



AN ACT GENERALLY REVISING SCHOOL FUNDING LAWS; ENHANCING THE SCHOOL FUNDING FORMULA THROUGH INCENTIVES AND A HOUSING COST BUDGET AUTHORITY INCREASE; REVISING THE INCENTIVE TO INCREASE TEACHER BASE SALARIES; ESTABLISHING A NEW INCENTIVE RELATED TO RESOURCE SHARING AMONG SCHOOL DISTRICTS; EXPANDING THE TYPES OF EDUCATIONAL ENTITIES THAT CAN RECEIVE INCENTIVES FOR MEETING STARTING TEACHER PAY BENCHMARKS; RENAMING AND REVISING THE QUALITY EDUCATOR FUNDING COMPONENT; RESTORING FULL FUNDING TO THE ADVANCED OPPORTUNITIES PROGRAM; INCLUDING DISTRICT CLERKS PERFORMING CERTAIN FUNCTIONS IN THE QUALITY EDUCATOR AND QUALIFIED STAFF FUNDING COMPONENT; INCLUDING CERTAIN INDIVIDUALS WORKING UNDER AN EMERGENCY AUTHORIZATION IN THE QUALITY EDUCATOR AND QUALIFIED STAFF FUNDING COMPONENT; ESTABLISHING A NEW K-12 BASE AID FUTURE READY FUNDING COMPONENT RELATED TO POSTGRADUATION PREPARATION; PROVIDING INCREASED BUDGET AUTHORITY FOR CERTAIN SCHOOL DISTRICTS IMPACTED BY HIGH HOUSING COSTS FOR USE IN ADDRESSING THOSE COSTS; REQUIRING THE LEGISLATIVE FISCAL ANALYST TO CREATE A SCHOOL FUNDING DATA DASHBOARD; PROVIDING DEFINITIONS; PROVIDING RULEMAKING AUTHORITY; PROVIDING AN APPROPRIATION; AMENDING SECTIONS 20-3-325, 20-6-326, 20-6-812, 20-7-102, 20-7-1404, 20-7-1503, 20-7-1506, 20-7-1602, 20-9-306, 20-9-324, 20-9-327, 20-9-344, AND 20-9-366, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY DATE."

WHEREAS, the definition of a "basic system of free quality public elementary and secondary schools" as provided in section 20-9-309, MCA, includes educational programs tailored to the specific needs of students and the qualified and effective teachers, administrators, and other qualified staff needed to implement those programs; and

WHEREAS, section 20-9-309, MCA, includes the requirement that in developing and maintaining a

funding formula the Legislature shall consider various educationally relevant factors, including the ability of school districts to attract and retain qualified and effective teachers, administrators, and other qualified staff.

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

Section 1. Section 20-3-325, MCA, is amended to read:

"20-3-325. Clerk of district. (1) As provided in 20-3-321, the trustees shall employ and appoint a clerk of the district. The clerk of the district shall attend all meetings of the trustees to keep an accurate and permanent record of all the proceedings of each meeting. If the clerk is not present at a meeting, the trustees must have one of their members or a district employee act as clerk for the meeting, and that person shall supply the clerk with a certified copy of the proceedings. The clerk of the district must be the custodian of all documents, records, and reports of the trustees. Unless the trustees provide otherwise, the clerk shall:

(a) keep an accurate and detailed accounting record of all receipts and expenditures of the district in accordance with the financial administration provisions of this title; and

(b) prepare the annual trustees' report required under the provisions of 20-9-213.

(2) The clerk of the district shall provide the county treasurer with a minimum of 30 hours' notice in advance of cash demands to meet payrolls, claims, and electronic transfers that are in excess of \$50,000. If the clerk of the district fails to provide the required 30-hour notice, the district must be assessed a fee equal to any charges demanded by the state investment pool or other permissible investment manager for improperly noticed withdrawal of funds.

(3) In order to qualify for the payment provided in 20-9-327, a clerk of the district must have a job description that includes performance of the following functions for the district:

(a) advise the trustees on financial and operational constraints as outlined by law;

(b) serve as a member of the administrative team, working closely with the district superintendent and other administrative staff to align the educational goals and financial stability of the district;

(c) assist the trustees in ensuring all district policies comply with local, state, and federal laws;

(d) attend trustees' meetings and ensure that a permanent record is maintained as required by law, and, if unable to attend, ensure a qualified designee maintains an accurate permanent record;

- (e) act as the custodian of all documents, records, and reports of the trustees, including the trustees' report required under 20-9-213;
- (f) maintain accurate and detailed accounting records of all financial transactions of the district, serving as a liaison during any financial and labor audits, as required; and
- (g) serve as the election administrator for the district unless the county administers an election at the request of the district."

Section 2. Section 20-6-326, MCA, is amended to read:

"20-6-326. Procedure for expansion of elementary school district into K-12 school district -- trustee resolution. (1) An existing elementary district that is not part of a unified school system or governed by a joint board with a high school district may expand into a K-12 district under the procedures outlined in this section only if the elementary district's ANB, as calculated under the provisions of 20-9-311, is at least 1,000.

(2) The expansion to a K-12 district may be requested by the trustees of an existing elementary district through passage of a resolution that includes the information outlined in 20-6-105(3) and requests the county superintendent to order an election to allow the electors of the elementary district to consider the proposition of expanding the elementary school district into a K-12 district. The trustees of an existing elementary district with an ANB of at least 1,000 may not pass a resolution for expansion more than one time within a 5-year period.

(3) (a) If the proposition for the expansion is approved by the electors of the elementary district and the trustees issue a certificate of election as provided in 20-20-416, for a period of 2 years from the date of the certification of the election the elementary trustees have the authority to propose to the electors of the elementary district:

- (i) a transition costs levy pursuant to 20-9-502; and
- (ii) a general obligation bond pursuant to Title 20, chapter 9, part 4, for the purpose of building, altering, repairing, buying, furnishing, equipping, purchasing lands for, or obtaining a water supply for a school to accommodate high school students.

(b) The bond limitations pursuant to 20-9-406 imposed on a district proposing a bond under subsection (3)(a) must be calculated on the limits for a K-12 district with the high school ANB calculated by

dividing the ANB of the elementary district by 9 and multiplying the result by 4.

(c) A bond approved under subsection (3)(a) becomes a bond of, and may not be issued until the creation of, the K-12 district formed pursuant to subsection (4).

(d) A district that issues a bond under this subsection (3) is eligible for facility reimbursements and advances pursuant to 20-9-366 through 20-9-371 that, until the new high school has enrolled students in all grades and has established an actual ANB for budgeting purposes, must be based on an estimated high school ANB calculated by dividing the ANB of the elementary district by 9 and multiplying the result by 4.

(e) Until the county superintendent orders the creation of a new high school district and attachment of the expanding elementary district to form a new K-12 district pursuant to subsection (4), the existing high school district remains intact for all purposes.

(4) If elementary electors approve a bond pursuant to subsection (3), on July 1 following the approval of the bond the county superintendent shall order the creation of a new high school district with identical boundaries to the expanding elementary district and the immediate attachment of the expanding elementary district to form a K-12 district. The county superintendent shall send a copy of the order to the board of county commissioners and to the trustees of the districts affected by the creation of the district. The trustees of the expanding elementary district must be designated as the trustees of the new K-12 district.

(5) Prior to the first school fiscal year in which the K-12 district will enroll students in a particular high school grade, the K-12 trustees shall prepare operating budgets for the new high school according to the school budgeting provisions of this title, except that:

(a) the ANB for any inaugural grades for the high school program of the K-12 district must be estimated by the trustees and may not exceed the number resulting from dividing the highest budgeted ANB of the elementary program in the preceding 3 fiscal years by 9 and multiplying the result by the number of grades in which the high school will enroll students for the first time in the ensuing school year;

(b) the number of quality educators for the high school program must be estimated by the trustees and may not exceed the number resulting from dividing the ANB estimated under subsection (5)(a) by 10;

(c) the taxable value for budgeting purposes of both the elementary and high school programs of the K-12 district must be based on the taxable value as most recently determined by the department of revenue;

(d) the general fund budget adopted by the trustees must be based on only the basic entitlement, the total quality educator and qualified staff payment, and the budget components derived from ANB counts; and

(e) the district's BASE aid for the upcoming year must be based on the general fund budget adopted by the trustees for the upcoming school year.

(6) Until the first school year in which the K-12 school district enrolls high school students in all grades and for a period of time not to exceed 6 years following the creation of the K-12 district:

(a) the high school district shall provide high school instruction to high school students of the K-12 district in any grades in which the K-12 district is not enrolling students;

(b) the K-12 district shall be responsible for providing transportation for its students enrolled in the high school district pursuant to subsection (6)(a), may establish a transportation budget for this purpose, and may receive state and county reimbursements under Title 20, chapter 10; and

(c) the K-12 district shall pay the high school district 20% of the per-ANB maximum rate established in 20-9-306 for each of its students enrolled in the high school district with one-half of the amount due by December 31 of the year following the year of attendance and the remainder due no later than June 15 of the year following the year of attendance. The K-12 trustees shall establish a tuition fund and levy to fund these payments.

(7) (a) Bonded indebtedness of the high school district that is outstanding as of the date of creation of the K-12 district must remain secured by and be the indebtedness of the original territory against which the bonds of the high school district were issued and must be paid by tax levies against the original territory.

(b) Bonded indebtedness of the high school district that is issued by the high school district following the creation of the K-12 district is secured by the territory of the high school district as of the date of issuance of the high school district bonds and must be paid by tax levies against the territory of the high school district. However, if bonds of the high school district were approved at a bond election conducted before the creation of the K-12 district, all bonds of the high school district issued by the high school district under the bond election authority must remain secured by and be the indebtedness of the territory of the high school district as of the date the bond authority was approved by voters and must be paid by tax levies against that territory.

(c) Bonded indebtedness of the K-12 district is secured by the territory of the K-12 district as of the date of issuance of the K-12 district bonds and must be paid by tax levies against the territory of the K-12 district.

(d) Bonded indebtedness of the elementary district that is outstanding as of the date of creation of the K-12 district must become upon the date of creation of the K-12 district the bonded indebtedness of the K-12 district and must be secured by the territory of the K-12 district and paid by tax levies against the territory of the K-12 district. The debt service on the bonds must be allocated to the elementary program of the K-12 district.

(e) Bonded indebtedness of the high school district or the K-12 district that is subsequently affected by a later reorganization of the high school district or the K-12 district is governed by the provisions of Title 20, chapter 6, part 4.

(8) When a K-8 district expands to a K-12 district as provided for in this section, a principal, teacher, or other certified employee of the original high school district who has a right of tenure under Montana law must be given preference in hiring for a vacant position in the new K-12 district for which the employee is qualified with the required certification endorsements."

Section 3. Section 20-6-812, MCA, is amended to read:

"20-6-812. Funding for public charter schools. (1) It is the intent of the legislature that a public charter school receive operational funding on a per-pupil basis that is equitable with the per-pupil funding of the located school district.

(2) (a) For budgeting and funding purposes, when a public charter school is operated by a local school board, a public charter school must be considered a separate budget unit of the located school district, must have its ANB calculated separately from other budget units of the district, and must receive a basic entitlement calculated separately from other budget units of the district when its ANB is greater than:

- (i) 70 for an elementary school or program;
- (ii) 20 for a middle school or program; or
- (iii) 40 for a high school or program.

(b) When a public charter school district exists, funding of the public charter school district must be

distributed as BASE aid, except as provided in subsection (2)(c), at 80% of the basic entitlement, 80% of the total per-ANB entitlement, 100% of the total quality educator and qualified staff payment, 100% of the total at-risk student payment, 100% of the total Indian education for all payment, 100% of the total American Indian achievement gap payment, 100% of the total data-for-achievement payment, and 140% of the special education allowable cost payment. The total amount of funding received by a public charter school district under this subsection (2)(b) is both the minimum amount and the maximum amount of public funding for the public charter school district.

(c) A public charter school district is not eligible for a basic entitlement unless its ANB is greater than:

- (i) 70 for an elementary school or program;
- (ii) 20 for a middle school or program; or
- (iii) 40 for a high school or program.

(3) Students attending a public charter school governed by a local school board who are not residents of the located school district generate funding in the same manner as other nonresident students attending a school of the located district under an out-of-district attendance agreement pursuant to Title 20, chapter 5, part 3;

(4) A public charter school district is prohibited from charging tuition and fees.

(5) For a public charter school that is not governed by the local school board, the county treasurer of the county in which a public charter school is located shall establish funds for the public charter school separate from the funds of the located school district.

(6) The governing board of a public charter school shall report annually on the financial activities of the public charter school in the manner prescribed in 20-9-213(6).

(7) A public charter school district may obligate the public charter school district to indebtedness and is solely responsible for those debts. A public charter school district is not responsible for any debt service obligations that exist in the located school district.

(8) Nothing in this part may be construed to prohibit any person or organization from providing funding or other assistance for the establishment or operation of a public charter school. The governing board of a public charter school is authorized to accept gifts or donations of any kind made to the public charter

school and to expend or use the gifts or donations in accordance with the conditions prescribed by the donor. A gift or donation may not be accepted if the gift or donation is subject to a condition that is contrary to any provision of law or term of the charter contract.

(9) Money received by a public charter school from any source and remaining in the public charter school's accounts at the end of a budget year must remain in the public charter school's accounts for use by the public charter school in subsequent years."

Section 4. Section 20-7-102, MCA, is amended to read:

"20-7-102. Accreditation of schools. (1) The conditions under which each elementary school, each middle school, each junior high school, 7th and 8th grades funded at high school rates, and each high school operates must be reviewed by the superintendent of public instruction to determine compliance with the standards of accreditation. The accreditation status of each school must then be established by the board of public education upon the recommendation of the superintendent of public instruction. Notification of the accreditation status for the applicable school year or years must be given to each district by the superintendent of public instruction.

(2) A school may be accredited for a period consisting of 1, 2, 3, 4, or 5 school years, except that multiyear accreditation may be granted only to schools that are in compliance with 20-4-101.

(3) A nonpublic school may, through its governing body, request that the board of public education accredit the school. Nonpublic schools may be accredited in the same manner as provided in subsection (1).

(4) As used in this section, "7th and 8th grades funded at high school rates" means an elementary school district or K-12 district elementary program whose 7th and 8th grades are funded as provided in 20-9-306(15)(e)(ii)."

Section 5. Section 20-7-1404, MCA, is amended to read:

"20-7-1404. Indian language immersion programs -- funding -- flexibility. (1) School districts are encouraged to create Indian language immersion programs and in doing so:

(a) collaborate with other school districts, the Montana digital academy, tribal governments, and tribal colleges;

(b) utilize materials produced in the Montana Indian language preservation pilot program pursuant to section 1, Chapter 410, Laws of 2013;

(c) utilize American Indian language and culture specialists as teachers of language and culture; and

(d) look to existing native language schools in Montana and around the world for guidance and best practices.

(2) In acknowledgment of Article X, section 1, of the Montana constitution, the educationally relevant factors for the school funding formula under 20-9-309(3), and the increased costs associated with language immersion programs, a district creating an Indian language immersion program is entitled to the following in addition to the school funding formula in Title 20, chapter 9:

(a) (i) subject to subsections (3) and (4), for every Indian student participating in an Indian language immersion program, an additional American Indian achievement gap payment, as calculated in 20-9-306, multiplied by 2; and

(ii) for every non-Indian student participating in an Indian language immersion program, an additional Indian education for all payment, as calculated in 20-9-306, multiplied by 2; and

(b) for every full-time American Indian language and culture specialist teaching in an Indian language immersion program, a quality educator and qualified staff payment as calculated in 20-9-306.

(3) For a district operating an Indian language immersion program that improves the district's graduation rate for American Indians by 5 percentage points or more from the previous year as measured by the office of public instruction, the multiplier in subsection (2)(a)(i) must be increased to 3.

(4) If the money appropriated for Indian language immersion programs is insufficient to provide the amounts in subsections (2) and (3), the office of public instruction shall prorate the payments accordingly.

(5) The board of public education is encouraged to approve proposed variances to standards of accreditation for Indian language immersion programs when the board finds the proposal to be educationally sound and in alignment with the purpose described in 20-7-1402(2).

(6) The cultural and intellectual property rights from materials developed for an Indian language immersion program belong to the tribe to which the materials relate. Use of the cultural and intellectual property outside of the Indian language immersion program may be negotiated with the tribe.

(7) A district may use payments received pursuant to this section as matching funds for federal or private fund sources to accomplish the purposes of this part."

Section 6. Section 20-7-1503, MCA, is amended to read:

"20-7-1503. Definitions. As used in this part, the following definitions apply:

(1) "Advanced opportunity" means any course, exam, or experiential, online, or other learning opportunity that is incorporated in a district's advanced opportunity plan and that is designed to advance each qualifying pupil's opportunity for postsecondary career and educational success.

(2) "Advanced opportunity aid" means, for each fiscal year, the following percentages of a district's total quality educator and qualified staff payment under 20-9-306 in the prior year after subtracting any adjustments to the district's total quality educator and qualified staff payment made under 20-9-324 and [section 16]:

(a) for an elementary district, ~~4.5% of the district's total quality educator payment defined in 20-9-306 in the prior year;~~

(b) for a high school district, ~~30% of the district's total quality educator payment defined in 20-9-306 in the prior year;~~ and

(c) for a K-12 district, ~~18% of the district's total quality educator payment defined in 20-9-306 in the prior year.~~

(3) "Advanced opportunity plan" means a plan adopted by a board of trustees of a district that provides advanced opportunities for the pupils of the district.

(4) "District" means a school district as defined in 20-6-101.

(5) "Qualifying pupil" means a pupil, as defined in 20-1-101, that is enrolled and admitted by a district qualified for advanced opportunity aid under 20-7-1506(3) who is in grades 6 through 12."

Section 7. Section 20-7-1506, MCA, is amended to read:

"20-7-1506. Incentives for creation of advanced opportunity programs. (1) A district that satisfies the conditions of subsection (2) and is qualified by the board of public education pursuant to subsection (3) is eligible for the funding and flexibilities in subsections (4) and (5).

(2) (a) To qualify for the funding and flexibilities in subsections (4) and (5), the board of trustees of a district shall submit an application that has been approved by motion of the board and signed by the presiding officer to the board of public education for approval of an advanced opportunity program on a form provided by the superintendent of public instruction.

(b) The school board's application must include a strategic plan with appropriate planning horizons for implementation, measurable objectives to ensure accountability, and planned strategies to:

(i) develop an advanced opportunity plan for each participating pupil from grades 6 through 12 that fosters individualized pathways for career and postsecondary educational opportunities and that honors individual interests, passions, strengths, needs, and culture and is supported through relationships among teachers, family, peers, the business community, postsecondary education officials, and other community stakeholders;

(ii) embed community-based, experiential, online, and work-based learning opportunities and foster a learning environment that incorporates both face-to-face and virtual connections; and

(iii) ensure equality of educational opportunity to participate by all qualifying pupils of the district.

(3) The board of public education shall:

(a) establish the opening and closing dates for receipt of applications and annual reports;

(b) no later than January 31, qualify for the subsequent school year nonparticipating districts that submit an application meeting the requirements of subsection (2) for the funding in subsection (4) and the flexibilities in subsection (5);

(c) no later than January 31, requalify for the subsequent school year participating districts that submit an annual report demonstrating continued qualification for funding under this section and including a report of progress toward measurable objectives under the district's advanced opportunity plan and any updates to the plan; and

~~(d) — limit the districts qualified under subsections (3)(b) and (3)(c) based on the appropriation available in the subsequent year and on the order of date received, after which further applications are to be deferred for consideration in a subsequent year, in the order of date received. An application deferred for consideration in a subsequent year due to lack of funding must be annually updated each year after more than 1 full fiscal year has passed from the date of original submission of the application in order for the application to~~

~~retain its priority by original date received.~~

~~(e)~~(d) on or before September 15 of even-numbered years, report to the education interim committee pursuant to 5-11-210 on the progress made by districts operating under approved advanced opportunity plans.

The report must address, at a minimum:

- (i) the number of pupils benefiting from advanced opportunity aid;
- (ii) the number and type of credits and certifications or credentials earned by pupils that have been paid for by the program;
- (iii) projected growth in the program and funding needs for the next biennium; and
- (iv) any issues with the program reported by pupils, parents, districts, postsecondary institutions, or examination administrators and how these issues are being addressed and whether the issues require legislative action.

(4) The superintendent of public instruction shall provide advanced opportunity aid to each district qualified by the board of public education under subsection (3) by October 1. The aid under this section must be distributed directly to the school district's flexibility fund under 20-9-543.

(5) Advanced opportunity aid may be expended on any qualifying pupil by the district subject to the following conditions:

(a) at least 75% of a district's annual distribution of advanced opportunity aid must be spent or encumbered to address out-of-pocket costs that would otherwise, in the absence of such expenditure, be assumed by a qualifying pupil or the pupil's family as a result of participation in an advanced opportunity. The trustees have full discretion to allocate expenditures among all pupils of the district or any select group of pupils, using any reasonable method they consider appropriate in their full discretion to meet the individual needs of each pupil who pursues an advanced opportunity. The trustees may create free district initiatives of their own that satisfy the conditions of this subsection (5)(a). Permissible expenditures include but are not limited to:

- (i) dual credit tuition at any institution under authority of the board of regents;
- (ii) exam fees used for postsecondary advancement, placement, or credit, including but not limited to exam fees associated with the ACT, SAT, CLEP, career advancement, international baccalaureate, and advanced placement;

(iii) fees charged by and any out-of-pocket costs of any business providing work-based learning opportunities to a qualifying pupil of the district, including the cost of workers' compensation insurance for work-based learning opportunities;

(iv) exam and other fees of any industry-recognized credential or license for which a qualifying pupil is eligible as a result of participation in an advanced opportunity;

(v) the costs of participation for qualifying pupils in out-of-school enrichment activities that, in the discretion of the trustees, advance the pupil's opportunity for postsecondary career and educational success; and

(vi) the costs of participation for qualifying pupils that are identified as necessary, in the discretion of the district and upon request of a qualifying pupil, to maximize the benefit of an advanced opportunity for a qualifying pupil;

(b) advanced opportunity aid remaining that is not expended or carried forward for the purposes of subsection (5)(a) may be spent by the district to provide any K-12 career and vocational/technical education course offered by the district.

(6) A district qualified for funding under subsection (3) may supplement state funding of advanced opportunity aid with matched expenditures from its adopted adult education budget, not to exceed 25% of the district's advanced opportunity aid. The conditions under subsection (5) apply to any matched expenditures funded under this subsection (6).

(7) The present law base calculated for K-12 local assistance under Title 17, chapter 7, part 1, must include advanced opportunity aid in an amount estimated to be sufficient to provide advanced opportunity aid to all districts of the state based on prior demand. Any shortfalls must be addressed in the same manner as funding of deficiencies in BASE aid under 20-9-351."

Section 8. Section 20-7-1602, MCA, is amended to read:

"20-7-1602. (Temporary) Incentives for creation of transformational learning programs. (1) (a) A school district as defined in 20-6-101 that satisfies the conditions of subsection (2) and is qualified by the board of public education pursuant to subsection (4) is eligible for a 4-consecutive-year provision of the transitional funding and flexibilities in subsections (5) and (6).

(b) A school district may be qualified by the board of public education for no more than one 4-consecutive-year provision of transitional funding and flexibilities in any 8-year period.

(2) To qualify for the transitional funding and flexibilities in subsections (5) and (6), the board of trustees of a district shall submit an application that has been approved by motion of the board of trustees and signed by the presiding officer to the board of public education for approval of a transformational learning program on a form provided by the superintendent of public instruction. The school board's application must:

(a) identify the number of full-time equivalent educators meeting the criteria of 20-9-327(3) who will participate in the district's transformational learning program, with full-time equivalence calculated and reported by the district based on the planned portion of each qualifying educator's full-time equivalent assignment that is dedicated to the district's transformational learning program;

(b) include the district's definition of proficiency within the meaning of the term as used in 20-9-311(4)(d). The definition must be incorporated in the district's policies and must be used for purposes of determining content and course proficiency and other progress, promotion from grade to grade, grades, and graduation for pupils enrolled in the district's transformational learning program. The district must also describe the district's plans for the implementation of proficiency-based learning as defined in 20-7-1601; and

(c) include a strategic plan with appropriate planning horizons for implementation, measurable objectives to ensure accountability, and planned strategies to:

(i) develop a transformational learning plan for each participating pupil that honors individual interests, passions, strengths, needs, and culture and that is rooted in relationships with teachers, family, peers, and community members;

(ii) embed community-based, experiential, online, and work-based learning opportunities and foster a learning environment that incorporates both face-to-face and virtual connections;

(iii) provide effective professional development to assist employees in transitioning to a transformational learning model; and

(iv) ensure equality of educational opportunity to participate by all pupils of the district.

(3) The board of public education shall establish by rule the opening and closing dates for receipt of applications and annual reports.

(4) The board of public education shall:

(a) on an annual basis, qualify districts that submit an application meeting, in the determination of the board or the board's designee, the requirements of subsection (2) for the funding in subsection (5) and the flexibilities in subsection (6) until the annual appropriation is exhausted, after which further applications, including first-time applications and annual reports requesting an expansion of a previously approved plan, are to be deferred for consideration in a subsequent year, in the order of a lottery system draw, if and when additional funds become available for distribution. The lottery system shall assign every first-time application or request for expansion of a previously approved plan a number that will be placed into a lottery system draw that will be done by a third party. The applications will be assigned a position in the order in which the numbers are drawn. The drawing will continue until all districts are on the qualification list for the current year funding or deferred for consideration in a subsequent year.

(b) require each participating school district to submit an annual report demonstrating, in the determination of the board or the board's designee, continued qualification for funding under this section and including a report of progress toward measurable objectives under the school district's transformational learning plan. The school district shall include any decrease or requested increase in the number of participating full-time equivalent educators under subsection (2)(a) for adjustments to its funding. Any increase in funding based on requested increased levels of participation under subsection (2)(a) must be determined in the year in which the request for a funding increase is received and augmented with a lottery system among all first-time applications and annual reports requesting an expansion of a previously approved plan and must be contingent on the availability of funds within any appropriation of the legislature. An application deferred for consideration in a subsequent year due to lack of funding must be annually updated each year after more than 1 full fiscal year has passed from the date of original submission of the application in order for the application to retain its priority by original date received.

(c) report in accordance with 5-11-210 to the education interim committee on the progress made by districts as submitted in the annual report and strategic plan operating under approved and funded transformational learning plans.

(5) (a) For a period of 4 consecutive fiscal years following the fiscal year in which a district is qualified by the board of public education and contingent on satisfying the annual reporting requirements under subsection (4), the superintendent of public instruction shall provide a transformational learning aid payment to

the district equivalent to 50% of the quality educator and qualified staff payment defined in 20-9-306 from the immediate prior fiscal year multiplied by the number of the district's full-time equivalent educators reported under subsection (2)(a) of this section.

(b) The payment under this subsection (5) must be distributed directly to the school district's flexibility fund established under 20-9-543 by October 1 of each year of funding by the superintendent of public instruction. The money must be expended by the district only for the purposes set forth in the district's approved transformational learning program and within 2 years of the date of distribution.

(c) A school district may not receive more than 25% of the total amount of payments made under this subsection (5).

(6) During each year that a school district remains qualified for funding under subsection (5), the district's trustees may:

(a) if the obligations of transparency set forth in 20-9-116 are met, levy an annual permissive property tax not to exceed 100% of any funds distributed to the district under subsection (5). Proceeds of the levy must be deposited in the district's flexibility fund established under 20-9-543 and must be expended by the district only for the purposes of the district's approved transformational learning plan.

(b) transfer state or local revenue from any budgeted or nonbudgeted fund, other than the debt service fund or retirement fund, to the district's flexibility fund.

(7) (a) Any funds transferred pursuant to subsection (6)(b) may be expended by the district solely for the purposes of implementing the district's approved transformational learning plan. Any transfers of funds are not considered expenditures to be applied against budget authority.

(b) Any transfers that are not expended for the purposes of implementing the district's approved transformational learning plan within 2 full school fiscal years after the funds are transferred must be transferred back to the originating fund from which the revenue was transferred.

(c) The intent of subsection (6)(b) and this subsection (7) is to increase the flexibility and efficiency of school districts without an increase in local taxes. In furtherance of this intent, if transfers of funds are made from any school district fund supported by a nonvoted levy, the district may not increase its nonvoted levy for the purpose of restoring the amount of funds transferred.

(8) The present law base calculated for K-12 local assistance under Title 17, chapter 7, part 1,

must include transformational learning aid as defined in subsection (9).

(9) For the purposes of this title, the following definitions apply:

(a) "Transformational learning" means a flexible system of pupil-centered and proficiency-based learning that is designed to develop the full educational potential of each pupil that:

(i) is customized to address each pupil's strengths, needs, and interests; and

(ii) actively engages each pupil in determining what, how, when, and where each pupil learns.

(b) "Transformational learning aid" means 50% of the quality educator and qualified staff payment defined in 20-9-306 multiplied by 10% of the statewide number of full-time equivalent educators from the fiscal year immediately preceding the year to which distribution of transformational aid applies calculated as provided in 20-9-327. (Terminates June 30, 2027--sec. 7, Ch. 402, L. 2019.)"

Section 9. Section 20-9-306, MCA, is amended to read:

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

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

(2) "BASE aid" means:

(a) direct state aid for 44.7% of the basic entitlement and 44.7% of the total per-ANB entitlement for the general fund budget of a district;

(b) guaranteed tax base aid for an eligible district for any amount up to 35.3% of the basic entitlement, up to 35.3% of the total per-ANB entitlement budgeted in the general fund budget of a district, and 40% of the special education allowable cost payment;

(c) the total quality educator and qualified staff payment;

(d) the total at-risk student payment;

(e) the total Indian education for all payment;

(f) the total American Indian achievement gap payment;

(g) the total data-for-achievement payment; and

(h) the total future ready payment; and

~~(h)~~(i) the special education allowable cost payment.

(3) "BASE budget" means the minimum general fund budget of a district, which includes 80% of the basic entitlement, 80% of the total per-ANB entitlement, 100% of the total quality educator and qualified staff payment, 100% of the total at-risk student payment, 100% of the total Indian education for all payment, 100% of the total American Indian achievement gap payment, 100% of the total data-for-achievement payment, 100% of the total future ready payment; and 140% of the special education allowable cost payment.

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

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

(6) "Basic entitlement" means:

(a) for each high school district:

(i) \$343,483 for fiscal year 2024 and \$353,787 for each succeeding fiscal year for school districts with an ANB of 800 or fewer; and

(ii) \$343,483 for fiscal year 2024 and \$353,787 for each succeeding fiscal year for school districts with an ANB of more than 800, plus \$17,175 for fiscal year 2024 and \$17,690 for each succeeding fiscal year for each additional 80 ANB over 800;

(b) for each elementary school district or K-12 district elementary program without an approved and accredited junior high school, 7th and 8th grade program, or middle school:

(i) \$57,246 for fiscal year 2024 and \$58,963 for each succeeding fiscal year for school districts or K-12 district elementary programs with an ANB of 250 or fewer; and

(ii) \$57,246 for fiscal year 2024 and \$58,963 for each succeeding fiscal year for school districts or K-12 district elementary programs with an ANB of more than 250, plus \$2,863 for fiscal year 2024 and \$2,949 for each succeeding fiscal year for each additional 25 ANB over 250;

(c) for each elementary school district or K-12 district elementary program with an approved and

accredited junior high school, 7th and 8th grade program, or middle school:

(i) for the district's kindergarten through grade 6 elementary program:

(A) \$57,246 for fiscal year 2024 and \$58,963 for each succeeding fiscal year for school districts or K-12 district elementary programs with an ANB of 250 or fewer; and

(B) \$57,246 for fiscal year 2024 and \$58,963 for each succeeding fiscal year for school districts or K-12 district elementary programs with an ANB of more than 250, plus \$2,863 for fiscal year 2024 and \$2,949 for each succeeding fiscal year for each additional 25 ANB over 250; and

(ii) for the district's approved and accredited junior high school, 7th and 8th grade programs, or middle school:

(A) \$114,493 for fiscal year 2024 and \$117,928 for each succeeding fiscal year for school districts or K-12 district elementary programs with combined grades 7 and 8 with an ANB of 450 or fewer; and

(B) \$114,493 for fiscal year 2024 and \$117,928 for each succeeding fiscal year for school districts or K-12 district elementary programs with combined grades 7 and 8 with an ANB of more than 450, plus \$5,724 for fiscal year 2024 and \$5,896 for each succeeding fiscal year for each additional 45 ANB over 450.

(7) "Budget unit" means the unit for which the ANB of a district is calculated separately pursuant to 20-9-311.

(8) "Direct state aid" means 44.7% of the basic entitlement and 44.7% of the total per-ANB entitlement for the general fund budget of a district and funded with state and county equalization aid.

(9) (a) "Maximum general fund budget" means, except as provided in subsection (9)(b), a district's general fund budget amount calculated from the basic entitlement for the district, the total per-ANB entitlement for the district, the total quality educator and qualified staff payment, the total at-risk student payment, the total Indian education for all payment, the total American Indian achievement gap payment, the total data-for-achievement payment, the total future ready payment, and the greater of the district's special education allowable cost payment multiplied by:

(a)(i) 175%; or

(b)(ii) the ratio, expressed as a percentage, of the district's special education allowable cost expenditures to the district's special education allowable cost payment for the fiscal year that is 2 years previous, with a maximum allowable ratio of 200%.

(b) (i) For a district that meets the legislative goal for base teacher pay under 20-9-324 and has territory within a county in which the median market value for residential properties is greater than 105% of the median county market value for residential properties in the state, the maximum general fund budget is calculated by multiplying the amount calculated in subsection (9)(a) by the percentage by which the county median market value exceeds the median county market value for residential properties in the state divided by 60 and rounded to the nearest hundredth of a percent.

(ii) The department of revenue shall calculate the median market values in subsection (9)(b)(i), excluding properties with a market value of \$50,000 or less, in odd-numbered calendar years and report this information to the office of public instruction no later than December 1. The values reported must apply to the calculations in subsection (9)(b)(i) and the maximum general fund budgets of districts calculated under this subsection (9) in the 2 school fiscal years beginning the following July 1.

(iii) A district adopting a higher general fund budget under this subsection (9)(b) shall expend the additional budget authority under this subsection (9)(b) on:

- (A) housing stipends for employees;
- (B) construction or purchase of district-owned housing provided for employees;
- (C) rental assistance, including subsidies or discounts on rents on housing for employees;
- (D) down-payment assistance, including district provided funds to assist employees with the initial down payment on a primary residence;
- (E) shared ownership of housing by the district and employee with an option for the employee to buy out the district's interest over time;
- (F) district guaranteed or subsidized housing loans, including payment of discount points on housing loans secured by an employee;
- (G) relocation assistance; or
- (H) any other financial assistance to employees authorized by the Internal Revenue Code, the purpose of which is to improve employee access to affordable housing.

(10) "Over-BASE budget levy" means the district levy in support of any general fund amount budgeted that is above the BASE budget and within the general fund budget limits established in 20-9-308 and calculated as provided in 20-9-141.

(11) "State's share" means the state funding distributed to school districts in an equitable manner by the state to support the basic elementary and secondary school system as provided in Article X, section 1(3), of the Montana constitution, including:

- (a) BASE aid for the school district general fund;
- (b) retirement guaranteed tax base aid to the counties to support the countywide school retirement funds that is then distributed to school districts to support employer contributions to the retirement systems;
- (c) major maintenance aid for the school district building reserve fund;
- (d) transportation reimbursements for the school district transportation fund;
- (e) debt service assistance for the school district debt service fund;
- (f) technology funding for the school district technology acquisition and depreciation fund;
- (g) career and technical education funding for the school district miscellaneous programs fund;
- (h) advanced opportunity aid for the school district flexibility fund to help develop the full educational potential of each student;
- (i) gifted and talented funding for the school district miscellaneous programs fund; and
- (j) any other state funding provided by the legislature to support the basic elementary and secondary school system.

~~(11)~~(12) "Total American Indian achievement gap payment" means the payment resulting from multiplying \$235 for fiscal year 2024 and \$242 for each succeeding fiscal year times the number of American Indian students enrolled in the district as provided in 20-9-330.

~~(12)~~(13) "Total at-risk student payment" means the payment resulting from the distribution of any funds appropriated for the purposes of 20-9-328.

~~(13)~~(14) "Total data-for-achievement payment" means the payment provided in 20-9-325 resulting from multiplying \$22.89 for fiscal year 2024 and \$23.58 for each succeeding fiscal year by the district's ANB calculated in accordance with 20-9-311.

(15) "Total future ready payment" means the payment provided in [section 14] resulting from adding:

- (a) (i) for a high school district or K-12 school district, the product of 10% of the high school maximum per-ANB payment under this section for every graduate of the district in the school year 2 years prior who achieved the future ready level 1 goal as provided in [section 14]; and

(ii) for an elementary school district or K-12 school district, the product of 10% of the elementary school maximum per-ANB payment under this section for every graduate counted under subsection (15)(a)(i) who was included in the district's spring enrollment count in the graduate's 8th grade year.

(b) (i) for a high school district or K-12 school district, the product of 20% of the high school maximum per-ANB payment under this section for every graduate of the district in the school year 2 years prior who achieved the future ready level 2 goal as provided in [section 14]; and

(ii) for an elementary school district or K-12 school district, the product of 20% of the elementary school maximum per-ANB payment under this section for every graduate counted under subsection (15)(b)(i) who was included in the district's spring enrollment count in the graduate's 8th grade year.

(c) (i) for a high school district or K-12 school district, the product of 30% of the high school maximum per-ANB payment under this section for every graduate of the district in the school year 2 years prior who achieved the future ready level 3 goal as provided in [section 14]; and

(ii) for an elementary school district or K-12 school district, the product of 30% of the elementary school maximum per-ANB payment under this section for every graduate counted under subsection (15)(c)(i) who was included in the district's spring enrollment count in the graduate's 8th grade year.

~~(14)(16)~~"Total Indian education for all payment" means the payment resulting from multiplying \$23.91 for fiscal year 2024 and \$24.63 for each succeeding fiscal year times the ANB of the district or \$100 for each district, whichever is greater, as provided for in 20-9-329.

~~(15)(17)~~"Total per-ANB entitlement" means the district entitlement resulting from the following calculations and using either the current year ANB or the 3-year ANB provided for in 20-9-311:

(a) for a high school district or a K-12 district high school program, a maximum rate of \$7,840 for fiscal year 2024 and \$8,075 for each succeeding fiscal year for the first ANB, decreased at the rate of 50 cents per ANB for each additional ANB of the district up through 800 ANB, with each ANB in excess of 800 receiving the same amount of entitlement as the 800th ANB;

(b) for an elementary school district or a K-12 district elementary program without an approved and accredited junior high school, 7th and 8th grade program, or middle school, a maximum rate of \$6,123 for fiscal year 2024 and \$6,307 for each succeeding fiscal year for the first ANB, decreased at the rate of 20 cents per ANB for each additional ANB of the district up through 1,000 ANB, with each ANB in excess of 1,000 receiving

the same amount of entitlement as the 1,000th ANB; and

(c) for an elementary school district or a K-12 district elementary program with an approved and accredited junior high school, 7th and 8th grade program, or middle school, the sum of:

(i) a maximum rate of \$6,123 for fiscal year 2024 and \$6,307 for each succeeding fiscal year for the first ANB for kindergarten through grade 6, decreased at the rate of 20 cents per ANB for each additional ANB up through 1,000 ANB, with each ANB in excess of 1,000 receiving the same amount of entitlement as the 1,000th ANB; and

(ii) a maximum rate of \$7,840 for fiscal year 2024 and \$8,075 for each succeeding fiscal year for the first ANB for grades 7 and 8, decreased at the rate of 50 cents per ANB for each additional ANB for grades 7 and 8 up through 800 ANB, with each ANB in excess of 800 receiving the same amount of entitlement as the 800th ANB.

~~(16)(18)(a)~~ "Total quality educator and qualified staff payment" means the payment resulting from multiplying \$3,566 for fiscal year 2024 and \$3,673 for each succeeding fiscal year by the number of full-time equivalent quality educators and qualified staff as provided in 20-9-327, or the sum of:

~~(a) — the number of full-time equivalent educators as provided in 20-9-327; and~~

~~(b) — as provided in 20-9-324, for a school district an educational entity meeting the legislative goal for competitive base pay of teachers, the number of full-time equivalent teachers that were in the first 3 years of the teacher's teaching career in the previous year by two times the number of full-time equivalent quality educators and qualified staff as provided in 20-9-327.~~

~~(b) If an educational entity qualifies for enhanced quality educator and qualified staff payments under 20-9-324 in a fiscal year, the entity retains that qualification in subsequent years unless the district fails to qualify for 2 consecutive years. After 2 consecutive years of failure to qualify, an educational entity must reestablish eligibility before the enhanced quality educator and qualified staff payments under 20-9-324 resume for the educational entity.~~

~~(c) For a school district qualifying for the shared resource incentive under [section 16], the district must receive additions to the total quality educator and qualified staff payment as described in [section 16].~~

~~(17)(19)~~ "Total special education allocation" means the state payment distributed pursuant to 20-9-321 that is the greater of the amount resulting from multiplying \$293.74 for fiscal year 2024 and \$302.55 for each

succeeding fiscal year by the statewide current year ANB or the amount of the previous year's total special education allocation."

Section 10. Section 20-9-324, MCA, is amended to read:

"20-9-324. Incentives for ~~school districts~~ educational entities meeting legislative goal for competitive base pay of teachers in ~~public school districts~~ -- definitions. (1) ~~A district, as defined in 20-6-101~~ An educational entity eligible for a quality educator and qualified staff payment under 20-9-327; must receive an ~~extra-enhanced~~ quality educator and qualified staff payment for ~~certain all~~ all quality educators and qualified staff, calculated as provided in 20-9-306~~(46)~~, if it meets the legislative goal for competitive base pay of teachers in subsection (2).

(2) The legislative goal for competitive base pay of teachers is a teacher base pay in an educational entity that in the applicable year:

(a) is equal to at least ~~40-11~~ times as much as the quality educator and qualified staff payment amount provided in 20-9-306~~(46)~~; and

(b) ~~for a school district classified as first class pursuant to Title 20, chapter 6, is not less than 70% of the teacher average pay in the school district is not less than the following percentages of the teacher average pay in the prior fiscal year in the educational entity:~~

(i) in fiscal year 2026, not less than 62%;

(ii) in fiscal year 2027, not less than 64%;

(iii) in fiscal year 2028, not less than 66%;

(iv) in fiscal year 2029, not less than 68%; and

(v) in fiscal year 2030 and succeeding fiscal years, not less than 70%.

(3) ~~A district~~ An educational entity seeking an incentive for the subsequent school fiscal year under this section shall, by December 1, provide the data necessary, as determined by the superintendent of public instruction, to verify:

(a) that the ~~district~~ educational entity has met the legislative goal established in subsection (2) for the current year; and

(b) the number of full-time equivalent teachers that are in the first 3 years of the teacher's teaching

career in the current year. The first 3 years of a teacher's teaching career do not include a year of teaching under an emergency authorization pursuant to 20-4-111.

(4) For the purposes of this section, the following definitions apply:

(a) "Educational entity" means:

(i) public school districts, as defined in 20-6-101 and 20-6-701;

(ii) special education cooperatives, as described in 20-7-451;

(iii) the Montana school for the deaf and blind, as described in 20-8-101;

(iv) correctional facilities, as defined in 41-5-103; and

(v) the Montana youth challenge program.

(b) "Full-time equivalent teacher" means a teacher who is contracted for employment for the entire academic year, fulfilling professional responsibilities throughout all periods of the day when the educational entity offers instruction. This includes time spent preparing for classes, delivering instruction, mentoring others, and performing other duties set forth in the teacher's job description, individual contract, or in the collective bargaining agreement governing the teacher's employment.

~~(a)~~(c) "Teacher" means an individual who:

(i) holds a current class 1, 2, 4, 5, 6, or 7 license issued by the office of public instruction under rules adopted by the board of public education pursuant to 20-4-102; and

(ii) is employed by ~~a school district~~ an educational entity in an instructional position requiring teacher licensure.

~~(b)~~(d) "Teacher average pay" means the total compensation paid by ~~a school district~~ an educational entity to all of its teachers, not including bonuses, stipends, or extended duty contracts, divided by the total full-time equivalent teachers employed ~~in the district, with full-time equivalence rounded to the nearest tenth by the~~ entity.

~~(c)~~(e) "Teacher base pay" means the lowest salary for a full-time equivalent beginning teacher for the current year as incorporated in the ~~district's~~ educational entity's collective bargaining agreement or a memorandum of understanding executed between the entity and the applicable union if the teachers' employment is covered by a collective bargaining agreement pursuant to Title 39, chapter 31, or incorporated in ~~district~~ the entity's policy if the teachers' employment is not covered by a collective bargaining agreement, not

including bonuses, stipends, or extended duty contracts."

Section 11. Section 20-9-327, MCA, is amended to read:

"20-9-327. Quality educator and qualified staff payment. (1) (a) The state shall provide a quality educator ~~payment to~~ and qualified staff payment as calculated in 20-9-306 to the following educational entities:

- (i) public school districts, as defined in 20-6-101 and 20-6-701;
- (ii) special education cooperatives, as described in 20-7-451;
- (iii) the Montana school for the deaf and blind, as described in 20-8-101;
- (iv) correctional facilities, as defined in 41-5-103; and
- (v) the Montana youth challenge program.

(b) A special education cooperative that has not met the requirements of 20-7-454 may not be funded under the provisions of this section except by approval of the superintendent of public instruction.

(2) (a) The quality educator and qualified staff payment for special education cooperatives must be distributed directly to ~~those entities~~ special education cooperatives by the superintendent of public instruction.

(b) The quality educator and qualified staff payment for the Montana school for the deaf and blind must be distributed to the Montana school for the deaf and blind.

(c) The quality educator and qualified staff payment for Pine Hills correctional facility and the facility under contract with the department of corrections for female, as defined in 1-1-201, youth must be distributed to those facilities by the department of corrections.

(d) The quality educator and qualified staff payment for the Montana youth challenge program must be distributed to that program by the department of military affairs.

(3) ~~(a) The quality educator payment is calculated as provided in 20-9-306, using number of quality~~ educators is the number of full-time equivalent educators, as reported to the superintendent of public instruction for accreditation purposes in the previous school year, each of whom:

~~(a)(i)~~ (i) holds a valid certificate under the provisions of 20-4-106 and is employed by an educational entity listed in subsection (1) ~~of this section~~ in a position that requires an educator license in accordance with the administrative rules adopted by the board of public education; or

(ii) holds an American Indian language and culture specialist license and is employed by an entity

listed in subsection (1) to provide instruction in American Indian language and culture.

(b) The number of qualified staff is the number of full-time equivalent staff, each of whom:

(i) is employed by an educational entity listed in subsection (1) to provide services to students as a licensed professional under 37-8-405, 37-8-415, 37-11-301, 37-15-301, 37-17-302, 37-24-301, 37-25-302, 37-39-308, 37-39-309, or 37-39-311; and

(ii) is employed by an entity listed in subsection (1) to provide services to students; or

(c) (i) holds an American Indian language and culture specialist license; and

(ii) is employed by an entity listed in subsection (1) to provide services to students in an Indian language immersion program pursuant to Title 20, chapter 7, part 14

(ii) is employed by an educational entity listed in subsection (1) and has been issued an emergency authorization of employment under 20-4-111 for that entity for no more than 3 school years; or

(iii) is employed by a public school district, as defined in 20-6-101 and 20-6-701, as clerk of the district and performs the functions described in 20-3-325(3)."

Section 12. Section 20-9-344, MCA, is amended to read:

"20-9-344. Duties of board of public education for distribution of BASE aid. (1) The board of public education shall administer and distribute the BASE aid and state advances for county equalization in the manner and with the powers and duties provided by law. The board of public education:

(a) shall adopt policies for regulating the distribution of BASE aid and state advances for county equalization in accordance with the provisions of law;

(b) may require reports from the county superintendents, county treasurers, and trustees that it considers necessary; and

(c) shall order the superintendent of public instruction to distribute the BASE aid on the basis of each district's annual entitlement to the aid as established by the superintendent of public instruction. In ordering the distribution of BASE aid, the board of public education may not increase or decrease the BASE aid distribution to any district on account of any difference that may occur during the school fiscal year between budgeted and actual receipts from any other source of school revenue.

(2) The board of public education may order the superintendent of public instruction to withhold

distribution of BASE aid from a district when the district fails to:

(a) submit reports or budgets as required by law or rules adopted by the board of public education;
or

(b) maintain accredited status because of failure to meet the board of public education's assurance and performance standards.

(3) Prior to any proposed order by the board of public education to withhold distribution of BASE aid or county equalization money, the district is entitled to a contested case hearing before the board of public education, as provided under the Montana Administrative Procedure Act.

(4) If a district or county receives more BASE aid than it is entitled to, the county treasurer shall return the overpayment to the state upon the request of the superintendent of public instruction in the manner prescribed by the superintendent of public instruction.

(5) Except as provided in 20-9-347(2), the BASE aid payment must be distributed according to the following schedule:

(a) from August to November of the school fiscal year, to each district 10% of:

- (i) direct state aid;
- (ii) the total quality educator and qualified staff payment;
- (iii) the total at-risk student payment;
- (iv) the total Indian education for all payment;
- (v) the total American Indian achievement gap payment; and
- (vi) the total data-for-achievement payment;

(b) from January to April of the school fiscal year, to each district 10% of:

- (i) direct state aid;
- (ii) the total quality educator and qualified staff payment;
- (iii) the total at-risk student payment;
- (iv) the total Indian education for all payment;
- (v) the total American Indian achievement gap payment; and
- (vi) the total data-for-achievement payment;

(c) in December of the school fiscal year, one-half of the guaranteed tax base aid payment to each

district or county that has submitted a final budget to the superintendent of public instruction in accordance with the provisions of 20-9-134;

(d) in May of the school fiscal year, the remainder of the guaranteed tax base aid payment to each district or county; and

(e) in June of the school fiscal year, the remaining payment to each district of direct state aid, the total quality educator and qualified staff payment, the total at-risk student payment, the total Indian education for all payment, the total American Indian achievement gap payment, and the total data-for-achievement payment.

(6) The distribution provided for in subsection (5) must occur by the last working day of each month."

Section 13. Section 20-9-366, MCA, is amended to read:

"20-9-366. Definitions. Subject to adjustments pursuant to 20-9-336, as used in 20-9-366 through 20-9-371, the following definitions apply:

(1) "County retirement mill value per elementary ANB" or "county retirement mill value per high school ANB" means the sum of the taxable valuation in the previous year of all property in the county divided by 1,000, with the quotient divided by the total county elementary ANB count or the total county high school ANB count used to calculate the elementary school districts' and high school districts' prior year total per-ANB entitlement amounts.

(2) (a) "District guaranteed tax base ratio" for guaranteed tax base funding for the BASE budget of an eligible district means the taxable valuation in the previous year of all property in the district, except for property value disregarded because of protested taxes under 15-1-409(2) or property subject to the creation of a new school district under 20-6-326, divided by the district's prior year GTBA budget area.

(b) "District mill value per ANB", for school facility entitlement purposes, means the taxable valuation in the previous year of all property in the district, except for property subject to the creation of a new school district under 20-6-326, divided by 1,000, with the quotient divided by the ANB count of the district used to calculate the district's prior year total per-ANB entitlement amount.

(3) "Facility guaranteed mill value per ANB", for school facility entitlement guaranteed tax base

purposes, means, subject to adjustment under 20-9-336, the sum of the taxable valuation in the previous year of all property in the state, multiplied by 140% and divided by 1,000, with the quotient divided by the total state elementary ANB count or the total state high school ANB count used to calculate the elementary school districts' and high school districts' prior year total per-ANB entitlement amounts.

(4) "Guaranteed tax base aid budget area" or "GTBA budget area" means the portion of a district's BASE budget after the following payments are subtracted:

- (a) direct state aid;
- (b) the total data-for-achievement payment;
- (c) the total quality educator and qualified staff payment;
- (d) the total at-risk student payment;
- (e) the total Indian education for all payment;
- (f) the total American Indian achievement gap payment; and
- (g) the state special education allowable cost payment.

(5) (a) "Statewide elementary guaranteed tax base ratio" or "statewide high school guaranteed tax base ratio", for guaranteed tax base funding for the BASE budget of an eligible district, means, subject to adjustment under 20-9-336, the sum of the taxable valuation in the previous year of all property in the state, multiplied by 254% for fiscal year 2024 and by 259% for fiscal year 2025 and each succeeding fiscal year and divided by the prior year statewide GTBA budget area for the state elementary school districts or the state high school districts. For fiscal year 2024 and subsequent fiscal years, the superintendent of public instruction shall increase the multiplier, not to exceed 262%, in this subsection (5)(a) as follows:

(i) for fiscal years 2024 through 2031, if the revenue transferred to the state general fund pursuant to 16-12-111 in the prior fiscal year is at least \$1 million more than the revenue transferred in the fiscal year 2 years prior, then:

(A) multiply the amount of increased revenue transferred to the state general fund pursuant to 16-12-111 in the prior fiscal year above the amount of revenue transferred in the fiscal year 2 years prior by 0.25, divide the resulting product by \$500,000, and round to the nearest whole number; and

(B) add the number derived in subsection (5)(a)(i)(A) as a percentage point increase to the multiplier used for the prior fiscal year;

(ii) for fiscal years 2024 through 2031, if the revenue transferred to the state general fund pursuant to 16-12-111 in the prior fiscal year is less than \$1 million more than the revenue transferred in the fiscal year 2 years prior, then the multiplier is equal to the multiplier used for the prior fiscal year;

(iii) for fiscal years 2032 and subsequent fiscal years, the multiplier is equal to the multiplier used for fiscal year 2031; and

(iv) for all multiplier increases under this subsection (5)(a), the calculations are made in the year prior to the year in which the increase to the multiplier takes effect and impacts distribution of guaranteed tax base aid.

(b) "Statewide mill value per elementary ANB" or "statewide mill value per high school ANB", for school retirement guaranteed tax base purposes, means, subject to adjustment under 20-9-336, the sum of the taxable valuation in the previous year of all property in the state, multiplied by 189% and divided by 1,000, with the quotient divided by the total state elementary ANB count or the total state high school ANB amount used to calculate the elementary school districts' and high school districts' prior year total per-ANB entitlement amounts."

Section 14. Future ready payment -- purpose -- calculation -- definitions. (1) Beginning in fiscal year ~~2027~~ 2028, the state shall provide a future ready payment to school districts. The payment is composed of incentive amounts as described in 20-9-306 and this section. The purpose of the payment is to:

(a) expand personalized career and technical education opportunities for middle school and high school pupils;

(b) reduce out-of-pocket costs for pupils and families in support of a pupil's postsecondary success;

(c) empower pupils to actively engage in forming their postsecondary success path; and

(d) provide expanded flexibility to districts to support the alignment of each pupil's postsecondary success path with each pupil's individual interests, passions, strengths, needs, and culture.

(2) The incentive amount of the future ready payment is based on three goal levels:

(a) goal level 1, high school graduates who while in high school earned 15 or more postsecondary or CTE-equivalent credits;

(b) goal level 2, high school graduates who while in high school earned 30 or more postsecondary or CTE-equivalent credits; and

(c) goal level 3, high school graduates who while in high school earned an associate-level degree.

(3) (a) A high school graduate may reach goal levels 1 and 2 using any combination of postsecondary and CTE-equivalent credits.

(b) A high school graduate who achieves a higher future ready goal level does not generate a lower goal level payment.

(4) For the purposes of [section 15] and this section, the following definitions apply:

(a) "CTE-equivalent credit" means the career and technical education (CTE) credit value ascribed by the department of labor and industry as set forth in [section 15].

(b) (i) "Postsecondary credit" means the successful completion of a course of study by a student enrolled in a high school district or K-12 school district that results in the student's eligibility for transcribed credit within the Montana university system.

(ii) No later than December 1, the commissioner of higher education shall provide to the office of public instruction an annually updated list of the criteria of courses of study, including any completion or examination requirements, that a high school student may take that result in eligibility for transcribed credit at any unit of the Montana university system based on the adopted policies of the board of regents of higher education. If the number of credits differs based on examination results, the list must include these differentiated credit values. The list submitted applies to the achievements of high school graduates from the prior school year.

Section 15. CTE-equivalent credit -- department of labor and industry -- rulemaking. (1)

Annually, but not later than December 1, the department of labor and industry shall adopt in rule a list of industry-recognized credentials, combinations of credentials, and work-based learning experiences, and the credit value of each. The list must:

(a) be developed, in part, with input from industry stakeholders, school districts, the office of public instruction, and the office of the commissioner of higher education;

(b) include credentials, combinations of credentials, and work-based learning experiences that

lead to enhanced employment opportunities at higher rates of compensation and, when feasible, are stackable toward further credentialing;

(c) note the credit value available in 3-credit increments; and

(d) be applicable from the date of adoption until the date a new list is adopted. However, if a credential or work-based learning experience is removed from the list, a high school student who is already enrolled in a listed course may receive credit for the course through the end of the current school term.

(2) The department of labor and industry shall adopt a process to add recognition for credentials and work-based learning experiences between list updates that are available to any student. The process must:

(a) be set forth in administrative rule, written to include factors for consideration of inclusion and exclusion;

(b) solely allow for a high school district or K-12 school district to submit proposed recognition; and

(c) provide for posting added credentials and work-based learning experiences to the department of labor and industry website.

(3) The department of labor and industry may adopt rules necessary for the implementation of this section.

Section 16. Incentives for school districts based on sharing resources. (1) Beginning in school fiscal year 2027, a school district must receive an enhanced quality educator and qualified staff payment, calculated as provided in 20-9-306 and this section, if it meets the legislative goals for resource sharing as described in this section.

(2) If two or more school districts, or three or more school districts when one district is either an elementary or high school district of a unified school system, cooperate to jointly employ an individual who qualifies as a quality educator or qualified staff under 20-9-327, with each district employing the individual as no less than a 0.33 full-time equivalent employee, that employee must be counted as a 1.0 full-time equivalent employee for the purposes of calculating the total quality educator and qualified staff payment provided in 20-9-306 for each district participating in the joint employment of the individual.

(3) Joint employment for school districts qualifies is met if the districts employ the individual directly or through the terms of a multidistrict agreement as provided in 20-3-363.

Section 17. School funding data dashboard. (1) The legislative fiscal analyst shall develop publicly available and interactive data tools related to school funding. The purpose of these tools is to help Montanans better understand school funding and to assist policymakers in monitoring the status of school funding.

- (2) The data tools must:
 - (a) be based on the most accurate and current financial data available;
 - (b) allow for longitudinal analysis and disaggregation based on district type, size, and location; and
 - (c) include data measures related to but not limited to:
 - (i) the percent of total K-12 revenues provided by the state's share as defined in 20-9-306;
 - (ii) the percent of total K-12 revenues made up of property tax revenue;
 - (iii) the equitable distribution of the state's share and the equity of the funding formula;
 - (iv) base, average, and top teacher and administrator salaries compared regionally, nationally, and by state rankings; and
 - (v) other data measures as determined by the legislative fiscal analyst or as directed by the legislative finance committee.

- (3) In developing the data tools, the legislative fiscal analyst shall collaborate with:
 - (a) the board of public education;
 - (b) the office of public instruction;
 - (c) the governor's office of budget and program planning;
 - (d) the legislative services division; and
 - (e) other organizations or entities as determined by the legislative fiscal analyst or as directed by the legislative finance committee.

Section 18. Transition. (1) (a) The legislature intends that the enhanced incentive and flexibility in meeting the legislative goals for competitive teacher base pay under [this act] apply for and are to be distributed in fiscal year 2026 and that the superintendent of public instruction robustly support educational entities in fulfilling the data submission requirements to meet the legislative goals.

- (b) For school fiscal year 2026 only:

(i) prior to enhancements under subsection (1)(b)(ii) and applicable for the fiscal year 2026 budget, each school district must have the number of full-time equivalent quality educators and qualified staff increased by 1.

(ii) an educational entity must receive the enhanced incentives based on the entity's commitment, in a format prescribed by the superintendent of public instruction, to meet the revised legislative goals for fiscal year 2026 established in [this act]:

(A) a teacher base salary in fiscal year 2026 that is at least 11 times the fiscal year 2026 quality educator and qualified staff payment amount provided in 20-9-306, as amended in House Bill No. 15; and

(B) a teacher base salary in fiscal year 2026 that is at least 62% of the teacher average salary in fiscal year 2025; and

(iii) the superintendent of public instruction shall allow an educational entity the opportunity to provide this commitment until [the effective date of this act] or May 15, 2025, whichever is later, and adjust the entity's general fund BASE and maximum general fund budget limits and quality educator and qualified staff payment for fiscal year 2026 accordingly and as applicable.

(2) (a) The legislature intends that emergency authorized teachers are included with the quality educator and qualified staff payments distributed beginning in fiscal year 2026.

(b) The legislature intends that eligible district clerks are included with the quality educator and qualified staff payments distributed beginning in fiscal year 2027.

(3) The legislature intends that the increases in maximum general fund budget limits related to housing costs under [this act] apply for fiscal year 2026 and that the department of revenue and the superintendent of public instruction collaborate to meet this intention. As applies to school fiscal year 2026:

(a) the department of revenue shall provide the housing cost data as described in [this act] that it would have provided in December 2023, had [this act] been effective then, to OPI within 10 days of [the effective date of this act]; and

(b) the superintendent of public instruction shall inform a school district of any increase to the district's maximum general fund budget limit for fiscal year 2026—by June 1, 2025.

(4) For 2025 only, the May 1 deadline for the superintendent of public instruction to provide financial information to school districts under 20-9-369 is extended to June 1.

(5) The legislature intends that the future ready payment component provided for in [section 14] be fully operational for and result in initial distribution of funding by the office of public instruction during fiscal year 2028, based on the achievements of high school graduates of school year 2026 during their high school careers.

(6) The legislature intends that the incentive for resource sharing under [section 16] be fully operational for and result in distribution of funding by the office of public instruction during fiscal year 2027.

Section 19. Codification instruction. [Sections 14 through 17] are intended to be codified as an integral part of Title 20, chapter 9, part 3, and the provisions of Title 20, chapter 9, part 3, apply to [sections 14 through 17].

Section 20. Appropriation. There is appropriated from the general fund to the office of public instruction \$100,000 for each fiscal year of the biennium beginning July 1, 2025, for advanced opportunity aid. The money is in addition to the amount appropriated in House Bill No. 2 for advanced opportunity aid.

Section 21. Effective date. [This act] is effective on passage and approval.

Section 22. Applicability. [This act] applies to school years beginning on or after July 1, 2025.

- END -

I hereby certify that the within bill,
HB 252, originated in the House.

Chief Clerk of the House

Speaker of the House

Signed this _____ day
of _____, 2025.

President of the Senate

Signed this _____ day
of _____, 2025.

HOUSE BILL NO. 252

INTRODUCED BY L. JONES, W. GALT, S. NOVAK, L. MUSZKIEWICZ, M. NIKOLAKAKOS, P. ELVERUM, L. BENNETT, C. SCHOMER, C. COCHRAN, S. ROSENZWEIG, E. TILLEMANN, D. BEDEY, M. BERTOGLIO, E. BUTTREY, J. FULLER, B. GILLESPIE, E. MATTHEWS, W. MCKAMEY, C. SPRUNGER, J. KASSMIER, G. LAMMERS, S. VINTON, K. WALSH, J. ETCHART, B. BARKER, L. BREWSTER, J. COHENOUR, C. KEOGH, E. KERR-CARPENTER, G. NIKOLAKAKOS, S. MORIGEAU, G. PARRY, L. REKSTEN, M. ROMANO, P. TUSS, J. DARLING

AN ACT GENERALLY REVISING SCHOOL FUNDING LAWS; ENHANCING THE SCHOOL FUNDING FORMULA THROUGH INCENTIVES AND A HOUSING COST BUDGET AUTHORITY INCREASE; REVISING THE INCENTIVE TO INCREASE TEACHER BASE SALARIES; ESTABLISHING A NEW INCENTIVE RELATED TO RESOURCE SHARING AMONG SCHOOL DISTRICTS; EXPANDING THE TYPES OF EDUCATIONAL ENTITIES THAT CAN RECEIVE INCENTIVES FOR MEETING STARTING TEACHER PAY BENCHMARKS; RENAMING AND REVISING THE QUALITY EDUCATOR FUNDING COMPONENT; RESTORING FULL FUNDING TO THE ADVANCED OPPORTUNITIES PROGRAM; INCLUDING DISTRICT CLERKS PERFORMING CERTAIN FUNCTIONS IN THE QUALITY EDUCATOR AND QUALIFIED STAFF FUNDING COMPONENT; INCLUDING CERTAIN INDIVIDUALS WORKING UNDER AN EMERGENCY AUTHORIZATION IN THE QUALITY EDUCATOR AND QUALIFIED STAFF FUNDING COMPONENT; ESTABLISHING A NEW K-12 BASE AID FUTURE READY FUNDING COMPONENT RELATED TO POSTGRADUATION PREPARATION; PROVIDING INCREASED BUDGET AUTHORITY FOR CERTAIN SCHOOL DISTRICTS IMPACTED BY HIGH HOUSING COSTS FOR USE IN ADDRESSING THOSE COSTS; REQUIRING THE LEGISLATIVE FISCAL ANALYST TO CREATE A SCHOOL FUNDING DATA DASHBOARD; PROVIDING DEFINITIONS; PROVIDING RULEMAKING AUTHORITY; PROVIDING AN APPROPRIATION; AMENDING SECTIONS 20-3-325, 20-6-326, 20-6-812, 20-7-102, 20-7-1404, 20-7-1503, 20-7-1506, 20-7-1602, 20-9-306, 20-9-324, 20-9-327, 20-9-344, AND 20-9-366, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY DATE."