

SENATE BILL NO. 372

INTRODUCED BY B. TUTVEDT

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4 A BILL FOR AN ACT ENTITLED: "AN ACT REDUCING THE TAXATION FOR A PORTION OF THE TAXABLE
5 MARKET VALUE OF CLASS EIGHT BUSINESS EQUIPMENT OWNED BY A TAXPAYER; PROVIDING
6 FUTURE TAX REDUCTIONS CONTINGENT ON INCREASES IN STATE COLLECTIONS OF INDIVIDUAL
7 INCOME TAX AND CORPORATION LICENSE TAX ~~OVER THE REVENUE ESTIMATED AMOUNT~~; CHANGING
8 OTHER PROVISIONS RELATING TO TAXATION OF CLASS EIGHT PROPERTY; PROVIDING A PARTIAL
9 REIMBURSEMENT TO LOCAL GOVERNMENTS AND TAX INCREMENT FINANCING DISTRICTS UNDER THE
10 ENTITLEMENT SHARE PAYMENT, TO SCHOOL DISTRICTS THROUGH THE BLOCK GRANT PROGRAM,
11 TO COUNTY SCHOOL RETIREMENT AND COUNTY TRANSPORTATION REIMBURSEMENT, AND TO THE
12 MONTANA UNIVERSITY SYSTEM THROUGH SUPPORT OF PUBLIC EDUCATION INSTITUTIONS FOR THE
13 LOSS OF CLASS EIGHT AND CLASS TWELVE PROPERTY TAX REVENUE; PROVIDING STATUTORY
14 APPROPRIATIONS; AMENDING SECTIONS 15-1-121, 15-6-138, 15-6-141, 15-10-420, ~~AND~~ 15-23-101,
15 17-7-502, 20-9-501, ~~AND~~ 20-9-630, AND 20-10-146, MCA; AND PROVIDING ~~AN IMMEDIATE AN~~ EFFECTIVE
16 ~~DATE DATES DATE, AND AN APPLICABILITY DATE, AND A TERMINATION DATE.~~"

17
18 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

19
20 **SECTION 1. SECTION 15-1-121, MCA, IS AMENDED TO READ:**
21 **"15-1-121. Entitlement share payment -- purpose -- appropriation. (1) As described in 15-1-120(3),**
22 **each local government is entitled to an annual amount that is the replacement for revenue received by local**
23 **governments for diminishment of property tax base and various earmarked fees and other revenue that, pursuant**
24 **to Chapter 574, Laws of 2001, amended by section 4, Chapter 13, Special Laws of August 2002, and later**
25 **enactments, were consolidated to provide aggregation of certain reimbursements, fees, tax collections, and other**
26 **revenue in the state treasury with each local government's share. The reimbursement under this section is**
27 **provided by direct payment from the state treasury rather than the ad hoc system that offset certain state**
28 **payments with local government collections due the state and reimbursements made by percentage splits, with**
29 **a local government remitting a portion of collections to the state, retaining a portion, and in some cases sending**
30 **a portion to other local governments. The amount calculated pursuant to this subsection, as adjusted pursuant**

1 ~~to subsection (3)(a)(i), is each local government's base entitlement share. The department shall estimate the total~~
2 ~~amount of revenue that each local government received from the following sources for the fiscal year ending June~~
3 ~~30, 2001:~~

4 (2) The sources of dedicated revenue that were relinquished by local governments in exchange for an
5 entitlement share of the state general fund were:

6 (a) personal property tax reimbursements pursuant to sections 167(1) through (5) and 169(6), Chapter
7 584, Laws of 1999;

8 (b) vehicle, boat, and aircraft taxes and fees pursuant to:

9 (i) Title 23, chapter 2, part 5;

10 (ii) Title 23, chapter 2, part 6;

11 (iii) Title 23, chapter 2, part 8;

12 (iv) 61-3-317;

13 (v) 61-3-321;

14 (vi) Title 61, chapter 3, part 5, except for 61-3-509(3), as that subsection read prior to the amendment
15 of 61-3-509 in 2001;

16 (vii) Title 61, chapter 3, part 7;

17 (viii) 5% of the fees collected under 61-10-122;

18 (ix) 61-10-130;

19 (x) 61-10-148; and

20 (xi) 67-3-205;

21 (c) gaming revenue pursuant to Title 23, chapter 5, part 6, except for the permit fee in 23-5-612(2)(a);

22 (d) district court fees pursuant to:

23 (i) 25-1-201, except those fees in 25-1-201(1)(d), (1)(g), and (1)(j);

24 (ii) 25-1-202;

25 (iii) 25-9-506; and

26 (iv) 27-9-103;

27 (e) certificate of title fees for manufactured homes pursuant to 15-1-116;

28 (f) financial institution taxes collected pursuant to the former provisions of Title 15, chapter 31, part 7;

29 (g) all beer, liquor, and wine taxes pursuant to:

30 (i) 16-1-404;

- 1 (ii) 16-1-406; and
 2 (iii) 16-1-411;
 3 (h) late filing fees pursuant to 61-3-220;
 4 (i) title and registration fees pursuant to 61-3-203;
 5 (j) veterans' cemetery license plate fees pursuant to 61-3-459;
 6 (k) county personalized license plate fees pursuant to 61-3-406;
 7 (l) special mobile equipment fees pursuant to 61-3-431;
 8 (m) single movement permit fees pursuant to 61-4-310;
 9 (n) state aeronautics fees pursuant to 67-3-101; and
 10 (o) department of natural resources and conservation payments in lieu of taxes pursuant to Title 77,
 11 chapter 1, part 5.

12 ~~———— (2) (a) From the amounts estimated in subsection (1) for each county government, the department shall~~
 13 ~~deduct fiscal year 2001 county government expenditures for district courts, less reimbursements for district court~~
 14 ~~expenses, and fiscal year 2001 county government expenditures for public welfare programs to be assumed by~~
 15 ~~the state in fiscal year 2002.~~

16 ~~(b)(3) The total amount estimated pursuant to subsections (1) and (2)(a) received by each local~~
 17 ~~government in fiscal year 2010 as an entitlement share payment under this section is the base component for~~
 18 ~~the fiscal year 2011 distribution, and in each subsequent year the prior year entitlement share payment, including~~
 19 ~~any reimbursement payments received pursuant to subsection (7), is each local government's base year~~
 20 ~~component. The sum of all local governments' base year components is the base fiscal year entitlement share~~
 21 ~~pool. For the purpose of calculating the sum of all local governments' base year components, the base year~~
 22 ~~component for a local government may not be less than zero.~~

23 ~~(3)(4) (a) The base year entitlement share pool must be increased annually by a growth rate as provided~~
 24 ~~for in this subsection (3) (4). The amount determined through the application of annual growth rates is the~~
 25 ~~entitlement share pool for each fiscal year. By October 1 of each even-numbered year, the department shall~~
 26 ~~calculate the growth rate of the entitlement share pool for each year of the next biennium in the following manner:~~

27 ~~———— (i) Before applying the growth rate for fiscal year 2007 to determine the fiscal year 2007 entitlement share~~
 28 ~~payments, the department shall subtract from the fiscal year 2006 entitlement share payments the following~~
 29 ~~amounts:~~

30 Beaverhead ~~—————~~ \$6,972

1	Big Horn	\$52,551
2	Blaine	\$13,625
3	Broadwater	\$2,564
4	Carbon	\$11,537
5	Carter	\$407
6	Cascade	\$100,000
7	Chouteau	\$3,536
8	Custer	\$7,011
9	Daniels	\$143
10	Dawson	\$3,893
11	Fallon	\$1,803
12	Fergus	\$9,324
13	Flathead	\$100,000
14	Gallatin	\$160,000
15	Garfield	\$91
16	Glacier	\$3,035
17	Golden Valley	\$2,282
18	Granite	\$4,554
19	Hill	\$31,740
20	Jefferson	\$5,700
21	Judith Basin	\$1,487
22	Lake	\$38,314
23	Lewis and Clark	\$160,000
24	Liberty	\$152
25	Lincoln	\$3,759
26	Madison	\$8,805
27	McCone	\$1,651
28	Meagher	\$2,722
29	Mineral	\$2,361
30	Missoula	\$200,000

1	Musselshell	\$23,275
2	Park	\$6,582
3	Petroleum	\$36
4	Phillips	\$653
5	Pondera	\$10,270
6	Powder River	\$848
7	Powell	\$5,146
8	Prairie	\$717
9	Ravalli	\$93,090
10	Richland	\$3,833
11	Roosevelt	\$9,526
12	Rosebud	\$19,971
13	Sanders	\$30,712
14	Sheridan	\$271
15	Stillwater	\$12,117
16	Sweet Grass	\$2,463
17	Teton	\$5,560
18	Toole	\$7,113
19	Treasure	\$54
20	Valley	\$6,899
21	Wheatland	\$918
22	Wibaux	\$72
23	Yellowstone	\$270,000
24	Anaconda-Deer Lodge	\$20,707
25	Butte-Silver Bow	\$53,057
26	Alberton	\$675
27	Bainville	\$258
28	Baker	\$2,828
29	Bearcreek	\$143
30	Belgrade	\$11,704

1	Belt	\$1,056
2	Big Sandy	\$1,130
3	Big Timber	\$2,910
4	Billings	\$163,499
5	Boulder	\$2,340
6	Bozeman	\$52,805
7	Bridger	\$1,303
8	Broadus	\$766
9	Broadview	\$258
10	Brockton	\$414
11	Browning	\$1,830
12	Cascade	\$1,374
13	Chester	\$1,430
14	Chinook	\$2,275
15	Choteau	\$3,050
16	Circle	\$1,018
17	Glyde Park	\$572
18	Goldstrip	\$4,090
19	Columbia Falls	\$6,805
20	Columbus	\$3,245
21	Conrad	\$4,562
22	Culbertson	\$1,216
23	Cut Bank	\$5,316
24	Darby	\$1,348
25	Deer Lodge	\$5,708
26	Denton	\$503
27	Dillon	\$6,928
28	Dodson	\$194
29	Drummond	\$561
30	Dutton	\$661

1	East Helena	\$2,888
2	Ekalaka	\$689
3	Ennis	\$1,518
4	Eureka	\$1,733
5	Fairfield	\$1,120
6	Fairview	\$1,152
7	Flaxville	\$143
8	Forsyth	\$3,286
9	Fort Benton	\$2,579
10	Fort Peck	\$393
11	Froid	\$328
12	Fromberg	\$855
13	Geraldine	\$457
14	Glasgow	\$5,361
15	Glendive	\$8,099
16	Grass Range	\$254
17	Great Falls	\$96,422
18	Hamilton	\$7,148
19	Hardin	\$5,920
20	Harlem	\$1,422
21	Harlowton	\$1,678
22	Havre	\$16,223
23	Helena	\$45,877
24	Hingham	\$263
25	Hobson	\$397
26	Hot Springs	\$912
27	Hysham	\$482
28	Ismay	\$43
29	Joliet	\$1,006
30	Jordan	\$606

1	Judith Gap	\$263
2	Kalispell	\$28,144
3	Kevin	\$304
4	Laurel	\$10,804
5	Lavina	\$361
6	Lewistown	\$10,170
7	Libby	\$4,475
8	Lima	\$397
9	Livingston	\$12,145
10	Lodge Grass	\$889
11	Malta	\$3,389
12	Manhattan	\$2,485
13	Medicine Lake	\$410
14	Melstone	\$234
15	Miles City	\$14,152
16	Missoula	\$104,264
17	Moore	\$319
18	Nashua	\$536
19	Neihart	\$149
20	Ophelm	\$180
21	Outlook	\$125
22	Philipsburg	\$1,612
23	Pinesdale	\$1,413
24	Plains	\$2,007
25	Plentywood	\$3,185
26	Plevna	\$225
27	Polson	\$7,722
28	Poplar	\$1,544
29	Red Lodge	\$3,903
30	Rexford	\$263

1	Richey	\$309
2	Ronan	\$3,262
3	Roundup	\$3,280
4	Ryegate	\$465
5	Saco	\$354
6	Scobey	\$1,798
7	Shelby	\$5,677
8	Sheridan	\$1,150
9	Sidney	\$7,747
10	Stanford	\$737
11	Stevensville	\$3,063
12	St. Ignatius	\$1,367
13	Sunburst	\$709
14	Superior	\$1,521
15	Terry	\$1,011
16	Thompson Falls	\$2,272
17	Three Forks	\$3,130
18	Townsend	\$3,286
19	Troy	\$1,654
20	Twin Bridges	\$695
21	Valier	\$817
22	Virginia City	\$223
23	Walkerville	\$1,183
24	West Yellowstone	\$2,083
25	Westby	\$263
26	White Sulphur Springs	\$1,734
27	Whitefish	\$9,932
28	Whitehall	\$1,889
29	Wibaux	\$893
30	Winifred	\$259

1 Winnett _____ \$314

2 Wolf Point _____ \$4,497

3 ~~(ii)(i)~~ The department shall calculate the average annual growth rate of the Montana gross state product,
4 as published by the bureau of economic analysis of the United States department of commerce, for the following
5 periods:

6 ~~_____ (A) the last 4 calendar years for which the information has been published; and~~

7 ~~_____ (B) the 4 calendar years beginning with the year before the first year in the period referred to in~~
8 ~~subsection (3)(a)(ii)(A).~~

9 ~~(iii)(ii)~~ The department shall calculate the average annual growth rate of Montana personal income, as
10 published by the bureau of economic analysis of the United States department of commerce, for the following
11 periods:

12 ~~_____ (A) the last 4 calendar years for which the information has been published; and~~

13 ~~_____ (B) the 4 calendar years beginning with the year before the first year in the period referred to in~~
14 ~~subsection (3)(a)(iii)(A).~~

15 (b) ~~(i)~~ The entitlement share pool growth rate for the first each year of the biennium must be the following
16 percentage of the average of the growth rates calculated in subsections ~~(3)(a)(ii)(B)~~ (4)(a)(i) and ~~(3)(a)(iii)(B)~~
17 (4)(a)(ii):

18 ~~(A)(i)~~ for counties, 54%;

19 ~~(B)(ii)~~ for consolidated local governments, 62%; and

20 ~~(C)(iii)~~ for incorporated cities and towns, 70%.

21 ~~(ii)~~ The entitlement share pool growth rate for the second year of the biennium must be the following
22 percentage of the average of the growth rates calculated in subsections ~~(3)(a)(ii)(A)~~ and ~~(3)(a)(iii)(A)~~:

23 ~~_____ (A) for counties, 54%;~~

24 ~~_____ (B) for consolidated local governments, 62%; and~~

25 ~~_____ (C) for incorporated cities and towns, 70%.~~

26 ~~(4)(5)~~ As used in this section, "local government" means a county, a consolidated local government, an
27 incorporated city, and an incorporated town. A local government does not include a tax increment financing
28 district provided for in subsection ~~(6)~~ (8). For purposes of calculating the base year component for a county or
29 consolidated local government, the department shall include the revenue listed in subsection ~~(1)~~ for all special
30 districts within the county or consolidated local government. The county or consolidated local government is

1 responsible for making an allocation from the county's or consolidated local government's share of the entitlement
 2 share pool to each special district within the county or consolidated local government in a manner that reasonably
 3 reflects each special district's loss of revenue sources ~~listed in subsection (1) for which reimbursement is provided~~
 4 in this section.

5 ~~(5)(6)~~ (a) The entitlement share pools calculated in this section, THE AMOUNTS DETERMINED UNDER
 6 [SECTION 3(2)] FOR LOCAL GOVERNMENTS, and the block grants funding provided for in subsection (6) (8), AND THE
 7 AMOUNTS DETERMINED UNDER [SECTION 3(4)] FOR TAX INCREMENT FINANCING DISTRICTS are statutorily appropriated,
 8 as provided in 17-7-502, from the general fund to the department for distribution to local governments. ~~Each local~~
 9 ~~government is entitled to a pro rata share of each year's entitlement share pool based on the local government's~~
 10 ~~base component in relation to the base year entitlement share pool. The~~ EXCEPT FOR THE DISTRIBUTION MADE
 11 UNDER [SECTION 3(2)(B)], THE distributions must be made on a quarterly basis.

12 (b) (i) The growth amount is the difference between the entitlement share pool in the current fiscal year
 13 and the entitlement share pool in the previous fiscal year. ~~For the purposes of subsection (5)(b)(ii)(A), a county~~
 14 ~~with a negative base year component has a base year component of zero.~~ The growth factor in the entitlement
 15 share must be calculated separately for:

- 16 (A) counties;
- 17 (B) consolidated local governments; and
- 18 (C) incorporated cities and towns.

19 (ii) In each fiscal year, the growth amount for counties must be allocated as follows:

20 (A) 50% of the growth amount must be allocated based upon each county's percentage of the ~~base prior~~
 21 fiscal year entitlement share pool for all counties; and

22 (B) 50% of the growth amount must be allocated based upon the percentage that each county's
 23 population bears to the state population not residing within consolidated local governments as determined by the
 24 latest interim year population estimates from the Montana department of commerce as supplied by the United
 25 States bureau of the census.

26 (iii) In each fiscal year, the growth amount for consolidated local governments must be allocated as
 27 follows:

28 (A) 50% of the growth amount must be allocated based upon each consolidated local government's
 29 percentage of the ~~base prior~~ fiscal year entitlement share pool for all consolidated local governments; and

30 (B) 50% of the growth amount must be allocated based upon the percentage that each consolidated local

1 government's population bears to the state's total population residing within consolidated local governments as
 2 determined by the latest interim year population estimates from the Montana department of commerce as
 3 supplied by the United States bureau of the census.

4 (iv) In each fiscal year, the growth amount for incorporated cities and towns must be allocated as follows:

5 (A) 50% of the growth amount must be allocated based upon each incorporated city's or town's
 6 percentage of the ~~base~~ prior fiscal year entitlement share pool for all incorporated cities and towns; and

7 (B) 50% of the growth amount must be allocated based upon the percentage that each city's or town's
 8 population bears to the state's total population residing within incorporated cities and towns as determined by the
 9 latest interim year population estimates from the Montana department of commerce as supplied by the United
 10 States bureau of the census.

11 (v) In each fiscal year, the amount of the entitlement share pool ~~not represented by~~ before the growth
 12 amount or adjustments made under subsection (7) are applied is to be distributed to each local government in
 13 the same manner as the entitlement share pool was distributed in the prior fiscal year.

14 (7) If the legislature enacts a reimbursement provision that is to be distributed pursuant to this section,
 15 the department shall determine the reimbursement amount as provided in the enactment and add the appropriate
 16 amount to the entitlement share distribution under this section. The total entitlement share distributions in a fiscal
 17 year, including distributions made pursuant to this subsection, equal the local fiscal year entitlement share pool.
 18 The ratio of each local government's distribution from the entitlement share pool must be recomputed to
 19 determine each local government's ratio to be used in the subsequent year's distribution determination under
 20 subsections (6)(b)(ii)(A), (6)(b)(iii)(A), and (6)(b)(iv)(A).

21 ~~(6)(8)~~ (a) IF EXCEPT FOR A TAX INCREMENT FINANCING DISTRICT ENTITLED TO A REIMBURSEMENT UNDER
 22 [SECTION 3(4)], IF a tax increment financing district was not in existence during the fiscal year ending June 30,
 23 2000, then the tax increment financing district is not entitled to any ~~block grant~~ funding. If a tax increment
 24 financing district referred to in subsection ~~(6)(b)~~ (8)(b) terminates, then the ~~block grant~~ funding for the district
 25 provided for in subsection ~~(6)(b)~~ (8)(b) terminates.

26 (b) ~~One-half~~ EXCEPT FOR THE REIMBURSEMENT MADE UNDER [SECTION 3(4)(B)], ONE-HALF of the payments
 27 provided for in this subsection ~~(6)(b)~~ (8)(b) must be made by November 30 and the other half by May 31 of each
 28 year. Subject to subsection ~~(6)(a)~~ (8)(a), the entitlement share for tax increment financing districts is as follows:

29	Cascade	Great Falls - downtown	\$468,966
30	Deer Lodge	TIF District 1	3,148 <u>\$3,148</u>

1	Deer Lodge	TIF District 2	3,126
2	Flathead	Kalispell - District 1	758,359
3	Flathead	Kalispell - District 2	5,153
4	Flathead	Kalispell - District 3	41,368
5	Flathead	Whitefish District	164,660
6	Gallatin	Bozeman - downtown	34,620
7	Lewis and Clark	Helena - #2	731,614
8	Missoula	Missoula - 4-1B & 1-1C	4,100,507 <u>250,279</u>
9	Missoula	Missoula - 4-1C	33,343
10	Silver Bow	Butte - uptown	283,801
11	Yellowstone	Billings	436,815

12 ~~(7)(9)~~ The estimated base fiscal year entitlement share pool and any subsequent entitlement share pool
 13 for local governments do not include revenue received from tax increment financing districts, from countywide
 14 transportation block grants, or from countywide retirement block grants.

15 ~~—— (8) (a) If revenue that is included in the sources listed in subsections (1)(b) through (1)(c) is significantly~~
 16 ~~reduced, except through legislative action, the department shall deduct the amount of revenue loss from the~~
 17 ~~entitlement share pool beginning in the succeeding fiscal year and the department shall work with local~~
 18 ~~governments to propose legislation to adjust the entitlement share pool to reflect an allocation of the loss of~~
 19 ~~revenue.~~

20 ~~—— (b) For the purposes of subsection (8)(a), a significant reduction is a loss that causes the amount of~~
 21 ~~revenue received in the current year to be less than 95% of the amount of revenue received in the base year.~~

22 ~~(9)(10)~~ A three-fifths vote of each house of the legislature is required to reduce the amount of the
 23 entitlement share calculated pursuant to subsections (1) through ~~(3)~~ (4).

24 ~~(10)(11)~~ When there has been an underpayment of a local government's share of the entitlement share
 25 pool, the department shall distribute the difference between the underpayment and the correct amount of the
 26 entitlement share. When there has been an overpayment of a local government's entitlement share, the local
 27 government shall remit the overpaid amount to the department.

28 ~~(11)(12)~~ A local government may appeal the department's estimation of the base year component, the
 29 entitlement share pool growth rate, or a local government's allocation of the entitlement share pool, according
 30 to the uniform dispute review procedure in 15-1-211.

1 ~~(12)~~(13) A payment required pursuant to this section may not be offset by a debt owed to a state agency
2 by a local government in accordance with Title 17, chapter 4, part 1."

3

4 **Section 2.** Section 15-6-138, MCA, is amended to read:

5 **"15-6-138. Class eight property -- description -- taxable percentage.** (1) Class eight property
6 includes:

7 (a) all agricultural implements and equipment that are not exempt under 15-6-207 or 15-6-220;

8 (b) all mining machinery, fixtures, equipment, tools that are not exempt under 15-6-219, and supplies
9 except those included in class five under 15-6-135;

10 (c) for oil and gas production, all:

11 (i) machinery;

12 (ii) fixtures;

13 (iii) equipment, including flow lines and gathering lines, pumping units, oil field storage tanks, water
14 storage tanks, water disposal injection pumps, gas compressor and dehydrator units, communication towers, gas
15 metering shacks, treaters, gas separators, water flood units, and gas boosters, together with equipment that is
16 skidable, portable, or movable;

17 (iv) tools that are not exempt under 15-6-219; and

18 (v) supplies except those included in class five;

19 (d) all manufacturing machinery, fixtures, equipment, tools, except a certain value of hand-held tools and
20 personal property related to space vehicles, ethanol manufacturing, and industrial dairies and milk processors
21 as provided in 15-6-220, and supplies except those included in class five;

22 (e) all goods and equipment that are intended for rent or lease, except goods and equipment that are
23 specifically included and taxed in another class or that are rented under a purchase incentive rental program as
24 defined in 15-6-202(4);

25 (f) special mobile equipment as defined in 61-1-101;

26 (g) furniture, fixtures, and equipment, except that specifically included in another class, used in
27 commercial establishments as defined in this section;

28 (h) x-ray and medical and dental equipment;

29 (i) citizens' band radios and mobile telephones;

30 (j) radio and television broadcasting and transmitting equipment;

- 1 (k) cable television systems;
 2 (l) coal and ore haulers;
 3 (m) theater projectors and sound equipment; and
 4 (n) all other property that is not included in any other class in this part, except that property that is subject
 5 to a fee in lieu of a property tax.

6 (2) As used in this section, the following definitions apply:

7 (a) "Coal and ore haulers" means nonhighway vehicles that exceed 18,000 pounds an axle and that are
 8 primarily designed and used to transport coal, ore, or other earthen material in a mining or quarrying environment.

9 (b) "Commercial establishment" includes any hotel, motel, office, petroleum marketing station, or service,
 10 wholesale, retail, or food-handling business.

11 (c) "Flow lines and gathering lines" means pipelines used to transport all or part of the oil or gas
 12 production from an oil or gas well to an interconnection with a common carrier pipeline as defined in 69-13-101,
 13 a pipeline carrier as defined in 49 U.S.C. 15102(2), or a rate-regulated natural gas transmission or oil
 14 transmission pipeline regulated by the public service commission or the federal energy regulatory commission.

15 (3) Except as provided in 15-24-1402, ~~and 15-24-2101, and subsection (4) of this section~~ class eight
 16 property is taxed at:

17 (a) AS DETERMINED PURSUANT TO SUBSECTION (4):

18 (i) for the first \$2 million of taxable market value, 2%; and OR

19 (ii) FOR THE FIRST \$3 MILLION OF TAXABLE MARKET VALUE, 1.5%; AND

20 (b) for all taxable market value in excess of \$2 million THE APPLICABLE AMOUNT OF TAXABLE MARKET VALUE
 21 IN SUBSECTION (3)(A), 3% of its market value.

22 (4) (a) If THE ADJUSTED TAXABLE MARKET VALUE AND RATE IN SUBSECTION (3)(A)(I) APPLY FOR CLASS EIGHT
 23 PROPERTY UNLESS in any year beginning with fiscal year 2011 2012 2013 the percentage growth in revenue
 24 collected from individual income tax and corporation income tax exceeds the current law estimated revenues for
 25 those taxes in the revenue estimating resolution under 5-5-227(2) for the same REVENUE COLLECTED FROM
 26 INDIVIDUAL INCOME TAX AND CORPORATION INCOME TAX IN THE PREVIOUS fiscal year by more than 0.75%, then 4%.
 27 IN THAT CASE, for tax years beginning after the next December 31:

28 —— (i) the tax rate for the first \$2 million in taxable class eight property is reduced by 0.5%; and

29 —— (ii) (A) if the tax rate decreases to 1%, the \$2 million bracket is increased to \$3 million; and

30 —— (B) if the tax rate decreases to 0%, the \$2 million bracket is increased to \$4 million, THE TAXABLE MARKET

1 VALUE AND RATE IN SUBSECTION (3)(A)(II) APPLY.

2 (b) For the purpose of making the determination required in subsection (4)(a), the department of
 3 administration shall certify to the secretary of state, by August 1 of each year in which the tax rate for the first \$2
 4 million in taxable class eight property exceeds 0% CLASS EIGHT PROPERTY IS NOT TAXED PURSUANT TO SUBSECTION
 5 (3)(A)(II), the amount of unaudited individual income tax and corporation income tax revenue in the prior fiscal
 6 year as recorded when that fiscal year statewide accounting, budgeting, and human resource system records
 7 are closed in July.

8 ~~(4)(5)~~ The class eight property of a person or business entity that owns an aggregate of \$20,000 or less
 9 in market value of class eight property is exempt from taxation.

10 ~~(5)(6)~~ The gas gathering facilities of a stand-alone gas gathering company providing gas gathering
 11 services to third parties on a contractual basis, owning more than 500 miles of gas gathering lines in Montana,
 12 and centrally assessed in tax years prior to 2009 must be treated as a natural gas transmission pipeline subject
 13 to central assessment under 15-23-101. For purposes of this subsection, the gas gathering line ownership of all
 14 affiliated companies, as defined in section 1504(a) of the Internal Revenue Code, 26 U.S.C. 1504(a), must be
 15 aggregated for purposes of determining the 500-mile threshold."
 16

17 **NEW SECTION. Section 3. Partial reimbursement REIMBURSEMENT for class eight rate reduction**
 18 **and exemption -- distribution -- APPROPRIATIONS.** (1) For the tax rate reductions in 15-6-138 and for the effective
 19 tax rate reductions on property under 15-6-145 because of the rate reductions required by the amendment of
 20 15-6-138 in [section 4 2], the department shall, by June 1, 2012, and for each calendar year that the tax rate is
 21 adjusted under 15-6-138(4), estimate for each local government, as defined in ~~[15-1-121(5) as amended by~~
 22 ~~House Bill No. 26]~~ 15-1-121(5), each school district, THE COUNTY RETIREMENT FUND UNDER 20-9-501, THE
 23 COUNTYWIDE SCHOOL TRANSPORTATION REIMBURSEMENT UNDER 20-10-146, each tax increment financing district,
 24 and the 6-mill university levy for the purposes of 15-10-108, ~~90%~~ of the difference between property tax
 25 collections under 15-6-138, as amended by [section 4 2], and under 15-6-145 and the property tax revenue that
 26 would have been collected under 15-6-138 and 15-6-145 if 15-6-138 had not been amended by [section 4 2]. The
 27 difference is the annual reimbursable amount for each local government, each school district, each tax increment
 28 financing district, and the 6-mill levy for the support of the Montana university system under 15-10-108.

29 (2) (a) The department shall distribute the reimbursement to local governments with the entitlement share
 30 payments UNDER 15-1-121(7) for fiscal year 2012 and for all other fiscal years in which rate reductions occur

1 under ~~[15-1-121(7) as amended by House Bill No. 26]~~. Local government reimbursements for subsequent years
 2 are made pursuant to the entitlement share recomputation as provided in ~~[15-1-121(6) as amended by House~~
 3 ~~Bill No. 26]~~ 15-1-121(6).

4 (b) For fiscal year 2012 and all other fiscal years in which rate reductions occur, the department shall
 5 determine from the amount calculated under subsection (1) the amount that is attributable to personal property
 6 taxes that are not a lien on real property for each local government. By ~~June 15 of each of those~~ AUGUST 1
 7 FOLLOWING EACH OF THOSE FISCAL years, the department shall distribute the amount determined under this
 8 subsection (2)(b) for local governments as provided in ~~[15-1-121(6)(a) as amended by House Bill No. 26]~~
 9 15-1-121(6)(A).

10 ~~———— (C) THE AMOUNTS DETERMINED UNDER THIS SUBSECTION (2) ARE STATUTORILY APPROPRIATED, AS PROVIDED~~
 11 ~~IN 17-7-502, FROM THE GENERAL FUND TO THE DEPARTMENT FOR DISTRIBUTION TO LOCAL GOVERNMENTS UNDER~~
 12 ~~15-1-121(6).~~

13 (3) (a) The office of public instruction shall distribute the reimbursement to school districts with the block
 14 grants pursuant to 20-9-630 for fiscal year 2012 and all other fiscal years in which rate reductions occur. School
 15 district reimbursements for subsequent fiscal years are made pursuant to 20-9-630.

16 (b) For fiscal year 2012 and all other fiscal years in which rate reductions occur, the department shall
 17 determine from the amount calculated under subsection (1) the amount that is attributable to personal property
 18 taxes that are not a lien on real property for each school district. By ~~June 15 of each of those~~ AUGUST 1
 19 NOVEMBER 30 FOLLOWING EACH OF THOSE FISCAL years, the office of public instruction shall distribute the amount
 20 determined under this subsection (3)(b) in the same manner as the block grant is distributed by fund under
 21 20-9-630.

22 ~~(C) THE AMOUNTS DETERMINED UNDER THIS SUBSECTION (3) ARE STATUTORILY APPROPRIATED, AS PROVIDED~~
 23 ~~IN 17-7-502, FROM THE GENERAL FUND TO THE OFFICE OF PUBLIC INSTRUCTION FOR DISTRIBUTION TO SCHOOL DISTRICTS.~~

24 (4) (a) For each fiscal year beginning after fiscal year 2012 and all other fiscal years in which rate
 25 reductions occur, the amount determined under subsection (1) for each tax increment financing district must be
 26 added to the reimbursement amount for the tax increment financing district as provided in ~~[15-1-121(8)(b) as~~
 27 ~~amended by House Bill No. 26]~~ 15-1-121(8)(B) if the tax increment financing district is still in existence. If a tax
 28 increment financing district that is entitled to a reimbursement under this section is not listed under ~~[15-1-121(8)~~
 29 ~~as amended by House Bill No. 26]~~ 15-1-121(8)(B), the reimbursement must be made to that tax increment
 30 financing district at the same time as other districts.

1 (b) For fiscal year 2012 and all other fiscal years in which rate reductions occur, the department shall
 2 determine from the amount calculated under subsection (1) the amount that is attributable to personal property
 3 taxes that are not a lien on real property for each tax increment financing district. By ~~June 15, 2012~~ AUGUST 1
 4 FOLLOWING EACH OF THOSE FISCAL YEARS, the department shall distribute the amount determined under this
 5 subsection (4)(b) to each tax increment financing district as provided in ~~[15-1-121(8)(b) as amended by House~~
 6 ~~Bill No. 26]~~ 15-1-121(8) and to any other tax increment financing district that is entitled to a reimbursement under
 7 this section.

8 ~~_____ (C) THE AMOUNTS DETERMINED UNDER THIS SUBSECTION (4) ARE STATUTORILY APPROPRIATED, AS PROVIDED~~
 9 ~~IN 17-7-502, FROM THE GENERAL FUND TO THE DEPARTMENT FOR DISTRIBUTION TO TAX INCREMENT FINANCING DISTRICTS~~
 10 ~~UNDER 15-1-121(8).~~

11 (5) (a) For fiscal year 2012 and all other fiscal years in which rate reductions occur, the amount
 12 determined under subsection (1) for the 6-mill university levy must be added to current collections and
 13 reimbursements for the support of the Montana university system as provided in 15-10-108.

14 (b) For fiscal year 2012 and all other fiscal years in which rate reductions occur, the department shall
 15 determine from the amount calculated under subsection (1) the amount that is attributable to personal property
 16 taxes that are not a lien on real property for the 6-mill university levy. By ~~June 15, 2012~~ AUGUST 1 FOLLOWING EACH
 17 OF THOSE FISCAL YEARS, the department OF ADMINISTRATION shall ~~distribute~~ TRANSFER the amount determined
 18 under this subsection (5)(b) FROM THE GENERAL FUND TO THE STATE SPECIAL REVENUE FUND for the support of the
 19 Montana university system as provided in 15-10-108.

20 ~~(C) THE BEGINNING IN FISCAL YEAR 2013, THE DEPARTMENT OF ADMINISTRATION SHALL TRANSFER THE~~
 21 ~~AMOUNTS DETERMINED UNDER THIS SUBSECTION (5) ARE STATUTORILY APPROPRIATED, AS PROVIDED IN 17-7-502, FROM~~
 22 ~~THE GENERAL FUND TO THE DEPARTMENT FOR DISTRIBUTION TO THE MONTANA BOARD OF REGENTS STATE SPECIAL~~
 23 ~~REVENUE FUND FOR THE SUPPORT OF THE MONTANA UNIVERSITY SYSTEM AS PROVIDED IN 15-10-108.~~

24 (6) (A) THE OFFICE OF PUBLIC INSTRUCTION SHALL DISTRIBUTE THE REIMBURSEMENT TO THE COUNTYWIDE
 25 RETIREMENT FUND UNDER 20-9-501 FOR FISCAL YEAR 2012 AND ALL OTHER FISCAL YEARS IN WHICH RATE REDUCTIONS
 26 OCCUR. ONE-HALF OF THE AMOUNT MUST BE DISTRIBUTED IN NOVEMBER AND THE REMAINDER IN MAY.

27 (B) FOR FISCAL YEAR 2012 AND ALL OTHER FISCAL YEARS IN WHICH RATE REDUCTIONS OCCUR, THE DEPARTMENT
 28 SHALL DETERMINE FROM THE AMOUNT CALCULATED UNDER SUBSECTION (1) THE AMOUNT THAT IS ATTRIBUTABLE TO
 29 PERSONAL PROPERTY TAXES THAT ARE NOT A LIEN ON REAL PROPERTY IN THE COUNTY. BY NOVEMBER 30 FOLLOWING
 30 EACH OF THOSE FISCAL YEARS, THE OFFICE OF PUBLIC INSTRUCTION SHALL DISTRIBUTE THE AMOUNT DETERMINED UNDER

1 THIS SUBSECTION (6)(B) TO THE COUNTYWIDE RETIREMENT FUND.

2 (C) THE AMOUNTS DETERMINED UNDER THIS SUBSECTION (6) ARE STATUTORILY APPROPRIATED, AS PROVIDED
 3 IN 17-7-502, FROM THE GENERAL FUND TO THE OFFICE OF PUBLIC INSTRUCTION FOR DISTRIBUTION TO THE COUNTYWIDE
 4 RETIREMENT ACCOUNT.

5 (7) (A) THE OFFICE OF PUBLIC INSTRUCTION SHALL DISTRIBUTE THE REIMBURSEMENT TO THE COUNTY
 6 TRANSPORTATION REIMBURSEMENT UNDER 20-10-146 FOR FISCAL YEAR 2012 AND ALL OTHER FISCAL YEARS IN WHICH
 7 RATE REDUCTIONS OCCUR. THE REIMBURSEMENT MUST BE MADE AT THE SAME TIME AS COUNTYWIDE SCHOOL
 8 TRANSPORTATION BLOCK GRANTS ARE DISTRIBUTED UNDER 20-9-632.

9 (B) FOR FISCAL YEAR 2012 AND ALL OTHER FISCAL YEARS IN WHICH RATE REDUCTIONS OCCUR, THE DEPARTMENT
 10 SHALL DETERMINE FROM THE AMOUNT CALCULATED UNDER SUBSECTION (1) THE AMOUNT THAT IS ATTRIBUTABLE TO
 11 PERSONAL PROPERTY TAXES THAT ARE NOT A LIEN ON REAL PROPERTY IN THE COUNTY. BY NOVEMBER 30 FOLLOWING
 12 EACH OF THOSE FISCAL YEARS, THE OFFICE OF PUBLIC INSTRUCTION SHALL DISTRIBUTE THE AMOUNT DETERMINED UNDER
 13 THIS SUBSECTION (7)(B) TO THE COUNTY TRANSPORTATION REIMBURSEMENT.

14 (C) THE AMOUNTS DETERMINED UNDER THIS SUBSECTION (7) ARE STATUTORILY APPROPRIATED, AS PROVIDED
 15 IN 17-7-502, FROM THE GENERAL FUND TO THE OFFICE OF PUBLIC INSTRUCTION FOR DISTRIBUTION TO THE COUNTY
 16 TRANSPORTATION REIMBURSEMENT.

17

18 **Section 4.** Section 15-6-141, MCA, is amended to read:

19 **"15-6-141. Class nine property -- description -- taxable percentage.** (1) Class nine property includes:

20 (a) centrally assessed allocations of an electric power company or centrally assessed allocations of an
 21 electric power company that owns or operates transmission or distribution facilities or both, including, if congress
 22 passes legislation that allows the state to tax property owned by an agency created by congress to transmit or
 23 distribute electrical energy, allocations of properties constructed, owned, or operated by a public agency created
 24 by congress to transmit or distribute electrical energy produced at privately owned generating facilities, not
 25 including rural electric cooperatives. However, rural electric cooperatives' property, except wind generation
 26 facilities and biomass generation facilities classified under 15-6-157, used for the sole purpose of serving
 27 customers representing less than 95% of the electric consumers located within the incorporated limits of a city
 28 or town of more than 3,500 persons in which a centrally assessed electric power company also owns property
 29 or serving an incorporated municipality with a population that is greater than 3,500 persons formerly served by
 30 a public utility that after January 1, 1998, received service from the facilities of an electric cooperative is included.

1 For purposes of this subsection (1)(a), "property used for the sole purpose" does not include a headquarters,
2 office, shop, or other similar facility.

3 (b) allocations for centrally assessed natural gas distribution utilities, rate-regulated natural gas
4 transmission or oil transmission pipelines regulated by either the public service commission or the federal energy
5 regulatory commission, a common carrier pipeline as defined in 69-13-101, a pipeline carrier as defined in 49
6 U.S.C. 15102(2), or the gas gathering facilities specified in 15-6-138~~(5)~~(6); and

7 (c) centrally assessed companies' allocations except:

8 (i) electrical generation facilities classified under 15-6-156;

9 (ii) all property classified under 15-6-157;

10 (iii) all property classified under 15-6-158 and 15-6-159;

11 (iv) property owned by cooperative rural electric and cooperative rural telephone associations and
12 classified under 15-6-135;

13 (v) property owned by organizations providing telephone communications to rural areas and classified
14 under 15-6-135;

15 (vi) railroad transportation property included in 15-6-145;

16 (vii) airline transportation property included in 15-6-145; and

17 (viii) telecommunications property included in 15-6-156.

18 (2) Class nine property is taxed at 12% of market value."
19

20 **SECTION 5. SECTION 15-10-420, MCA, IS AMENDED TO READ:**

21 **"15-10-420. Procedure for calculating levy.** (1) (a) Subject to the provisions of this section, a
22 governmental entity that is authorized to impose mills may impose a mill levy sufficient to generate the amount
23 of property taxes actually assessed in the prior year plus one-half of the average rate of inflation for the prior 3
24 years. The maximum number of mills that a governmental entity may impose is established by calculating the
25 number of mills required to generate the amount of property tax actually assessed in the governmental unit in the
26 prior year based on the current year taxable value, less the current year's value of newly taxable property, plus
27 one-half of the average rate of inflation for the prior 3 years.

28 (b) A governmental entity that does not impose the maximum number of mills authorized under
29 subsection (1)(a) may carry forward the authority to impose the number of mills equal to the difference between
30 the actual number of mills imposed and the maximum number of mills authorized to be imposed. The mill authority

1 carried forward may be imposed in a subsequent tax year.

2 (c) For the purposes of subsection (1)(a), the department shall calculate one-half of the average rate of
3 inflation for the prior 3 years by using the consumer price index, U.S. city average, all urban consumers, using
4 the 1982-84 base of 100, as published by the bureau of labor statistics of the United States department of labor.

5 (2) A governmental entity may apply the levy calculated pursuant to subsection (1)(a) plus any additional
6 levies authorized by the voters, as provided in 15-10-425, to all property in the governmental unit, including newly
7 taxable property.

8 (3) (a) For purposes of this section, newly taxable property includes:

9 (i) annexation of real property and improvements into a taxing unit;

10 (ii) construction, expansion, or remodeling of improvements;

11 (iii) transfer of property into a taxing unit;

12 (iv) subdivision of real property; and

13 (v) transfer of property from tax-exempt to taxable status.

14 (b) Newly taxable property does not include an increase in value that arises because of an increase in
15 the incremental value within a tax increment financing district.

16 (4) (a) For the purposes of subsection (1), the taxable value of newly taxable property includes the
17 release of taxable value from the incremental taxable value of a tax increment financing district because of:

18 (i) a change in the boundary of a tax increment financing district;

19 (ii) an increase in the base value of the tax increment financing district pursuant to 7-15-4287; or

20 (iii) the termination of a tax increment financing district.

21 (b) If a tax increment financing district terminates prior to the certification of taxable values as required
22 in 15-10-202, the increment value is reported as newly taxable property in the year in which the tax increment
23 financing district terminates. If a tax increment financing district terminates after the certification of taxable values
24 as required in 15-10-202, the increment value is reported as newly taxable property in the following tax year.

25 (c) For the purpose of subsection (3)(a)(ii), the value of newly taxable class four property that was
26 constructed, expanded, or remodeled property since the completion of the last reappraisal cycle is the current
27 year market value of that property less the previous year market value of that property.

28 (d) For the purpose of subsection (3)(a)(iv), the subdivision of real property includes the first sale of real
29 property that results in the property being taxable as class four property under 15-6-134 or as nonqualified
30 agricultural land as described in 15-6-133(1)(c).

- 1 (5) Subject to subsection (8), subsection (1)(a) does not apply to:
- 2 (a) school district levies established in Title 20; or
- 3 (b) a mill levy imposed for a newly created regional resource authority.
- 4 (6) For purposes of subsection (1)(a), taxes imposed do not include net or gross proceeds taxes received
- 5 under 15-6-131 and 15-6-132.
- 6 (7) In determining the maximum number of mills in subsection (1)(a), the governmental entity:
- 7 (a) may increase the number of mills to account for a decrease in reimbursements; and
- 8 (b) may not increase the number of mills to account for a loss of tax base because of legislative action
- 9 that is reimbursed under the provisions of 15-1-121(7).
- 10 (8) The department shall calculate, on a statewide basis, the number of mills to be imposed for purposes
- 11 of 15-10-108, 20-9-331, 20-9-333, 20-9-360, and 20-25-439. However, the number of mills calculated by the
- 12 department may not exceed the mill levy limits established in those sections. The mill calculation must be
- 13 established in tenths of mills. If the mill levy calculation does not result in an even tenth of a mill, then the
- 14 calculation must be rounded up to the nearest tenth of a mill.
- 15 (9) (a) The provisions of subsection (1) do not prevent or restrict:
- 16 (i) a judgment levy under 2-9-316, 7-6-4015, or 7-7-2202;
- 17 (ii) a levy to repay taxes paid under protest as provided in 15-1-402;
- 18 (iii) an emergency levy authorized under 10-3-405, 20-9-168, or 20-15-326;
- 19 (iv) a levy for the support of a study commission under 7-3-184;
- 20 (v) a levy for the support of a newly established regional resource authority; or
- 21 (vi) the portion that is the amount in excess of the base contribution of a governmental entity's property
- 22 tax levy for contributions for group benefits excluded under 2-9-212 or 2-18-703.
- 23 (b) A levy authorized under subsection (9)(a) may not be included in the amount of property taxes
- 24 actually assessed in a subsequent year.
- 25 (10) A governmental entity may levy mills for the support of airports as authorized in 67-10-402,
- 26 67-11-301, or 67-11-302 even though the governmental entity has not imposed a levy for the airport or the airport
- 27 authority in either of the previous 2 years and the airport or airport authority has not been appropriated operating
- 28 funds by a county or municipality during that time.
- 29 (11) The department may adopt rules to implement this section. The rules may include a method for
- 30 calculating the percentage of change in valuation for purposes of determining the elimination of property, new

1 improvements, or newly taxable property in a governmental unit."

2

3 **Section 6.** Section 15-23-101, MCA, is amended to read:

4 **"15-23-101. Properties centrally assessed.** The department shall centrally assess each year:

5 (1) the railroad transportation property of railroads and railroad car companies operating in more than
6 one county in the state or more than one state;

7 (2) property owned by a corporation or other person operating a single and continuous property operated
8 in more than one county or more than one state including but not limited to:

9 (a) telegraph, telephone, microwave, and electric power or transmission lines;

10 (b) rate-regulated natural gas transmission or oil transmission pipelines regulated by the public service
11 commission or the federal energy regulatory commission;

12 (c) common carrier pipelines as defined in 69-13-101 or a pipeline carrier as defined in 49 U.S.C.
13 15102(2);

14 (d) natural gas distribution utilities;

15 (e) the gas gathering facilities specified in 15-6-138~~(5)~~(6);

16 (f) canals, ditches, flumes, or like properties; and

17 (g) if congress passes legislation that allows the state to tax property owned by an agency created by
18 congress to transmit or distribute electrical energy, property constructed, owned, or operated by a public agency
19 created by congress to transmit or distribute electrical energy produced at privately owned generating facilities,
20 not including rural electric cooperatives;

21 (3) all property of scheduled airlines;

22 (4) the net proceeds of mines, except bentonite mines;

23 (5) the gross proceeds of coal mines; and

24 (6) property described in subsections (1) and (2) that is subject to the provisions of Title 15, chapter 24,
25 part 12."

26

27 **SECTION 7. SECTION 17-7-502, MCA, IS AMENDED TO READ:**

28 **"17-7-502. Statutory appropriations -- definition -- requisites for validity.** (1) A statutory
29 appropriation is an appropriation made by permanent law that authorizes spending by a state agency without the
30 need for a biennial legislative appropriation or budget amendment.

1 (2) Except as provided in subsection (4), to be effective, a statutory appropriation must comply with both
2 of the following provisions:

3 (a) The law containing the statutory authority must be listed in subsection (3).

4 (b) The law or portion of the law making a statutory appropriation must specifically state that a statutory
5 appropriation is made as provided in this section.

6 (3) The following laws are the only laws containing statutory appropriations: 2-17-105; 5-11-120;
7 5-11-407; 5-13-403; 7-4-2502; 10-1-108; 10-1-1202; 10-1-1303; 10-2-603; 10-3-203; 10-3-310; 10-3-312;
8 10-3-314; 10-4-301; 15-1-121; [section 3]; 15-1-218; 15-31-906; 15-35-108; 15-36-332; 15-37-117; 15-39-110;
9 15-65-121; 15-70-101; 15-70-369; 15-70-601; 16-11-509; 17-3-106; 17-3-112; 17-3-212; 17-3-222; 17-3-241;
10 17-6-101; 18-11-112; 19-3-319; 19-6-404; 19-6-410; 19-9-702; 19-13-604; 19-17-301; 19-18-512; 19-19-305;
11 19-19-506; 19-20-604; 19-20-607; 19-21-203; 20-8-107; 20-9-534; 20-9-622; 20-26-1503; 22-3-1004; 23-4-105;
12 23-5-306; 23-5-409; 23-5-612; 23-7-301; 23-7-402; 37-43-204; 37-51-501; 39-71-503; 41-5-2011; 42-2-105;
13 44-4-1101; 44-12-206; 44-13-102; 50-4-623; 53-1-109; 53-9-113; 53-24-108; 53-24-206; 60-11-115; 61-3-415;
14 69-3-870; 75-1-1101; 75-5-1108; 75-6-214; 75-11-313; 77-1-108; 77-2-362; 80-2-222; 80-4-416; 80-11-518;
15 81-10-103; 82-11-161; 87-1-230; 87-1-603; 87-1-621; 90-1-115; 90-1-205; 90-1-504; 90-3-1003; 90-6-331; and
16 90-9-306.

17 (4) There is a statutory appropriation to pay the principal, interest, premiums, and costs of issuing,
18 paying, and securing all bonds, notes, or other obligations, as due, that have been authorized and issued
19 pursuant to the laws of Montana. Agencies that have entered into agreements authorized by the laws of Montana
20 to pay the state treasurer, for deposit in accordance with 17-2-101 through 17-2-107, as determined by the state
21 treasurer, an amount sufficient to pay the principal and interest as due on the bonds or notes have statutory
22 appropriation authority for the payments. (In subsection (3): pursuant to sec. 10, Ch. 360, L. 1999, the inclusion
23 of 19-20-604 terminates when the amortization period for the teachers' retirement system's unfunded liability is
24 10 years or less; pursuant to sec. 10, Ch. 10, Sp. L. May 2000, secs. 3 and 6, Ch. 481, L. 2003, and sec. 2, Ch.
25 459, L. 2009, the inclusion of 15-35-108 terminates June 30, 2019; pursuant to sec. 17, Ch. 593, L. 2005, and
26 sec. 1, Ch. 186, L. 2009, the inclusion of 15-31-906 terminates January 1, 2015; pursuant to sec. 73, Ch. 44, L.
27 2007, the inclusion of 19-6-410 terminates upon the death of the last recipient eligible under 19-6-709(2) for the
28 supplemental benefit provided by 19-6-709; pursuant to sec. 14, Ch. 374, L. 2009, the inclusion of 53-9-113
29 terminates June 30, 2015; pursuant to sec. 8, Ch. 427, L. 2009, the inclusion of 87-1-230 terminates June 30,
30 2013; and pursuant to sec. 5, Ch. 442, L. 2009, the inclusion of 90-6-331 terminates June 30, 2019.)"

1

2 **SECTION 8. SECTION 20-9-501, MCA, IS AMENDED TO READ:**

3 **"20-9-501. Retirement costs and retirement fund.** (1) The trustees of a district or the management
4 board of a cooperative employing personnel who are members of the teachers' retirement system or the public
5 employees' retirement system, who are covered by unemployment insurance, or who are covered by any federal
6 social security system requiring employer contributions shall establish a retirement fund for the purposes of
7 budgeting and paying the employer's contributions to the systems as provided in subsection (2)(a). The district's
8 or the cooperative's contribution for each employee who is a member of the teachers' retirement system must
9 be calculated in accordance with Title 19, chapter 20, part 6. The district's or the cooperative's contribution for
10 each employee who is a member of the public employees' retirement system must be calculated in accordance
11 with 19-3-316. The district's or the cooperative's contributions for each employee covered by any federal social
12 security system must be paid in accordance with federal law and regulation. The district's or the cooperative's
13 contribution for each employee who is covered by unemployment insurance must be paid in accordance with Title
14 39, chapter 51, part 11.

15 (2) (a) The district or the cooperative shall pay the employer's contributions to the retirement, federal
16 social security, and unemployment insurance systems from the retirement fund for the following:

17 (i) a district employee whose salary and health-related benefits, if any health-related benefits are
18 provided to the employee, are paid from state or local funding sources;

19 (ii) a cooperative employee whose salary and health-related benefits, if any health-related benefits are
20 provided to the employee, are paid from the cooperative's interlocal cooperative fund if the fund is supported
21 solely from districts' general funds and state special education allowable cost payments, pursuant to 20-9-321,
22 or are paid from the miscellaneous programs fund, provided for in 20-9-507, from money received from the
23 medicaid program, pursuant to 53-6-101;

24 (iii) a district employee whose salary and health-related benefits, if any health-related benefits are
25 provided to the employee, are paid from the district's school food services fund provided for in 20-10-204;

26 (iv) a district employee whose salary and health-related benefits, if any health-related benefits are
27 provided to the employee, are paid from the district impact aid fund, pursuant to 20-9-514; and

28 (v) for the 2011 biennium only, a district employee whose salary and health-related benefits, if any
29 health-related benefits are provided to the employee, are budgeted in the district general fund but are paid from
30 state fiscal stabilization funds received pursuant the American Recovery and Reinvestment Act of 2009, Public

1 Law 111-5.

2 (b) For an employee whose benefits are not paid from the retirement fund, the district or the cooperative
3 shall pay the employer's contributions to the retirement, federal social security, and unemployment insurance
4 systems from the funding source that pays the employee's salary.

5 (3) The trustees of a district required to make a contribution to a system referred to in subsection (1) shall
6 include in the retirement fund of the final budget the estimated amount of the employer's contribution. After the
7 final retirement fund budget has been adopted, the trustees shall pay the employer contributions to the systems
8 in accordance with the financial administration provisions of this title.

9 (4) When the final retirement fund budget has been adopted, the county superintendent shall establish
10 the levy requirement by:

11 (a) determining the sum of the money available to reduce the retirement fund levy requirement by adding:

12 (i) any anticipated money that may be realized in the retirement fund during the ensuing school fiscal
13 year;

14 (ii) oil and natural gas production taxes;

15 (iii) coal gross proceeds taxes under 15-23-703;

16 (iv) any fund balance available for reappropriation as determined by subtracting the amount of the
17 end-of-the-year fund balance earmarked as the retirement fund operating reserve for the ensuing school fiscal
18 year by the trustees from the end-of-the-year fund balance in the retirement fund. The retirement fund operating
19 reserve may not be more than 35% of the final retirement fund budget for the ensuing school fiscal year and must
20 be used for the purpose of paying retirement fund warrants issued by the district under the final retirement fund
21 budget.

22 (v) property tax reimbursements made pursuant to [section 3(6)];

23 ~~(vi)~~ any other revenue anticipated that may be realized in the retirement fund during the ensuing school
24 fiscal year, excluding any guaranteed tax base aid;

25 (b) notwithstanding the provisions of subsection (9), subtracting the money available for reduction of the
26 levy requirement, as determined in subsection (4)(a), from the budgeted amount for expenditures in the final
27 retirement fund budget.

28 (5) The county superintendent shall:

29 (a) total the net retirement fund levy requirements separately for all elementary school districts, all high
30 school districts, and all community college districts of the county, including any prorated joint district or special

1 education cooperative agreement levy requirements; and

2 (b) report each levy requirement to the county commissioners on the fourth Monday of August as the
3 respective county levy requirements for elementary district, high school district, and community college district
4 retirement funds.

5 (6) The county commissioners shall fix and set the county levy or district levy in accordance with
6 20-9-142.

7 (7) The net retirement fund levy requirement for a joint elementary district or a joint high school district
8 must be prorated to each county in which a part of the district is located in the same proportion as the district ANB
9 of the joint district is distributed by pupil residence in each county. The county superintendents of the counties
10 affected shall jointly determine the net retirement fund levy requirement for each county as provided in 20-9-151.

11 (8) The net retirement fund levy requirement for districts that are members of special education
12 cooperative agreements must be prorated to each county in which the district is located in the same proportion
13 as the special education cooperative budget is prorated to the member school districts. The county
14 superintendents of the counties affected shall jointly determine the net retirement fund levy requirement for each
15 county in the same manner as provided in 20-9-151, and the county commissioners shall fix and levy the net
16 retirement fund levy for each county in the same manner as provided in 20-9-152.

17 (9) The county superintendent shall calculate the number of mills to be levied on the taxable property
18 in the county to finance the retirement fund net levy requirement by dividing the amount determined in subsection
19 (5)(a) by the sum of:

20 (a) the amount of guaranteed tax base aid that the county will receive for each mill levied, as certified
21 by the superintendent of public instruction; and

22 (b) the taxable valuation of the district divided by 1,000.

23 (10) The levy for a community college district may be applied only to property within the district.

24 (11) The county superintendent of each county shall submit a report of the revenue amounts used to
25 establish the levy requirements for county school funds supporting elementary and high school district retirement
26 obligations to the superintendent of public instruction not later than the second Monday in September. The report
27 must be completed on forms supplied by the superintendent of public instruction."
28

29 **SECTION 9. SECTION 20-9-630, MCA, IS AMENDED TO READ:**

30 **"20-9-630. School district block grants.** (1) (a) The office of public instruction shall provide a block

1 grant to each school district based on:

2 (i) the revenue received by each district in fiscal year 2001 from vehicle taxes and fees, corporate license
 3 taxes paid by financial institutions, aeronautics fees, state land payments in lieu of taxes, and property tax
 4 reimbursements pursuant to sections 167(1) through (5) and 169(6), Chapter 584, Laws of 1999; and

5 (ii) any reimbursement to be made to a school district pursuant to subsection (2).

6 (b) Block grants must be calculated using the electronic reporting system that is used by the office of
 7 public instruction and school districts. The electronic reporting system must be used to allocate the block grant
 8 amount into each district's budget as an anticipated revenue source by fund.

9 ~~———(c) With the exception of vehicle taxes and fees, the office of public instruction shall use the amount~~
 10 ~~actually received from the sources listed in subsection (1)(a) in fiscal year 2001 in its calculation of the block grant~~
 11 ~~for fiscal year 2002 budgeting purposes. For vehicle taxes and fees, the office of public instruction shall use~~
 12 ~~93.4% of the amount actually received in fiscal year 2001 in calculating the block grant for fiscal year 2002.~~

13 ~~———(2) If the fiscal year 2003 appropriation provided in section 248(1), Chapter 574, Laws of 2001, is~~
 14 ~~insufficient to fund the school district block grants in fiscal year 2003 at the fiscal year 2002 level, the office of~~
 15 ~~public instruction shall prorate the block grants to meet the remaining appropriation. School districts shall~~
 16 ~~anticipate the prorated block grant amounts provided by the office of public instruction in their budgets for fiscal~~
 17 ~~year 2003.~~

18 (2) If the legislature enacts a reimbursement provision that is to be distributed pursuant to this section,
 19 the office of public instruction shall determine the reimbursement amount as provided in the enactment and add
 20 the appropriate amount to block grant distributions under this section. The total of reimbursement distributions
 21 made pursuant to this subsection in a fiscal year must be added to all other distributions to the school district in
 22 the fiscal year to determine the distribution for the subsequent fiscal year. The block grant percentage increases
 23 in subsections (4)(a) through (4)(c) do not apply to reimbursements made under this subsection for the fiscal year
 24 of the first reimbursement but do apply to the block grant amounts in subsequent fiscal years that incorporate
 25 reimbursements added in previous fiscal years. For the purpose of this subsection, the fiscal year of the first
 26 reimbursement does not include the fiscal year in which the reimbursement under [section 3(3)(b)] is made.

27 (3) Each year, 70% of each district's block grant must be distributed in November and 30% of each
 28 district's block grant must be distributed in May at the same time that guaranteed tax base aid is distributed.

29 (4) (a) The block grant for the district general fund is equal to the ~~average~~ amount received in fiscal years
 30 ~~2002 and 2003~~ year 2012, except for the amount received under [section 3(3)(b)], by the district general fund from

1 the block grants provided for in ~~subsection~~ subsections (1) and (2). ~~The~~ Except as provided in subsection (2), the
 2 block grant must be increased by 0.76% in fiscal year ~~2004~~ 2013 and in each succeeding fiscal year.

3 (b) The block grant for the district transportation fund is ~~equal to one-half of the average~~ amount received
 4 in fiscal ~~years 2002 and 2003~~ year 2012, except for the amount received under [section 3(3)(b)], by the district
 5 transportation fund from the block grants provided for in ~~subsection~~ subsections (1) and (2). ~~The~~ Except as
 6 provided in subsection (2), the block grant must be increased by 0.76% in fiscal year ~~2004~~ 2013 and in each
 7 succeeding fiscal year.

8 (c) (i) The combined fund block grant is equal to the ~~average~~ amount received in fiscal ~~years 2002 and~~
 9 ~~2003~~ year 2012, except for the amount received under [section 3(3)(b)], by the district tuition, bus depreciation
 10 reserve, building reserve, nonoperating, and adult education funds from the block grants provided for in
 11 ~~subsection~~ subsections (1) and (2). ~~The~~ Except as provided in subsection (2), the block grant must be increased
 12 by 0.76% in fiscal year ~~2004~~ 2013 and in each succeeding fiscal year.

13 (ii) The school district may deposit the combined fund block grant into any budgeted fund of the district."
 14

15 **SECTION 10. SECTION 20-10-146, MCA, IS AMENDED TO READ:**

16 **"20-10-146. County transportation reimbursement.** (1) The apportionment of the county transportation
 17 reimbursement by the county superintendent for school bus transportation or individual transportation that is
 18 actually rendered by a district in accordance with this title, board of public education transportation policy, and
 19 the transportation rules of the superintendent of public instruction must be the same as the state transportation
 20 reimbursement payment, except that:

21 (a) if any cash was used to reduce the budgeted county transportation reimbursement under the
 22 provisions of 20-10-144(2)(b), the annual apportionment is limited to the budget amount;

23 (b) when the county transportation reimbursement for a school bus has been prorated between two or
 24 more counties because the school bus is conveying pupils of more than one district located in the counties, the
 25 apportionment of the county transportation reimbursement must be adjusted to pay the amount computed under
 26 the proration; and

27 (c) when county transportation reimbursement is required under the mandatory attendance agreement
 28 provisions of 20-5-321.

29 (2) The county transportation net levy requirement for the financing of the county transportation fund
 30 reimbursements to districts is computed by:

1 (a) totaling the net requirement for all districts of the county, including reimbursements to a special
2 education cooperative or prorated reimbursements to joint districts or reimbursements under the mandatory
3 attendance agreement provisions of 20-5-321;

4 (b) determining the sum of the money available to reduce the county transportation net levy requirement
5 by adding:

6 (i) anticipated money that may be realized in the county transportation fund during the ensuing school
7 fiscal year;

8 (ii) oil and natural gas production taxes;

9 (iii) anticipated local government severance tax payments for calendar year 1995 production;

10 (iv) coal gross proceeds taxes under 15-23-703;

11 (v) countywide school transportation block grants distributed under 20-9-632;

12 (vi) any fund balance available for reappropriation from the end-of-the-year fund balance in the county
13 transportation fund;

14 (vii) federal forest reserve funds allocated under the provisions of 17-3-213; ~~and~~

15 (viii) property tax reimbursements made pursuant to [section 3(7)]; and

16 ~~(viii)~~(ix) other revenue anticipated that may be realized in the county transportation fund during the
17 ensuing school fiscal year; and

18 (c) subtracting the money available, as determined in subsection (2)(b), to reduce the levy requirement
19 from the county transportation net levy requirement.

20 (3) The net levy requirement determined in subsection (2)(c) must be reported to the county
21 commissioners on the fourth Monday of August by the county superintendent, and a levy must be set by the
22 county commissioners in accordance with 20-9-142.

23 (4) The county superintendent of each county shall submit a report of the revenue amounts used to
24 establish the levy requirements to the superintendent of public instruction not later than the second Monday in
25 September. The report must be completed on forms supplied by the superintendent of public instruction.

26 (5) The county superintendent shall apportion the county transportation reimbursement from the
27 proceeds of the county transportation fund. The county superintendent shall order the county treasurer to make
28 the apportionments in accordance with 20-9-212(2) and after the receipt of the semiannual state transportation
29 reimbursement payments."
30

1 NEW SECTION. Section 11. Notification to tribal governments. The secretary of state shall send
 2 a copy of [this act] to each tribal government located on the seven Montana reservations and to the Little Shell
 3 Chippewa tribe.

4
 5 NEW SECTION. Section 12. Codification instruction. [Section 2 3] is intended to be codified as an
 6 integral part of Title 15, chapter 1, part 1, and the provisions of Title 15, chapter 1, part 1, apply to [section 2 3].

7
 8 ~~COORDINATION SECTION. Section 11. Coordination instruction.~~ If House Bill No. 26 is not passed
 9 and approved, then [this act] is void. ~~IF HOUSE BILL NO. 495 IS PASSED AND APPROVED AND IF IT INCLUDES A SECTION~~
 10 ~~THAT AMENDS 15-1-121, THEN [SECTION 1 OF THIS ACT], AMENDING 15-1-121, IS VOID.~~

11
 12 COORDINATION SECTION. SECTION 13. COORDINATION INSTRUCTION. IF BOTH SENATE BILL NO. 329 AND
 13 [THIS ACT] ARE PASSED AND APPROVED AND IF BOTH CONTAIN A SECTION THAT AMENDS 20-9-630, THEN THE SECTIONS
 14 AMENDING 20-9-630 ARE VOID AND 20-9-630 MUST BE AMENDED AS FOLLOWS:

15 **"20-9-630. School district block grants.** (1) (a) The office of public instruction shall provide a block
 16 grant to each school district based on:

17 (i) the revenue received by each district in fiscal year 2001 from vehicle taxes and fees, corporate license
 18 taxes paid by financial institutions, aeronautics fees, state land payments in lieu of taxes, and property tax
 19 reimbursements pursuant to sections 167(1) through (5) and 169(6), Chapter 584, Laws of 1999; and

20 (ii) any reimbursement to be made to a school district pursuant to subsection (2).

21 (b) Block grants must be calculated using the electronic reporting system that is used by the office of
 22 public instruction and school districts. The electronic reporting system must be used to allocate the block grant
 23 amount into each district's budget as an anticipated revenue source by fund.

24 ~~(c) With the exception of vehicle taxes and fees, the office of public instruction shall use the amount~~
 25 ~~actually received from the sources listed in subsection (1)(a) in fiscal year 2001 in its calculation of the block grant~~
 26 ~~for fiscal year 2002 budgeting purposes. For vehicle taxes and fees, the office of public instruction shall use~~
 27 ~~93.4% of the amount actually received in fiscal year 2001 in calculating the block grant for fiscal year 2002.~~

28 ~~(2) If the fiscal year 2003 appropriation provided in section 248(1), Chapter 574, Laws of 2001, is~~
 29 ~~insufficient to fund the school district block grants in fiscal year 2003 at the fiscal year 2002 level, the office of~~
 30 ~~public instruction shall prorate the block grants to meet the remaining appropriation. School districts shall~~

1 anticipate the prorated block grant amounts provided by the office of public instruction in their budgets for fiscal
2 year 2003:

3 (2) If the legislature enacts a reimbursement provision that is to be distributed pursuant to this section,
4 the office of public instruction shall determine the reimbursement amount as provided in the enactment and add
5 the appropriate amount to block grant distributions under this section. Except for the reimbursement made under
6 [section 3(3)(b) of Senate Bill No. 372], the total of reimbursement distributions made pursuant to this subsection
7 in a fiscal year must be added to all other distributions to the school district in the fiscal year to determine the
8 distribution for the subsequent fiscal year.

9 (3) Each year, 70% of each district's block grant must be distributed in November and 30% of each
10 district's block grant must be distributed in May at the same time that guaranteed tax base aid is distributed.

11 (4) (a) The block grant for the district general fund is equal to the ~~average~~ amount received in fiscal years
12 ~~2002 and 2003~~ year 2011 by the district general fund from the block grants provided for in subsection (1) and the
13 amount received by the district general fund under subsection (2), except the amount received under [section
14 3(3)(b) of Senate Bill No. 372]. The block grant must be increased by 0.76% in fiscal year 2004 and in each
15 succeeding fiscal year.

16 (b) The block grant for the district transportation fund is equal to ~~one-half of the average~~ amount received
17 in fiscal years ~~2002 and 2003~~ year 2011 by the district transportation fund from the block grants provided for in
18 subsection (1) and the amount received by the district transportation fund under subsection (2), except the
19 amount received under [section 3(3)(b) of Senate Bill No. 372]. The block grant must be increased by 0.76% in
20 fiscal year 2004 and in each succeeding fiscal year.

21 (c) (i) The combined fund block grant is equal to the ~~average~~ amount received in fiscal years ~~2002 and~~
22 ~~2003~~ by the district tuition, bus depreciation reserve, building reserve, nonoperating, and adult education funds
23 from the block grants provided for in subsection (1). The block grant must be increased by 0.76% in fiscal year
24 2004 and in each succeeding fiscal year year 2011 and the amount received under subsection (2), except the
25 amount received under [section 3(3)(b) of Senate Bill No. 372].

26 (ii) The school district may deposit the combined fund block grant into any budgeted fund of the district."
27

28 COORDINATION SECTION. SECTION 14. COORDINATION INSTRUCTION. IF BOTH HOUSE BILL NO. 2 AND
29 [THIS ACT] ARE PASSED AND APPROVED, THEN:

30 (1) THE GENERAL FUND APPROPRIATION FOR BASE AID IN HOUSE BILL NO. 2 OF \$526,495,288 IS DECREASED

1 BY \$1,803,873 IN FISCAL YEAR 2013;

2 (2) THE GENERAL FUND APPROPRIATION FOR HB 124 BLOCK GRANTS IN HOUSE BILL NO. 2 OF \$52,150,510
3 IS INCREASED BY \$6,444,852 IN FISCAL YEAR 2013; AND

4 (3) [SECTION 3(3)(C), (6)(C), AND (7)(C) AND SECTION 7 OF THIS ACT] ARE VOID.

5
6 NEW SECTION. SECTION 15. SAVING CLAUSE. [THIS ACT] DOES NOT AFFECT RIGHTS AND DUTIES THAT
7 MATURED, PENALTIES THAT WERE INCURRED, OR PROCEEDINGS THAT WERE BEGUN BEFORE [THE EFFECTIVE DATE OF THIS
8 ACT].

9
10 NEW SECTION. Section 16. Effective date DATES DATE. (1) [This act] EXCEPT AS PROVIDED IN
11 SUBSECTION (2), [THIS ACT] [THIS ACT] is effective on passage and approval JULY 1, 2011.

12 ———— (2) [SECTIONS 2 THROUGH 8] ARE EFFECTIVE OCTOBER 1, 2011.

13
14 NEW SECTION. Section 17. Applicability. [This act] applies to tax years beginning after December
15 31, 2011.

16
17 NEW SECTION. SECTION 18. TERMINATION. [SECTION 3(3)(C), (6)(C), AND (7)(C) AND SECTION 7] TERMINATE
18 JUNE 30, 2013.

19 - END -