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INTRODUCED BY

Kitzberger House BILL NO. 125

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR ANNUAL INFLATION-RELATED ADJUSTMENTS TO THE BASE FUNDING PROGRAM AMOUNTS FOR SCHOOL DISTRICT BASIC ENTITLEMENTS AND PER-ANB ENTITLEMENTS; REQUIRING VOTER APPROVAL FOR THE BASE BUDGET OR OVER-BASE BUDGET OF A SCHOOL DISTRICT IF THE BUDGET EXCEEDS 104 PERCENT OF THE PREVIOUS YEAR'S GENERAL FUND BUDGET OR THE PREVIOUS YEAR'S GENERAL FUND BUDGET PER-ANB; AMENDING SECTIONS 20-9-308 AND 20-9-353, MCA; AND PROVIDING AN EFFECTIVE DATE AND AN APPLICABILITY DATE."

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

**NEW SECTION. Section 1. Annual inflation-related adjustments to basic entitlement and per-ANB entitlements.** (1) The superintendent of public instruction shall:

(a) determine an inflation factor for the ensuing school fiscal year by dividing the consumer price index for July 1 of the current school fiscal year by the consumer price index for July 1 of the prior school fiscal year;

(b) adjust the basic entitlement, as defined in 20-9-306(6), and the per-ANB entitlement amounts, as described in 20-9-306(10), by the inflation factor determined in subsection (1)(a) for the ensuing school fiscal year for distribution under the BASE funding program; and

(c) provide each school district and county superintendent, by February 1 of each year, with the adjusted basic entitlement amounts and the per-ANB entitlement amounts for the ensuing school fiscal year.

(2) For the purposes of this section, "consumer price index" means the consumer price index, United States city average, for all items, as published by the bureau of labor statistics of the U.S. department of labor.

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

**"20-9-308. BASE budgets and maximum general fund budgets.** (1) The trustees of a district shall adopt a general fund budget that:

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

3 (b) except as provided in ~~section 3, Chapter 38, Special Laws of November 1993~~, and subsection  
4 (4) ~~of this section~~, does not exceed the maximum general fund budget established for the district.

5 (2) (a) If the BASE budget for a district for the school fiscal year is greater than the general fund  
6 budget of the district for the prior school fiscal year, the trustees of the district:

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

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

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

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

14 ~~(D)~~(C) the remainder of the range between the district general fund budget for the school fiscal year  
15 ending June 30, 1997, and the BASE budget for the district for the school fiscal year beginning July 1,  
16 1997;

17 (ii) may increase the general fund budget beyond the amount in subsection (2)(a)(i) but not by more  
18 than 4% of the previous year's general fund budget or by more than 4% of the previous year's general fund  
19 budget per-ANB multiplied by the current year's ANB for budgeting purposes pursuant to subsection (2)(b).

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

22 (3) ~~(a)~~ Whenever the trustees of a district adopt a general fund budget that exceeds the BASE  
23 budget for the district but does not exceed the maximum general fund budget for the district, the trustees  
24 shall submit a proposition to the electors of the district, as provided in 20-9-353, for any budget amount  
25 that exceeds the greater of 104% of the previous year's general fund budget amount or 104% of the  
26 previous year's general fund budget per-ANB multiplied by the current year's ANB for budgeting purposes.

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

28 ~~(i) 104% of the previous year's general fund budget as adjusted by the provisions of section 3,~~  
29 ~~Chapter 38, Special Laws of November 1993; or~~

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

1 ~~for budgeting purposes as adjusted by the provisions of section 3, Chapter 38, Special Laws of November~~  
2 ~~1993.~~

3 (4) (a) If the maximum general fund budget for a district for an ensuing school fiscal year is less  
4 than the general fund budget for the district for the current school fiscal year, ~~as adjusted by the provisions~~  
5 ~~of section 3, Chapter 38, Special Laws of November 1993,~~ the trustees of the district may not adopt a  
6 general fund budget for the ensuing school fiscal year that is greater than the district's general fund budget  
7 for the current school fiscal year.

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

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

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

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

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

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

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

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

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

24 ~~{(7) For the purpose of this section, the general fund budget or general fund per ANB budget for~~  
25 ~~the school fiscal year ending June 30, 1993, is the general fund budget funded by any state, local, and~~  
26 ~~federal revenue, excluding Public Law 81-874 receipts received in the school fiscal year ending June 30,~~  
27 ~~1993. Before excluding any Public Law 81-874 funding, a district may increase the district general fund~~  
28 ~~budget for the school fiscal year ending June 30, 1993, by the allowable increases in subsections (2) and~~  
29 ~~(3).}~~"

30



1 to the electors of the district, the trustees shall comply with the provisions of subsections (2) through (4)."

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3 **NEW SECTION. Section 4. Codification instruction.** [Section 1] is intended to be codified as an  
4 integral part of Title 20, chapter 9, part 3, and the provisions of Title 20 apply to [section 1].

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6 **NEW SECTION. Section 5. Effective date -- applicability.** [This act] is effective July 1, 1995, and  
7 applies to the school fiscal year beginning July 1, 1995.

8

-END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for HB0125, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

An act providing for annual inflation-related adjustments to the BASE funding program amounts for school district basic entitlements and per-ANB entitlements; requiring voter approval for the BASE budget or over-BASE budget of a school district if the budget exceeds 104 percent of the previous year's general fund budget or the previous year's general fund budget per-ANB.

ASSUMPTIONS:

1. The consumer price index for July 1, 1993 is 144.4. The consumer price index for July 1, 1994 is 148.4. The percent change from July 1, 1993 to July 1, 1994 is 2.77%.
2. The basic entitlement for the 1994-1995 school year is \$17,190 for elementary programs and \$191,000 for high school programs. The per-ANB entitlement is \$3,343 for elementary programs and \$4,680 for high school programs.
3. The inflation factor would be applied to entitlements for the school year beginning July 1, 1995. The basic and per-ANB entitlements for the 1995-1996 school year would be increased by 2.77%. The basic and per-ANB entitlements will be increased by an additional 2.9 percent for 1996-1997.
4. School districts that are spending at less than the BASE budget will increase their general fund budgets at the larger of 4% or 4% per ANB annually, at the maximum rate allowed without voter approval under this proposal.

FISCAL IMPACT:

Expenditures: State expenditures for the 1997 biennium would increase by \$35,972,000.

Revenues: No increase in revenue.

<u>Net Impact:</u>	<u>FY96</u>	<u>FY97</u>
	<u>Difference</u>	<u>Difference</u>
Direct State Aid	7,719,000	16,322,000
GF GTB aid	<u>4,861,000</u>	<u>7,070,000</u>
Total	12,580,000	23,392,000

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

School district budgets would be forced upward in the 113 school districts that have not yet reached their BASE budget level. These districts would see an increase in state aid and local property taxes to fund the higher budgets. These districts would also experience increases in local expenditures and property taxes as trustees may increase spending the greater of 4% or 4% per ANB without voter approval.

Districts that are budgeting in excess of the BASE funding level, the additional state funding would allow local property tax levies to decline in some school districts and increase at a slower rate in other school districts. The expansion of trustee authority to increase budgets the greater of 4% or 4% per ANB without voter approval is anticipated to result in higher levels of district spending.

David Lewis 1-16-95  
 DAVID LEWIS, BUDGET DIRECTOR DATE  
 Office of Budget and Program Planning

Sam Kittzenberg  
 SAM KITZENBERG, PRIMARY SPONSOR DATE

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

The state contribution to public school funding would be maintained at approximately 67% of total general fund budgets and would keep pace with inflation in public school costs. The legislation would halt the present shift of the school funding burden from the state to local property taxpayers. The expansion of trustee authority to increase spending would result in higher spending on public school education than under the current limits.

TECHNICAL NOTES:

1. The legislation is unclear as to whether the inflation factors would apply to the 1995-1996 school year. The legislation proposes that the Office of Public Instruction will notify school districts of the increases in entitlements in February.