

HOUSE BILL NO. 22

INTRODUCED BY H. S. HANSON
BY REQUEST OF THE OFFICE OF BUDGET AND PROGRAM PLANNING

IN THE HOUSE

NOVEMBER 29, 1993 INTRODUCED AND REFERRED TO COMMITTEE
ON EDUCATION & CULTURAL RESOURCES.

 FIRST READING.

DECEMBER 2, 1993 COMMITTEE RECOMMEND BILL
DO PASS AS AMENDED. REPORT ADOPTED.

DECEMBER 3, 1993 PRINTING REPORT.

DECEMBER 4, 1993 SECOND READING, DO PASS AS AMENDED.

 ENGROSSING REPORT.

 THIRD READING, PASSED.
AYES, 53; NOES, 47.

 TRANSMITTED TO SENATE.

IN THE SENATE

DECEMBER 6, 1993 INTRODUCED AND REFERRED TO COMMITTEE
ON EDUCATION & CULTURAL RESOURCES.

DECEMBER 13, 1993 COMMITTEE RECOMMEND BILL BE
CONCURRED IN AS AMENDED. REPORT
ADOPTED.

DECEMBER 14, 1993 SECOND READING, CONCURRED IN AS
AMENDED.

 THIRD READING, CONCURRED IN.
AYES, 35; NOES, 15.

 RETURNED TO HOUSE WITH AMENDMENTS.

IN THE HOUSE

DECEMBER 15, 1993 SECOND READING, AMENDMENTS NOT
CONCURRED IN.

 ON MOTION, FREE CONFERENCE COMMITTEE
REQUESTED AND APPOINTED.

IN THE SENATE

DECEMBER 15, 1993

ON MOTION, FREE CONFERENCE COMMITTEE
REQUESTED AND APPOINTED.

DECEMBER 18, 1993

ON MOTION, FREE CONFERENCE COMMITTEE
DISSOLVED.

IN THE HOUSE

DECEMBER 18, 1993

ON MOTION, FREE CONFERENCE COMMITTEE
DISSOLVED.

RECEIVED FROM SENATE.

SECOND READING, AMENDMENTS
CONCURRED IN.

THIRD READING, AMENDMENTS
CONCURRED IN.

SENT TO ENROLLING.

REPORTED CORRECTLY ENROLLED.

HOUSE BILL NO. 22

INTRODUCED BY S. HANSON

BY REQUEST OF THE OFFICE OF BUDGET AND PROGRAM PLANNING

A BILL FOR AN ACT ENTITLED: "AN ACT REDUCING THE BASIC ENTITLEMENT AND THE PER-ANB ENTITLEMENT FOR SCHOOL DISTRICT FUNDING BY 1.5 PERCENT; REDUCING THE ALLOWABLE GENERAL FUND BUDGET GROWTH OF A DISTRICT FROM 4 PERCENT TO 2 PERCENT; REQUIRING A HIGH SCHOOL DISTRICT WITH 35 OR FEWER STUDENTS AND WITHIN 25 MILES OF THE NEAREST HIGH SCHOOL OF ANOTHER DISTRICT TO FINANCE ONE-HALF OF THE DIRECT STATE AID RELATED TO BASIC ENTITLEMENT IF THE DISTRICT IS NOT APPROVED AS ISOLATED; INCREASING THE DISTANCE THAT A SCHOOL MUST BE FROM ANOTHER SCHOOL IN THE DISTRICT IN ORDER TO CALCULATE THE SCHOOL'S ANB SEPARATELY; DELAYING UNTIL SCHOOL FISCAL YEAR 1995 THE INCLUSION OF FULL-TIME SPECIAL EDUCATION STUDENTS IN THE ANB COUNT OF THE DISTRICT; AMENDING SECTIONS 20-9-302, 20-9-303, 20-9-306, 20-9-308, AND 20-9-311, MCA, AND SECTIONS 59 AND 62, CHAPTER 633, LAWS OF 1993; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY DATE."

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

Section 1. Section 20-9-302, MCA, is amended to read:

"20-9-302. School isolation. (1) The trustees of any a

district operating an elementary school of less than 10 ANB or a high school of less than 25 ANB a school with the following conditions for 2 consecutive years shall apply to have the school classified as an isolated school:

(a) an elementary school with 9 or fewer ANB; or

(b) a high school with 35 or fewer ANB that is within 25 miles of the nearest operating high school of another district.

(2) The application shall must be submitted by the trustees to the county superintendent by May 1 of the second consecutive year that enrollment falls below the amount specified in this subsection section. Such The application shall must include:

(a) the name of each pupil who will attend the school during the ensuing school fiscal year with the distance the pupil resides from the nearest county road or highway;

(b) a description of conditions affecting transportation, such as poor roads, mountains, rivers, or other obstacles to travel, the distance the school is from the nearest open school having room and facilities for the pupils of such the school, or any other condition that would result in an unusual hardship to the pupils of the school if they were transported to another school; and

(c) in the case of a high school, a description of the educational programs of the high school and a description of

the educational programs, course offerings, and anticipated class sizes of any high school where the pupils might attend if they were transported to another school; and

(d) any other information prescribed by the superintendent of public instruction.

~~(2)~~(3) The county superintendent shall submit the applications to the board of county commissioners (budget board) for their consideration on or before May 15. The budget board shall approve or disapprove the application on the basis of the criteria established by the superintendent of public instruction. The budget board also may approve an application because of the existence of other conditions which that would result in an unusual hardship to the pupils of such the school if they were transported to another school.

~~(3)~~(4) When an application is approved, the county superintendent shall submit such the application to the superintendent of public instruction before June 1. The superintendent of public instruction shall approve or disapprove such the application for isolated classification by the fourth Monday of June on the basis of the information supplied by the application or objective information that the superintendent of public instruction may collect ~~on--his own--initiative~~. In making an approval decision, the superintendent of public instruction shall give primary

consideration to the ability of all the districts described in the application to meet the educational needs of the pupils attending the districts, including such factors as the diversity of program offering, availability of appropriate facilities and equipment, and opportunities for adequate peer interaction.

(5) ~~No An~~ elementary or high school ~~shall~~ may not be considered an isolated school until the approval of the superintendent of public instruction has been received."

Section 2. Section 20-9-303, MCA, is amended to read:

"20-9-303. **Nonisolated school BASE budget funding -- special education funds.** (1) An elementary school that has an ANB of nine or fewer pupils for 2 consecutive years and that is not approved as an isolated school under the provisions of 20-9-302 may budget and spend the BASE budget amount, but the county and state shall provide one-half of the direct state aid, and the district shall finance the remaining one-half of the direct state aid by a tax levied on the property of the district. When a school of nine or fewer pupils is approved as isolated under the provisions of 20-9-302, the county and state shall participate in the financing of the total amount of the direct state aid.

(2) A high school that meets the conditions in 20-9-302(1)(b) for 2 consecutive years and that is not approved as an isolated school under the provisions of

1 20-9-302 may budget and spend the BASE budget amount, but
 2 the county and state shall provide one-half of the direct
 3 state aid related to the basic entitlement of the district
 4 and the district shall finance the remaining one-half of the
 5 direct state aid related to the basic entitlement by a tax
 6 levied on the property of the district. When a high school
 7 is approved as isolated under the provisions of 20-9-302,
 8 the county and state shall participate in the financing of
 9 the total amount of the direct state aid.

10 ~~(2)~~(3) Funds provided to support the special education
 11 program may be expended only for special education purposes
 12 as approved by the superintendent of public instruction in
 13 accordance with the special education budgeting provisions
 14 of this title. Expenditures for special education must be
 15 accounted for separately from and in addition to the balance
 16 of the school district general fund budgeting requirements
 17 provided in 20-9-307 and 20-9-308. The amount of the special
 18 education allowable cost payments that is not matched with
 19 district funds, as required in 20-9-321, will reduce by a
 20 like amount the district's ensuing year's allowable cost
 21 payment for special education."

22 **Section 3.** Section 20-9-306, MCA, is amended to read:

23 "20-9-306. **Definitions.** As used in this title, unless
 24 the context clearly indicates otherwise, the following
 25 definitions apply:

1 (1) "BASE" means base amount for school equity.

2 (2) "BASE aid" means:

3 (a) direct state aid for 40% of the basic entitlement
 4 and 40% of the total per-ANB entitlement for the general
 5 fund budget of a district; and

6 (b) guaranteed tax base aid for an eligible district
 7 for any amount up to 40% of the basic entitlement, up to 40%
 8 of the total per-ANB entitlement budgeted in the general
 9 fund budget of a district, and up to 40% of the special
 10 education allowable cost payment.

11 (3) "BASE budget" means the minimum general fund budget
 12 of a district, which includes 80% of the basic entitlement,
 13 80% of the total per-ANB entitlement, and up to 140% of the
 14 special education allowable cost payment.

15 (4) "BASE budget levy" means the district levy in
 16 support of the BASE budget of a district, which may be
 17 supplemented by guaranteed tax base aid if the district is
 18 eligible under the provisions of 20-9-366 through 20-9-369.

19 (5) "BASE funding program" means the state program for
 20 the equitable distribution of the state's share of the cost
 21 of Montana's basic system of public elementary schools and
 22 high schools, through county equalization aid as provided in
 23 20-9-331 and 20-9-333 and state equalization aid as provided
 24 in 20-9-343, in support of the BASE budgets of districts and
 25 special education allowable cost payments as provided in

1 school fiscal year beginning July 1, 1997.

2 (b) ~~(i) For the school fiscal year beginning July 1,~~
3 ~~1997, a district may not exceed the limitations in~~
4 ~~subsection (2)(a).~~

5 ~~(i) Except for the school fiscal year beginning July 1,~~
6 ~~1997, whenever~~ Whenever the trustees of a district adopt a
7 general fund budget that exceeds one of the limitations in
8 subsection (2)(a) but does not exceed the BASE budget for
9 the district, the trustees shall submit a proposition on the
10 amount that exceeds the limitation to the electors of the
11 district, as provided in 20-9-353.

12 (c) Nothing in this section is intended to require a
13 district to budget in excess of its BASE budget.

14 (3) Whenever the trustees of a district adopt a general
15 fund budget that exceeds the BASE budget for the district
16 but does not exceed the maximum general fund budget for the
17 district, the trustees shall:

18 (a) adopt a resolution stating the reasons and purposes
19 for exceeding the BASE budget amount if the general fund
20 budget adopted under this subsection (3) does not exceed the
21 greater of:

22 (i) ~~104%~~ 102% of the previous year's general fund
23 budget; or

24 (ii) ~~104%~~ 102% of the previous year's general fund
25 budget per-ANB multiplied by the current year's ANB for

1 budgeting purposes; or

2 (b) ~~except for the school fiscal year beginning July 1,~~
3 ~~1997,~~ submit a proposition on any amount of the over-BASE
4 budget that exceeds one of the limitations in subsection
5 (3)(a) to the electors of the district, as provided in
6 20-9-353.

7 ~~(c) For the school fiscal year beginning July 1, 1997,~~
8 ~~a district may not exceed the limitations in subsection~~
9 ~~(3)(a).~~

10 (4) (a) If the maximum general fund budget for a
11 district for an ensuing school fiscal year is less than the
12 general fund budget for the district for the current school
13 fiscal year, the trustees of the district may not adopt a
14 general fund budget for the ensuing school fiscal year that
15 is greater than the district's general fund budget for the
16 current school fiscal year.

17 (b) Except for the school fiscal ~~years~~ year beginning
18 ~~July 1, 1997, and~~ July 1, 1994, the trustees of the district
19 shall submit a proposition to raise any general fund budget
20 amount that is in excess of the maximum general fund budget
21 for the district to the electors who are qualified under
22 20-20-301 to vote on the proposition, as provided in
23 20-9-353.

24 (5) Whenever the trustees of a district adopt a general
25 fund budget that does not exceed the BASE budget for the

1 district, the trustees shall finance this amount with the
2 following sources of revenue:

3 (a) state equalization aid as provided in 20-9-343,
4 including any guaranteed tax base aid for which the district
5 may be eligible, as provided in 20-9-366 through 20-9-369;

6 (b) county equalization aid, as provided in 20-9-331
7 and 20-9-333;

8 (c) a district levy for support of a school not
9 approved as an isolated school under the provisions of
10 20-9-302;

11 (d) payments in support of special education programs
12 under the provisions of 20-9-321;

13 (e) nonlevy revenue as provided in 20-9-141; and

14 (f) a BASE budget levy on the taxable value of all
15 property within the district.

16 (6) The over-BASE budget amount of a district must be
17 financed by a levy on the taxable value of all property
18 within the district or other revenue available to the
19 district as provided in 20-9-141.

20 [(7) For the purpose of this section, the general fund
21 budget or general fund per-ANB budget for the school fiscal
22 year ending June 30, 1993, is the general fund budget funded
23 by any state, local, and federal revenue, excluding Public
24 Law 81-874 receipts received in the school fiscal year
25 ending June 30, 1993. Before excluding any Public Law 81-874

1 funding, a district may increase the district general fund
2 budget for the school fiscal year ending June 30, 1993, by
3 the allowable increases in subsections (2) and (3).]"

4 **Section 5.** Section 20-9-311, MCA, is amended to read:

5 "20-9-311. (Temporary) Calculation of average number
6 belonging (ANB). (1) Average number belonging (ANB) must be
7 computed as follows:

8 (a) compute an average enrollment by adding a count of
9 the regularly enrolled full-time pupils who were enrolled as
10 of the first Monday in October of the prior school fiscal
11 year to a count of regularly enrolled pupils on February 1
12 of the prior school fiscal year, or the nearest school day
13 if those dates do not fall on a school day, and divide the
14 sum by two; and

15 (b) multiply the average enrollment calculated in
16 subsection (1)(a) by the sum of the pupil-instruction and
17 the approved pupil-instruction-related days for the current
18 school year and divide by 180.

19 (2) For the purpose of calculating ANB under subsection
20 (1), up to 7 approved pupil-instruction-related days may be
21 included in the calculation.

22 (3) When a school district has approval to operate less
23 than 180 school days under 20-9-804, the total ANB must be
24 calculated in accordance with the provisions of 20-9-805.

25 (4) Enrollment for a part of a morning session or a

1 part of an afternoon session by a pupil must be counted as
2 enrollment for one-half day.

3 (5) In calculating the ANB for pupils enrolled in a
4 program established under 20-7-117(1), enrollment at a
5 regular session of the program for at least 2 hours of
6 either a morning or an afternoon session must be counted as
7 one-half pupil for ANB purposes. If a variance has been
8 granted as provided in 20-1-302, ANB must be computed in a
9 manner prescribed by the superintendent of public
10 instruction, but the ANB for a kindergarten student may not
11 exceed one-half for each kindergarten pupil.

12 (6) When any pupil has been absent, with or without
13 excuse, for more than 10 consecutive school days, the pupil
14 may not be included in the count calculation of the ANB
15 unless the pupil resumes attendance prior to the day of the
16 enrollment count.

17 (7) The enrollment of prekindergarten pupils, as
18 provided for in 20-7-117, may not be included in the ANB
19 calculations.

20 (8) If a student spends less than half the time in the
21 regular program and the balance of the time in school in the
22 special education program, the student is considered a
23 full-time special education pupil but is not considered
24 regularly enrolled for ANB purposes. If a student spends
25 half or more of the time in school in the regular program

1 and the balance of the time in the special education
2 program, the student is considered regularly enrolled for
3 ANB purposes.

4 (9) The ANB of the regularly enrolled, full-time pupils
5 for the public schools of a district must be based on the
6 aggregate of all the regularly enrolled, full-time pupils
7 attending the schools of the district, except that when:

8 (a) (i) a school of the district is located more than
9 20 25 miles beyond the incorporated limits of a city or town
10 located in the district and at least 20 25 miles from any
11 other school of the district, the number of regularly
12 enrolled, full-time pupils of the school must be calculated
13 separately for ANB purposes, and the district must receive a
14 basic entitlement for the school calculated separately from
15 the other schools of the district;

16 (ii) a school of the district is located more than 20 25
17 miles from any other school of the district and no
18 incorporated territory is involved in the district, the
19 number of regularly enrolled, full-time pupils of the school
20 must be calculated separately for ANB purposes, and the
21 district must receive a basic entitlement for the school
22 calculated separately from the other schools of the
23 district; or

24 (iii) the superintendent of public instruction approves
25 an application not to aggregate when conditions exist

affecting transportation, such as poor roads, mountains, rivers, or other obstacles to travel, or when any other condition exists that would result in an unusual hardship to the pupils of the school if they were transported to another school, the number of regularly enrolled, full-time pupils of the school must be calculated separately for ANB purposes, and the district must receive a basic entitlement for the school calculated separately from the other schools of the district;

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

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

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

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

(11) For average daily attendance reporting purposes, districts shall provide the superintendent of public instruction with annual reports of school attendance for regularly enrolled students and special education students, using a format determined by the superintendent of public instruction. (Terminates June 30, 1994 1995--sec. 62, Ch. 633, L. 1993.)

20-9-311. (Effective July 1, 1994 1995) Calculation of average number belonging (ANB). (1) Average number belonging (ANB) must be computed as follows:

(a) compute an average enrollment by adding a count of regularly enrolled full-time pupils who were enrolled as of the first Monday in October of the prior school fiscal year to a count of regularly enrolled pupils on February 1 of the prior school fiscal year, or the nearest school day if those dates do not fall on a school day, and divide the sum by two; and

(b) multiply the average enrollment calculated in subsection (1)(a) by the sum of the pupil-instruction and

the approved pupil-instruction-related days for the current school fiscal year and ~~divided~~ divide by 180.

(2) For the purpose of calculating ANB under subsection (1), up to 7 approved pupil-instruction-related days may be included in the calculation.

(3) When a school district has approval to operate less than 180 school days under 20-9-804, the total ANB must be calculated in accordance with the provisions of 20-9-805.

(4) Enrollment for a part of a morning session or a part of an afternoon session by a pupil must be counted as enrollment for one-half day.

(5) In calculating the ANB for pupils enrolled in a program established under 20-7-117(1), enrollment at a regular session of the program for at least 2 hours of either a morning or an afternoon session must be counted as one-half pupil for ANB purposes. If a variance has been granted as provided in 20-1-302, ANB must be computed in a manner prescribed by the superintendent of public instruction, but the ANB for a kindergarten student may not exceed one-half for each kindergarten pupil.

(6) When any pupil has been absent, with or without excuse, for more than 10 consecutive school days, the pupil may not be included in the enrollment count used in the calculation of the ANB unless the pupil resumes attendance prior to the day of the enrollment count.

(7) The enrollment of prekindergarten pupils, as provided in 20-7-117, may not be included in the ANB calculations.

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

(a) (i) a school of the district is located more than ~~20~~ 25 miles beyond the incorporated limits of a city or town located in the district and at least ~~20~~ 25 miles from any other school of the district, the number of regularly enrolled, full-time pupils of the school must be calculated separately for ANB purposes and the district must receive a basic entitlement for the school calculated separately from the other schools of the district;

(ii) a school of the district is located more than ~~20~~ 25 miles from any other school of the district and no incorporated territory is involved in the district, the number of regularly enrolled, full-time pupils of the school must be calculated separately for ANB purposes and the district must receive a basic entitlement for the school calculated separately from the other schools of the district; or

(iii) the superintendent of public instruction approves

1 an application not to aggregate when conditions exist
 2 affecting transportation, such as poor roads, mountains,
 3 rivers, or other obstacles to travel, or when any other
 4 condition exists that would result in an unusual hardship to
 5 the pupils of the school if they were transported to another
 6 school, the number of regularly enrolled, full-time pupils
 7 of the school must be calculated separately for ANB purposes
 8 and the district must receive a basic entitlement for the
 9 school calculated separately from the other schools of the
 10 district;

11 (b) a junior high school has been approved and
 12 accredited as a junior high school, all of the regularly
 13 enrolled, full-time pupils of the junior high school must be
 14 considered as high school district pupils for ANB purposes;

15 (c) a middle school has been approved and accredited,
 16 all pupils below the 7th grade must be considered elementary
 17 school pupils for ANB purposes and the 7th and 8th grade
 18 pupils must be considered high school pupils for ANB
 19 purposes; or

20 (d) a school has not been accredited by the board of
 21 public education, the regularly enrolled, full-time pupils
 22 attending the nonaccredited school are not eligible for
 23 average number belonging calculation purposes, nor will an
 24 average number belonging for the nonaccredited school be
 25 used in determining the BASE funding program for the

1 district.

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

8 (10) For average daily attendance reporting purposes,
 9 districts shall provide the superintendent of public
 10 instruction with annual reports of school attendance for
 11 regularly enrolled students and special education students,
 12 using a format determined by the superintendent."

13 **Section 6.** Section 59, Chapter 633, Laws of 1993, is
 14 amended to read:

15 "Section 59. Effective dates -- retroactive
 16 applicability. (1) Except as provided in subsections (2) and
 17 ~~(3)~~ through (4), [this act] is effective July 1, 1993.

18 (2) [Section 11] is effective July 1, 1993, and the
 19 provisions of [section 11(3)] relating to excess reserves
 20 and Public Law 81-874 money apply retroactively, within the
 21 meaning of 1-2-109, to district general fund reserves for
 22 the school fiscal year beginning July 1, 1992.

23 (3) ~~[Sections Section 23 and-33]~~ are is effective July
 24 1, 1994, and apply applies retroactively, within the meaning
 25 of 1-2-109, to the school fiscal year beginning July 1,

1 1993.

2 (4) [Section 33] is effective July 1, 1995, and applies
3 retroactively, within the meaning of 1-2-109, to the school
4 fiscal year beginning July 1, 1994, for enrollment
5 calculations for school district general fund budgets for
6 the school fiscal year beginning July 1, 1995."

7 **Section 7.** Section 62, Chapter 633, Laws of 1993, is
8 amended to read:

9 "Section 62. Termination. (1) [Sections-20-and Section
10 22] terminate terminates June 30, 1994.

11 (2) [Section 20] terminates June 30, 1995."

12 **NEW SECTION. Section 8.** Effective date --
13 applicability. [This act] is effective on passage and
14 approval and applies to school district general fund budgets
15 for the school fiscal year beginning July 1, 1994.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB22, second reading copy.

DESCRIPTION OF PROPOSED LEGISLATION: An act reducing the basic entitlement and the per-ANB entitlement for school district funding by 2.8 percent; revising the limit on school district general fund reserves; amending sections 20-9-104, 20-9-141, and 20-9-306, MCA; and providing an immediate effective date and an applicability date.

ASSUMPTIONS:

1. **CURRENT LAW:** For fiscal 1995, direct state aid to school districts will total \$280,399,000, special education allowable cost payments to districts will total \$28,503,000, and guaranteed tax base aid for BASE budgets will total \$120,925,000. Elementary ANB including special education students will be 114,774 and high school ANB including special education students will be 48,016.
2. The statewide taxable valuation for tax year 1993, as certified by DOR and used to calculate GTB subsidies per district, is \$1,707,696,765. The statewide GTB ratio for elementary programs will be 16.00 and for high school programs will be 27.97 in fiscal 1995.
3. House Bill 22 will reduce the basic and per-student entitlements by 2.8% in FY95. The basic entitlement for an elementary program will be \$17,496 and for a high school program will be \$194,400. The per-student entitlement for an elementary student will be \$3,402 and for a high school student \$4,763.
4. Districts will increase their budgets 4 percent or 4 percent per ANB up to a maximum of an 8 percent increase from FY94 to FY95. Districts that are presently budgeting below the BASE funding level will increase their budgets by a minimum of one-quarter of the difference between their FY94 budget level and the BASE funding level.
5. School district general fund reserves, excluding reserves exempt from the limit as provided in 20-9-115(5) and (6), MCA total \$51,132,900 in FY94. Of this \$30,346,600 are in excess of limits in this bill. Based upon the FY94 state share of GTB in each district the state share of the excess reserves is \$15,038,000 and the district share is \$15,308,000

FISCAL IMPACT:

	FY '94			FY '95		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
Expenditures:						
Direct State Aid	270,694,900	270,694,900	0	280,399,000	272,151,000	(8,248,000)
GTB Aid--BASE Budgets	111,778,400	96,740,400	(15,038,000)	120,925,000	118,320,000	(2,605,000)
Total	382,473,300	367,435,300	(15,038,000)	401,324,000	390,471,000	(10,853,000)

Revenues: No impact.

Net Impact: State general fund savings would total \$25,891,000 for the 1995 biennium.

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES: The \$10.8 million reduction state aid due to changes in basic and per student entitlements will be offset through increased district property taxes to the extent districts maintain or increase current budget levels. The reduction in reserve limit will cause a \$15.3 million reduction in district property taxes in FY95 as the local share of these reserves is applied to reduce tax levies.

DAVID LEWIS, BUDGET DIRECTOR
Office of Budget and Program Planning

SONNY HANSON, PRIMARY SPONSOR
Fiscal Note for HB22, second reading copy

HB 22

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB0022, third reading copy.

DESCRIPTION OF PROPOSED LEGISLATION: An act reducing the basic entitlement and the per-ANB entitlement for school district funding by 2.8 percent; revising the limit on school district general fund budget reserves; revising the distribution schedule for state school equalization aid payments; amending sections 20-9-104, 20-9-306, and 20-9-344, MCA and providing effective dates and applicability dates.

ASSUMPTIONS:

1. **CURRENT LAW:** For fiscal 1995, direct state aid to school districts will total \$280,399,000, special education allowable cost payments to districts will total \$28,503,000, and guaranteed tax base aid for BASE budgets will total \$120,925,000. Elementary ANB including special education students will be 114,771 and high school ANB including special education students will be 48,018. Special education students comprise 2,699 ANB of the fiscal 1995 ANB count.
2. The statewide taxable valuation for tax year 1993, as certified by DOR and used to calculate GTB subsidies per district, is \$1,707,696,765. The statewide GTB ratio for elementary programs will be 16.47 and for high school programs will be 29.21 in fiscal 1995.
3. House Bill 22 will reduce the basic and per-student entitlements by 2.8%. The basic entitlement for an elementary program will be \$17,496 and for a high school program will be \$194,400. The per-student entitlement for an elementary student will be \$3,402 and for a high school student \$4,763.
4. Districts will increase their budgets by 4 percent or 4 percent per-ANB up to a maximum of an 8 percent increase from FY94 to FY95. Districts that are presently budgeting below the BASE funding level will increase their budgets by a minimum of one-quarter of the difference between their FY94 budget level and the BASE funding level.
5. House Bill 22 proposes to limit a district's general fund operating reserve to 15% of the district's general fund levies. School district general fund operating reserves total \$50,384,142 for FY94. Of this, \$29,433,722 are in excess of 15% of district FY94 general fund levies. If district budgets are recalculated for FY94 using the proposed reserve limit and GTB subsidies for FY94 are reduced as a result, the FY94 state GTB payment to districts would be reduced by \$14,291,000.
6. The changes to the distribution schedule for direct state aid proposed in HB22 will not affect the total state obligation to schools for the 1995 biennium. It will cause some reduction in earnings on the treasurer's fund balance and general fund revenue.

FISCAL IMPACT:

	FY '94			FY '95		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
Expenditures:						
Direct State Aid	270,694,900	270,694,900	0	280,399,000	272,151,000	(8,248,000)
GTB Aid--BASE Budgets	111,778,400	97,487,400	(14,291,000)	120,925,000	118,314,000	(2,611,000)
Total	382,473,300	368,182,300	(14,291,000)	401,324,000	390,465,000	(10,859,000)

David Lewis 12-11

DAVID LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

HS Sonny Hanson 12-13-93
SONNY HANSON, PRIMARY SPONSOR DATE
Fiscal Note for HB0022, third reading copy.

HB 22-#2

Fiscal Note Request, HB0022, third reading copy

Form BD-15 page 2

(continued)

Revenues: No impact.

Net Impact: State general fund savings would be \$25,150,000 for the 1995 biennium.

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES: The \$10.8 million reduction in state aid due to changes in basic and per student entitlements will be offset through increased property taxes to the extent districts do not make proportionate reductions in their budgets. The reduction in reserve limit will result in decreased property taxes to the extent districts apply the local share to reduce district tax levies.

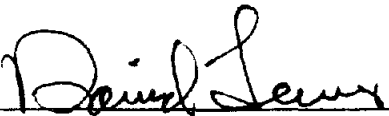
STATE OF MONTANA - FISCAL NOTE
Form BD-15


In compliance with a written request, there is hereby submitted a Fiscal Note for HB0022, reference copy (salmon).

DESCRIPTION OF PROPOSED LEGISLATION: An act reducing the basic entitlement and the per-ANB entitlement for school district funding by 4.5 percent; requiring voter approval for the BASE budget portion of a school district general fund that exceeds the mandatory growth levels; requiring voter approval for the over-BASE budget of a school district if the budget exceeds the previous year's general fund budget or the previous year's general fund budget per-ANB; limiting the over-BASE budget of a district to 104 percent of the previous year's general fund budget or 104 percent of the previous year's general fund budget per-ANB; requiring the trustees of a district to deduct 4.5 percent from the general fund budget for the school fiscal year ending June 30, 1994, for the purposes of budgeting for the school fiscal year ending June 30, 1995 if the deduction will not cause a school district budget to fall below the BASE budget; amending sections 20-9-306 and 20-9-308, MCA and providing effective dates and applicability dates.

ASSUMPTIONS:

1. CURRENT LAW: For fiscal 1995, direct state aid to school districts will total \$280,399,000, special education allowable cost payments to districts will total \$28,503,000, and guaranteed tax base aid for BASE budgets will total \$120,925,000. Elementary ANB including special education students will be 114,771 and high school ANB including special education students will be 48,018. Special education students comprise 2,699 ANB of the fiscal 1995 ANB count.
2. The statewide taxable valuation for tax year 1993, as certified by DOR and used to calculate GTB subsidies per district, is \$1,707,696,765. The statewide GTB ratio for elementary programs will be 16.47 and for high school programs will be 29.21 in fiscal 1995.
3. House Bill 22 will reduce the basic and per-student entitlements by 4.5%. The basic entitlement for an elementary program will be \$17,190 and for a high school program will be \$191,000. The per-student entitlement for an elementary student will be \$3,343 and for a high school student \$4,680.
4. Districts will vote to increase their budgets by 4 percent or 4 percent per-ANB up to a maximum of an 8 percent increase from FY94, or from FY94 reduced by 4.5 percent where applicable, to FY95. Districts that are presently budgeting below the BASE funding level will increase their budgets by a minimum of one-quarter of the difference between their FY94 budget level and the BASE funding level.
5. Voter approval is required for any budget growth above the mandatory growth percentage for districts below the BASE funding level.
6. Districts above the BASE funding level in FY94 must use 95.5% of the FY94 general fund budget or its FY94 BASE funding level (whichever is greater) to calculate the FY95 growth limits. Voter approval is required for any budget growth in excess of the adjusted FY94 budget or budget per-ANB.

 12-15
DAVID LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

 12-15-93
SONNY HANSON, PRIMARY SPONSOR DATE
Fiscal Note for HB0022, reference copy (salmon)

HB 22-#3

ASSUMPTIONS (cont):

7. Districts above the maximum funding level in FY94 must use 95.5% of the FY94 general fund budget to calculate its FY95 growth limits. If a district is still above the maximum after making the adjustment, its budget is frozen at the lower level. If the district drops below the maximum after making the adjustment, its budget may increase by up to 4% with voter approval, but may not exceed the FY95 maximum.
8. Districts below the BASE funding level who passed a general fund voted levy in FY93 or who levied an over-BASE levy in FY94 or for whom the state share of GTB is in excess of 75 percent will pass voted levies to increase the greater of 4% or 4% per ANB. Districts below the BASE funding level not having a history of voted or above base levies and not having a high GTB subsidy percentage will not pass voted levies.

FISCAL IMPACT:

	<u>FY '94</u>			<u>FY '95</u>		
	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>	<u>Current Law</u>	<u>Proposed Law</u>	<u>Difference</u>
<u>Expenditures:</u>						
Direct State Aid	270,694,900	270,694,900	0	280,399,000	267,316,000	(13,083,000)
GTB Aid--BASE Budgets	<u>111,778,400</u>	<u>111,778,400</u>	<u>0</u>	<u>120,925,000</u>	<u>114,944,000</u>	<u>(5,981,000)</u>
Total	382,473,300	382,473,300	0	401,324,000	382,260,000	(19,064,000)

Revenues: No impact.

Net Impact: State general fund savings would be \$19,064,000 in FY95.

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES: The \$19.1 million reduction in state aid due to changes in basic and per student entitlements will be offset through increased property taxes to the extent voters approve increases. In low spending districts not subject to the roll back in section 3, reductions will be offset through non-voted property tax increases.

APPROVED BY COMM. ON EDUCATION
AND CULTURAL RESOURCES

HOUSE BILL NO. 22

INTRODUCED BY H. S. HANSON

BY REQUEST OF THE OFFICE OF BUDGET AND PROGRAM PLANNING

A BILL FOR AN ACT ENTITLED: "AN ACT REDUCING THE BASIC ENTITLEMENT AND THE PER-ANB ENTITLEMENT FOR SCHOOL DISTRICT FUNDING BY 1.5 2.8 PERCENT; ~~REDUCING THE--ALLOWABLE--GENERAL FUND--BUDGET--GROWTH--OF--A--DISTRICT--FROM--4--PERCENT--TO--2 PERCENT;--REQUIRING--A--HIGH-SCHOOL-DISTRICT--WITH--35--OR--FEWER STUDENTS--AND--WITHIN--25-MILES--OF--THE--NEAREST--HIGH-SCHOOL--OF ANOTHER-DISTRICT--TO--FINANCE--ONE-HALF--OF--THE--DIRECT-STATE-AID RELATED-TO-BASIC-ENTITLEMENT-IF-THE-DISTRICT-IS-NOT-APPROVED AS-ISOLATED;--INCREASING--THE--DISTANCE--THAT--A--SCHOOL--MUST--BE FROM--ANOTHER--SCHOOL--IN--THE--DISTRICT--IN--ORDER--TO--CALCULATE THE--SCHOOL'S--AND--SEPARATELY;--DELAYING--UNTIL--SCHOOL--FISCAL YEAR--1995--THE--INCLUSION--OF--FULL-TIME--SPECIAL-EDUCATION STUDENTS--IN--THE--AND--COUNT--OF--THE--DISTRICT; REVISING THE LIMIT ON SCHOOL DISTRICT GENERAL FUND BUDGET RESERVES; AMENDING SECTIONS 20-9-302,--20-9-303, 20-9-104, 20-9-141, 20-9-306, 20-9-308,--AND--20-9-311; MCA,--AND--SECTIONS--59--AND 62,--CHAPTER--633,--LAWS--OF--1993; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY DATE DATES."~~

WHEREAS, IT IS THE INTENT OF THE LEGISLATURE TO ACKNOWLEDGE AND TO SUPPORT THE CONSTITUTIONAL ROLE OF THE

BOARDS OF TRUSTEES TO SUPERVISE AND CONTROL THE PUBLIC SCHOOL DISTRICTS OF THE STATE. HOWEVER, IT IS ALSO THE INTENT OF THE LEGISLATURE TO REQUEST THAT EACH BOARD OF TRUSTEES OF A SCHOOL DISTRICT CAREFULLY REVIEW THE DISTRICT'S EXPENDITURES FOR SCHOOL ADMINISTRATION, EXTRACURRICULAR ACTIVITIES, EXTRACURRICULAR ATHLETICS, AND SPECIAL EDUCATION. THE LEGISLATURE FURTHER REQUESTS THAT, AS A RESULT OF THIS INVESTIGATION, THE BOARDS OF TRUSTEES CONSIDER AND PURSUE THE POSSIBILITIES OF CONSOLIDATING SCHOOL DISTRICTS.

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

Section 1.--Section 20-9-302, MCA, is amended to read:--

"20-9-302.--School isolation.--(1)--The trustees of any a district--operating an elementary school of less than 10--AND or a high school of less than 25--AND a--school--with--the following--conditions for 2 consecutive years shall apply to have the school classified as an isolated school;

(a)--an elementary school with 9 or fewer--AND, or

(b)--a high school with 35 or fewer--AND that is within 25--miles--of--the--nearest operating high school of another district;

(2)--The application shall must be submitted by the trustees to the county superintendent by May 1 of the second consecutive year that enrollment falls below the amount

1 specified-in-this-subsection section. Such The application
2 shall must include:

3 (a) ~~--the--name--of--each--pupil--who--will--attend--the--school~~
4 ~~during--the--ensuing--school--fiscal--year--with--the--distance--the~~
5 ~~pupil--resides--from--the--nearest--county--road--or--highway;~~

6 (b) ~~--a-----description-----of-----conditions-----affecting~~
7 ~~transportation; such--as--poor--roads;--mountains;--rivers;--or~~
8 ~~other--obstacles--to--travel; the--distance--the--school--is--from~~
9 ~~the--nearest--open--school--having--room--and--facilities--for--the~~
10 ~~pupils--of--such the school; or--any--other--condition--that--would~~
11 ~~result--in--an--unusual--hardship--to--the--pupils--of--the--school--if~~
12 ~~they--were--transported--to--another--school; and~~

13 (c) ~~--in--the--case--of--a--high--school; a--description--of--the~~
14 ~~educational--programs--of--the--high--school--and--a--description--of~~
15 ~~the--educational--programs; course--offerings; and--anticipated~~
16 ~~class--sizes--of--any--high--school--where--the--pupils--might--attend~~
17 ~~if--they--were--transported--to--another--school; and~~

18 (d) ~~--any-----other-----information-----prescribed-----by-----the~~
19 ~~superintendent--of--public--instruction;~~

20 (2)(3) ~~--The--county--superintendent--shall--submit--the~~
21 ~~applications--to--the--board--of--county--commissioners--(budget~~
22 ~~board)--for--their--consideration--on--or--before--May--15;--The~~
23 ~~budget--board--shall--approve--or--disapprove--the--application--on~~
24 ~~the--basis--of--the--criteria--established--by--the--superintendent~~
25 ~~of--public--instruction;--The--budget--board--also--may--approve--an~~

1 application--because--of--the--existence--of--other--conditions
2 which that would--result--in--an--unusual--hardship--to--the--pupils
3 of--such the school--if--they--were--transported--to--another
4 school;

5 (3)(4) ~~--When--an--application--is--approved;--the--county~~
6 ~~superintendent--shall--submit--such the application--to--the~~
7 ~~superintendent--of--public--instruction--before--June--1;--The~~
8 ~~superintendent--of--public--instruction--shall--approve--or~~
9 ~~disapprove--such the application--for--isolated--classification~~
10 ~~by--the--fourth--Monday--of--June--on--the--basis--of--the--information~~
11 ~~supplied--by--the--application--or--objective--information that~~
12 ~~the--superintendent--of--public--instruction--may--collect--on--his~~
13 ~~own--initiative;--In--making--an--approval--decision;--the~~
14 ~~superintendent--of--public--instruction--shall--give--primary~~
15 ~~consideration--to--the--ability--of--all--the--districts--described~~
16 ~~in--the--application--to--meet--the--educational--needs--of--the~~
17 ~~pupils--attending--the--districts;--including--such--factors--as~~
18 ~~the--diversity--of--program--offering;--availability--of~~
19 ~~appropriate--facilities--and--equipment; and--opportunities--for~~
20 ~~adequate--peer--interaction;~~

21 (5) ~~--No--An--elementary--or--high--school--shall may--not be~~
22 ~~considered--an--isolated--school--until--the--approval--of--the~~
23 ~~superintendent--of--public--instruction--has--been--received;."~~

24 **Section 2.** ~~--Section 20-9-303; MEA; is amended to read;--~~
25 ~~"20-9-303. Nonisolated school-BASE budget funding--"~~

~~special--education--funds--(1)--An--elementary--school--that--has
an--ANB--of--nine--or--fewer--pupils--for--2--consecutive--years--and
that--is--not--approved--as--an--isolated--school--under--the
provisions--of--20-9-302--may--budget--and--spend--the--BASE--budget
amount,--but--the--county--and--state--shall--provide--one--half--of
the--direct--state--aid,--and--the--district--shall--finance--the
remaining--one--half--of--the--direct--state--aid--by--a--tax--levied
on--the--property--of--the--district,--When--a--school--of--nine--or
fewer--pupils--is--approved--as--isolated--under--the--provisions--of
20-9-302,--the--county--and--state--shall--participate--in--the
financing--of--the--total--amount--of--the--direct--state--aid.~~

~~(2)--A--high--school--that--meets--the--conditions--in
20-9-302(1)(b)--for--2--consecutive--years--and--that--is--not
approved--as--an--isolated--school--under--the--provisions--of
20-9-302--may--budget--and--spend--the--BASE--budget--amount,--but
the--county--and--state--shall--provide--one--half--of--the--direct
state--aid--related--to--the--basic--entitlement--of--the--district
and--the--district--shall--finance--the--remaining--one--half--of--the
direct--state--aid--related--to--the--basic--entitlement--by--a--tax
levied--on--the--property--of--the--district,--When--a--high--school
is--approved--as--isolated--under--the--provisions--of--20-9-302,
the--county--and--state--shall--participate--in--the--financing--of
the--total--amount--of--the--direct--state--aid.~~

~~(2)(3)--Funds--provided--to--support--the--special--education
program--may--be--expended--only--for--special--education--purposes~~

~~as--approved--by--the--superintendent--of--public--instruction--in
accordance--with--the--special--education--budgeting--provisions
of--this--title,--Expenditures--for--special--education--must--be
accounted--for--separately--from--and--in--addition--to--the--balance
of--the--school--district--general--fund--budgeting--requirements
provided--in--20-9-307--and--20-9-308,--The--amount--of--the--special
education--allowable--cost--payments--that--is--not--matched--with
district--funds,--as--required--in--20-9-321,--will--reduce--by--a
like--amount--the--district's--ensuing--year's--allowable--cost
payment--for--special--education."~~

SECTION 1. SECTION 20-9-104, MCA, IS AMENDED TO READ:

"20-9-104. General fund operating reserve. (1) At the end of each school fiscal year, the trustees of each district shall designate the portion of the general fund end-of-the-year fund balance that is to be earmarked as operating reserve for the purpose of paying general fund warrants issued by the district from July 1 to November 30 of the ensuing school fiscal year. Except as provided in subsections (5) and (6) through (7), the amount of the general fund balance that is earmarked as operating reserve may not exceed 10% 15% of the amount to be raised from the district general fund budget levy, excluding any amount of nonlevy revenue that may be available to reduce the district levy, for the final general fund budget for the ensuing school fiscal year.

(2) The amount held as operating reserve may not be used for property tax reduction in the manner permitted by 20-9-141(1)(b) for other receipts.

(3) Excess reserves as provided in subsection (5) may be appropriated to reduce the BASE budget levy, the over-BASE budget levy, or the additional levy provided by 20-9-353, except that districts with a balance on June 30, 1993, in the excess reserve account for Public Law 81-874 funds shall transfer the June 30, 1993, balance to the impact aid fund established in 20-9-514.

(4) Any portion of the general fund end-of-the-year fund balance that is not reserved under subsection (2) or reappropriated under subsection (3) is fund balance reappropriated and must be used for property tax reduction as provided in 20-9-141(1)(b)(iii).

(5) For fiscal year 1994 and subsequent fiscal years, the limitation of subsection (1) does not apply when the amount in excess of the limitation is equal to or less than one or more of the following:

(a) the unused balance of any amount received:

(i) in settlement of tax payments protested in a prior school fiscal year;

(ii) in taxes from a prior school fiscal year as a result of a tax audit by the department of revenue or its agents; and

(iii) in delinquent taxes from a prior school fiscal year; or

(b) any amount received as a general bonus payment under 20-6-401.

(6) The limitation of subsection (1) does not apply when the amount earmarked as operating reserve is \$10,000 or less.

(7) For implementation of the limitation in subsection (1) for the school fiscal year beginning July 1, 1993, the superintendent of public instruction shall:

(a) determine the new reserve limitation for a district as provided for in subsection (1);

(b) determine the amount by which the previously calculated reserve amount for a district exceeds the new limitation;

(c) determine from the final general fund budget of a district, excluding any budget amendment, the fund balance reappropriated that would have been available to reduce the district general fund budget levy for the school fiscal year;

(d) determine any reduction in the state obligation for guaranteed tax base aid for the district that occurs as a result of recalculating the district's fund balance reappropriated;

(e) reduce the final guaranteed tax base aid payment to

1 the district for the school fiscal year beginning July 1,
2 1993; and

3 (f) determine any reduction in the district general
4 fund budget levy that would have occurred as a result of
5 recalculating the district's fund balance reappropriated as
6 required in subsection (1); and

7 (g) allow the district to apply the reduction forward
8 to the ensuing school fiscal year to reduce any district
9 levy."

10 **SECTION 2. SECTION 20-9-141, MCA, IS AMENDED TO READ:**

11 **"20-9-141. Computation of general fund net levy**
12 **requirement by county superintendent. (1) The county**
13 **superintendent shall compute the levy requirement for each**
14 **district's general fund on the basis of the following**
15 **procedure:**

16 (a) Determine the funding required for the district's
17 final general fund budget less the sum of direct state aid
18 and the special education allowable cost payment for the
19 district by totaling:

20 (i) the district's nonisolated school BASE budget
21 requirement to be met by a district levy as provided in
22 20-9-303; and

23 (ii) any general fund budget amount adopted by the
24 trustees of the district under the provisions of 20-9-308
25 and 20-9-353, including any additional funding for a general

1 fund budget that exceeds the maximum general fund budget.

2 (b) Determine the money available for the reduction of
3 the property tax on the district for the general fund by
4 totaling:

5 (i) general fund balance reappropriated, as established
6 under the provisions of 20-9-104; and

7 (ii) amounts received in the last fiscal year for which
8 revenue reporting was required for each of the following
9 sources:

10 (A) tuition payments for out-of-district pupils under
11 the provisions of 20-5-321 through 20-5-323;

12 (B) revenue from property taxes and fees imposed under
13 23-2-517, 23-2-803, 61-3-504(2), 61-3-521, 61-3-537, and
14 67-3-204;

15 (C) net proceeds taxes for new production, as defined
16 in 15-23-601;

17 (D) revenue from local government severance taxes as
18 provided in 15-36-112;

19 (E) revenue from coal gross proceeds under 15-23-703;

20 (F) interest earned by the investment of general fund
21 cash in accordance with the provisions of 20-9-213(4);

22 (G) revenue from corporation license taxes collected
23 from financial institutions under the provisions of
24 15-31-702; and

25 (H) any other revenue received during the school fiscal

1 year that may be used to finance the general fund, excluding
2 any guaranteed tax base aid.

3 (c) Notwithstanding the provisions of subsection (2),
4 subtract the money available to reduce the property tax
5 required to finance the general fund that has been
6 determined in subsection (1)(b) from any general fund budget
7 amount adopted by the trustees of the district, up to the
8 BASE budget amount, to determine the general fund BASE
9 budget levy requirement.

10 (d) Subtract any amount remaining after the
11 determination in subsection (1)(c) from any additional
12 funding requirement to be met by an over-BASE budget amount,
13 a district levy as provided in 20-9-303, and any additional
14 financing as provided in 20-9-353 to determine any
15 additional general fund levy requirements.

16 (2) The (a) Except as provided in subsection (2)(b),
17 the county superintendent shall calculate the number of
18 mills to be levied on the taxable property in the district
19 to finance the general fund levy requirement for any amount
20 that does not exceed the BASE budget amount for the district
21 by dividing the amount determined in subsection (1)(c) by
22 the sum of:

23 (a)(i) the amount of guaranteed tax base aid that the
24 district will receive for each mill levied, as certified by
25 the superintendent of public instruction; and

1 (b)(ii) the taxable valuation of the district divided by
2 1,000.

3 (b) For the school fiscal year beginning July 1, 1994,
4 the county superintendent shall subtract, after the
5 calculation of mills to be levied in subsection (2)(a), the
6 amount allowed to be carried forward to reduce the district
7 levy as provided in 20-9-104(7)(g).

8 (3) The net general fund levy requirement determined in
9 subsections (1)(c) and (1)(d) must be reported to the county
10 commissioners on the fourth Monday of August by the county
11 superintendent as the general fund net levy requirement for
12 the district, and a levy must be set by the county
13 commissioners in accordance with 20-9-142."

14 **Section 3.** Section 20-9-306, MCA, is amended to read:

15 **"20-9-306. Definitions.** As used in this title, unless
16 the context clearly indicates otherwise, the following
17 definitions apply:

18 (1) "BASE" means base amount for school equity.

19 (2) "BASE aid" means:

20 (a) direct state aid for 40% of the basic entitlement
21 and 40% of the total per-ANB entitlement for the general
22 fund budget of a district; and

23 (b) guaranteed tax base aid for an eligible district
24 for any amount up to 40% of the basic entitlement, up to 40%
25 of the total per-ANB entitlement budgeted in the general

1 fund budget of a district, and up to 40% of the special
2 education allowable cost payment.

3 (3) "BASE budget" means the minimum general fund budget
4 of a district, which includes 80% of the basic entitlement,
5 80% of the total per-ANB entitlement, and up to 140% of the
6 special education allowable cost payment.

7 (4) "BASE budget levy" means the district levy in
8 support of the BASE budget of a district, which may be
9 supplemented by guaranteed tax base aid if the district is
10 eligible under the provisions of 20-9-366 through 20-9-369.

11 (5) "BASE funding program" means the state program for
12 the equitable distribution of the state's share of the cost
13 of Montana's basic system of public elementary schools and
14 high schools, through county equalization aid as provided in
15 20-9-331 and 20-9-333 and state equalization aid as provided
16 in 20-9-343, in support of the BASE budgets of districts and
17 special education allowable cost payments as provided in
18 20-9-321.

19 (6) "Basic entitlement" means:

20 (a) ~~\$200,000~~ \$197,000 \$194,400 for each high school
21 district; and

22 (b) ~~\$10,000~~ \$17,730 \$17,496 for each elementary school
23 district or K-12 district elementary program without an
24 approved and accredited junior high school or middle school;
25 and

1 (c) the prorated entitlement for each elementary school
2 district or K-12 district elementary program with an
3 approved and accredited junior high school or middle school,
4 calculated as follows:

5 (i) ~~\$10,000~~ \$17,730 \$17,496 times the ratio of the ANB
6 for kindergarten through grade 6 to the total ANB of
7 kindergarten through grade 8; plus

8 (ii) ~~\$200,000~~ \$197,000 \$194,400 times the ratio of the
9 ANB for grades 7 and 8 to the total ANB of kindergarten
10 through grade 8.

11 (7) "Direct state aid" means 40% of the basic
12 entitlement and 40% of the total per-ANB entitlement for the
13 general fund budget of a district and funded with state and
14 county equalization aid.

15 (8) "Maximum general fund budget" means a district's
16 general fund budget amount calculated from the basic
17 entitlement for the district, the total per-ANB entitlement
18 for the district, and up to 153% of special education
19 allowable cost payments.

20 (9) "Over-BASE budget levy" means the district levy in
21 support of any general fund amount budgeted that is above
22 the BASE budget and below the maximum general fund budget
23 for a district.

24 (10) "Total per-ANB entitlement" means the district
25 entitlement resulting from the following calculations:

(a) for a high school district or a K-12 district high school program, a maximum rate of ~~\$4,900~~ \$4,826 \$4,763 for the first ANB is decreased at the rate of 50 cents per ANB for each additional ANB of the district up through 800 ANB, with each ANB in excess of 800 receiving the same amount of entitlement as the 800th ANB;

(b) for an elementary school district or a K-12 district elementary program without an approved and accredited junior high school or middle school, a maximum rate of ~~\$3,500~~ \$3,448 \$3,402 for the first ANB is decreased at the rate of 20 cents per ANB for each additional ANB of the district up through 1,000 ANB, with each ANB in excess of 1,000 receiving the same amount of entitlement as the 1,000th ANB; and

(c) for an elementary school district or a K-12 district elementary program with an approved and accredited junior high school or middle school, the sum of:

(i) a maximum rate of ~~\$3,500~~ \$3,448 \$3,402 for the first ANB for kindergarten through grade 6 is decreased at the rate of 20 cents per ANB for each additional ANB up through 1,000 ANB, with each ANB in excess of 1,000 receiving the same amount of entitlement as the 1,000th ANB; and

(ii) a maximum rate of ~~\$4,900~~ \$4,826 \$4,763 for the first ANB for grades 7 and 8 is decreased at the rate of 50

cents per ANB for each additional ANB for grades 7 and 8 up through 800 ANB, with each ANB in excess of 800 receiving the same amount of entitlement as the 800th ANB."

Section 4. ~~Section 20-9-308, MCA, is amended to read:~~

~~"20-9-308.---BASE---budgets---and---maximum---general---fund budgets---(1)---For the school fiscal year beginning on July 1, 1993, the trustees of a district shall adopt a general fund budget that:~~

~~(a)---except---as---provided---in---subsection---(2),---is---at---least equal---to---the---BASE---budget---established---for---the---district;---or (b)---except---as---provided---in---subsection---(4),---does---not exceed---the---maximum---general---fund---budget---established---for---the district;~~

~~(2)---(a)---If the BASE budget for a district for the school fiscal year beginning on July 1, 1993, is greater than the general fund budget of the district for the prior school fiscal year, the trustees of the district:~~

~~(i)---may---increase---the---general---fund---budget---for---the district---by---4% 2% of the previous year's general fund budget or---by---4% 2% of the previous year's general fund budget per ANB multiplied by the current year's ANB for budgeting purposes;---but~~

~~(ii)---may---not---adopt---a---general---fund---budget---that---reflects less---than---the---following---general---fund---budget---growth---amounts for the appropriate school fiscal year;~~

1 (A)--20%--of--the--range--between--the--district--general--fund
 2 budget--for--the--school--fiscal--year--ending--June--30--1993--and
 3 the--BASE--budget--for--the--district--for--the--school--fiscal--year
 4 beginning--July--1--1993;
 5 (B)--25%--of--the--range--between--the--district--general--fund
 6 budget--for--the--school--fiscal--year--ending--June--30--1994--and
 7 the--BASE--budget--for--the--district--for--the--school--fiscal--year
 8 beginning--July--1--1994;
 9 (C)(B)--33.3%--of--the--range--between--the--district--general
 10 fund--budget--for--the--school--fiscal--year--ending--June--30--1995
 11 and--the--BASE--budget--for--the--district--for--the--school--fiscal
 12 year--beginning--July--1--1995;
 13 (D)(E)--50%--of--the--range--between--the--district--general
 14 fund--budget--for--the--school--fiscal--year--ending--June--30--1996
 15 and--the--BASE--budget--for--the--district--for--the--school--fiscal
 16 year--beginning--July--1--1996--or
 17 (E)(B)--the--remainder--of--the--range--between--the--district
 18 general--fund--budget--for--the--school--fiscal--year--ending--June
 19 30--1997--and--the--BASE--budget--for--the--district--for--the
 20 school--fiscal--year--beginning--July--1--1997;
 21 (b)--(i)--For--the--school--fiscal--year--beginning--July--1--
 22 1993--a--district--may--not--exceed--the--limitations--in
 23 subsection--(2)(a);
 24 (ii)--Except--for--the--school--fiscal--year--beginning--July--1--
 25 1993--whenever Whenever the--trustees--of--a--district--adopt--a

1 general--fund--budget--that--exceeds--one--of--the--limitations--in
 2 subsection--(2)(a)--but--does--not--exceed--the--BASE--budget--for
 3 the--district--the--trustees--shall--submit--a--proposition--on--the
 4 amount--that--exceeds--the--limitation--to--the--electors--of--the
 5 district--as--provided--in--20-9-353;
 6 (c)--Nothing--in--this--section--is--intended--to--require--a
 7 district--to--budget--in--excess--of--its--BASE--budget;
 8 (3)--Whenever--the--trustees--of--a--district--adopt--a--general
 9 fund--budget--that--exceeds--the--BASE--budget--for--the--district
 10 but--does--not--exceed--the--maximum--general--fund--budget--for--the
 11 district--the--trustees--shall:
 12 (a)--adopt--a--resolution--stating--the--reasons--and--purposes
 13 for--exceeding--the--BASE--budget--amount--if--the--general--fund
 14 budget--adopted--under--this--subsection--(3)--does--not--exceed--the
 15 greater--of:
 16 (i)--104% 102% of--the--previous--year's--general--fund
 17 budget--or
 18 (ii)--104% 102% of--the--previous--year's--general--fund
 19 budget--per--ANB--multiplied--by--the--current--year's--ANB--for
 20 budgeting--purposes--or
 21 (b)--except--for--the--school--fiscal--year--beginning--July--1--
 22 1993--submit--a--proposition--on--any--amount--of--the--over--BASE
 23 budget--that--exceeds--one--of--the--limitations--in--subsection
 24 (3)(a)--to--the--electors--of--the--district--as--provided--in
 25 20-9-353;

1 (c) For the school fiscal year beginning July 1, 1993,
 2 a district may not exceed the limitations in subsection
 3 (3)(a):
 4 (4) (a) If the maximum general fund budget for a
 5 district for an ensuing school fiscal year is less than the
 6 general fund budget for the district for the current school
 7 fiscal year, the trustees of the district may not adopt a
 8 general fund budget for the ensuing school fiscal year that
 9 is greater than the district's general fund budget for the
 10 current school fiscal year.
 11 (b) Except for the school fiscal years year beginning
 12 July 1, 1993, and July 1, 1994, the trustees of the district
 13 shall submit a proposition to raise any general fund budget
 14 amount that is in excess of the maximum general fund budget
 15 for the district to the electors who are qualified under
 16 20-20-301 to vote on the proposition, as provided in
 17 20-9-353.
 18 (5) Whenever the trustees of a district adopt a general
 19 fund budget that does not exceed the BASE budget for the
 20 district, the trustees shall finance this amount with the
 21 following sources of revenue:
 22 (a) state equalization aid as provided in 20-9-343,
 23 including any guaranteed tax base aid for which the district
 24 may be eligible, as provided in 20-9-366 through 20-9-369;
 25 (b) county equalization aid, as provided in 20-9-331

1 and 20-9-333;
 2 (c) a district levy for support of a school not
 3 approved as an isolated school under the provisions of
 4 20-9-302;
 5 (d) payments in support of special education programs
 6 under the provisions of 20-9-321;
 7 (e) nonlevy revenue as provided in 20-9-141; and
 8 (f) a BASE budget levy on the taxable value of all
 9 property within the district;
 10 (6) The over-BASE budget amount of a district must be
 11 financed by a levy on the taxable value of all property
 12 within the district or other revenue available to the
 13 district as provided in 20-9-141.
 14 (7) For the purpose of this section, the general fund
 15 budget or general fund per ANB budget for the school fiscal
 16 year ending June 30, 1993, is the general fund budget funded
 17 by any state, local, and federal revenue, excluding Public
 18 Law 81-874 receipts received in the school fiscal year
 19 ending June 30, 1993. Before excluding any Public Law 81-874
 20 funding, a district may increase the district general fund
 21 budget for the school fiscal year ending June 30, 1993, by
 22 the allowable increases in subsections (2) and (3)."
 23 **Section 5.** Section 20-9-311, MCA, is amended to read:
 24 "20-9-311. (Temporary) Calculation of average number
 25 belonging (ANB). (1) Average number belonging (ANB) must be

computed as follows:

(a) compute an average enrollment by adding a count of the regularly-enrolled full-time pupils who were enrolled as of the first Monday in October of the prior school fiscal year to a count of regularly-enrolled pupils on February 1 of the prior school fiscal year, or the nearest school day if those dates do not fall on a school day, and divide the sum by two, and

(b) multiply the average enrollment calculated in subsection (1)(a) by the sum of the pupil instruction and the approved pupil instruction related days for the current school year and divide by 180.

(2) For the purpose of calculating ANB under subsection (1), up to 7 approved pupil instruction related days may be included in the calculation.

(3) When a school district has approval to operate less than 180 school days under 20-9-804, the total ANB must be calculated in accordance with the provisions of 20-9-805.

(4) Enrollment for a part of a morning session or a part of an afternoon session by a pupil must be counted as enrollment for one-half day.

(5) In calculating the ANB for pupils enrolled in a program established under 20-7-117(1), enrollment at a regular session of the program for at least 2 hours of either a morning or an afternoon session must be counted as

one-half pupil for ANB purposes. If a variance has been granted as provided in 20-1-302, ANB must be computed in a manner prescribed by the superintendent of public instruction, but the ANB for a kindergarten student may not exceed one-half for each kindergarten pupil.

(6) When any pupil has been absent, with or without excuse, for more than 10 consecutive school days, the pupil may not be included in the count calculation of the ANB unless the pupil resumes attendance prior to the day of the enrollment count.

(7) The enrollment of prekindergarten pupils, as provided for in 20-7-117, may not be included in the ANB calculations.

(8) If a student spends less than half the time in the regular program and the balance of the time in school in the special education program, the student is considered a full-time special education pupil but is not considered regularly enrolled for ANB purposes. If a student spends half or more of the time in school in the regular program and the balance of the time in the special education program, the student is considered regularly enrolled for ANB purposes.

(9) The ANB of the regularly-enrolled, full-time pupils for the public schools of a district must be based on the aggregate of all the regularly-enrolled, full-time pupils

attending the schools of the district, except that when:

(a) -- (i) -- a school of the district is located more than 20 25 miles beyond the incorporated limits of a city or town located in the district and at least 20 25 miles from any other school of the district, the number of regularly enrolled, full-time pupils of the school must be calculated separately for ANB purposes, and the district must receive a basic entitlement for the school calculated separately from the other schools of the district;

(ii) -- a school of the district is located more than 20 25 miles from any other school of the district and no incorporated territory is involved in the district, the number of regularly enrolled, full-time pupils of the school must be calculated separately for ANB purposes, and the district must receive a basic entitlement for the school calculated separately from the other schools of the district; or

(iii) -- the superintendent of public instruction approves an application not to aggregate when conditions exist affecting transportation, such as poor roads, mountains, rivers, or other obstacles to travel, or when any other condition exists that would result in an unusual hardship to the pupils of the school if they were transported to another school, the number of regularly enrolled, full-time pupils of the school must be calculated separately for ANB

purposes, and the district must receive a basic entitlement for the school calculated separately from the other schools of the district;

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

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

(d) -- a school has not been accredited by the board of public education, the regularly enrolled, full-time pupils attending the nonaccredited school are not eligible for average number belonging calculation purposes, nor will an average number belonging for the nonaccredited school be used in determining the BASE funding program for the district;

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

{11}-For--average--daily--attendance-reporting-purposes,
districts--shall--provide--the--superintendent---of---public
instruction--with--annual--reports--of-school-attendance-for
regularly-enrolled-students-and-special-education--students,
using--a--format--determined-by-the-superintendent-of-public
instruction;--(Terminates-June-30, 1994 1995--sec--62--Ch.
633, b, 1993.)

20-9-311;--(Effective--July-17-1994 1995)--Calculation-of
average-number-belonging--(ANB);--{1}-Average-number-belonging
(ANB)--must-be-computed-as-follows:

{a)--compute-an-average-enrollment-by-adding-a-count--of
regularly--enrolled-full-time-pupils-who-were-enrolled-as-of
the-first-Monday-in-October-of-the-prior-school-fiscal--year
to-a-count-of-regularly-enrolled-pupils-on-February-1-of-the
prior-school-fiscal-year, or-the-nearest-school-day-if-those
dates--do--not--fall--on-a-school-day, and-divide-the-sum-by
two, and

{b)--multiply--the--average--enrollment--calculated---in
subsection--{1}{a)--by--the-sum-of-the-pupil-instruction-and
the-approved-pupil-instruction-related-days-for-the--current
school-fiscal-year-and-divided divide by-100;

{2)--For-the-purpose-of-calculating-ANB-under-subsection
{1}, up-to-7-approved-pupil-instruction-related-days-may-be
included-in-the-calculation;

{3)--When-a-school-district-has-approval-to-operate-less

than-180-school-days-under-20-9-804, the-total-ANB--must--be
calculated-in-accordance-with-the-provisions-of-20-9-805;

{4)--Enrollment--for--a--part--of-a-morning-session-or-a
part-of-an-afternoon-session-by-a-pupil-must-be--counted--as
enrollment-for-one-half-day;

{5)--In--calculating--the--ANB--for-pupils-enrolled-in-a
program--established--under--20-7-117{1}, enrollment--at--a
regular-session-of-the-program--for--at-least--2--hours--of
either--a-morning-or-an-afternoon-session-must-be-counted-as
one-half-pupil-for-ANB-purposes;--if--a--variance--has--been
granted--as--provided-in-20-1-302, ANB-must-be-computed-in-a
manner--prescribed---by---the---superintendent---of---public
instruction, but-the-ANB-for-a-kindergarten-student-may-not
exceed-one-half-for-each-kindergarten-pupil;

{6)--When-any-pupil-has-been--absent,--with--or--without
excuse,--for-more-than-10-consecutive-school-days, the-pupil
may-not-be-included-in-the--enrollment--count--used--in--the
calculation--of--the-ANB-unless-the-pupil-resumes-attendance
prior-to-the-day-of-the-enrollment-count;

{7)--The--enrollment--of--prekindergarten---pupils,--as
provided--in--20-7-117,--may--not--be--included--in--the-ANB
calculations;

{8)--The--average--number--belonging--of--the--regularly
enrolled, full-time-pupils--for--the--public--schools--of--a
district-must-be-based-on-the-aggregate-of-all-the-regularly

1 enrolled,--full-time--pupils--attending--the--schools--of--the
2 district,--except--that--when:

3 {a}--(i)--a--school--of--the--district--is--located--more--than
4 20 25 miles--beyond--the--incorporated--limits--of--a--city--or--town
5 located--in--the--district--and--at--least--20 25 miles--from--any
6 other--school--of--the--district,--the--number--of--regularly
7 enrolled,--full-time--pupils--of--the--school--must--be--calculated
8 separately--for--ANB--purposes--and--the--district--must--receive--a
9 basic--entitlement--for--the--school--calculated--separately--from
10 the--other--schools--of--the--district;

11 {ii}--a--school--of--the--district--is--located--more--than--20 25
12 miles--from--any--other--school--of--the--district--and--no
13 incorporated--territory--is--involved--in--the--district,--the
14 number--of--regularly--enrolled,--full-time--pupils--of--the--school
15 must--be--calculated--separately--for--ANB--purposes--and--the
16 district--must--receive--a--basic--entitlement--for--the--school
17 calculated--separately--from--the--other--schools--of--the
18 district,--or

19 {iii}--the--superintendent--of--public--instruction--approves
20 an--application--not--to--aggregate--when--conditions--exist
21 affecting--transportation,--such--as--poor--roads,--mountains,
22 rivers,--or--other--obstacles--to--travel,--or--when--any--other
23 condition--exists--that--would--result--in--an--unusual--hardship--to
24 the--pupils--of--the--school--if--they--were--transported--to--another
25 school,--the--number--of--regularly--enrolled,--full-time--pupils

1 of--the--school--must--be--calculated--separately--for--ANB--purposes
2 and--the--district--must--receive--a--basic--entitlement--for--the
3 school--calculated--separately--from--the--other--schools--of--the
4 district;

5 {b}--a--junior--high--school--has--been--approved--and
6 accredited--as--a--junior--high--school,--all--of--the--regularly
7 enrolled,--full-time--pupils--of--the--junior--high--school--must--be
8 considered--as--high--school--district--pupils--for--ANB--purposes;

9 {c}--a--middle--school--has--been--approved--and--accredited,
10 all--pupils--below--the--7th--grade--must--be--considered--elementary
11 school--pupils--for--ANB--purposes--and--the--7th--and--8th--grade
12 pupils--must--be--considered--high--school--pupils--for--ANB
13 purposes,--or

14 {d}--a--school--has--not--been--accredited--by--the--board--of
15 public--education,--the--regularly--enrolled,--full-time--pupils
16 attending--the--nonaccredited--school--are--not--eligible--for
17 average--number--belonging--calculation--purposes,--nor--will--an
18 average--number--belonging--for--the--nonaccredited--school--be
19 used--in--determining--the--BASE--funding--program--for--the
20 district;

21 {9}--When--11th--or--12th--grade--students--are--regularly
22 enrolled--on--a--part-time--basis,--high--schools--may--calculate
23 the--ANB--to--include--an--"equivalent--ANB"--for--those--students.
24 The--method--for--calculating--an--equivalent--ANB--must--be
25 determined--in--a--manner--prescribed--by--the--superintendent--of

1 public instruction.

2 {10} For average daily attendance reporting purposes,

3 districts shall provide the superintendent of public

4 instruction with annual reports of school attendance for

5 regularly enrolled students and special education students,

6 using a format determined by the superintendent."

7 **Section 6.** Section 59, Chapter 633, Laws of 1993, is

8 amended to read:

9 "Section 59, Effective dates-----retroactive

10 applicability. (1) Except as provided in subsections (2) and

11 (3) through (4), this act is effective July 1, 1993.

12 (2) Section 11 is effective July 1, 1993, and the

13 provisions of section 11(3) relating to excess reserves

14 and Public Law 81-874 money apply retroactively, within the

15 meaning of 1-2-189, to district general fund reserves for

16 the school fiscal year beginning July 1, 1992.

17 (3) Sections Section 23 and 33 are is effective July

18 1, 1994, and apply applies retroactively, within the meaning

19 of 1-2-189, to the school fiscal year beginning July 1,

20 1993.

21 (4) Section 33 is effective July 1, 1995, and applies

22 retroactively, within the meaning of 1-2-189, to the school

23 fiscal year beginning July 1, 1994, for enrollment

24 calculations for school district general fund budgets for

25 the school fiscal year beginning July 1, 1995."

1 **Section 7.** Section 62, Chapter 633, Laws of 1993, is

2 amended to read:

3 "Section 62, Termination. (1) Sections 20 and Section

4 22 terminate terminates June 30, 1994.

5 (2) Section 20 terminates June 30, 1995."

6 **NEW SECTION. Section 4.** Effective date --

7 applicability. {This act} is (1) (SECTIONS 2 AND 3) AND THIS

8 SECTION ARE effective on passage and approval and applies

9 APPLY to school district general fund budgets for the school

10 fiscal year beginning July 1, 1994.

11 (2) (SECTION 1) IS EFFECTIVE ON PASSAGE AND APPROVAL

12 AND APPLIES RETROACTIVELY, WITHIN THE MEANING OF 1-2-109, TO

13 RECALCULATION OF SCHOOL DISTRICT GENERAL FUND BUDGET

14 RESERVES AND STATE GUARANTEED TAX BASE OBLIGATIONS FOR THE

15 SCHOOL FISCAL YEAR BEGINNING JULY 1, 1993.

-End-

HOUSE BILL NO. 22

INTRODUCED BY H. S. HANSON

BY REQUEST OF THE OFFICE OF BUDGET AND PROGRAM PLANNING

A BILL FOR AN ACT ENTITLED: "AN ACT REDUCING THE BASIC ENTITLEMENT AND THE PER-ANS ENTITLEMENT FOR SCHOOL DISTRICT FUNDING BY 1.5 2.8 PERCENT; ~~REDUCING THE ALLOWABLE GENERAL FUND BUDGET GROWTH OF A DISTRICT FROM 4 PERCENT TO 2 PERCENT, REQUIRING A HIGH SCHOOL DISTRICT WITH 35 OR FEWER STUDENTS AND WITHIN 25 MILES OF THE NEAREST HIGH SCHOOL OF ANOTHER DISTRICT TO FINANCE ONE HALF OF THE DIRECT STATE AID RELATED TO BASIC ENTITLEMENT IF THE DISTRICT IS NOT APPROVED AS ISOLATED, INCREASING THE DISTANCE THAT A SCHOOL MUST BE FROM ANOTHER SCHOOL IN THE DISTRICT IN ORDER TO CALCULATE THE SCHOOL'S AND SEPARATELY, DELAYING UNTIL SCHOOL FISCAL YEAR 1995 THE INCLUSION OF FULL-TIME SPECIAL EDUCATION STUDENTS IN THE AID COUNT OF THE DISTRICT, REVISING THE LIMIT ON SCHOOL DISTRICT GENERAL FUND BUDGET RESERVES; REVISING THE DISTRIBUTION SCHEDULE FOR STATE SCHOOL EQUALIZATION AID PAYMENTS; AMENDING SECTIONS 20-9-302, 20-9-303, 20-9-104, 20-9-141, 20-9-306, AND 20-9-344, 20-9-308, AND 20-9-311, MCA, AND SECTIONS 59 AND 62, CHAPTER 633, LAWS OF 1993; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE DATES AND AN APPLICABILITY DATE DATES."~~

WHEREAS, IT IS THE INTENT OF THE LEGISLATURE TO ACKNOWLEDGE AND TO SUPPORT THE CONSTITUTIONAL ROLE OF THE BOARDS OF TRUSTEES TO SUPERVISE AND CONTROL THE PUBLIC SCHOOL DISTRICTS OF THE STATE. HOWEVER, IT IS ALSO THE INTENT OF THE LEGISLATURE TO REQUEST THAT EACH BOARD OF TRUSTEES OF A SCHOOL DISTRICT CAREFULLY REVIEW THE DISTRICT'S EXPENDITURES FOR SCHOOL ADMINISTRATION, EXTRACURRICULAR ACTIVITIES, EXTRACURRICULAR ATHLETICS, AND SPECIAL EDUCATION. THE LEGISLATURE FURTHER REQUESTS THAT, AS A RESULT OF THIS INVESTIGATION, THE BOARDS OF TRUSTEES CONSIDER AND PURSUE THE POSSIBILITIES OF CONSOLIDATING SCHOOL DISTRICTS.

STATEMENT OF INTENT

IT IS THE INTENT OF THE LEGISLATURE THAT THE TRUSTEES OF A SCHOOL DISTRICT BE PERMITTED TO SPEND, IN ANY MANNER ALLOWED BY LAW, THE AMOUNT ALLOWED TO BE RESERVED AS EXCESS RESERVES UNDER THE PROVISIONS OF [THIS ACT] AND THAT TRUSTEES NOT BE REQUIRED TO APPLY THE AMOUNT TO REDUCE DISTRICT LEVIES.

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

Section 1. Section 20-9-302, MCA, is amended to read--

"20-9-302. School isolation. (1) The trustees of any a district operating an elementary school of less than 10 and

1 ~~or--a--high--school--of--less--than-25-AND a-school-with-the~~
 2 ~~following-conditions for-2-consecutive-years-shall-apply--to~~
 3 ~~have-the-school-classified-as-an-isolated-school;~~
 4 ~~(a)--an-elementary-school-with-9-or-fewer-AND;-or~~
 5 ~~(b)--a--high--school-with-35-or-fewer-AND-that-is-within~~
 6 ~~25-miles-of-the-nearest-operating--high--school--of--another~~
 7 ~~district;~~
 8 ~~(2)--The--application--shall must be--submitted-by-the~~
 9 ~~trustees-to-the-county-superintendent-by-May-1-of-the-second~~
 10 ~~consecutive-year-that--enrollment--falls--below--the--amount~~
 11 ~~specified--in--this-subsection section;--Such The application~~
 12 ~~shall must include:~~
 13 ~~(a)--the-name-of-each-pupil-who-will-attend--the--school~~
 14 ~~during--the-ensuing-school-fiscal-year-with-the-distance-the~~
 15 ~~pupil-resides-from-the-nearest-county-road-or-highway;~~
 16 ~~(b)--a---description---of----conditions-----affecting~~
 17 ~~transportation; such--as--poor-roads; mountains; rivers; or~~
 18 ~~other-obstacles-to-travel; the-distance-the-school--is--from~~
 19 ~~the--nearest--open-school-having-room-and-facilities-for-the~~
 20 ~~pupils-of-such the school; or-any-other-condition-that-would~~
 21 ~~result-in-an-unusual-hardship-to-the-pupils-of-the-school-if~~
 22 ~~they-were-transported-to-another-school;-and~~
 23 ~~(c)--in-the-case-of-a-high-school;-a-description-of--the~~
 24 ~~educational-programs-of-the-high-school-and-a-description-of~~
 25 ~~the--educational-programs; course-offerings; and-anticipated~~

1 ~~class-sizes-of-any-high-school-where-the-pupils-might-attend~~
 2 ~~if-they-were-transported-to-another-school;-and~~
 3 ~~(d)--any---other---information---prescribed---by---the~~
 4 ~~superintendent-of-public-instruction;~~
 5 ~~(2)(3)--The---county--superintendent--shall--submit--the~~
 6 ~~applications-to-the-board-of--county--commissioners--(budget~~
 7 ~~board)--for--their--consideration--on--or-before-May-15.-The~~
 8 ~~budget-board-shall-approve-or-disapprove-the-application--on~~
 9 ~~the--basis-of-the-criteria-established-by-the-superintendent~~
 10 ~~of-public-instruction.-The-budget-board-also-may-approve--an~~
 11 ~~application--because--of--the--existence-of-other-conditions~~
 12 ~~which that would-result-in-an-unusual-hardship-to-the-pupils~~
 13 ~~of-such the school--if--they--were--transported--to--another~~
 14 ~~school;~~
 15 ~~(3)(4)--When--an--application--is--approved;-the-county~~
 16 ~~superintendent-shall-submit--such the application--to--the~~
 17 ~~superintendent--of--public--instruction--before--June-1.-The~~
 18 ~~superintendent--of--public--instruction--shall--approve--or~~
 19 ~~disapprove--such the application-for-isolated-classification~~
 20 ~~by-the-fourth-Monday-of-June-on-the-basis-of-the-information~~
 21 ~~supplied-by-the-application-or--objective--information that~~
 22 ~~the--superintendent-of-public-instruction-may-collect-on-his~~
 23 ~~own--initiative;-In--making--an--approval--decision;-the~~
 24 ~~superintendent--of--public--instruction--shall--give-primary~~
 25 ~~consideration-to-the-ability-of-all-the-districts--described~~

~~in the application to meet the educational needs of the pupils attending the districts, including such factors as the diversity of program offering, availability of appropriate facilities and equipment, and opportunities for adequate peer interaction.~~

~~(5) No An elementary or high school shall may not be considered an isolated school until the approval of the superintendent of public instruction has been received.~~

~~Section 2. Section 20-9-303, MCA, is amended to read:~~

~~"20-9-303. Nonisolated school--BASE--budget funding--special education funds--(1) An elementary school--that--has an ANB of nine or fewer pupils for 2 consecutive years and that is not approved as an isolated school--under--the provisions of 20-9-302 may budget and spend the BASE budget amount, but the county and state shall provide one-half of the direct state aid, and the district shall finance the remaining one-half of the direct state aid by a tax levied on the property of the district. When a school of nine or fewer pupils is approved as isolated under the provisions of 20-9-302, the county and state shall participate in the financing of the total amount of the direct state aid.~~

~~(2) A high school that meets the conditions in 20-9-302(1)(b) for 2 consecutive years and that is not approved as an isolated school under the provisions of 20-9-302 may budget and spend the BASE budget amount, but~~

~~the county and state shall provide one-half of the direct state aid related to the basic entitlement of the district and the district shall finance the remaining one-half of the direct state aid related to the basic entitlement by a tax levied on the property of the district. When a high school is approved as isolated under the provisions of 20-9-302, the county and state shall participate in the financing of the total amount of the direct state aid.~~

~~(2)(3) Funds provided to support the special education program may be expended only for special education purposes as approved by the superintendent of public instruction in accordance with the special education budgeting provisions of this title. Expenditures for special education must be accounted for separately from and in addition to the balance of the school district general fund budgeting requirements provided in 20-9-307 and 20-9-308. The amount of the special education allowable cost payments that is not matched with district funds, as required in 20-9-321, will reduce by a like amount the district's ensuing year's allowable cost payment for special education.~~

SECTION 1. SECTION 20-9-104, MCA, IS AMENDED TO READ:

~~"20-9-104. General fund operating reserve. (1) At the end of each school fiscal year, the trustees of each district shall designate the portion of the general fund end-of-the-year fund balance that is to be earmarked as~~

1 operating reserve for the purpose of paying general fund
 2 warrants issued by the district from July 1 to November 30
 3 of the ensuing school fiscal year. Except as provided in
 4 subsections (5) and ~~-(6)~~ through (7), the amount of the
 5 general fund balance that is earmarked as operating reserve
 6 may not exceed ~~10%~~ 15% of the amount to be raised from the
 7 district general fund budget levy, excluding any amount of
 8 nonlevy revenue that may be available to reduce the district
 9 levy, for the final general fund budget for the ensuing
 10 school fiscal year.

11 (2) The amount held as operating reserve may not be
 12 used for property tax reduction in the manner permitted by
 13 20-9-141(1)(b) for other receipts.

14 (3) Excess reserves as provided in subsection (5) may
 15 be appropriated to reduce the BASE budget levy, the
 16 over-BASE budget levy, or the additional levy provided by
 17 20-9-353, except that districts with a balance on June 30,
 18 1993, in the excess reserve account for Public Law 81-874
 19 funds shall transfer the June 30, 1993, balance to the
 20 impact aid fund established in 20-9-514.

21 (4) Any portion of the general fund end-of-the-year
 22 fund balance that is not reserved under subsection (2) or
 23 reappropriated under subsection (3) is fund balance
 24 reappropriated and must be used for property tax reduction
 25 as provided in 20-9-141(1)(b)(iii).

1 (5) For fiscal year 1994 and subsequent fiscal years,
 2 the limitation of subsection (1) does not apply when the
 3 amount in excess of the limitation is equal to or less than
 4 one or more of the following:

- 5 (a) the unused balance of any amount received:
- 6 (i) in settlement of tax payments protested in a prior
- 7 school fiscal year;
- 8 (ii) in taxes from a prior school fiscal year as a
- 9 result of a tax audit by the department of revenue or its
- 10 agents; and
- 11 (iii) in delinquent taxes from a prior school fiscal
- 12 year; or AND

13 (IV) AS THE AMOUNT RESERVED UNDER THE PROVISIONS OF
 14 SUBSECTION (7)(G); OR

15 (b) any amount received as a general bonus payment
 16 under 20-6-401.

17 (6) The limitation of subsection (1) does not apply
 18 when the amount earmarked as operating reserve is \$10,000 or
 19 less.

20 (7) For implementation of the limitation in subsection
 21 (1) for the school fiscal year beginning July 1, 1993, the
 22 superintendent of public instruction shall:

- 23 (a) determine the new reserve limitation for a district
- 24 as provided for in subsection (1);
- 25 (b) determine the amount by which the previously

1 calculated reserve amount for a district exceeds the new
2 limitation;

3 (c) determine from the final general fund budget of a
4 district, excluding any budget amendment, the fund balance
5 reappropriated that would have been available to reduce the
6 district general fund budget levy for the school fiscal
7 year;

8 (d) determine any reduction in the state obligation for
9 guaranteed tax base aid for the district that occurs as a
10 result of recalculating the district's fund balance
11 reappropriated;

12 (e) reduce the final guaranteed tax base aid payment to
13 the district for the school fiscal year beginning July 1,
14 1993; and

15 (f) determine any reduction in the district general
16 fund budget levy that would have occurred as a result of
17 recalculating the district's fund balance reappropriated as
18 required in subsection (1); and

19 (g) FOR THE SCHOOL FISCAL YEAR ENDING JUNE 30, 1994,
20 allow the district to apply the reduction forward to the
21 ensuing school fiscal year to reduce any district levy
22 RESERVE AS EXCESS RESERVES AN AMOUNT UP TO THE AMOUNT
23 CALCULATED UNDER THE PROVISIONS OF SUBSECTION (7)(B)."

24 **SECTION 2. -- SECTION 20-9-141, MCA, IS AMENDED TO READ:**

25 "20-9-141. -- Computation of general fund net levy

1 requirement--by--county--superintendent;--(1)--The--county
2 superintendent shall compute the levy requirement--for--each
3 district's--general--fund--on--the--basis--of--the--following
4 procedure:

5 (a)--Determine the funding required for the district's
6 final--general--fund--budget--less--the--sum--of--direct--state--aid
7 and--the--special--education--allowable--cost--payment--for--the
8 district--by--totaling:

9 (i)--the--district's--nonisolated--school--BASE--budget
10 requirement--to--be--met--by--a--district--levy--as--provided--in
11 20-9-303;--and

12 (ii)--any--general--fund--budget--amount--adopted--by--the
13 trustees--of--the--district--under--the--provisions--of--20-9-308
14 and--20-9-353;--including--any--additional--funding--for--a--general
15 fund--budget--that--exceeds--the--maximum--general--fund--budget;

16 (b)--Determine the money available for the reduction of
17 the--property--tax--on--the--district--for--the--general--fund--by
18 totaling:

19 (i)--general--fund--balance--reappropriated;--as--established
20 under--the--provisions--of--20-9-104;--and

21 (ii)--amounts--received--in--the--last--fiscal--year--for--which
22 revenue--reporting--was--required--for--each--of--the--following
23 sources:

24 (A)--tuition--payments--for--out--of--district--pupils--under
25 the--provisions--of--20-5-321--through--20-5-323;

1 (B)--revenue-from-property-taxes-and-fees-imposed--under
 2 23-2-517,--23-2-803,--61-3-504(2),--61-3-521,--61-3-537,--and
 3 67-3-204;
 4 (C)--net-proceeds-taxes-for-new-production,--as--defined
 5 in-15-23-601;
 6 (D)--revenue--from--local--government-severance-taxes-as
 7 provided-in-15-36-112;
 8 (E)--revenue-from-coal-gross-proceeds-under-15-23-703;
 9 (F)--interest-earned-by-the-investment-of--general--fund
 10 cash-in-accordance-with-the-provisions-of-20-9-213(4);
 11 (G)--revenue--from--corporation--license-taxes-collected
 12 from--financial--institutions--under---the---provisions---of
 13 15-31-702;--and
 14 (H)--any-other-revenue-received-during-the-school-fiscal
 15 year-that-may-be-used-to-finance-the-general-fund,--excluding
 16 any-guaranteed-tax-base-aid;
 17 (c)--Notwithstanding--the--provisions-of-subsection-(2),
 18 subtract-the-money-available--to--reduce--the--property--tax
 19 required---to---finance--the--general--fund--that--has--been
 20 determined-in-subsection-(1)(b)-from-any-general-fund-budget
 21 amount-adopted-by-the-trustees-of-the-district,--up--to--the
 22 BASE--budget--amount,--to--determine--the--general-fund-BASE
 23 budget-levy-requirements;
 24 (d)--Subtract---any---amount---remaining---after---the
 25 determination--in--subsection--(1)(c)--from--any--additional

1 funding-requirement-to-be-met-by-an-over-BASE-budget-amount;
 2 a--district-levy-as-provided-in-20-9-303,--and-any-additional
 3 financing--as--provided--in--20-9-353---to---determine---any
 4 additional-general-fund-levy-requirements;
 5 (2)--The (a)--Except--as--provided-in-subsection-(2)(b),
 6 the county-superintendent--shall--calculate--the--number--of
 7 mills--to--be-levied-on-the-taxable-property-in-the-district
 8 to-finance-the-general-fund-levy-requirement-for-any--amount
 9 that-does-not-exceed-the-BASE-budget-amount-for-the-district
 10 by--dividing--the--amount-determined-in-subsection-(1)(c)-by
 11 the-sum-of:
 12 (a)(i)--the-amount-of-guaranteed-tax-base-aid--that--the
 13 district--will--receive-for-each-mill-levied,--as-certified-by
 14 the-superintendent-of-public-instruction,--and
 15 (b)(ii)--the-taxable-valuation-of-the-district-divided-by
 16 1,000;
 17 (b)--For-the-school-fiscal-year-beginning-July-1,--1994,
 18 the---county---superintendent---shall--subtract,--after--the
 19 calculation-of-mills-to-be-levied-in-subsection-(2)(a),--the
 20 amount--allowed-to-be-carried-forward-to-reduce-the-district
 21 levy-as-provided-in-20-9-104(7)(g);
 22 (3)--The-net-general-fund-levy-requirement-determined-in
 23 subsections-(1)(c)-and-(1)(d)-must-be-reported-to-the-county
 24 commissioners-on-the-fourth-Monday-of-August-by--the--county
 25 superintendent--as-the-general-fund-net-levy-requirement-for

the--district--and--a--levy--must--be--set--by--the--county
commissioners--in--accordance--with--20-9-142."

Section 2. Section 20-9-306, MCA, is amended to read:

"20-9-306. Definitions. As used in this title, unless the context clearly indicates otherwise, the following definitions apply:

(1) "BASE" means base amount for school equity.

(2) "BASE aid" means:

(a) direct state aid for 40% of the basic entitlement and 40% of the total per-ANB entitlement for the general fund budget of a district; and

(b) guaranteed tax base aid for an eligible district for any amount up to 40% of the basic entitlement, up to 40% of the total per-ANB entitlement budgeted in the general fund budget of a district, and up to 40% of the special education allowable cost payment.

(3) "BASE budget" means the minimum general fund budget of a district, which includes 80% of the basic entitlement, 80% of the total per-ANB entitlement, and up to 140% of the special education allowable cost payment.

(4) "BASE budget levy" means the district levy in support of the BASE budget of a district, which may be supplemented by guaranteed tax base aid if the district is eligible under the provisions of 20-9-366 through 20-9-369.

(5) "BASE funding program" means the state program for

the equitable distribution of the state's share of the cost of Montana's basic system of public elementary schools and high schools, through county equalization aid as provided in 20-9-331 and 20-9-333 and state equalization aid as provided in 20-9-343, in support of the BASE budgets of districts and special education allowable cost payments as provided in 20-9-321.

(6) "Basic entitlement" means:

(a) ~~\$200,000~~ \$197,000 \$194,400 for each high school district; and

(b) ~~\$18,000~~ \$17,730 \$17,496 for each elementary school district or K-12 district elementary program without an approved and accredited junior high school or middle school; and

(c) the prorated entitlement for each elementary school district or K-12 district elementary program with an approved and accredited junior high school or middle school, calculated as follows:

(i) ~~\$18,000~~ \$17,730 \$17,496 times the ratio of the ANB for kindergarten through grade 6 to the total ANB of kindergarten through grade 8; plus

(ii) ~~\$200,000~~ \$197,000 \$194,400 times the ratio of the ANB for grades 7 and 8 to the total ANB of kindergarten through grade 8.

(7) "Direct state aid" means 40% of the basic

entitlement and 40% of the total per-ANB entitlement for the general fund budget of a district and funded with state and county equalization aid.

(8) "Maximum general fund budget" means a district's general fund budget amount calculated from the basic entitlement for the district, the total per-ANB entitlement for the district, and up to 153% of special education allowable cost payments.

(9) "Over-BASE budget levy" means the district levy in support of any general fund amount budgeted that is above the BASE budget and below the maximum general fund budget for a district.

(10) "Total per-ANB entitlement" means the district entitlement resulting from the following calculations:

(a) for a high school district or a K-12 district high school program, a maximum rate of ~~\$47,900~~ \$47,826 \$4,763 for the first ANB is decreased at the rate of 50 cents per ANB for each additional ANB of the district up through 800 ANB, with each ANB in excess of 800 receiving the same amount of entitlement as the 800th ANB;

(b) for an elementary school district or a K-12 district elementary program without an approved and accredited junior high school or middle school, a maximum rate of ~~\$3,500~~ \$3,448 \$3,402 for the first ANB is decreased at the rate of 20 cents per ANB for each additional ANB of

the district up through 1,000 ANB, with each ANB in excess of 1,000 receiving the same amount of entitlement as the 1,000th ANB; and

(c) for an elementary school district or a K-12 district elementary program with an approved and accredited junior high school or middle school, the sum of:

(i) a maximum rate of ~~\$3,500~~ \$3,448 \$3,402 for the first ANB for kindergarten through grade 6 is decreased at the rate of 20 cents per ANB for each additional ANB up through 1,000 ANB, with each ANB in excess of 1,000 receiving the same amount of entitlement as the 1,000th ANB; and

(ii) a maximum rate of ~~\$47,900~~ \$47,826 \$4,763 for the first ANB for grades 7 and 8 is decreased at the rate of 50 cents per ANB for each additional ANB for grades 7 and 8 up through 800 ANB, with each ANB in excess of 800 receiving the same amount of entitlement as the 800th ANB."

SECTION 3. SECTION 20-9-344, MCA, IS AMENDED TO READ:

"20-9-344. Duties of board of public education for distribution of BASE aid. (1) The board of public education shall administer and distribute the BASE aid and state advances for county equalization in the manner and with the powers and duties provided by law. To this end, the board of public education shall:

(a) adopt policies for regulating the distribution of

1 BASE aid and state advances for county equalization in
2 accordance with the provisions of law;

3 (b) have the power to require reports from the county
4 superintendents, budget boards, county treasurers, and
5 trustees as it considers necessary; and

6 (c) order the superintendent of public instruction to
7 distribute the BASE aid on the basis of each district's
8 annual entitlement to the aid as established by the
9 superintendent of public instruction. In ordering the
10 distribution of BASE aid, the board of public education may
11 not increase or decrease the BASE aid distribution to any
12 district on account of any difference that may occur during
13 the school fiscal year between budgeted and actual receipts
14 from any other source of school revenue.

15 (2) The board of public education may order the
16 superintendent of public instruction to withhold
17 distribution of BASE aid from a district when the district
18 fails to:

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

21 (b) maintain accredited status.

22 (3) Prior to any proposed order by the board of public
23 education to withhold distribution of BASE aid or county
24 equalization money, the district is entitled to a contested
25 case hearing before the board of public education, as

1 provided under the Montana Administrative Procedure Act.

2 (4) If a district or county receives more BASE aid than
3 it is entitled to, the county treasurer shall return the
4 overpayment to the state upon the request of the
5 superintendent of public instruction in the manner
6 prescribed by the superintendent of public instruction.

7 (5) Except as provided in 20-9-347(3), the BASE aid
8 payment must be distributed according to the following
9 schedule:

10 (a) in August of the school fiscal year, 20% of the
11 direct state aid to each district;

12 (a)(b) from August September to October of the school
13 fiscal year, 10% of the direct state aid to each district;

14 (b)(c) from December to April of the school fiscal
15 year, 10% of the direct state aid to each district;

16 (c)(d) in November of the school fiscal year, one-half
17 of the guaranteed tax base aid payment to each district or
18 county that has submitted a final budget to the
19 superintendent of public instruction in accordance with the
20 provisions of 20-9-134;

21 (d)(e) in May of the school fiscal year, the remainder
22 of the guaranteed tax base aid payment to each district or
23 county; and

24 (e)(f) in June of the school fiscal year, one-half of
25 the remaining payment to each district of direct state aid

and--on-the-following-July-15,-the-remaining-payment-to-each district-of-direct-state-aid--for--the--school--fiscal--year ending-on-the-preceding-June-30.

(6) The distribution provided for in subsection (5) must occur by the last working day of each month."

Section 4.--Section 20-9-308, MCA, is amended to read:--

"20-9-308. --BASE--budgets--and--maximum---general---fund budgets--(1) For the school fiscal year beginning on July 1, 1993, the--The trustees of a district shall adopt a general fund budget that:

{a}--except as provided in subsection {2}, is--at--least equal to the BASE budget established for the district; or

{b}--except--as--provided--in--subsection--{4}, does not exceed the maximum general fund budget established--for--the district;

{2}--{a} If--the--BASE--budget--for--a--district--for--the school fiscal year beginning on July 1, 1993, is--greater than--the--general fund budget of the district for the prior school fiscal year, the trustees of the district:

{i}--may--increase--the--general--fund--budget--for--the district by 4% 2% of the previous year's general fund budget or by 4% 2% of--the--previous--year's--general--fund--budget per ANB multiplied by the current year's ANB for budgeting purposes; but

{ii} may not adopt a general fund budget--that--reflects

less--than--the--following--general--fund--budget--growth--amounts for the appropriate school fiscal year:

{A}--20% of the range between the district general--fund budget--for the school fiscal year ending June 30, 1993, and the BASE budget for the district for the school fiscal year beginning July 1, 1993;

{B}--25% of the range between the district general fund budget for the school fiscal year ending June 30, 1994, and the--BASE budget for the district for the school fiscal year beginning July 1, 1994;

{C}{B}--33.3% of the range between the district--general fund budget for the school fiscal year ending June 30, 1995, and--the--BASE budget for the district for the school fiscal year beginning July 1, 1995;

{B}{C}--50% of the range between--the--district--general fund budget for the school fiscal year ending June 30, 1996, and--the--BASE budget for the district for the school fiscal year beginning July 1, 1996, or

{B}{D}--the remainder of the range between the--district general--fund--budget for the school fiscal year ending June 30, 1997, and the BASE--budget--for--the--district--for--the school fiscal year beginning July 1, 1997:

{b}--{i} For--the--school--fiscal year beginning July 1, 1993, a--district--may--not--exceed--the--limitations--in subsection {2}{a};

1 ~~{ii}~~ Except for the school fiscal year beginning July 1,
 2 1993, whenever Whenever the trustees of a district adopt a
 3 general fund budget that exceeds one of the limitations in
 4 subsection ~~{2}~~ ~~{a}~~ but does not exceed the BASE budget for
 5 the district, the trustees shall submit a proposition on the
 6 amount that exceeds the limitation to the electors of the
 7 district, as provided in 20-9-353.
 8 ~~{c}~~ Nothing in this section is intended to require a
 9 district to budget in excess of its BASE budget.
 10 ~~{3}~~ Whenever the trustees of a district adopt a general
 11 fund budget that exceeds the BASE budget for the district
 12 but does not exceed the maximum general fund budget for the
 13 district, the trustees shall:
 14 ~~{a}~~ adopt a resolution stating the reasons and purposes
 15 for exceeding the BASE budget amount if the general fund
 16 budget adopted under this subsection ~~{3}~~ does not exceed the
 17 greater of:
 18 ~~{i}~~ ~~104%~~ 102% of the previous year's general fund
 19 budget; or
 20 ~~{ii}~~ ~~104%~~ 102% of the previous year's general fund
 21 budget per ANB multiplied by the current year's ANB for
 22 budgeting purposes; or
 23 ~~{b}~~ except for the school fiscal year beginning July 1,
 24 1993, submit a proposition on any amount of the over BASE
 25 budget that exceeds one of the limitations in subsection

1 ~~{3}~~ ~~{a}~~ to the electors of the district, as provided in
 2 20-9-353.
 3 ~~{c}~~ For the school fiscal year beginning July 1, 1993,
 4 a district may not exceed the limitations in subsection
 5 ~~{3}~~ ~~{a}~~.
 6 ~~{4}~~ ~~{a}~~ If the maximum general fund budget for a
 7 district for an ensuing school fiscal year is less than the
 8 general fund budget for the district for the current school
 9 fiscal year, the trustees of the district may not adopt a
 10 general fund budget for the ensuing school fiscal year that
 11 is greater than the district's general fund budget for the
 12 current school fiscal year.
 13 ~~{b}~~ Except for the school fiscal years year beginning
 14 July 1, 1993, and July 1, 1994, the trustees of the district
 15 shall submit a proposition to raise any general fund budget
 16 amount that is in excess of the maximum general fund budget
 17 for the district to the electors who are qualified under
 18 20-20-301 to vote on the proposition, as provided in
 19 20-9-353.
 20 ~~{5}~~ Whenever the trustees of a district adopt a general
 21 fund budget that does not exceed the BASE budget for the
 22 district, the trustees shall finance this amount with the
 23 following sources of revenue:
 24 ~~{a}~~ state equalization aid as provided in 20-9-343,
 25 including any guaranteed tax base aid for which the district

1 may-be-eligible, as-provided-in-20-9-366-through-20-9-369;
 2 {b}--county--equalization--aid,--as-provided-in-20-9-331
 3 and-20-9-333;
 4 {c}--a--district--levy--for--support--of--a--school--not
 5 approved-as-an--isolated--school--under--the--provisions--of
 6 20-9-302;
 7 {d}--payments--in--support-of-special-education-programs
 8 under-the-provisions-of-20-9-321;
 9 {e}--nonlevy-revenue-as-provided-in-20-9-141; and
 10 {f}--a-BASE-budget-levy-on--the--taxable--value--of--all
 11 property-within-the-district;
 12 {6}--The--over-BASE--budget-amount-of-a-district-must-be
 13 financed-by-a-levy-on-the--taxable--value--of--all--property
 14 within--the--district--or--other--revenue--available--to-the
 15 district-as-provided-in-20-9-141;
 16 {7}--For-the-purpose-of-this-section, the-general--fund
 17 budget--or-general-fund-per-ANB-budget-for-the-school-fiscal
 18 year-ending-June-30, 1993, is-the-general-fund-budget-funded
 19 by-any-state, local, and-federal-revenue,--excluding--Public
 20 Law--81-874--receipts--received--in--the--school-fiscal-year
 21 ending-June-30, 1993. Before-excluding-any-Public-law-81-874
 22 funding, a-district-may-increase-the-district--general--fund
 23 budget--for--the-school-fiscal-year-ending-June-30, 1993, by
 24 the-allowable-increases-in-subsections-{2}-and-{3};."

25 **Section 5.** Section 20-9-311, MCA, is amended to read:--

1 "20-9-311.--{Temporary}-Calculation--of--average--number
 2 belonging--{ANB};--{1}-Average-number-belonging--{ANB}-must-be
 3 computed-as-follows:
 4 {a}--compute-an-average-enrollment-by-adding-a count of
 5 the-regularly-enrolled-full-time-pupils-who-were-enrolled-as
 6 of--the--first--Monday-in-October-of-the-prior-school-fiscal
 7 year to-a-count-of-regularly-enrolled-pupils-on--February--1
 8 of--the--prior-school-fiscal-year, or-the-nearest-school-day
 9 if-those-dates-do-not-fall-on-a-school-day, and--divide--the
 10 sum-by-two; and
 11 {b}--multiply--the average enrollment--calculated--in
 12 subsection-{1}{a}-by-the-sum-of--the--pupil-instruction--and
 13 the--approved-pupil-instruction-related-days-for-the-current
 14 school-year-and-divide-by-100;
 15 {2}--For-the-purpose-of-calculating-ANB-under-subsection
 16 {1}, up-to-7-approved-pupil-instruction-related-days-may--be
 17 included-in-the-calculation;
 18 {3}--When-a-school-district-has-approval-to-operate-less
 19 than--100--school-days-under-20-9-804, the-total-ANB-must-be
 20 calculated-in-accordance-with-the-provisions-of-20-9-805;
 21 {4}--Enrollment-for-a-part-of-a--morning--session--or--a
 22 part--of--an-afternoon-session-by-a-pupil-must-be-counted-as
 23 enrollment-for-one-half-day;
 24 {5}--In-calculating-the-ANB-for--pupils--enrolled--in--a
 25 program--established--under--20-7-117{1}, enrollment--at--a

1 regular session of the program for at least 2 hours of
 2 either a morning or an afternoon session must be counted as
 3 one-half pupil for ANB purposes. If a variance has been
 4 granted as provided in 20-1-302, ANB must be computed in a
 5 manner prescribed by the superintendent of public
 6 instruction, but the ANB for a kindergarten student may not
 7 exceed one-half for each kindergarten pupil.

8 (6) When any pupil has been absent, with or without
 9 excuse, for more than 10 consecutive school days, the pupil
 10 may not be included in the count calculation of the ANB
 11 unless the pupil resumes attendance prior to the day of the
 12 enrollment count.

13 (7) The enrollment of prekindergarten pupils, as
 14 provided for in 20-7-117, may not be included in the ANB
 15 calculations.

16 (8) If a student spends less than half the time in the
 17 regular program and the balance of the time in school in the
 18 special education program, the student is considered a
 19 full-time special education pupil but is not considered
 20 regularly enrolled for ANB purposes. If a student spends
 21 half or more of the time in school in the regular program
 22 and the balance of the time in the special education
 23 program, the student is considered regularly enrolled for
 24 ANB purposes.

25 (9) The ANB of the regularly enrolled, full-time pupils

1 for the public schools of a district must be based on the
 2 aggregate of all the regularly enrolled, full-time pupils
 3 attending the schools of the district, except that when:

4 (a) (i) a school of the district is located more than
 5 20 25 miles beyond the incorporated limits of a city or town
 6 located in the district and at least 20 25 miles from any
 7 other school of the district, the number of regularly
 8 enrolled, full-time pupils of the school must be calculated
 9 separately for ANB purposes, and the district must receive a
 10 basic entitlement for the school calculated separately from
 11 the other schools of the district;

12 (ii) a school of the district is located more than 20 25
 13 miles from any other school of the district and no
 14 incorporated territory is involved in the district, the
 15 number of regularly enrolled, full-time pupils of the school
 16 must be calculated separately for ANB purposes, and the
 17 district must receive a basic entitlement for the school
 18 calculated separately from the other schools of the
 19 district; or

20 (iii) the superintendent of public instruction approves
 21 an application not to aggregate when conditions exist
 22 affecting transportation, such as poor roads, mountains,
 23 rivers, or other obstacles to travel, or when any other
 24 condition exists that would result in an unusual hardship to
 25 the pupils of the school if they were transported to another

1 school, the number of regularly enrolled, full-time pupils
2 of the school must be calculated separately for ANB
3 purposes, and the district must receive a basic entitlement
4 for the school calculated separately from the other schools
5 of the district;

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

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

15 (d) a school has not been accredited by the board of
16 public education, the regularly enrolled, full-time pupils
17 attending the nonaccredited school are not eligible for
18 average number belonging calculation purposes, nor will an
19 average number belonging for the nonaccredited school be
20 used in determining the BASE funding program for the
21 district;

22 (10) When 11th or 12th grade students are regularly
23 enrolled on a part-time basis, high schools may calculate
24 the ANB to include an "equivalent ANB" for those students.
25 The method for calculating an equivalent ANB must be

1 determined in a manner prescribed by the superintendent of
2 public instruction;

3 (11) For average daily attendance reporting purposes,
4 districts shall provide the superintendent of public
5 instruction with annual reports of school attendance for
6 regularly enrolled students and special education students,
7 using a format determined by the superintendent of public
8 instruction. (Terminates June 30, 1994 1995 sec 62, Ch
9 6337-B-1993)

10 20-9-311 (Effective July 1, 1994 1995) Calculation of
11 average number belonging (ANB). (1) Average number belonging
12 (ANB) must be computed as follows:

13 (a) compute an average enrollment by adding a count of
14 regularly enrolled full-time pupils who were enrolled as of
15 the first Monday in October of the prior school fiscal year
16 to a count of regularly enrolled pupils on February 1 of the
17 prior school fiscal year, or the nearest school day if those
18 dates do not fall on a school day, and divide the sum by
19 two; and

20 (b) multiply the average enrollment calculated in
21 subsection (1)(a) by the sum of the pupil instruction and
22 the approved pupil instruction related days for the current
23 school fiscal year and divided divide by 180;

24 (2) For the purpose of calculating ANB under subsection
25 (1), up to 7 approved pupil instruction related days may be

1 included-in-the-calculation-

2 {3}--When-a-school-district-has-approval-to-operate-less
3 than--180--school-days-under-20-9-804, the-total-ANB-must-be
4 calculated-in-accordance-with-the-provisions-of-20-9-805;

5 {4}--Enrollment-for-a-part-of-a-morning-session-or-a
6 part-of-an-afternoon-session-by-a-pupil-must-be-counted-as
7 enrollment-for-one-half-day;

8 {5}--In-calculating-the-ANB-for-pupils-enrolled-in-a
9 program-established-under-20-7-117{1}, enrollment-at-a
10 regular-session-of-the-program-for-at-least-2-hours-of
11 either-a-morning-or-an-afternoon-session-must-be-counted-as
12 one-half-pupil-for-ANB-purposes; if-a-variance-has-been
13 granted-as-provided-in-20-1-302, ANB-must-be-computed-in-a
14 manner-prescribed-by-the-superintendent-of-public
15 instruction, but-the-ANB-for-a-kindergarten-student-may-not
16 exceed-one-half-for-each-kindergarten-pupil;

17 {6}--When-any-pupil-has-been-absent, with-or-without
18 excuse, for-more-than-10-consecutive-school-days, the-pupil
19 may-not-be-included-in-the-enrollment-count-used-in-the
20 calculation-of-the-ANB-unless-the-pupil-resumes-attendance
21 prior-to-the-day-of-the-enrollment-count;

22 {7}--The-enrollment-of-prekindergarten-pupils, as
23 provided-in-20-7-117, may-not-be-included-in-the-ANB
24 calculations;

25 {8}--The-average-number-belonging-of-the-regularly

1 enrolled, full-time-pupils-for-the-public-schools-of-a
2 district-must-be-based-on-the-aggregate-of-all-the-regularly
3 enrolled, full-time-pupils-attending-the-schools-of-the
4 district, except-that-when:

5 (a)-(i)-a-school-of-the-district-is-located-more-than
6 20 25 miles-beyond-the-incorporated-limits-of-a-city-or-town
7 located-in-the-district-and-at-least-20 25 miles-from-any
8 other-school-of-the-district, the-number-of-regularly
9 enrolled, full-time-pupils-of-the-school-must-be-calculated
10 separately-for-ANB-purposes-and-the-district-must-receive-a
11 basic-entitlement-for-the-school-calculated-separately-from
12 the-other-schools-of-the-district;

13 (ii)-a-school-of-the-district-is-located-more-than-20 25
14 miles-from-any-other-school-of-the-district-and-no
15 incorporated-territory-is-involved-in-the-district, the
16 number-of-regularly-enrolled, full-time-pupils-of-the-school
17 must-be-calculated-separately-for-ANB-purposes-and-the
18 district-must-receive-a-basic-entitlement-for-the-school
19 calculated-separately-from-the-other-schools-of-the
20 district, or

21 (iii)-the-superintendent-of-public-instruction-approves
22 an-application-not-to-aggregate-when-conditions-exist
23 affecting-transportation, such-as-poor-roads, mountains,
24 rivers, or-other-obstacles-to-travel, or-when-any-other
25 condition-exists-that-would-result-in-an-unusual-hardship-to

the pupils of the school if they were transported to another school; the number of regularly enrolled, full-time pupils of the school must be calculated separately for ANB purposes and the district must receive a basic entitlement for the school calculated separately from the other schools of the district;

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

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

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

(9) When 11th or 12th grade students are regularly enrolled on a part-time basis, high schools may calculate the ANB to include an "equivalent ANB" for those students.

The method for calculating an equivalent ANB must be determined in a manner prescribed by the superintendent of public instruction.

(10) For average daily attendance reporting purposes, districts shall provide the superintendent of public instruction with annual reports of school attendance for regularly enrolled students and special education students, using a format determined by the superintendent."

Section 6. Section 59, Chapter 633, Laws of 1993, is amended to read:

"Section 59. Effective dates ----- retroactive applicability. (1) Except as provided in subsections (2) and (3) through (4), this act is effective July 1, 1993.

(2) Section 11 is effective July 1, 1993, and the provisions of section 11(3) relating to excess reserves and Public Law 81-874 money apply retroactively, within the meaning of 1-2-109, to district general fund reserves for the school fiscal year beginning July 1, 1992.

(3) Sections Section 23 and 33 are is effective July 1, 1994, and apply applies retroactively, within the meaning of 1-2-109, to the school fiscal year beginning July 1, 1993.

(4) Section 33 is effective July 1, 1995, and applies retroactively, within the meaning of 1-2-109, to the school fiscal year beginning July 1, 1994, for enrollment

~~calculations for school district general fund budgets for the school fiscal year beginning July 1, 1995."~~

~~Section 7. Section 62, Chapter 633, Laws of 1993, is amended to read:~~

~~"Section 62. Termination. (1) Sections 20 and Section 22 terminate terminates June 30, 1994;~~

~~(2) Section 20 terminates June 30, 1995."~~

NEW SECTION. Section 4. Effective date -- applicability. (This act) is (1) (SECTIONS SECTION 2 AND 3) AND THIS SECTION ARE effective on passage and approval and applies APPLY to school district general fund budgets for the school fiscal year beginning July 1, 1994.

(2) (SECTION 1) IS EFFECTIVE ON PASSAGE AND APPROVAL AND APPLIES RETROACTIVELY, WITHIN THE MEANING OF 1-2-109, TO RECALCULATION OF SCHOOL DISTRICT GENERAL FUND BUDGET RESERVES AND STATE GUARANTEED TAX BASE OBLIGATIONS FOR THE SCHOOL FISCAL YEAR BEGINNING JULY 1, 1993.

(3) (SECTION 3) IS EFFECTIVE JULY 1, 1994, AND APPLIES TO DISTRIBUTIONS FOR THE SCHOOL FISCAL YEAR BEGINNING JULY 1, 1994.

NEW SECTION. SECTION 5. CONTINGENT VOIDNESS. IF (THIS ACT) IS PASSED AND APPROVED AND HOUSE BILL NO. 48 IS NOT PASSED AND APPROVED, THEN (SECTION 3 OF THIS ACT) IS VOID.

-End-

SENATE STANDING COMMITTEE REPORT

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December 13, 1993

Page 2 of 6
December 13, 1993

MR. PRESIDENT:

We, your committee on Education and Cultural Resources having had under consideration House Bill No. 22 (third reading copy -- blue), respectfully report that House Bill No. 22 be amended as follows and as so amended do pass.

Signed Chet Blaylock
Senator Chet Blaylock, Chair

That such amendments read:

1. Title, line 5 through page 2, line 20.

Following: "ENTITLED:" on line 5

Strike: remainder of line 5 through page 2, line 20 in their entirety

Insert: "AN ACT REDUCING THE BASIC ENTITLEMENT AND THE PER-ANB ENTITLEMENT FOR SCHOOL DISTRICT FUNDING BY 4.5 PERCENT; REQUIRING VOTER APPROVAL FOR THE BASE BUDGET PORTION OF A SCHOOL DISTRICT GENERAL FUND THAT EXCEEDS THE MANDATORY GROWTH LEVELS; REQUIRING VOTER APPROVAL FOR THE OVER-BASE BUDGET OF A SCHOOL DISTRICT IF THE BUDGET EXCEEDS THE PREVIOUS YEAR'S GENERAL FUND BUDGET OR THE PREVIOUS YEAR'S GENERAL FUND BUDGET PER-ANB; LIMITING THE OVER-BASE BUDGET OF A DISTRICT TO 104 PERCENT OF THE PREVIOUS YEAR'S GENERAL FUND BUDGET OR 104 PERCENT OF THE PREVIOUS YEAR'S GENERAL FUND BUDGET PER-ANB; REQUIRING THE TRUSTEES OF A SCHOOL DISTRICT TO DEDUCT 4.5 PERCENT FROM THE GENERAL FUND BUDGET FOR THE SCHOOL FISCAL YEAR ENDING JUNE 30, 1994, FOR THE PURPOSES OF BUDGETING FOR THE SCHOOL FISCAL YEAR ENDING JUNE 30, 1995, IF THE DEDUCTION WILL NOT CAUSE A SCHOOL DISTRICT BUDGET TO FALL BELOW THE BASE BUDGET; AMENDING SECTIONS 20-9-306 AND 20-9-308, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY DATE."

WHEREAS, it is the intent of the Legislature to acknowledge and to support the constitutional role of the boards of trustees to supervise and control the public school districts of the state. However, it is also the intent of the Legislature to request that each board of trustees of a school district carefully review the district's expenditures for school administration, extracurricular activities, extracurricular athletics, and special education. The Legislature further requests that, as a result of this investigation, the boards of trustees consider and pursue the possibilities of consolidating school districts."

2. Page 2, line 23 through page 33, line 23.

Strike: everything after the enacting clause

Insert: "Section 1. Section 20-9-306, MCA, is amended to read: "20-9-306. Definitions. As used in this title, unless the context clearly indicates otherwise, the following definitions apply:

(1) "BASE" means base amount for school equity.

(2) "BASE aid" means:

(a) direct state aid for 40% of the basic entitlement and 40% of the total per-ANB entitlement for the general fund budget of a district; and

(b) guaranteed tax base aid for an eligible district for any amount up to 40% of the basic entitlement, up to 40% of the total per-ANB entitlement budgeted in the general fund budget of a district, and up to 40% of the special education allowable cost payment.

(3) "BASE budget" means the minimum general fund budget of a district, which includes 80% of the basic entitlement, 80% of the total per-ANB entitlement, and up to 140% of the special education allowable cost payment.

(4) "BASE budget levy" means the district levy in support of the BASE budget of a district, which may be supplemented by guaranteed tax base aid if the district is eligible under the provisions of 20-9-366 through 20-9-369.

(5) "BASE funding program" means the state program for the equitable distribution of the state's share of the cost of Montana's basic system of public elementary schools and high schools, through county equalization aid as provided in 20-9-331 and 20-9-333 and state equalization aid as provided in 20-9-343, in support of the BASE budgets of districts and special education allowable cost payments as provided in 20-9-321.

(6) "Basic entitlement" means:

(a) ~~\$200,000~~ \$191,000 for each high school district; and

(b) ~~\$18,000~~ \$17,190 for each elementary school district or K-12 district elementary program without an approved and accredited junior high school or middle school; and

(c) the prorated entitlement for each elementary school district or K-12 district elementary program with an approved and accredited junior high school or middle school, calculated as follows:

(i) ~~\$18,000~~ \$17,190 times the ratio of the ANB for kindergarten through grade 6 to the total ANB of kindergarten through grade 8; plus

(ii) ~~\$200,000~~ \$191,000 times the ratio of the ANB for grades 7 and 8 to the total ANB of kindergarten through grade 8.

(7) "Direct state aid" means 40% of the basic entitlement and 40% of the total per-ANB entitlement for the general fund budget of a district and funded with state and county

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equalization aid.

(8) "Maximum general fund budget" means a district's general fund budget amount calculated from the basic entitlement for the district, the total per-ANB entitlement for the district, and up to 153% of special education allowable cost payments.

(9) "Over-BASE budget levy" means the district levy in support of any general fund amount budgeted that is above the BASE budget and below the maximum general fund budget for a district.

(10) "Total per-ANB entitlement" means the district entitlement resulting from the following calculations:

(a) for a high school district or a K-12 district high school program, a maximum rate of ~~\$4,900~~ \$4,680 for the first ANB is decreased at the rate of 50 cents per ANB for each additional ANB of the district up through 800 ANB, with each ANB in excess of 800 receiving the same amount of entitlement as the 800th ANB;

(b) for an elementary school district or a K-12 district elementary program without an approved and accredited junior high school or middle school, a maximum rate of ~~\$3,500~~ \$3,343 for the first ANB is decreased at the rate of 20 cents per ANB for each additional ANB of the district up through 1,000 ANB, with each ANB in excess of 1,000 receiving the same amount of entitlement as the 1,000th ANB; and

(c) for an elementary school district or a K-12 district elementary program with an approved and accredited junior high school or middle school, the sum of:

(i) a maximum rate of ~~\$3,500~~ \$3,343 for the first ANB for kindergarten through grade 6 is decreased at the rate of 20 cents per ANB for each additional ANB up through 1,000 ANB, with each ANB in excess of 1,000 receiving the same amount of entitlement as the 1,000th ANB; and

(ii) a maximum rate of ~~\$4,900~~ \$4,680 for the first ANB for grades 7 and 8 is decreased at the rate of 50 cents per ANB for each additional ANB for grades 7 and 8 up through 800 ANB, with each ANB in excess of 800 receiving the same amount of entitlement as the 800th ANB."

Section 2. Section 20-9-308, MCA, is amended to read:

"20-9-308. BASE budgets and maximum general fund budgets.

(1) ~~For the school fiscal year beginning on July 1, 1993, the~~ The trustees of a district shall adopt a general fund budget that:

(a) except as provided in subsection (2), is at least equal to the BASE budget established for the district; or

(b) except as provided in subsection (4), does not exceed the maximum general fund budget established for the district.

(2) (a) If the BASE budget for a district ~~for the school fiscal year beginning on July 1, 1993,~~ is greater than the general fund budget of the district for the prior school fiscal year, the trustees of the district:

(i) may increase the general fund budget for the district by 4% of the previous year's general fund budget or by 4% of the previous year's general fund budget per-ANB multiplied by the current year's ANB for budgeting purposes; but

(ii) may not adopt a general fund budget that reflects less than the following general fund budget growth amounts for the appropriate school fiscal year:

(A) ~~20% of the range between the district general fund budget for the school fiscal year ending June 30, 1993, and the BASE budget for the district for the school fiscal year beginning July 1, 1993;~~

~~(B)~~ 25% of the range between the district general fund budget for the school fiscal year ending June 30, 1994, and the BASE budget for the district for the school fiscal year beginning July 1, 1994;

~~(C)~~ (B) 33.3% of the range between the district general fund budget for the school fiscal year ending June 30, 1995, and the BASE budget for the district for the school fiscal year beginning July 1, 1995;

~~(D)~~ (C) 50% of the range between the district general fund budget for the school fiscal year ending June 30, 1996, and the BASE budget for the district for the school fiscal year beginning July 1, 1996; or

~~(E)~~ (D) the remainder of the range between the district general fund budget for the school fiscal year ending June 30, 1997, and the BASE budget for the district for the school fiscal year beginning July 1, 1997.

(b) ~~(i) For the school fiscal year beginning July 1, 1993, a district may not exceed the limitations in subsection (2)(a).~~

~~(ii) Except for the school fiscal year beginning July 1, 1993, whenever~~ Whenever the trustees of a district adopt a general fund budget that exceeds one of the limitations in subsection (2)(a)(i) but does not exceed the BASE budget for the district, the trustees shall submit a proposition on the amount that exceeds the limitation to the electors of the district, as provided in 20-9-353.

(c) Nothing in this section is intended to require a district to budget in excess of its BASE budget.

(3) (a) Whenever the trustees of a district adopt a general fund budget that exceeds the BASE budget for the district but does not exceed the maximum general fund budget for the district, the trustees shall:

~~(a) adopt a resolution stating the reasons and purposes for exceeding the BASE budget amount if the submit a proposition to the electors of the district, as provided in 20-9-353, for any budget amount that exceeds the previous year's general fund budget amount or the previous year's general fund budget per-ANB multiplied by the current year's ANB for budgeting purposes.~~

(b) A general fund budget adopted under this subsection (3) does not exceed the greater of:

(i) 104% of the previous year's general fund budget; or

(ii) 104% of the previous year's general fund budget per-ANB multiplied by the current year's ANB for budgeting purposes; or

~~(b) except for the school fiscal year beginning July 1, 1993, submit a proposition on any amount of the over-BASE budget that exceeds one of the limitations in subsection (3)(a) to the electors of the district, as provided in 20-9-353.~~

~~(c) For the school fiscal year beginning July 1, 1993, a district may not exceed the limitations in subsection (3)(a).~~

(4) (a) If the maximum general fund budget for a district for an ensuing school fiscal year is less than the general fund budget for the district for the current school fiscal year, the trustees of the district may not adopt a general fund budget for the ensuing school fiscal year that is greater than the district's general fund budget for the current school fiscal year.

(b) Except for the school fiscal year beginning July 1, 1993, and July 1, 1994, the trustees of the district shall submit a proposition to raise any general fund budget amount that is in excess of the maximum general fund budget for the district to the electors who are qualified under 20-20-301 to vote on the proposition, as provided in 20-9-353.

(5) Whenever the trustees of a district adopt a general fund budget that does not exceed the BASE budget for the district, the trustees shall finance this amount with the following sources of revenue:

(a) state equalization aid as provided in 20-9-343, including any guaranteed tax base aid for which the district may be eligible, as provided in 20-9-366 through 20-9-369;

(b) county equalization aid, as provided in 20-9-331 and 20-9-333;

(c) a district levy for support of a school not approved as an isolated school under the provisions of 20-9-302;

(d) payments in support of special education programs under the provisions of 20-9-321;

(e) nonlevy revenue as provided in 20-9-141; and

(f) a BASE budget levy on the taxable value of all property within the district.

(6) The over-BASE budget amount of a district must be financed by a levy on the taxable value of all property within the district or other revenue available to the district as provided in 20-9-141.

[(7) For the purpose of this section, the general fund budget or general fund per-ANB budget for the school fiscal year ending June 30, 1993, is the general fund budget funded by any state, local, and federal revenue, excluding Public Law 81-874

receipts received in the school fiscal year ending June 30, 1993. Before excluding any Public Law 81-874 funding, a district may increase the district general fund budget for the school fiscal year ending June 30, 1993, by the allowable increases in subsections (2) and (3).]"

NEW SECTION. Section 3. Budget reduction -- exceptions.

(1) Except as provided in subsection (2), for calculating and adopting a general fund budget for the school fiscal year ending June 30, 1995, as provided in 20-9-306 and 20-9-308 for that school year, the trustees of a district shall deduct 4.5% from the general fund budget for the school fiscal year ending June 30, 1994.

(2) The deduction required under subsection (1):

(a) does not apply to a school district with a general fund budget that is below the BASE budget; and

(b) may not cause a general fund budget of a school district to fall below the BASE budget for the school fiscal year ending June 30, 1994.

NEW SECTION. Section 4. Effective date -- applicability.

[This act] is effective on passage and approval and applies to budgets for the school year beginning July 1, 1994."

-END-

SENATE COMMITTEE OF THE WHOLE AMENDMENT

December 14, 1993 3:06 pm

Mr. Chairman: I move to amend House Bill No. 22 (third reading copy -- blue).

ADOPT

REJECT

Signed: Mignon Waterman
Senator Mignon Waterman

That such amendments read:

Amend the Senate committee of the whole amendment to House Bill No. 22 by Senator Waterman, December 14, 1993, as follows:

Amendment No. 1

In subsection (2) (a) (ii) following: "for budgeting purposes"

Strike: "without a vote of the electors"

In subsection (3)

Strike: subsection (3) in its entirety

Insert: "(3) (a) Whenever the trustees of a district adopt a general fund budget that exceeds the BASE budget for the district but does not exceed the maximum general fund budget for the district, the trustees shall submit a proposition to the electors of the district, as provided in 20-9-353, for any budget amount that exceeds the previous year's general fund budget amount or the previous year's general fund budget per-ANB multiplied by the current year's ANB for budgeting purposes.

(b) A general fund budget adopted under this subsection (3) may not exceed the greater of:

(i) 104% of the previous year's general fund budget as adjusted by the provisions of [section 3]; or

(ii) 104% of the previous year's general fund budget per-ANB multiplied by the current year's ANB for budgeting purposes as adjusted by the provisions of [section 3].

Amendment No. 2

In subsection (4) (a)

Strike: "as adjusted by the provisions of [section 3]."

Following: "for the current school fiscal year,"

Insert: "as adjusted by the provisions of [section 3]."

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SENATE COMMITTEE OF THE WHOLE AMENDMENT

December 14, 1993 1:13 pm

Mr. Chairman: I move to amend House Bill No. 22 (third reading copy -- blue).

ADOPT

REJECT

Signed: Mignon Waterman
Senator Mignon Waterman

That such amendments read:

Amend Senate Committee on Education and Cultural Resources standing committee report amendment dated December 13, 1993, as follows:

Amendment No. 1

Strike: section 2 in its entirety

Insert: "Section 2. Section 20-9-308, MCA, is amended to read:

"20-9-308. BASE budgets and maximum general fund budgets.

(1) For the school fiscal year beginning on July 1, 1993, the trustees of a district shall adopt a general fund budget that:

(a) except as provided in subsection (2), is at least equal to the BASE budget established for the district; or

(b) except as provided in [section 3] and subsection (4) of this section, does not exceed the maximum general fund budget established for the district.

(2) (a) If the BASE budget for a district for the school fiscal year beginning on July 1, 1993, is greater than the general fund budget of the district for the prior school fiscal year, the trustees of the district:

(i) shall increase the general fund budget by at least:

~~(i) may increase the general fund budget for the district by 4% of the previous year's general fund budget or by 4% of the previous year's general fund budget per ANB multiplied by the current year's ANB for budgeting purposes, but~~

~~(ii) may not adopt a general fund budget that reflects less than the following general fund budget growth amounts for the appropriate school fiscal year:~~

~~(A) 20% of the range between the district general fund budget for the school fiscal year ending June 30, 1993, and the BASE budget for the district for the school fiscal year beginning July 1, 1993;~~

~~(B) (A) 25% of the range between the district general fund budget for the school fiscal year ending June 30, 1994, and the BASE budget for the district for the school fiscal year beginning July 1, 1994;~~

~~(C) (B) 33.3% of the range between the district general fund budget for the school fiscal year ending June 30, 1995, and the BASE budget for the district for the school fiscal year beginning July 1, 1995;~~

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SENATE

~~(B)(C)~~ 50% of the range between the district general fund budget for the school fiscal year ending June 30, 1996, and the BASE budget for the district for the school fiscal year beginning July 1, 1996; or

~~(B)(D)~~ the remainder of the range between the district general fund budget for the school fiscal year ending June 30, 1997, and the BASE budget for the district for the school fiscal year beginning July 1, 1997.

~~(ii) may increase the general fund budget beyond the amount in subsection (2)(a)(i) but not by more than 4% of the previous year's general fund budget or by more than 4% of the previous year's general fund per ANB multiplied by the current year's ANB for budgeting purposes without a vote of the electors pursuant to subsection (2)(b).~~

~~(b) The trustees shall submit a proposition on any amount exceeding the limitations in subsection (2)(a)(i) to the electors of the district, as provided in 20-9-353.~~

~~(b) (i) For the school fiscal year beginning July 1, 1993, a district may not exceed the limitations in subsection (2)(a).~~

~~(ii) Except for the school fiscal year beginning July 1, 1993, whenever the trustees of a district adopt a general fund budget that exceeds one of the limitations in subsection (2)(a) but does not exceed the BASE budget for the district, the trustees shall submit a proposition on the amount that exceeds the limitation to the electors of the district, as provided in 20-9-353.~~

~~(c) Nothing in this section is intended to require a district to budget in excess of its BASE budget.~~

~~(3) Whenever (a) If the trustees of a district adopt a general fund budget, as adjusted by the provisions of [section 3], that exceeds the BASE budget for the district but does not exceed the maximum general fund budget for the district, the trustees shall:~~

~~(a) adopt a resolution stating the reasons and purposes for exceeding the BASE budget amount if the general fund budget adopted under this subsection (3) does may not exceed the greater of:~~

~~(i) 104% of the previous year's general fund budget as adjusted by the provisions of [section 3]; or~~

~~(ii) 104% of the previous year's general fund budget per ANB, as adjusted by the provisions of [section 3], multiplied by the current year's ANB for budgeting purposes, or~~

~~(b) except for the school fiscal year beginning July 1, 1993, The trustees shall submit a proposition on any amount of the over-BASE budget that exceeds one of the limitations in subsection (3)(a) to the electors of the district, as provided in 20-9-353.~~

~~(c) For the school fiscal year beginning July 1, 1993, a district may not exceed the limitations in subsection (3)(a).~~

(4) (a) If the maximum general fund budget for a district for an ensuing school fiscal year, as adjusted by the provisions of [section 3], is less than the general fund budget for the district for the current school fiscal year, the trustees of the district may not adopt a general fund budget for the ensuing school fiscal year that is greater than the district's general fund budget for the current school fiscal year.

(b) Except for the school fiscal year beginning July 1, 1993, and July 1, 1994, the trustees of the district shall submit a proposition to raise any general fund budget amount that is in excess of the maximum general fund budget for the district to the electors who are qualified under 20-20-301 to vote on the proposition, as provided in 20-9-353.

(5) Whenever the trustees of a district adopt a general fund budget that does not exceed the BASE budget for the district, the trustees shall finance this amount with the following sources of revenue:

(a) state equalization aid as provided in 20-9-343, including any guaranteed tax base aid for which the district may be eligible, as provided in 20-9-366 through 20-9-369;

(b) county equalization aid, as provided in 20-9-331 and 20-9-333;

(c) a district levy for support of a school not approved as an isolated school under the provisions of 20-9-302;

(d) payments in support of special education programs under the provisions of 20-9-321;

(e) nonlevy revenue as provided in 20-9-141; and

(f) a BASE budget levy on the taxable value of all property within the district.

(6) The over-BASE budget amount of a district must be financed by a levy on the taxable value of all property within the district or other revenue available to the district as provided in 20-9-141.

(7) For the purpose of this section, the general fund budget or general fund per ANB budget for the school fiscal year ending June 30, 1993, is the general fund budget funded by any state, local, and federal revenue, excluding Public Law 81-874 receipts received in the school fiscal year ending June 30, 1993. Before excluding any Public Law 81-874 funding, a district may increase the district general fund budget for the school fiscal year ending June 30, 1993, by the allowable increases in subsections (2) and (3).]"

Amendment No. 2

In section 3 following "BASE budget" at the end of subsection (2)(a)

Insert: "for the school fiscal year ending June 30, 1994"

-END-

HOUSE BILL NO. 22

INTRODUCED BY H. S. HANSON

BY REQUEST OF THE OFFICE OF BUDGET AND PROGRAM PLANNING

A BILL FOR AN ACT ENTITLED: "AN ACT REDUCING THE BASIC ENTITLEMENT AND THE PER ANB ENTITLEMENT FOR SCHOOL DISTRICT FUNDING BY 1.5 TO 2.0 PERCENT, REDUCING THE ALLOWABLE GENERAL FUND BUDGET GROWTH OF A DISTRICT FROM 4 PERCENT TO 2 PERCENT, REQUIRING A HIGH SCHOOL DISTRICT WITH 35 OR FEWER STUDENTS AND WITHIN 25 MILES OF THE NEAREST HIGH SCHOOL OF ANOTHER DISTRICT TO FINANCE ONE HALF OF THE DIRECT STATE AID RELATED TO BASIC ENTITLEMENT IF THE DISTRICT IS NOT APPROVED AS ISOLATED, INCREASING THE DISTANCE THAT A SCHOOL MUST BE FROM ANOTHER SCHOOL IN THE DISTRICT IN ORDER TO CALCULATE THE SCHOOL'S AND SEPARATELY, DELAYING UNTIL SCHOOL FISCAL YEAR 1995 THE INCLUSION OF PUBLIC TIME SPECIAL EDUCATION STUDENTS IN THE ANB COUNT OF THE DISTRICT, REVISING THE LIMIT ON SCHOOL DISTRICT GENERAL FUND BUDGET RESERVES, REVISING THE DISTRIBUTION SCHEDULE FOR STATE SCHOOL EQUALIZATION AID PAYMENTS, AMENDING SECTIONS 20-9-302, 20-9-303, 20-9-104, 20-9-141, 20-9-306, AND 20-9-344, 20-9-308, AND 20-9-311, MCA, AND SECTIONS 59 AND 62, CHAPTER 633, LAWS OF 1993, AND PROVIDING AN IMMEDIATE EFFECTIVE DATE DATES AND AN APPLICABILITY DATE DATES." "AN ACT REDUCING THE BASIC ENTITLEMENT AND THE PER ANB ENTITLEMENT FOR SCHOOL

DISTRICT FUNDING BY 4.5 PERCENT; REQUIRING VOTER APPROVAL FOR THE BASE BUDGET PORTION OF A SCHOOL DISTRICT GENERAL FUND THAT EXCEEDS THE MANDATORY GROWTH LEVELS; REQUIRING VOTER APPROVAL FOR THE OVER-BASE BUDGET OF A SCHOOL DISTRICT IF THE BUDGET EXCEEDS THE PREVIOUS YEAR'S GENERAL FUND BUDGET OR THE PREVIOUS YEAR'S GENERAL FUND BUDGET PER ANB; LIMITING THE OVER-BASE BUDGET OF A DISTRICT TO 104 PERCENT OF THE PREVIOUS YEAR'S GENERAL FUND BUDGET OR 104 PERCENT OF THE PREVIOUS YEAR'S GENERAL FUND BUDGET PER ANB; REQUIRING THE TRUSTEES OF A SCHOOL DISTRICT TO DEDUCT 4.5 PERCENT FROM THE GENERAL FUND BUDGET FOR THE SCHOOL FISCAL YEAR ENDING JUNE 30, 1994, FOR THE PURPOSES OF BUDGETING FOR THE SCHOOL FISCAL YEAR ENDING JUNE 30, 1995, IF THE DEDUCTION WILL NOT CAUSE A SCHOOL DISTRICT BUDGET TO FALL BELOW THE BASE BUDGET; AMENDING SECTIONS 20-9-306 AND 20-9-308, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY DATE."

WHEREAS, IT IS THE INTENT OF THE LEGISLATURE TO ACKNOWLEDGE AND TO SUPPORT THE CONSTITUTIONAL ROLE OF THE BOARDS OF TRUSTEES TO SUPERVISE AND CONTROL THE PUBLIC SCHOOL DISTRICTS OF THE STATE; HOWEVER, IT IS ALSO THE INTENT OF THE LEGISLATURE TO REQUEST THAT EACH BOARD OF TRUSTEES OF A SCHOOL DISTRICT CAREFULLY REVIEW THE DISTRICT'S EXPENDITURES FOR SCHOOL ADMINISTRATION,

~~EXTRACURRICULAR ACTIVITIES, EXTRACURRICULAR ATHLETICS, AND
SPECIAL EDUCATION, THE LEGISLATURE FURTHER REQUESTS THAT, AS
A RESULT OF THIS INVESTIGATION, THE BOARDS OF TRUSTEES
CONSIDER AND PURSUE THE POSSIBILITIES OF CONSOLIDATING
SCHOOL DISTRICTS.~~

STATEMENT OF INTENT

~~IT IS THE INTENT OF THE LEGISLATURE THAT THE TRUSTEES OF
A SCHOOL DISTRICT BE PERMITTED TO SPEND, IN ANY MANNER
ALLOWED BY LAW, THE AMOUNT ALLOWED TO BE RESERVED AS EXCESS
RESERVES UNDER THE PROVISIONS OF THIS ACT, AND THAT
TRUSTEES NOT BE REQUIRED TO APPLY THE AMOUNT TO REDUCE
DISTRICT LEVIES.~~

WHEREAS, IT IS THE INTENT OF THE LEGISLATURE TO
ACKNOWLEDGE AND TO SUPPORT THE CONSTITUTIONAL ROLE OF THE
BOARDS OF TRUSTEES TO SUPERVISE AND CONTROL THE PUBLIC
SCHOOL DISTRICTS OF THE STATE. HOWEVER, IT IS ALSO THE
INTENT OF THE LEGISLATURE TO REQUEST THAT EACH BOARD OF
TRUSTEES OF A SCHOOL DISTRICT CAREFULLY REVIEW THE
DISTRICT'S EXPENDITURES FOR SCHOOL ADMINISTRATION,
EXTRACURRICULAR ACTIVITIES, EXTRACURRICULAR ATHLETICS, AND
SPECIAL EDUCATION. THE LEGISLATURE FURTHER REQUESTS THAT, AS
A RESULT OF THIS INVESTIGATION, THE BOARDS OF TRUSTEES
CONSIDER AND PURSUE THE POSSIBILITIES OF CONSOLIDATING
SCHOOL DISTRICTS.

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

(Refer to Third Reading Bill)

Strike everything after the enacting clause and insert:

Section 1. Section 20-9-306, MCA, is amended to read:

"20-9-306. Definitions. As used in this title, unless the context clearly indicates otherwise, the following definitions apply:

(1) "BASE" means base amount for school equity.

(2) "BASE aid" means:

(a) direct state aid for 40% of the basic entitlement and 40% of the total per-ANB entitlement for the general fund budget of a district; and

(b) guaranteed tax base aid for an eligible district for any amount up to 40% of the basic entitlement, up to 40% of the total per-ANB entitlement budgeted in the general fund budget of a district, and up to 40% of the special education allowable cost payment.

(3) "BASE budget" means the minimum general fund budget of a district, which includes 80% of the basic entitlement, 80% of the total per-ANB entitlement, and up to 140% of the special education allowable cost payment.

(4) "BASE budget levy" means the district levy in support of the BASE budget of a district, which may be supplemented by guaranteed tax base aid if the district is

1 eligible under the provisions of 20-9-366 through 20-9-369.

2 (5) "BASE funding program" means the state program for
3 the equitable distribution of the state's share of the cost
4 of Montana's basic system of public elementary schools and
5 high schools, through county equalization aid as provided in
6 20-9-331 and 20-9-333 and state equalization aid as provided
7 in 20-9-343, in support of the BASE budgets of districts and
8 special education allowable cost payments as provided in
9 20-9-321.

10 (6) "Basic entitlement" means:

11 (a) ~~\$200,000~~ \$191,000 for each high school district;
12 and

13 (b) ~~\$10,000~~ \$17,190 for each elementary school district
14 or K-12 district elementary program without an approved and
15 accredited junior high school or middle school; and

16 (c) the prorated entitlement for each elementary school
17 district or K-12 district elementary program with an
18 approved and accredited junior high school or middle school,
19 calculated as follows:

20 (i) ~~\$10,000~~ \$17,190 times the ratio of the ANB for
21 kindergarten through grade 6 to the total ANB of
22 kindergarten through grade 8; plus

23 (ii) ~~\$200,000~~ \$191,000 times the ratio of the ANB for
24 grades 7 and 8 to the total ANB of kindergarten through
25 grade 8.

1 (7) "Direct state aid" means 40% of the basic
2 entitlement and 40% of the total per-ANB entitlement for the
3 general fund budget of a district and funded with state and
4 county equalization aid.

5 (8) "Maximum general fund budget" means a district's
6 general fund budget amount calculated from the basic
7 entitlement for the district, the total per-ANB entitlement
8 for the district, and up to 153% of special education
9 allowable cost payments.

10 (9) "Over-BASE budget levy" means the district levy in
11 support of any general fund amount budgeted that is above
12 the BASE budget and below the maximum general fund budget
13 for a district.

14 (10) "Total per-ANB entitlement" means the district
15 entitlement resulting from the following calculations:

16 (a) for a high school district or a K-12 district high
17 school program, a maximum rate of ~~\$4,900~~ \$4,680 for the
18 first ANB is decreased at the rate of 50 cents per ANB for
19 each additional ANB of the district up through 800 ANB, with
20 each ANB in excess of 800 receiving the same amount of
21 entitlement as the 800th ANB;

22 (b) for an elementary school district or a K-12
23 district elementary program without an approved and
24 accredited junior high school or middle school, a maximum
25 rate of ~~\$3,500~~ \$3,343 for the first ANB is decreased at the

rate of 20 cents per ANB for each additional ANB of the district up through 1,000 ANB, with each ANB in excess of 1,000 receiving the same amount of entitlement as the 1,000th ANB; and

(c) for an elementary school district or a K-12 district elementary program with an approved and accredited junior high school or middle school, the sum of:

(i) a maximum rate of ~~\$3,500~~ \$3,343 for the first ANB for kindergarten through grade 6 is decreased at the rate of 20 cents per ANB for each additional ANB up through 1,000 ANB, with each ANB in excess of 1,000 receiving the same amount of entitlement as the 1,000th ANB; and

(ii) a maximum rate of ~~\$4,900~~ \$4,680 for the first ANB for grades 7 and 8 is decreased at the rate of 50 cents per ANB for each additional ANB for grades 7 and 8 up through 800 ANB, with each ANB in excess of 800 receiving the same amount of entitlement as the 800th ANB."

Section 2. ~~Section 20-9-308, MCA, is amended to read:~~

~~"20-9-308. --BASE--budgets--and--maximum--general--fund budgets--(1)--For the school fiscal year beginning on July 1, 1993, the the trustees of a district shall adopt a general fund budget that:~~

~~(a)--except--as--provided--in--subsection--(2), is at least equal to the BASE budget established for the district; or~~

~~(b)--except--as--provided--in--subsection--(4); does not~~

~~exceed the maximum general fund budget established for the district;~~

~~(2)--(a)--if the BASE budget for a district for the school fiscal year beginning on July 1, 1993, is greater than the general fund budget of the district for the prior school fiscal year, the trustees of the district:~~

~~(i)--may increase the general fund budget for the district by 4% of the previous year's general fund budget or by 4% of the previous year's general fund budget per ANB multiplied by the current year's ANB for budgeting purposes; but~~

~~(ii)--may not adopt a general fund budget that reflects less than the following general fund budget growth amounts for the appropriate school fiscal year:~~

~~(A)--20% of the range between the district general fund budget for the school fiscal year ending June 30, 1993, and the BASE budget for the district for the school fiscal year beginning July 1, 1993;~~

~~(B)--25% of the range between the district general fund budget for the school fiscal year ending June 30, 1994, and the BASE budget for the district for the school fiscal year beginning July 1, 1994;~~

~~(C)(B)--33.3% of the range between the district general fund budget for the school fiscal year ending June 30, 1995, and the BASE budget for the district for the school fiscal~~

1 year-beginning-July-1,-1995;
 2 {B}{C}--50%--of--the--range--between--the--district--general
 3 fund--budget--for--the--school--fiscal--year--ending--June--30,-1996,
 4 and--the--BASE--budget--for--the--district--for--the--school--fiscal
 5 year--beginning--July-1,-1996,-or
 6 {B}{D}--the--remainder--of--the--range--between--the--district
 7 general--fund--budget--for--the--school--fiscal--year--ending--June
 8 30,-1997,-and--the--BASE--budget--for--the--district--for--the
 9 school--fiscal--year--beginning--July-1,-1997;
 10 {b}--(i)--For--the--school--fiscal--year--beginning--July-1,
 11 1993,-a--district--may--not--exceed--the--limitations--in
 12 subsection--(2){a};
 13 {ii}--Except--for--the--school--fiscal--year--beginning--July-1,
 14 1993,-whenever Whenever the--trustees--of--a--district--adopt--a
 15 general--fund--budget--that--exceeds--one--of--the--limitations--in
 16 subsection--(2){a}{ii} but--does--not--exceed--the--BASE--budget
 17 for--the--district,-the--trustees--shall--submit--a--proposition--on
 18 the--amount--that--exceeds--the--limitation--to--the--electors--of
 19 the--district,-as--provided--in--20-9-353;
 20 {c}--Nothing--in--this--section--is--intended--to--require--a
 21 district--to--budget--in--excess--of--its--BASE--budget;
 22 {3}--{a}--Whenever--the--trustees--of--a--district--adopt--a
 23 general--fund--budget--that--exceeds--the--BASE--budget--for--the
 24 district--but--does--not--exceed--the--maximum--general--fund--budget
 25 for--the--district,-the--trustees--shall:

1 {a}--adopt--a--resolution--stating--the--reasons--and--purposes
 2 for--exceeding--the--BASE--budget--amount--if--the submit--a
 3 proposition--to--the--electors--of--the--district,-as--provided--in
 4 20-9-353,-for--any--budget--amount--that--exceeds--the--previous
 5 year's--general--fund--budget--amount--or--the--previous--year's
 6 general--fund--budget--per--ANB--multiplied--by--the--current--year's
 7 ANB--for--budgeting--purposes;
 8 {b}--A--general--fund--budget--adopted--under--this--subsection
 9 {3}--does--not--exceed--the--greater--of:
 10 {i}--104%--of--the--previous--year's--general--fund--budget,-or
 11 {ii}--104%--of--the--previous--year's--general--fund--budget
 12 per--ANB--multiplied--by--the--current--year's--ANB--for--budgeting
 13 purposes;-or
 14 {b}--except--for--the--school--fiscal--year--beginning--July-1,
 15 1993,-submit--a--proposition--on--any--amount--of--the--over--BASE
 16 budget--that--exceeds--one--of--the--limitations--in--subsection
 17 {3}{a}--to--the--electors--of--the--district,-as--provided--in
 18 20-9-353;
 19 {c}--For--the--school--fiscal--year--beginning--July-1,-1993,
 20 a--district--may--not--exceed--the--limitations--in--subsection
 21 {3}{a};
 22 {4}--{a}--If--the--maximum--general--fund--budget--for--a
 23 district--for--an--ensuing--school--fiscal--year--is--less--than--the
 24 general--fund--budget--for--the--district--for--the--current--school
 25 fiscal--year,-the--trustees--of--the--district--may--not--adopt--a

1 general fund budget for the ensuing school fiscal year--that
2 is--greater than--the district's general fund budget for the
3 current school fiscal year.

4 (b)--Except for the school fiscal years year beginning
5 July 1, 1993, and July 1, 1994, the trustees of the district
6 shall submit a proposition to raise any general fund budget
7 amount that is in excess of the maximum general fund--budget
8 for--the--district--to--the electors who are qualified under
9 20-20-301--to--vote--on--the--proposition,--as--provided--in
10 20-9-353.

11 (5)--Whenever the trustees of a district adopt a general
12 fund budget that does not exceed the--BASE--budget--for--the
13 district,--the--trustees--shall finance this amount with the
14 following sources of revenue:

15 (a)--state equalization aid--as--provided--in--20-9-343,
16 including any guaranteed tax base aid for which the district
17 may be eligible,--as--provided--in--20-9-366 through 20-9-369;

18 (b)--county equalization aid,--as--provided--in--20-9-331
19 and 20-9-333;

20 (c)--a--district--levy--for--support--of--a--school--not
21 approved as an--isolated--school--under--the--provisions--of
22 20-9-302;

23 (d)--payments--in--support--of--special education programs
24 under the provisions of 20-9-321;

25 (e)--nonlevy revenue as provided in 20-9-141; and

1 (f)--a--BASE budget levy on--the--taxable--value--of--all
2 property within the district.

3 (6)--The--over-BASE--budget amount of a district must be
4 financed by a levy on the--taxable--value--of--all--property
5 within--the--district--or--other--revenue--available--to the
6 district as provided in 20-9-141.

7 (7)--For the purpose of this section, the general--fund
8 budget--or--general fund per ANB budget for the school fiscal
9 year ending June 30, 1993, is the general fund budget funded
10 by any state, local, and federal revenue,--excluding--Public
11 Law--81-874--receipts--received--in--the--school fiscal year
12 ending June 30, 1993. Before excluding any Public Law 81-874
13 funding, a district may increase the district--general--fund
14 budget--for--the school fiscal year ending June 30, 1993, by
15 the allowable increases in subsections (2) and (3).†

16 **SECTION 2. SECTION 20-9-308, MCA, IS AMENDED TO READ:**

17 "20-9-308. BASE budgets and maximum general fund
18 budgets. (1) For the school fiscal year beginning on July 1,
19 1993,--the The trustees of a district shall adopt a general
20 fund budget that:

21 (a) except as provided in subsection (2), is at least
22 equal to the BASE budget established for the district; or

23 (b) except as provided in [section 3] and subsection
24 (4) of this section, does not exceed the maximum general
25 fund budget established for the district.

(2) (a) If the BASE budget for a district for the school fiscal year beginning on July 1, 1993, is greater than the general fund budget of the district for the prior school fiscal year, the trustees of the district:

(i) shall increase the general fund budget by at least:

~~(i) may increase the general fund budget for the district by 4% of the previous year's general fund budget or by 4% of the previous year's general fund budget per ANB multiplied by the current year's ANB for budgeting purposes; but~~

~~(ii) may not adopt a general fund budget that reflects less than the following general fund budget growth amounts for the appropriate school fiscal year:~~

~~(A) 20% of the range between the district general fund budget for the school fiscal year ending June 30, 1993, and the BASE budget for the district for the school fiscal year beginning July 1, 1993;~~

~~(B)(A) 25% of the range between the district general fund budget for the school fiscal year ending June 30, 1994, and the BASE budget for the district for the school fiscal year beginning July 1, 1994;~~

~~(C)(B) 33.3% of the range between the district general fund budget for the school fiscal year ending June 30, 1995, and the BASE budget for the district for the school fiscal year beginning July 1, 1995;~~

~~(D)(C) 50% of the range between the district general fund budget for the school fiscal year ending June 30, 1996, and the BASE budget for the district for the school fiscal year beginning July 1, 1996; or~~

~~(E)(D) the remainder of the range between the district general fund budget for the school fiscal year ending June 30, 1997, and the BASE budget for the district for the school fiscal year beginning July 1, 1997;~~

~~(ii) may increase the general fund budget beyond the amount in subsection (2)(a)(i) but not by more than 4% of the previous year's general fund budget or by more than 4% of the previous year's general fund per ANB multiplied by the current year's ANB for budgeting purposes without a vote of the electors pursuant to subsection (2)(b).~~

~~(b) The trustees shall submit a proposition on any amount exceeding the limitations in subsection (2)(a)(i) to the electors of the district, as provided in 20-9-353.~~

~~(b)(i) For the school fiscal year beginning July 1, 1993, a district may not exceed the limitations in subsection (2)(a);~~

~~(ii) Except for the school fiscal year beginning July 1, 1993, whenever the trustees of a district adopt a general fund budget that exceeds one of the limitations in subsection (2)(a) but does not exceed the BASE budget for the district, the trustees shall submit a proposition on the~~

1 amount-that-exceeds-the-limitation-to-the--electors--of--the
2 district,--as-provided-in-20-9-353.

3 (c)--Nothing--in--this--section-is-intended-to-require-a
4 district-to-budget-in-excess-of-its-BASE-budget.

5 (3)--Whenever (a)--If the-trustees-of-a-district-adopt-a
6 general-fund--budget,--as--adjusted--by--the--provisions--of
7 {section--3}--that-exceeds-the-BASE-budget-for-the-district
8 but-does-not-exceed-the-maximum-general-fund-budget-for--the
9 district,--the-trustees-shall:

10 (a)--adopt-a-resolution-stating-the-reasons-and-purposes
11 for--exceeding--the--BASE--budget-amount-if-the-general-fund
12 budget-adopted-under-this-subsection-(3)-does may not-exceed
13 the-greater-of:

14 (i)--104%--of--the--previous--year's-general-fund-budget as
15 adjusted-by-the-provisions-of-{section-3},--or

16 (ii)--104%--of--the--previous--year's-general-fund-budget
17 per-ANB,--as--adjusted--by--the--provisions--of--{section--3},
18 multiplied-by-the-current-year's-ANB-for-budgeting-purposes,
19 or:

20 (b)--except-for-the-school-fiscal-year-beginning-July-1,
21 1993, The-trustees-shall-submit-a-proposition-on-any-amount
22 of-the-over-BASE-budget-that-exceeds-one-of-the--limitations
23 in--subsection--(3)(a)--to--the-electors-of-the-district,--as
24 provided-in-20-9-353.

25 (c)--Per-the-school-fiscal-year-beginning-July-1,--1993,

1 a--district--may--not--exceed--the-limitations-in-subsection
2 (3)(a):

3 (3) (A) WHENEVER THE TRUSTEES OF A DISTRICT ADOPT A
4 GENERAL FUND BUDGET THAT EXCEEDS THE BASE BUDGET FOR THE
5 DISTRICT BUT DOES NOT EXCEED THE MAXIMUM GENERAL FUND BUDGET
6 FOR THE DISTRICT, THE TRUSTEES SHALL SUBMIT A PROPOSITION TO
7 THE ELECTORS OF THE DISTRICT, AS PROVIDED IN 20-9-353, FOR
8 ANY BUDGET AMOUNT THAT EXCEEDS THE PREVIOUS YEAR'S GENERAL
9 FUND BUDGET AMOUNT OR THE PREVIOUS YEAR'S GENERAL FUND
10 BUDGET PER-ANB MULTIPLIED BY THE CURRENT YEAR'S ANB FOR
11 BUDGETING PURPOSES.

12 (B) A GENERAL FUND BUDGET ADOPTED UNDER THIS SUBSECTION
13 (3) MAY NOT EXCEED THE GREATER OF:

14 (I) 104% OF THE PREVIOUS YEAR'S GENERAL FUND BUDGET AS
15 ADJUSTED BY THE PROVISIONS OF [SECTION 3]; OR

16 (II) 104% OF THE PREVIOUS YEAR'S GENERAL FUND BUDGET
17 PER-ANB MULTIPLIED BY THE CURRENT YEAR'S ANB FOR BUDGETING
18 PURPOSES AS ADJUSTED BY THE PROVISIONS OF [SECTION 3].

19 (4) (a) If the maximum general fund budget for a
20 district for an ensuing school fiscal year,--as-adjusted-by
21 the-provisions-of-{section-3}, is less than the general fund
22 budget for the district for the current school fiscal year,
23 AS ADJUSTED BY THE PROVISIONS OF [SECTION 3], the trustees
24 of the district may not adopt a general fund budget for the
25 ensuing school fiscal year that is greater than the

1 district's general fund budget for the current school fiscal
2 year.

3 (b) Except for the school fiscal years year beginning
4 ~~July 1, 1993~~ and July 1, 1994, the trustees of the district
5 shall submit a proposition to raise any general fund budget
6 amount that is in excess of the maximum general fund budget
7 for the district to the electors who are qualified under
8 20-20-301 to vote on the proposition, as provided in
9 20-9-353.

10 (5) Whenever the trustees of a district adopt a general
11 fund budget that does not exceed the BASE budget for the
12 district, the trustees shall finance this amount with the
13 following sources of revenue:

14 (a) state equalization aid as provided in 20-9-343,
15 including any guaranteed tax base aid for which the district
16 may be eligible, as provided in 20-9-366 through 20-9-369;

17 (b) county equalization aid, as provided in 20-9-331
18 and 20-9-333;

19 (c) a district levy for support of a school not
20 approved as an isolated school under the provisions of
21 20-9-302;

22 (d) payments in support of special education programs
23 under the provisions of 20-9-321;

24 (e) nonlevy revenue as provided in 20-9-141; and

25 (f) a BASE budget levy on the taxable value of all

1 property within the district.

2 (6) The over-BASE budget amount of a district must be
3 financed by a levy on the taxable value of all property
4 within the district or other revenue available to the
5 district as provided in 20-9-141.

6 [(7) For the purpose of this section, the general fund
7 budget or general fund per-ANB budget for the school fiscal
8 year ending June 30, 1993, is the general fund budget funded
9 by any state, local, and federal revenue, excluding Public
10 Law 81-874 receipts received in the school fiscal year
11 ending June 30, 1993. Before excluding any Public Law 81-874
12 funding, a district may increase the district general fund
13 budget for the school fiscal year ending June 30, 1993, by
14 the allowable increases in subsections (2) and (3).]"

15 NEW SECTION. Section 3. Budget reduction --
16 exceptions. (1) Except as provided in subsection (2), for
17 calculating and adopting a general fund budget for the
18 school fiscal year ending June 30, 1995, as provided in
19 20-9-306 and 20-9-308 for that school year, the trustees of
20 a district shall deduct 4.5% from the general fund budget
21 for the school fiscal year ending June 30, 1994.

22 (2) The deduction required under subsection (1):

23 (a) does not apply to a school district with a general
24 fund budget that is below the BASE budget FOR THE SCHOOL
25 FISCAL YEAR ENDING JUNE 30, 1994; and

1 (b) may not cause a general fund budget of a school
2 district to fall below the BASE budget for the school fiscal
3 year ending June 30, 1994.

4 NEW SECTION. **Section 4.** Effective date --
5 applicability. [This act] is effective on passage and
6 approval and applies to budgets for the school year
7 beginning July 1, 1994.

-End-