

HOUSE BILL NO. 265

INTRODUCED BY L. MUSZKIEWICZ, J. ISALY, P. STRAND, P. ELVERUM, M. ROMANO, M. THANE

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING SCHOOL FUNDING LAWS RELATED TO THE ALLOWABLE INCREASE IN A SCHOOL DISTRICT'S GENERAL FUND BUDGET TO IMPROVE ALIGNMENT WITH THE DEFINITION OF "BASIC SYSTEM OF FREE QUALITY PUBLIC ELEMENTARY AND SECONDARY SCHOOLS" PROVIDED IN SECTION 20-9-309, MCA, BY ENSURING THAT THE GENERAL FUND FUNDING FORMULA IS SELF-EXECUTING AND INCLUDES A MECHANISM FOR ACCURATE ANNUAL INFLATIONARY ADJUSTMENTS; AUTHORIZING A SCHOOL BOARD TO INCREASE A PREVIOUSLY VOTER-APPROVED OVER-BASE LEVY BY THE SCHOOL FUNDING INFLATIONARY ADJUSTMENTS PROVIDED BY THE LEGISLATURE; ESTABLISHING A MECHANISM IN THE SCHOOL EQUALIZATION AND PROPERTY TAX RELIEF ACCOUNT AS THE FIRST SOURCE OF FUNDING FOR THE INCREASE; AMENDING SECTIONS 20-9-308, 20-9-336, AND 20-9-353, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY DATE."

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

Section 1. Section 20-9-308, MCA, is amended to read:

"20-9-308. BASE budgets and general fund budget limits. (1) The trustees of a district shall adopt a general fund budget that is at least equal to the BASE budget established for the district. The trustees of a district may adopt a general fund budget up to the greater of:

(a) the current year maximum general fund budget; or

(b) the previous year's general fund budget plus any increase in direct state aid for the basic and per-ANB entitlements and any increases in state funding of the data-for-achievement payment under 20-9-325 and in the general fund payments in 20-9-327 through 20-9-330.

~~(2) (a) Except as provided in subsection (2)(b), whenever the trustees of a district propose to adopt a general fund budget that exceeds the BASE budget for the district and propose to increase the over-BASE budget levy over the highest revenue previously authorized by the electors of the district or imposed by the~~

district in any of the previous 5 years to support the general fund budget, the trustees shall submit a proposition to the electors of the district, as provided in 20-9-353.

(b)(2) The intent of this section is to increase the flexibility and efficiency of elected school boards without increasing school district property taxes. In furtherance of this intent and provided that budget limitations otherwise specified in law are not exceeded, the trustees of a district may increase the district's over-BASE budget levy without a vote if the board of trustees reduces nonvoted property tax levies authorized by law to be imposed by action of the trustees of the district by at least as much as the amount by which the over-BASE budget levy is increased. The ongoing authority for any nonvoted increase in the over-BASE budget levy imposed under this subsection (2)(b) must be decreased in future years to the extent that the trustees of the district impose any increase in other nonvoted property tax levies.

(3) The BASE budget for the district must be financed by the following sources of revenue:

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

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

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

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

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

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

(4) The over-BASE budget amount of a district must be financed by ~~a levy on the taxable value of all property within the district or other revenue available to the district, as provided in 20-9-141 and, if necessary, an over-BASE levy as described in 20-9-353.~~

Section 2. Section 20-9-336, MCA, is amended to read:

"20-9-336. School equalization and property tax reduction account -- uses. (1) There is a school equalization and property tax reduction account in the state special revenue fund. Contingent on appropriation by the legislature, money in the account is for distribution to school districts as the second source of funding for state equalization aid as provided in 20-9-343. At fiscal yearend, any fund balance in the account exceeding

what was appropriated must be transferred to the guarantee account established in 20-9-622.

(2) The account receives revenue as described in 20-9-331, 20-9-333, and 20-9-360.

(3) Beginning in fiscal year 2025, each December the superintendent of public instruction shall forecast the amount of revenue the account will receive in that fiscal year by dividing the sum of the taxable value of all property in the state reported by the department of revenue pursuant to 20-9-369 by 1,000 to determine a statewide value mill and then multiplying that amount by 95 mills, or the number of mills calculated by the department of revenue under 15-10-420(8) for the applicable fiscal year. If the forecasted amount differs from the amount determined through the same calculation in the prior fiscal year by \$2 million or more and is:

(a) less, then the superintendent shall:

(i) decrease the multiplier used to calculate the statewide elementary and high school guaranteed tax base ratios used for funding BASE budgets under 20-9-366 to the nearest whole number determined by the superintendent to result in a decrease in the amount of guaranteed tax base aid distributed to eligible school districts equal to 85% of the decrease in the calculated amount between the 2 years; and

(ii) decrease the multiplier used to calculate the statewide elementary and high school mill value per ANB for school retirement guaranteed tax base purposes under 20-9-366 to the nearest whole number determined by the superintendent to result in a decrease in the amount of retirement guaranteed tax base aid distributed to eligible school districts equal to 15% of the decrease in the calculated amount between the 2 years;

(b) more, then the superintendent shall increase the multipliers used in the guaranteed tax base formulas under 20-9-366 and in the formula for school major maintenance aid under 20-9-525 to the nearest whole number by an amount calculated by the superintendent to result in an increase in the amount of guaranteed tax base aid and school major maintenance aid distributed to eligible counties and school districts equal to 55% of the increase in the calculated amount between the 2 years in the following order, with any amount exceeding the caps under subsections (3)(b)(i) through ~~(3)(b)(iii)-(3)(b)(iv)~~ flowing to the next mechanism:

(i) first, the multiplier used in calculating the statewide mill value per elementary and high school ANB for retirement purposes, not to exceed 305%;

(ii) second, an amount not to exceed the amount needed to allow school districts to increase the

over-BASE portion of their general fund budgets by the same inflationary adjustment provided by the legislature for the basic and per-ANB entitlements as authorized by 20-9-353(2)(a);

~~(ii)(iii)~~ second third, the multiplier used in calculating the amount of state school major maintenance aid support for each dollar of local effort, not to exceed 365%; and

~~(iii)(iv)~~ third fourth, the multiplier used in calculating the facility guaranteed mill value per ANB for school facility entitlement guaranteed tax base purposes, not to exceed 300%.

(4) (a) The adjustments to the multipliers under subsection (3) are applicable to state equalization aid distributions in the fiscal year following the adjustment.

(b) Adjustments to the multipliers made under subsection (3) remain in effect in subsequent years unless further changed under 20-9-366 or subsection (3) of this section or as otherwise provided by law."

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

"20-9-353. Over-BASE budget levy -- election for authorization to impose. (1) The trustees of a district may ~~propose to adopt~~ an over-BASE budget amount for the district general fund that does not exceed the general fund budget limitations, as provided in 20-9-308. ~~If the trustees of a district are required to submit to the electors of the district a proposition to finance an increase in the over-BASE budget amount pursuant to 20-9-308, the trustees shall comply with the provisions of subsections (2) through (4) of this section.~~

(2) (a) The trustees of a school district may adopt an over-BASE budget amount that includes an over-BASE budget levy amount up to the amount of an over-BASE budget levy. ~~When the trustees of the district propose to adopt an over-BASE budget under subsection (1), any increase in local property taxes authorized by 20-9-308(4) over revenue previously authorized by the electors of the district or imposed by the district in any of the previous 5 years with that amount increased by the same inflationary adjustment provided by the legislature for the basic and per-ANB entitlement amounts calculated as provided in 20-9-306 for the ensuing school fiscal year. The funding source for the increase under this subsection (2)(a) must be:~~

(i) first, funds distributed for this purpose pursuant to 20-9-336; and

(ii) then, if necessary, an over-BASE budget levy.

(b) If the trustees propose to adopt an over-BASE budget amount that requires an over-BASE budget levy in excess of the permissible amount calculated as provided in subsection (2)(a), the excess amount

Amendment - 1st Reading-white - Requested by: Luke Muszkiewicz - (H) Education

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Drafter: Pad McCracken,

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1 must be submitted to a vote of the qualified electors of the district, ~~as provided in 15-10-425. The trustees are~~
2 ~~not required to submit to the qualified electors any increase in state funding of the basic or per-ANB~~
3 ~~entitlements or of the general fund payments established in 20-9-327 through 20-9-330 approved by the~~
4 ~~legislature. When the trustees of a district determine that a voted amount of financing is required for the general~~
5 ~~fund budget, the trustees shall submit the proposition to finance the voted amount to the electors who are~~
6 ~~qualified under 20-20-301 to vote upon the proposition. The election must be called and conducted in the~~
7 manner prescribed by this title for school elections and must conform to the requirements of 15-10-425. The
8 ballot for the election must conform to the requirements of 15-10-425.

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

15 (4) All levies adopted under this section must be authorized by the election conducted before
16 August 1 of the school fiscal year for which it is effective."
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18 NEW SECTION. Section 4. Effective date. [This act] is effective on passage and approval.
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20 NEW SECTION. Section 5. Applicability. [This act] applies to school budgeting and elections
21 pertaining to school fiscal years beginning on or after July 1, 2025.
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