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2 INTRODUCED BY Kitpenberg ^{House} BILL NO. 296

3
4 A BILL FOR AN ACT ENTITLED: "AN ACT INCREASING THE HIGH SCHOOL BASIC ENTITLEMENT BY
5 \$9,000 AND THE ELEMENTARY BASIC ENTITLEMENT BY \$7,810; INCREASING THE PER-ANB
6 ENTITLEMENT FOR ELEMENTARY SCHOOLS BY \$33 FOR FISCAL YEAR 1998 AND \$116 FOR FISCAL
7 YEAR 1999; INCREASING THE HIGH SCHOOL PER-ANB ENTITLEMENT BY \$46 FOR FISCAL YEAR 1998
8 AND \$163 FOR FISCAL YEAR 1999; AMENDING SECTION 20-9-306, MCA; AND PROVIDING EFFECTIVE
9 DATES, AN APPLICABILITY DATE, AND A TERMINATION DATE; AND PROVIDING EFFECTIVE DATES;
10 AND PROVIDING A TERMINATION DATE."

11
12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

13
14 **Section 1.** Section 20-9-306, MCA, is amended to read:

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

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

18 (2) "BASE aid" means:

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

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

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

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

30 (5) "BASE funding program" means the state program for the equitable distribution of the state's

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

5 (6) "Basic entitlement" means:

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

7 (b) ~~\$17,190~~ \$25,000 for each elementary school district or K-12 district elementary program
 8 without an approved and accredited junior high school or middle school; and

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

11 (i) ~~\$17,190~~ \$25,000 times the ratio of the ANB for kindergarten through grade 6 to the total ANB
 12 of kindergarten through grade 8; plus

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

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

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

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

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

24 (a) for a high school district or a K-12 district high school program, a maximum rate of ~~\$4,680~~
 25 \$4,726 for the first ANB is decreased at the rate of 50 cents per ANB for each additional ANB of the district
 26 up through 800 ANB, with each ANB in excess of 800 receiving the same amount of entitlement as the
 27 800th ANB;

28 (b) for an elementary school district or a K-12 district elementary program without an approved and
 29 accredited junior high school or middle school, a maximum rate of ~~\$3,343~~ \$3,376 for the first ANB is
 30 decreased at the rate of 20 cents per ANB for each additional ANB of the district up through 1,000 ANB,

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

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

4 (i) a maximum rate of ~~\$3,343~~ \$3,376 for the first ANB for kindergarten through grade 6 is
5 decreased at the rate of 20 cents per ANB for each additional ANB up through 1,000 ANB, with each ANB
6 in excess of 1,000 receiving the same amount of entitlement as the 1,000th ANB; and

7 (ii) a maximum rate of ~~\$4,680~~ \$4,726 for the first ANB for grades 7 and 8 is decreased at the rate
8 of 50 cents per ANB for each additional ANB for grades 7 and 8 up through 800 ANB, with each ANB in
9 excess of 800 receiving the same amount of entitlement as the 800th ANB."

10
11 **Section 2.** Section 20-9-306, MCA, is amended to read:

12 "20-9-306. **Definitions.** As used in this title, unless the context clearly indicates otherwise, the
13 following definitions apply:

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

15 (2) "BASE aid" means:

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

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

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

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

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

1 20-9-321.

2 (6) "Basic entitlement" means:

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

4 (b) ~~\$17,199~~ \$25,000 for each elementary school district or K-12 district elementary program
5 without an approved and accredited junior high school or middle school; and

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

8 (i) ~~\$17,199~~ \$25,000 times the ratio of the ANB for kindergarten through grade 6 to the total ANB
9 of kindergarten through grade 8; plus

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

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

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

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

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

21 (a) for a high school district or a K-12 district high school program, a maximum rate of ~~\$4,689~~
22 \$4,843 for the first ANB is decreased at the rate of 50 cents per ANB for each additional ANB of the district
23 up through 800 ANB, with each ANB in excess of 800 receiving the same amount of entitlement as the
24 800th ANB;

25 (b) for an elementary school district or a K-12 district elementary program without an approved and
26 accredited junior high school or middle school, a maximum rate of ~~\$3,343~~ \$3,459 for the first ANB is
27 decreased at the rate of 20 cents per ANB for each additional ANB of the district up through 1,000 ANB,
28 with each ANB in excess of 1,000 receiving the same amount of entitlement as the 1,000th ANB; and

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

1 (i) a maximum rate of ~~\$3,343~~ \$3,459 for the first ANB for kindergarten through grade 6 is
2 decreased at the rate of 20 cents per ANB for each additional ANB up through 1,000 ANB, with each ANB
3 in excess of 1,000 receiving the same amount of entitlement as the 1,000th ANB; and

4 (ii) a maximum rate of ~~\$4,680~~ \$4,843 for the first ANB for grades 7 and 8 is decreased at the rate
5 of 50 cents per ANB for each additional ANB for grades 7 and 8 up through 800 ANB, with each ANB in
6 excess of 800 receiving the same amount of entitlement as the 800th ANB."

7
8 **NEW SECTION. Section 3. Effective dates -- applicability.** (1) [Sections 1 and 4 this section] are
9 effective on passage and approval and apply to budgets for the school fiscal year beginning July 1, 1997.

10 (2) [Section 2] is effective July 1, 1998, and applies to budgets for the school fiscal years beginning
11 on or after July 1, 1998.

12
13 **NEW SECTION. Section 4. Termination.** [Section 1] terminates June 30, 1998.

14 -END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for HB0296, as introduced

DESCRIPTION OF PROPOSED LEGISLATION: An act increasing the high school basic entitlement by \$9,000 and the elementary basic entitlement by \$7,810; increasing the per-ANB entitlement for elementary schools by \$33 (1%) for fiscal year 1998 and \$116 (3.5%) for fiscal year 1999; increasing the high school per-ANB entitlement by \$46 (1%) for fiscal year 1998 and \$163 (3.5%) for fiscal year 1999.

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	\$ 25,000	\$ 25,000
Elementary Per ANB Entitlement	3,343	3,376	3,459
High School Basic Entitlement	191,000	200,000	200,000
High School Per ANB Entitlement	4,680	4,726	4,843
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 approximately 3.5% of their BASE budget in fiscal 1998 to increase their budget to the new BASE as it rises approximately 1% in fiscal 1998 and a further 2.5% in fiscal 1999.
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 \$6,056,000 in FY98 (4.360 million for direct state aid and \$1.696 million for general fund GTB) and \$15,908,000 in FY99 (\$11.054 million for direct state aid and \$4.854 million for general fund GTB).

Expenditures:

	<u>FY98</u>	<u>FY99</u>
	<u>Difference</u>	<u>Difference</u>
Direct State Aid	4,360,000	11,054,000
General Fund GTB	<u>1,696,000</u>	<u>4,854,000</u>
Total	6,056,000	15,908,000

Funding:

General Fund(01)	6,056,000	15,908,000
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Dave Lewis 1-27-97

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

Sam Kitzenberg 1-28-97

SAM KITZENBERG, PRIMARY SPONSOR DATE

Fiscal Note for HB0296, as introduced

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EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES: School districts whose budgets are at or within approximately 3.5% of their BASE budget in fiscal 1997 are required to increase their budget to their new BASE in fiscal 1998 and fiscal 1999. For these districts increases in district property taxes will be required. In fiscal 1997 34% of districts with 25% of the state total ANB had budgets at or below 3.5% 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 only with voter approval. These districts must have voter approval in order to increase their budget above the lesser of the prior year budget or the prior year budget per ANB. If voters do not approve an increase, district property taxes will be reduced by the increased state aid. If the voters approve budget increases less than or equal to the amount of new state aid, in general a 2.5% increase in their budget over the two year period, district property taxes will not increase. If the voters approve increases greater than the amount of new state aid district property taxes will increase.

School districts whose budgets were frozen in fiscal 1997 because they exceed the statutory maximum budget will not have their budgets frozen in fiscal 1998 if their 1997 budget was less than 1% over the maximum or in fiscal 1999 if their budget was less than 3.5% over the maximum. Those whose budgets are over 3.5% over the maximum in 1997 will continue to have their budgets frozen. In fiscal 1997 16% of districts with 14% of total state ANB had budgets at or 3.5% over the statutory maximum budget while 7% of districts with 2% of total state ANB had budgets that exceeded the maximum by more than 3.5%.

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.