

1 HOUSE BILL NO. 119

2 INTRODUCED BY GRADY

3 BY REQUEST OF THE OFFICE OF PUBLIC INSTRUCTION

4
5 A BILL FOR AN ACT ENTITLED: "AN ACT INCREASING BY 4.71 PERCENT THE BASIC AND THE PER-ANB
6 ENTITLEMENTS FOR SCHOOL DISTRICT FUNDING; CLARIFYING THAT A SCHOOL DISTRICT WHOSE
7 CURRENT YEAR'S FUNDING IS INCREASED AS A RESULT OF AN INCREASE IN THE BASIC AND PER-ANB
8 ENTITLEMENTS IS AUTHORIZED TO INCREASE ITS PREVIOUS YEAR'S BUDGET BY THE SAME
9 PERCENTAGE INCREASE AS THE BASIC AND PER-ANB ENTITLEMENTS WITHOUT SUBMITTING A
10 PROPOSITION TO THE ELECTORS OF THE DISTRICT; AMENDING SECTIONS 20-9-306, 20-9-308, AND
11 20-9-353, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY DATE."

12
13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

14
15 **Section 1.** Section 20-9-306, MCA, is amended to read:

16 **"20-9-306. Definitions.** As used in this title, unless the context clearly indicates otherwise, the
17 following 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 and 40% of the total per-ANB entitlement for
21 the general fund budget of a district; and

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

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

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

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

6 (6) "Basic entitlement" means:

7 (a) ~~\$181,000~~ \$200,000 for each high school district;

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

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

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

14 (ii) ~~\$181,000~~ \$200,000 times the ratio of the ANB for grades 7 and 8 to the total ANB of
 15 kindergarten through grade 8.

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

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

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

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

25 (a) for a high school district or a K-12 district high school program, a maximum rate of ~~\$4,680~~
 26 \$4,900 for the first ANB is decreased at the rate of 50 cents per ANB for each additional ANB of the district
 27 up through 800 ANB, with each ANB in excess of 800 receiving the same amount of entitlement as the
 28 800th ANB;

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

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

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

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

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

11
 12 **Section 2.** Section 20-9-308, MCA, is amended to read:

13 **"20-9-308. BASE budgets and maximum general fund budgets.** (1) The trustees of a district shall
 14 adopt a general fund budget that:

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

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

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

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

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

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

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

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

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

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

6 ~~(3)(2)~~ (a) Whenever the trustees of a district adopt a general fund budget that exceeds the BASE
 7 budget for the district but does not exceed the maximum general fund budget for the district, the trustees
 8 shall submit a proposition to the electors of the district, as provided in 20-9-353, for any budget amount
 9 that exceeds the previous year's general fund budget amount or the previous year's general fund budget
 10 per-ANB multiplied by the current year's ANB for budgeting purposes.

11 (b) A general fund budget adopted under this subsection ~~(3)~~ (2) may not exceed the greater of:

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

14 (ii) 104% of the previous year's general fund budget per-ANB multiplied by the current year's ANB
 15 for budgeting purposes ~~as adjusted by the provisions of section 3, Chapter 38, Special Laws of November~~
 16 ~~1993.~~

17 ~~(4)(3)~~ (a) If the maximum general fund budget for a district for ~~an ensuing~~ the current school fiscal
 18 year is less than the general fund budget for the district for the ~~current~~ previous school fiscal year, as
 19 ~~adjusted by the provisions of section 3, Chapter 38, Special Laws of November 1993,~~ the trustees of the
 20 district may not adopt a general fund budget for the ~~ensuing~~ current school fiscal year that is greater
 21 than the district's general fund budget for the ~~current~~ previous school fiscal year.

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

26 ~~(5)(4) Whenever the trustees of a district adopt a general fund budget that does not exceed the~~
 27 ~~BASE budget for the district, the~~ The trustees shall finance ~~this amount~~ the BASE budget for the district
 28 with the following sources of revenue:

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

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

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

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

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

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

7 ~~(6)(5)~~ The over-BASE budget amount of a district must be financed by a levy on the taxable value
8 of all property within the district or other revenue available to the district as provided in 20-9-141.

9 (6) For the purpose of calculating general fund budget limits and voting requirements under
10 subsection (2), "previous year's general fund budget" is the adopted budget for the previous year multiplied
11 by the sum of 1 plus the percentage increase in the basic and per-ANB entitlement amounts, as defined in
12 20-9-306, that is approved by the legislature for the current school fiscal year."

13
14 **Section 3.** Section 20-9-353, MCA, is amended to read:

15 **"20-9-353. Additional financing for general fund -- election for authorization to impose.** (1) The
16 trustees of a district may propose to adopt:

17 (a) a budget amount up to the BASE budget amount for the district general fund that is within the
18 limitations and required budget increases provided in 20-9-308~~(2)~~(1);

19 (b) an over-BASE budget amount for the district general fund that does not exceed the maximum
20 general fund budget for the district or other limitations, as provided in 20-9-308~~(3)~~(2); or

21 (c) a general fund budget amount in excess of the maximum general fund budget amount for the
22 district, as provided in 20-9-308~~(4)~~(3).

23 (2) When the trustees of a district determine that a voted amount of financing is required for the
24 general fund budget, the trustees shall submit the proposition to finance the additional amount of general
25 fund financing to the electors who are qualified under 20-20-301 to vote upon the proposition. The special
26 election must be called and conducted in the manner prescribed by this title for school elections. The ballot
27 for the election must state the amount of money to be financed, the approximate number of mills required
28 to raise all or a portion of the money, and the purpose for which the money will be expended. The ballot
29 must be in the following format:

30 PROPOSITION

1 Shall the district be authorized to expend the sum of (state the additional amount to be expended),
2 and being approximately (give number) mills, for the purpose of (insert the purpose for which the additional
3 financing is made)?

4 FOR budget authority and any levy.

5 AGAINST budget authority and any levy.

6 (3) If the election on any additional financing for the general fund is approved by a majority vote
7 of the electors voting at the election, the proposition carries and the trustees may use any portion or all of
8 the authorized amount in adopting the preliminary general fund budget. The trustees shall certify any
9 additional levy amount authorized by the special election on the budget form that is submitted to the county
10 superintendent, and the county commissioners shall levy the authorized number of mills on the taxable
11 value of all taxable property within the district, as prescribed in 20-9-141, to raise the amount of the
12 additional levy.

13 (4) Authorization to levy an additional tax to support a budget amount adopted as allowed by
14 20-9-308~~(4)~~(3) is effective for only 1 school fiscal year.

15 (5) All levies adopted under this section must be authorized by a special election conducted before
16 August 1 of the school fiscal year for which it is effective.

17 (6) If the trustees of a district are required to submit a proposition to finance an increased amount
18 up to the BASE budget amount, as provided in 20-9-308~~(2)(b)~~(1), an increased over-BASE budget amount,
19 as provided in 20-9-308~~(3)(a)~~(2)(a), or an amount in excess of the maximum general fund budget amount
20 for the district as allowed by 20-9-308~~(4)~~(3) to the electors of the district, the trustees shall comply with
21 the provisions of subsections ~~(2)~~ (1) through ~~(4)~~ (3)."

22

23 **NEW SECTION. Section 4. Effective date -- applicability.** [This act] is effective on passage and
24 approval and applies to budgets for school fiscal years beginning on or after July 1, 1997.

25

-END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for HB0119, as introduced

DESCRIPTION OF PROPOSED LEGISLATION: An act increasing by 4.71 percent the basic and the per-ANB entitlements for school district funding; clarifying that a school district whose current year's funding is increased as a result of an increase in the basic and per-ANB entitlements is authorized to increase its previous year's budget by the same percentage increase as the basic and per-ANB entitlements without submitting a proposition to the electors of the district.

ASSUMPTIONS:

1. The average number belonging for FY97 is 164,734 and is projected to be 166,564 for FY98 and 167,424 for FY99.
2. The basic and per ANB entitlements will be:

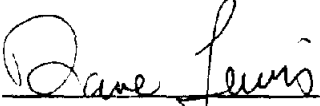
	<u>1997current</u>	<u>1998 proposed</u>	<u>1999 proposed</u>
Elementary Basic Entitlement	\$ 17,190	\$ 18,000	\$ 18,000
Elementary Per ANB Entitlement	3,343	3,500	3,500
High School Basic Entitlement	191,000	200,000	200,000
High School Per ANB Entitlement	4,680	4,900	4,900
3. Montana law requires that each school districts adopt a general fund budget that is at least equal to its BASE budget (as defined by the school funding formula) for fiscal years 1998 and 1999. This will require districts whose budgets are at or within 4.71% of their BASE budget in fiscal 1997 to increase their budget to the new base.
4. Statewide school district taxable values will be \$2.257 billion in fiscal year 1998 and \$2.289 billion in fiscal year 1999. Present law estimates assume that reappraisal goes into effect in tax year 1997 for fiscal 1998 and beyond. The estimates for guaranteed tax base aid are lower than FY97 GTB aid amounts as a result of reappraisal.
5. School district non levy revenues will increase from \$37.84 million in fiscal 1997 to \$42.62 million in fiscal 1998 and \$43.46 million in fiscal 1999.
6. School district fund balance reappropriated will be \$10.97 million each year.
7. Present Law estimates:

	<u>FY98</u>	<u>FY99</u>
Direct State Aid	\$275,999,000	\$278,075,000
General Fund GTB	<u>109,566,000</u>	<u>117,055,000</u>
Total	385,565,000	\$395,130,000

FISCAL IMPACT: State expenditures will increase by \$19,024,000 in FY98 (\$13.369 million for direct state aid and \$5.655 million for general fund GTB) and \$19,749,000 in FY99 (\$13,471,000 for direct state aid and \$6,278,000 for general fund GTB).

<u>Expenditures:</u>	<u>FY98</u>	<u>FY99</u>
	<u>Difference</u>	<u>Difference</u>
Direct State Aid	13,369,000	13,471,000
General Fund GTB	<u>5,655,000</u>	<u>6,278,000</u>
Total	19,024,000	19,749,000

<u>Funding:</u>	<u>FY98</u>	<u>FY99</u>
General Fund(01)	19,024,000	19,749,000

 1-13-97
 DAVE LEWIS, BUDGET DIRECTOR DATE
 Office of Budget and Program Planning

ED GRADY, PRIMARY SPONSOR DATE

Fiscal Note for HB0119, as introduced

HB 119

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES: School districts whose budget are at or within 4.71% of their BASE budget in fiscal 1997 are required to increase their budget to their new BASE in fiscal 1998. For these districts increases in district property taxes will be required. In fiscal 1997 38% of districts with 32% of the state total ANB had budgets at or below 4.71% over their base budget.

Except as stated above school districts whose fiscal 1997 budgets are in excess of their BASE budget are not required to increase their budget but may do so with trustee approval. Under Section 2 [revised section 20-9-308(6)] these districts are not required to have voter approval in order to increase their budget up to 4.71% in fiscal 1998. If trustees do not approve an increase, district property taxes will be reduced by the increased state aid. If trustees approve budget increases less than or equal to the amount of new state aid, in general a 3.3% increase in their budget in 1998, district property taxes will not increase. If the trustees approve increases greater than the amount of new state aid district property taxes will increase. In Fiscal 1999 increases will require voter approval.

School districts whose budgets were frozen in fiscal 1997 because they exceeded the statutory maximum budget will not have their budgets frozen in 1998 if their 1997 budget was less than 4.71% over the maximum. Those whose budgets are over 4.71% above the maximum in 1997 will continue to have their budgets frozen in fiscal year 1998. In fiscal 1997 16% of districts with 14% of total state ANB had budgets at or 4.71% over the statutory maximum budget while 7% of districts with 2% of total state ANB had budgets that exceeded the maximum by more than 4.71%.

Increased or decreased enrollments will increase or decrease district budget requirements as discussed above.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION: School district expenditures will increase and in some cases property taxpayers will experience property tax relief.