INTRODUCED BY Graff Of Chilesian

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING CERTAIN SCHOOL FINANCE LAWS; CHANGING THE STATUS OF SCHOOL DISTRICT GENERAL BONUS PAYMENTS IN DETERMINING GENERAL FUND BALANCE OPERATING RESERVE FUNDS; ALLOWING RURAL SCHOOL DISTRICTS TO NEGOTIATE FOR VOLUNTARY IMPACT PAYMENTS TO THE DISTRICT BUILDING FUND TO COVER DEVELOPMENT IN THE DISTRICT; AMENDING SECTIONS 20-9-104, 20-9-508, AND 76-3-601, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

- 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), the amount of the general fund balance that is earmarked as operating reserve may not exceed 10% of 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).
- (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 the unused balance of any amount



| 1  | received:   |
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| 2  | (a)(i) in settlement of tax payments protested in a prior school fiscal year;                               |
| 3  | (b)(ii) in taxes from a prior school fiscal year as a result of a tax audit by the department of revenue    |
| 4  | or its agents; and  |
| 5  | (e)(iii) in delinquent taxes from a prior school fiscal year-; or   |
| 6  | (b) any amount a district was entitled to as a general bonus payment prior to July 1, 1994.                 |
| 7  | (6) The limitation of subsection (1) does not apply when the amount earmarked as operating                  |
| 8  | reserve is \$10,000 or less."   |
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| 10 | NEW SECTION. Section 2. Rural residential impact payments. (1) The trustees of a rural school               |
| 11 | district may negotiate with a real estate developer or subdivision developer in the school district to      |
| 12 | voluntarily contribute an impact payment to the district's building fund. The amount of the payment must    |
| 13 | be based upon the number of pupils reasonably expected to move into the district because of the real estate |
| 14 | development or subdivision development.   |
| 15 | (2) For the purposes of this section, "rural school district" means a school district in which a            |
| 16 | majority of the pupils in the district reside outside the limits of any incorporated city or town.          |
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| 18 | Section 3. Section 20-9-508, MCA, is amended to read:   |
| 19 | "20-9-508. Building fund. (1) The trustees of any district shall establish or credit the building fund      |
| 20 | whenever such the district:   |
| 21 | (a) issues and sells bonds under the school district bonding provisions of this title for purposes          |
| 22 | other than refunding bonds of the district;   |
| 23 | (b) receives federal money for the express purpose of building, enlarging, or remodeling a school           |
| 24 | building or other building of the district;   |
| 25 | (c) sells property of the district in accordance with the law authorizing such the sale;                    |
| 26 | (d) receives money as an insurance settlement for the destruction of any property or portion of             |
| 27 | property insured by the district;   |
| 28 | (e) earns interest from the investment of building fund <del>moneys</del> money under the provisions of     |
| 29 | 20-9-213(4), except that interest earned from the investment of bond moneys money under the provisions      |
| 30 | of 20-9-435 shall must be credited to a fund in accordance with such that section; or                       |



- (f) receives any other moneys money, including payments made by a developer under the provisions of [section 2], for the express purpose of building, enlarging, or remodeling a school building or other building of the district.
- (2) The financial administration of the building fund shall <u>must</u> be in accordance with the financial administration provisions of this title for a nonbudgeted fund and shall <u>must</u> provide for a separate accounting of the <u>moneys money</u> realized by each bond issue or by each construction project financed by a federal grant of <u>moneys money</u>. Any other <u>moneys money deposited</u> to the credit of this fund shall <u>must</u> be expended for building, enlargement, remodeling, or repairing of buildings of the district at the discretion of the trustees.
- (3) Moneys Money credited to the building fund under the provisions of subsection (1)(a) of this section shall must be expended for the express purpose or purposes authorized by the bond proposition approved at the election authorizing the issuance of such the bonds. Any money realized by the sale of bonds and remaining to the credit of the building fund after the full accomplishment of the purpose for which the bonds were sold shall must be transferred to the debt service fund to be used for the redemption of the bonds of such issue.
- (4) Moneys Money credited to the building fund under the provisions of subsection (1)(b) of this section shall must be expended for the express purpose or purposes authorized by the federal government in granting such moneys the money."

Section 4. Section 76-3-601, MCA, is amended to read:

- "76-3-601. Submission of preliminary plat for review. (1) Except where when a plat is eligible for summary approval, the subdivider shall present to the governing body or to the agent or agency designated thereby by the governing body the preliminary plat of the proposed subdivision for local review. The preliminary plat shall must show all pertinent features of the proposed subdivision and all proposed improvements.
- (2) (a) When the proposed subdivision lies within the boundaries of an incorporated city or town, the preliminary plat shall must be submitted to and approved by the city or town governing body.
- (b) When the proposed subdivision is situated entirely in an unincorporated area, the preliminary plat shall must be submitted to and approved by the governing body of the county. However, if the proposed subdivision lies within 1 mile of a third-class city or town or within 2 miles of a second-class city



54th Legislature

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| 1  | or within 3 miles of a first-class city, the county governing body shall submit the preliminary plat to the city |
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| 2  | or town governing body or its designated agent for review and comment. If the proposed subdivision is            |
| 3  | situated within a rural school district, as described in [section 2], the county governing body shall provide    |
| 4  | an informational copy of the preliminary plat to school district trustees.                                       |
| 5  | (c) If the proposed subdivision lies partly within an incorporated city or town, the proposed plat               |
| 6  | thereof must be submitted to and approved by both the city or town and the county governing bodies.              |
| 7  | (d) When a proposed subdivision is also proposed to be annexed to a municipality, the governing                  |
| 8  | body of the municipality shall coordinate the subdivision review and annexation procedures to minimize           |
| 9  | duplication of hearings, reports, and other requirements whenever possible.                                      |
| 10 | (3) This section and The provisions of 76-3-604, 76-3-605, and 76-3-608 through 76-3-610 and                     |
| 11 | this section do not limit the authority of certain municipalities to regulate subdivisions beyond their          |
| 12 | corporate limits pursuant to 7-3-4444."  |
| 13 |  |
| 14 | NEW SECTION. Section 5. Codification instruction. [Section 2] is intended to be codified as an                   |
| 15 | integral part of Title 20, and the provisions of Title 20 apply to [section 2].                                  |
| 16 |  |
| 17 | NEW SECTION. Section 6. Effective date. [This act] is effective on passage and approval.                         |

#### STATE OF MONTANA - FISCAL NOTE

# Fiscal Note for SB0423, as introduced

#### DESCRIPTION OF PROPOSED LEGISLATION:

An act revising certain school finance laws; changing the status of school district general bonus payments in determining general fund balance operating reserve funds; allowing rural school districts to negotiate for voluntary impact payments to the district building fund to cover development in the district.

### ASSUMPTIONS:

 Four school districts have bonus payments set aside in a general fund excess reserve. These districts are:

| Three Forks Elementary     | \$22,500  |
|----------------------------|-----------|
| Circle Elementary          | \$2,700   |
| Shields Valley Elementary  | \$113,022 |
| Shields Valley High School | \$36.755  |

- 2. No additional bonus payments will be made to school districts in the future. Under current law, the four districts listed would need to reappropriate bonus payments to fund the general fund BASE or over-BASE budget levy of the district in FY96.
- 3. Circle Elementary and Shields Valley High School are budgeting above the EASE budget level, so it is assumed that any bonus payments that are reappropriated will be used to reduce local property taxes with no impact on state GTB aid to these districts.
- 4. Three Forks Elementary and Shields Valley Elementary are budgeting at or below the BASE budget level, so state GTB costs will increase to the extent that the districts continue to reserve bonus payments and do not use the funds to reduce the BASE levy requirement. In the Shields Valley elementary district, state GTB aid funds 34% of the districts BASE levy requirement, with the remaining 64% funded by local property taxes. The state GTB cost associate with allowing the Shields Valley elementary district to continue to reserve bonus payments is \$38,427. In the Three Forks elementary district, the state share of the BASE levy requirement is 19%; therefore, the state GTB cost associated with allowing the Three Forks elementary district to continue to reserve bonus payments is \$4,275.
- 5. The provisions in SB 423 for districts to negotiate with developer's for impact fees will have no impact on state support for public schools in the 1997 biennium.

FISCAL IMPACT: State GTB costs will increase by \$42,700 in FY 1996.

## EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

The collection of local impact fees may reduce the size of school bond issues in school districts with growing enrollments, thus limiting the increases in local property taxes for debt service payments.

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

L. GROSFIELD, PRIMARY SPONSOR

DATE

|                   |      | SENATE | BILL NO. | 423      |
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A BILL FOR AN ACT ENTITLED: "AN ACT REVISING CERTAIN SCHOOL FINANCE LAWS; CHANGING THE

5 STATUS OF SCHOOL DISTRICT GENERAL BONUS PAYMENTS IN DETERMINING GENERAL FUND

BALANCE OPERATING RESERVE FUNDS; ALLOWING RURAL SCHOOL DISTRICTS TO NEGOTIATE FOR

VOLUNTARY IMPACT PAYMENTS TO THE DISTRICT BUILDING FUND TO COVER DEVELOPMENT IN THE

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

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SB 423

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of 20-9-435  $\frac{1}{2}$  must be credited to a fund in accordance with  $\frac{1}{2}$  section; or

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54th Legislature

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| 7  | (d) When a proposed subdivision is also proposed to be annexed to a municipality, the governing                  |
| 8  | body of the municipality shall coordinate the subdivision review and annexation procedures to minimize           |
| 9  | duplication of hearings, reports, and other requirements whenever possible.                                      |
| 10 | (3) This section and The provisions of 76-3-604, 76-3-605, and 76-3-608 through 76-3-610 and                     |
| 11 | this section do not limit the authority of certain municipalities to regulate subdivisions beyond their          |
| 12 | corporate limits pursuant to 7-3-4444."  |
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| 14 | NEW SECTION. Section 5. Codification instruction. [Section 2] is intended to be codified as an                   |
| 15 | integral part of Title 20, and the provisions of Title 20 apply to [section 2].                                  |

NEW SECTION. Section 6. Effective date. [This act] is effective on passage and approval.

| 1  | SENATE BILL NO. 423   |
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| 2  | INTRODUCED BY GROSFIELD, ANDERSON   |
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| 5  | STATUS OF SCHOOL DISTRICT GENERAL BONUS PAYMENTS IN DETERMINING GENERAL FUND                                |
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| 3  | amount of the payment THAT THE TRUSTEES MAY ACCEPT must be based upon the number of pupils                     |
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| 15 | development. NEGOTIATIONS AND ANY RESULTING CONTRIBUTIONS MUST BE VOLUNTARY.                                   |
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(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).

 (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 the unused balance of any amount



| 1  | received:  |
|----|--|
| 2  | (a)(i) in settlement of tax payments protested in a prior school fiscal year;                                  |
| 3  | (b)(ii) in taxes from a prior school fiscal year as a result of a tax audit by the department of revenue       |
| 4  | or its agents; and   |
| 5  | (e)(iii) in delinquent taxes from a prior school fiscal year-; or  |
| 6  | (b) any amount a district was entitled to as a general bonus payment prior to July 1, 1994.                    |
| 7  | (6) The limitation of subsection (1) does not apply when the amount earmarked as operating                     |
| 8  | reserve is \$10,000 or less."  |
| 9  |  |
| 10 | NEW SECTION. Section 2. Rural VOLUNTARY RURAL residential impact payments. (1) The                             |
| 11 | trustees of a rural school district may negotiate with a real estate developer or subdivision developer in the |
| 12 | school district to voluntarily contribute an impact payment to the district's building fund. The MAXIMUM       |
| 13 | amount of the payment THAT THE TRUSTEES MAY ACCEPT must be based upon the number of pupils                     |
| 14 | reasonably expected to move into the district because of the real estate development or subdivision            |
| 15 | development. NEGOTIATIONS AND ANY RESULTING CONTRIBUTIONS MUST BE VOLUNTARY.                                   |
| 16 | (2) For the purposes of this section, "rural school district" means a school district in which a               |
| 17 | majority of the pupils in the district reside outside the limits of any incorporated city or town.             |
| 18 |  |
| 19 | Section 3. Section 20-9-508, MCA, is amended to read:  |
| 20 | "20-9-508. Building fund. (1) The trustees of any district shall establish or credit the building fund         |
| 21 | whenever such the district:  |
| 22 | (a) issues and sells bonds under the school district bonding provisions of this title for purposes             |
| 23 | other than refunding bonds of the district;  |
| 24 | (b) receives federal money for the express purpose of building, enlarging, or remodeling a school              |
| 25 | building or other building of the district;  |
| 26 | (c) sells property of the district in accordance with the law authorizing such the sale;                       |
| 27 | (d) receives money as an insurance settlement for the destruction of any property or portion of                |
| 28 | property insured by the district;  |
| 29 | (e) earns interest from the investment of building fund moneys money under the provisions of                   |



20-9-213(4), except  $\underline{\text{that}}$  interest earned from the investment of bond  $\underline{\text{moneys}}$   $\underline{\text{money}}$  under the provisions

of 20-9-435 shall must be credited to a fund in accordance with such that section; or

- (f) receives any other moneys money, including payments made by a developer under the provisions of [section 2], for the express purpose of building, enlarging, or remodeling a school building or other building of the district.
- (2) The financial administration of the building fund shall must be in accordance with the financial administration provisions of this title for a nonbudgeted fund and shall must provide for a separate accounting of the moneys money realized by each bond issue or by each construction project financed by a federal grant of moneys money. Any other moneys money deposited to the credit of this fund shall must be expended for building, enlargement, remodeling, or repairing of buildings of the district at the discretion of the trustees.
- (3) Moneys Money credited to the building fund under the provisions of subsection (1)(a) of this section shall must be expended for the express purpose or purposes authorized by the bond proposition approved at the election authorizing the issuance of such the bonds. Any money realized by the sale of bonds and remaining to the credit of the building fund after the full accomplishment of the purpose for which the bonds were sold shall must be transferred to the debt service fund to be used for the redemption of the bonds of such issue.
- (4) Moneys Money credited to the building fund under the provisions of subsection (1)(b) of this section shall must be expended for the express purpose or purposes authorized by the federal government in granting such moneys the money."

Section 4. Section 76-3-601, MCA, is amended to read:

"76-3-601. Submission of preliminary plat for review. (1) Except where when a plat is eligible for summary approval, the subdivider shall present to the governing body or to the agent or agency designated thereby by the governing body the preliminary plat of the proposed subdivision for local review. The preliminary plat shall must show all pertinent features of the proposed subdivision and all proposed improvements.

- (2) (a) When the proposed subdivision lies within the boundaries of an incorporated city or town, the preliminary plat shall must be submitted to and approved by the city or town governing body.
- (b) When the proposed subdivision is situated entirely in an unincorporated area, the preliminary plat shall must be submitted to and approved by the governing body of the county. However, if the



| proposed subdivision lies within 1 mile of a third-class city or town or within 2 miles of a second-class city   |
|--|
| or within 3 miles of a first-class city, the county governing body shall submit the preliminary plat to the city |
| or town governing body or its designated agent for review and comment. If the proposed subdivision is            |
| situated within a rural school district, as described in [section 2], the county governing body shall provide    |
| an informational copy of the preliminary plat to school district trustees.                                       |
| (c) If the proposed subdivision lies partly within an incorporated city or town, the proposed plat               |
| thereof must be submitted to and approved by both the city or town and the county governing bodies.              |
| (d) When a proposed subdivision is also proposed to be annexed to a municipality, the governing                  |
| body of the municipality shall coordinate the subdivision review and annexation procedures to minimize           |
| duplication of hearings, reports, and other requirements whenever possible.                                      |
| (3) This section and The provisions of 76-3-604, 76-3-605, and 76-3-608 through 76-3-610 and                     |
| this section do not limit the authority of certain municipalities to regulate subdivisions beyond their          |
| corporate limits pursuant to 7-3-4444."  |
|  |
| NEW SECTION. Section 5. Codification instruction. [Section 2] is intended to be codified as an                   |
| integral part of Title 20, and the provisions of Title 20 apply to [section 2].                                  |
|  |
| NEW SECTION. Section 6. Effective date. [This act] is effective on passage and approval.                         |