1	House BILL NO. 125		
2	INTRODUCED BY Kither Merry		
3			
4	A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR ANNUAL INFLATION-RELATED ADJUSTMENTS		
5	TO THE BASE FUNDING PROGRAM AMOUNTS FOR SCHOOL DISTRICT BASIC ENTITLEMENTS AND		
6	PER-ANB ENTITLEMENTS; REQUIRING VOTER APPROVAL FOR THE BASE BUDGET OR OVER-BASE		
7	BUDGET OF A SCHOOL DISTRICT IF THE BUDGET EXCEEDS 104 PERCENT OF THE PREVIOUS YEAR'S		
8	GENERAL FUND BUDGET OR THE PREVIOUS YEAR'S GENERAL FUND BUDGET PER-ANB; AMENDING		
9	SECTIONS 20-9-308 AND 20-9-353, MCA; AND PROVIDING AN EFFECTIVE DATE AND AN		
10	APPLICABILITY DATE."		
11			
12	BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:		
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14	NEW SECTION. Section 1. Annual inflation-related adjustments to basic entitlement and per-ANB		
15	entitlements. (1) The superintendent of public instruction shall:		
16	(a) determine an inflation factor for the ensuing school fiscal year by dividing the consumer price		
17	index for July 1 of the current school fiscal year by the consumer price index for July 1 of the prior school		
18	fiscal year;		
19	(b) adjust the basic entitlement, as defined in 20-9-306(6), and the per-ANB entitlement amounts,		
20	as described in 20-9-306(10), by the inflation factor determined in subsection (1)(a) for the ensuing school		
21	fiscal year for distribution under the BASE funding program; and		
22	(c) provide each school district and county superintendent, by February 1 of each year, with the		
23	adjusted basic entitlement amounts and the per-ANB entitlement amounts for the ensuing school fiscal year.		
24	(2) For the purposes of this section, "consumer price index" means the consumer price index,		
25	United States city average, for all items, as published by the bureau of labor statistics of the U.S.		
26	department of labor.		
27			
28	Section 2. Section 20-9-308, MCA, is amended to read:		
29	"20-9-308. BASE budgets and maximum general fund budgets. (1) The trustees of a district shall		
30	adopt a general fund budget that:		



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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) of this section, does not exceed the maximum general fund budget established for the district. 4 5 (2) (a) If the BASE budget for a district for the school fiscal year is greater than the general fund budget of the district for the prior school fiscal year, the trustees of the district: 6 7 (i) shall increase the general fund budget by at least: (A) 25% of the range between the district general fund budget for the school fiscal year ending 8 June 30, 1994, and the BASE budget for the district for the school fiscal year beginning July 1, 1994; 9 10 (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; 11 12 (G) (B) 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 13 (D) (C) the remainder of the range between the district general fund budget for the school fiscal year 14 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)(ii) 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 provisions year's general fund budget as adjusted by the provisions of section 3_7 29 Chapter 38, Special Laws of November 1993; or 30 (ii) 104% of the provious year's general fund budget per-ANB multiplied by the ourrent year's ANB - 2 -

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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 - 3 -Montana Legislative Council

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Section 3. Section 20-9-353, MCA, is amended to read: 1 2 "20-9-353. Additional financing for general fund -- election for authorization to impose. (1) Except 3 as limited by 20-9-308, the trustees of a district may propose to adopt a general fund budget in excess of 4 the maximum general fund budget amount for the district. 5 (2) Except as provided in 20-9-308(4)(b), when When the trustees of a district determine that an 6 additional amount of financing is required for the general fund budget that is in excess of the maximum 7 general fund budget amount, the trustees shall submit the proposition to finance the excess amount of general fund financing to the electors who are qualified under 20-20-301 to vote upon the proposition. The 8 9 special election must be called and conducted in the manner prescribed by this title for school elections. 10 The ballot for the election must state the amount of money to be financed, the approximate number of mills 11 required to raise all or a portion of the money, and the purpose for which the money will be expended. The 12 ballot must be in the following format: PROPOSITION 13 14 Shall the district be authorized to expend the sum of (state the amount to be expended), and being 15 approximately (give number) mills, for the purpose of (insert the purpose for which the additional financing 16 is made)? 17 [] FOR budget authority and any levy. 18 [] AGAINST budget authority and any levy. 19 (3) If the election on any additional financing for the general fund is approved by a majority vote 20 of the electors voting at the election, the proposition carries and the trustees may use any portion or all of 21 the authorized amount in adopting the preliminary general fund budget. The trustees shall certify any 22 additional levy amount authorized by the special election on the budget form that is submitted to the county 23 superintendent, and the county commissioners shall levy the authorized number of mills on the taxable 24 value of all taxable property within the district, as prescribed in 20-9-141, to raise the amount of the 25 additional levy. 26 (4) Authorization to levy an additional tax under the provisions of this section is effective for only 27 1 school fiscal year and must be authorized by a special election conducted before August 1 of the school 28 fiscal year for which it is effective.

(5) If the trustees of a district are required to submit a proposition to finance a BASE budget
amount, as provided in 20-9-308(2)(b), or an over-BASE budget amount, as provided in 20-9-308(3)(b),



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1	to the electors of the district, the trustees shall comply with the provisions of subsections (2) through (4)."		
2			
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].		
5			
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.

<u>Revenues:</u> No increase in revenue.

Net_Impact:	FY96	FY97	
	Difference	Difference	
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.

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

SAM KITZENBERG, PRIMARY SHONSOR DATE Fiscal Note for HB0125, as introduced ΗБ

Fiscal Note Request, <u>HB0125</u>, as introduced Page 2 (continued)

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.