	\$22,568,882			\$14,373,972	\$19,015,465	
General Fund Appropriation					\$48,400,000	\$48,400,000

RECAP OF GENERAL FUND APPROPRIATIONS

	<u>FY90</u>	<u>FY91</u>
Foundation Program		\$48,400,000
Special Education		4,636,000
Transportation		11,658,000
GAAP		205,000
Legislative Oversight Committee on School Funding Implementation		20,000
Telecommunications	200,000	
Education Network		300,000
	<u>\$ 200,000</u>	<u>\$65,219,000</u>