

## 1 HOUSE BILL NO. 606

2 INTRODUCED BY B. BARKER, S. FITZPATRICK, L. DEMING

3  
4 A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING EDUCATION LAWS RELATED TO  
5 SCHOOL DISTRICT REORGANIZATION; CREATING A PATHWAY FOR VARIOUS TYPES OF SCHOOL  
6 DISTRICTS TO REORGANIZE TO FORM A UNIFIED K-12 SCHOOL DISTRICT; REQUIRING COUNTY  
7 SUPERINTENDENTS OF SCHOOLS TO MODIFY SCHOOL DISTRICT BOUNDARIES WHEN NECESSARY  
8 TO ACCOMMODATE REORGANIZATIONS; REPLACING THE WORD "CONSOLIDATION" WITH  
9 "REORGANIZATION" AS APPLICABLE IN EDUCATION LAWS; AMENDING SECTIONS 20-3-205, 20-3-302,  
10 20-3-312, 20-3-342, 20-6-202, 20-6-314, 20-6-410, 20-6-411, 20-6-413, 20-6-414, 20-6-423, 20-6-424, 20-6-  
11 704, 20-9-311, AND 20-9-502, MCA; AND PROVIDING AN EFFECTIVE DATE."

12  
13 WHEREAS, rural schools serve as the foundation of Montana's rural communities, providing  
14 educational, social, and economic stability; and

15 WHEREAS, ensuring administrative efficiencies and financial sustainability will help preserve the  
16 viability of small rural schools for future generations; and

17 WHEREAS, collaboration among students, families, and educators fosters a stronger, more effective  
18 learning environment; and

19 WHEREAS, school district reorganization does not equate to school closures but rather promotes  
20 resource-sharing and operational efficiency; and

21 WHEREAS, aligning district boundaries will expand educational opportunities, enhance school choice,  
22 and address tax inequities associated with out-of-district attendance; and

23 WHEREAS, unified K-12 school districts provide a seamless educational experience, ensuring  
24 curricular consistency and student success from kindergarten through high school graduation; and

25 WHEREAS, the Montana Legislature upholds the principle of local governance in education,  
26 recognizing the authority of elected school district trustees as enshrined in Article X, section 8, of the Montana  
27 Constitution.

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

2  
3 **Section 1.** Section 20-3-205, MCA, is amended to read:

4 **"20-3-205. Powers and duties.** (1) The county superintendent has general supervision of the schools  
5 of the county within the limitations prescribed by this title and shall perform the following duties or acts:

6 (a) determine, establish, and reestablish trustee nominating districts in accordance with the  
7 provisions of 20-3-352, 20-3-353, and 20-3-354;

8 (b) administer and file the oaths of members of the boards of trustees of the districts in the county  
9 in accordance with the provisions of 20-3-307;

10 (c) register the teacher or specialist certificates or emergency authorization of employment of any  
11 person employed in the county as a teacher, specialist, principal, or district superintendent in accordance with  
12 the provisions of 20-4-202;

13 (d) file a copy of the audit report for a district in accordance with the provisions of 20-9-203;

14 (e) classify districts in accordance with the provisions of 20-6-201 and 20-6-301;

15 (f) keep a transcript of the district boundaries of the county;

16 (g) fulfill all responsibilities assigned under the provisions of this title regulating the organization,  
17 alteration, or abandonment of districts;

18 (h) act on any unification proposition and, if approved, establish additional trustee nominating  
19 districts in accordance with 20-6-312 and 20-6-313;

20 (i) estimate the average number belonging (ANB) of an opening school in accordance with the  
21 provisions of 20-6-502, 20-6-503, 20-6-504, or 20-6-506;

22 (j) process and, when required, act on school isolation applications in accordance with the  
23 provisions of 20-9-302;

24 (k) complete the budgets, compute the budgeted revenue and tax levies, file final budgets and  
25 budget amendments, and fulfill other responsibilities assigned under the provisions of this title;

26 (l) monthly, unless otherwise provided by law, order the county treasurer to apportion state  
27 money, county school money, and any other school money subject to apportionment in accordance with the  
28 provisions of 20-9-212, 20-9-347, 20-10-145, or 20-10-146;

- 1 (m) act on any request to transfer average number belonging (ANB) in accordance with the  
2 provisions of 20-9-313(1)(c);
- 3 (n) calculate the estimated budgeted general fund sources of revenue in accordance with the  
4 general fund revenue provisions of the general fund part of this title;
- 5 (o) compute the revenue and compute the district and county levy requirements for each fund  
6 included in each district's final budget and report the computations to the board of county commissioners in  
7 accordance with the provisions of the general fund, transportation, bonds, and other school funds parts of this  
8 title;
- 9 (p) file and forward bus driver certifications, transportation contracts, and state transportation  
10 reimbursement claims in accordance with the provisions of 20-10-103, 20-10-143, or 20-10-145;
- 11 (q) for districts that do not employ a district superintendent or principal, recommend library book  
12 and textbook selections in accordance with the provisions of 20-7-204 or 20-7-602;
- 13 (r) notify the superintendent of public instruction of a textbook dealer's activities when required  
14 under the provisions of 20-7-605 and otherwise comply with the textbook dealer provisions of this title;
- 15 (s) act on district requests to allocate federal money for indigent children for school food services  
16 in accordance with the provisions of 20-10-205;
- 17 (t) perform any other duty prescribed from time to time by this title, any other act of the legislature,  
18 the policies of the board of public education, the policies of the board of regents relating to community college  
19 districts, or the rules of the superintendent of public instruction;
- 20 (u) administer the oath of office to trustees without the receipt of pay for administering the oath;
- 21 (v) keep a record of official acts, preserve all reports submitted to the superintendent under the  
22 provisions of this title, preserve all books and instructional equipment or supplies, keep all documents  
23 applicable to the administration of the office, and surrender all records, books, supplies, and equipment to the  
24 next superintendent;
- 25 (w) within 90 days after the close of the school fiscal year, publish an annual report in the county  
26 newspaper stating the following financial information for the school fiscal year just ended for each district of the  
27 county:
- 28 (i) the total of the cash balances of all funds maintained by the district at the beginning of the year;

- 1           (ii)     the total receipts that were realized in each fund maintained by the district;
- 2           (iii)    the total expenditures that were made from each fund maintained by the district; and
- 3           (iv)     the total of the cash balances of all funds maintained by the district at the end of the school
- 4 fiscal year; and
- 5           (x)     hold meetings for the members of the trustees from time to time at which matters for the good
- 6 of the districts must be discussed.
- 7           (2)     (a) When a district in one county annexes a district in another county, the county
- 8 superintendent of the county where the annexing district is located shall perform the duties required by this
- 9 section.
- 10          (b)     When two or more districts in more than one county ~~consolidate~~ reorganize, the duties required
- 11 by this section must be performed by the county superintendent designated in the same manner as other
- 12 county officials in 20-9-202."

13

14           **Section 2.** Section 20-3-302, MCA, is amended to read:

15           **"20-3-302. Legislative intent to elect less than majority of trustees.** (1) It is the intention of the

16 legislature that the terms of a majority of the trustee positions of any district with elected trustees may not

17 regularly expire and be subject to election on the same regular school election day. In elementary districts,

18 there may not be more than three trustee positions in first-class districts, two trustee positions in second-class

19 districts or third-class districts having five trustee positions, or one trustee position in third-class districts having

20 three trustee positions regularly subject to election at the same time. In high school districts there may not be

21 more than two additional trustee positions in first- or second-class districts or more than one in third-class

22 districts regularly subject to election at the same time. In county high school districts, there may not be more

23 than two trustee positions to be filled by members residing in the elementary district where the county high

24 school building is located or more than one trustee position to be filled by members residing outside of the

25 elementary district where the county high school building is located subject to election at the same time.

26           (2)     In the following circumstances relating to newly created trustee positions, the initial terms may

27 be shortened to comply with the intent of subsection (1):

28           (a)     the ~~consolidation~~ reorganization of school districts under the provisions of 20-6-423 ~~of two or~~

1 more elementary districts to form an elementary district, of two or more high school districts to form a high  
2 school district, or of two or more K-12 districts to form a K-12 district;

3 (b) the establishment of additional trustee positions of a high school district under the provisions of  
4 20-3-353 or 20-3-354 or new trustee positions under the provisions of 20-3-352(3);

5 (c) the change of a district's classification under the provisions of 20-6-201 or 20-6-301;

6 (d) the establishment of additional elementary trustee positions under the provisions of 20-3-  
7 341(3); or

8 (e) the establishment of additional high school trustee positions under the provisions of 20-6-313.

9 (3) If the change of a district's classification under 20-6-201 or 20-6-301 decreases the number of  
10 trustee positions, the positions must be eliminated in a manner that complies with the intent of subsection (1).

11 (4) Although the legislature intends that the terms of a majority of trustees of any district may not  
12 regularly expire and be subject to election at the same time, it is recognized that filling a vacancy under 20-3-  
13 308 may lead to a subsequent school election in which a majority of trustee positions are subject to election at  
14 the same time."

15

16 **Section 3.** Section 20-3-312, MCA, is amended to read:

17 **"20-3-312. Trustees of district affected by boundary change.** The trustees of any district to which  
18 the territory of another district is attached as a result of annexation, abandonment, territory transfer, or any  
19 other method of changing district boundaries, except by the ~~consolidation~~ reorganization of districts under 20-6-  
20 423, continue to be the trustees of the district with the same powers, duties, and responsibilities and subject to  
21 the same limitations provided by law as if there had been no boundary change. In the case of district  
22 ~~consolidation~~ reorganization, the appointed trustees of the resulting district shall assume their trustee positions  
23 under the authority of 20-6-423."

24

25 **Section 4.** Section 20-3-342, MCA, is amended to read:

26 **"20-3-342. Determination of terms after ~~consolidation~~ reorganization of elementary districts.**

27 Whenever the trustees are elected at one regular school election under the circumstances described in 20-3-  
28 302(2)(a), the members who are elected shall draw by lot to determine their terms of office. The terms of office

1 by trustee position must be:

2 (1) three for 3 years, two for 2 years, and two for 1 year in a first-class elementary district;

3 (2) two for 3 years, two for 2 years, and one for 1 year in second-class elementary districts and  
4 third-class elementary districts having five trustee positions; or

5 (3) one for 3 years, one for 2 years, and one for 1 year in a third-class elementary district having  
6 three trustee positions."

7

8 **Section 5.** Section 20-6-202, MCA, is amended to read:

9 **"20-6-202. Time limitation for boundary changes.** An elementary district may not be created and  
10 elementary district boundaries may not be changed between the first day of January and the fourth Monday of  
11 August of any calendar year except when:

12 (1) the entire territory of a district is annexed or attached to another district;

13 (2) the entire territory of the portion of a joint district located in one county is annexed or attached  
14 to another district; or

15 (3) two or more districts are ~~consolidated~~ reorganized in their entirety."

16

17 **Section 6.** Section 20-6-314, MCA, is amended to read:

18 **"20-6-314. Time limitations for boundary changes.** A high school district may not be created and a  
19 high school district boundary may not be changed between the first day of January and the fourth Monday of  
20 August of any calendar year except when:

21 (1) the entire territory of a high school district is annexed or attached to another high school  
22 district;

23 (2) the entire territory or portion of a joint high school district located in one county is annexed or  
24 attached to another high school district; or

25 (3) two or more districts are ~~consolidated~~ reorganized in their entirety."

26

27 **Section 7.** Section 20-6-410, MCA, is amended to read:

28 **"20-6-410. Tenure protected -- hiring preference for employees.** (1) Whenever two or more school

1 districts ~~consolidate~~ reorganize or join through annexation to ~~organize into form~~ a single district in the manner  
2 provided for in Title 20, chapter 6, a principal, teacher, or other certified employee of the school districts who  
3 has a right of tenure under Montana law must be given absolute preference in hiring for the first school fiscal  
4 year for any vacant position with the ~~consolidated~~ reorganized or enlarged district for which the employee is  
5 qualified with the required certification endorsements. Upon acceptance of a position, the certified employee  
6 continues to have tenure in the ~~consolidated~~ reorganized or enlarged district and the board of trustees of the  
7 ~~consolidated~~ reorganized or enlarged school district in which the person will perform duties shall recognize and  
8 give effect to the right of tenure.

9 (2) A noncertified, nonprobationary employee of a school district that ~~consolidates~~ reorganizes or  
10 joins another district through annexation must be given preference in hiring for the first school fiscal year for any  
11 vacant position with the ~~consolidated~~ reorganized or enlarged district for which the employee has substantially  
12 equal qualifications and, upon acceptance of a position, may not be given probationary status."

13  
14 **Section 8.** Section 20-6-411, MCA, is amended to read:

15 **"20-6-411. Bonded indebtedness to remain with original territory except when assumed by**  
16 **election.** Whenever district boundaries are changed in any manner prescribed in this title, the existing bonded  
17 indebtedness against any district or territory affected by a change of boundaries remains the indebtedness of  
18 the original territory against which the bonds were issued and must be paid by levies on the original territory,  
19 except when districts are ~~consolidated~~ reorganized with the mutual assumption of bonded indebtedness or  
20 when a district is annexed with a joint assumption of the annexing district's bonded indebtedness. Any money to  
21 the credit of the debt service fund of a district when its boundaries are changed must be used to pay the  
22 existing bond principal and interest of the original territory issuing the bonds as it becomes due or for bond  
23 redemption under the bonding provisions of this title."

24  
25 **Section 9.** Section 20-6-413, MCA, is amended to read:

26 **"20-6-413. Cash disposition when district ceases to exist -- special levy for tuition debt.**  
27 Whenever a district ceases to exist in any manner prescribed in this title, except when districts are ~~consolidated~~  
28 reorganized under 20-6-423, the cash on hand to the credit of the funds of the district and the debts of the

1 former district must be allocated in the following manner:

2 (1) Any cash to the credit of the district must be used to pay any debts of the district, including  
3 bonded indebtedness, except that any cash available in the debt service fund must be used first to pay bond  
4 interest and all outstanding bonds.

5 (2) If any cash remains to the credit of the district after paying its debts, the cash must be  
6 transferred by the county treasurer to the credit of the district or districts assuming its territory. When the  
7 territory is assumed by more than one district, the remaining cash must be prorated between the districts on the  
8 basis of the taxable value of the territory assumed by each district as determined by the county superintendent.

9 (3) If any tuition debt remains as an obligation of the district, the tuition debt is the obligation of the  
10 taxable property of the discontinued district, except when the tuition debt has been assumed by the  
11 ~~consolidated~~ newly formed or annexing district. The tuition debt must be financed by a mill levy on the property  
12 of the discontinued district and paid from these proceeds by the county superintendent.

13 (4) If any debts, other than bonded indebtedness and tuition, remain as an obligation of the district  
14 after the cash has been utilized under the provisions of subsection (1), the debts must be assigned in the same  
15 manner prescribed for the transfer of cash under subsection (2)."

16

17 **Section 10.** Section 20-6-414, MCA, is amended to read:

18 **"20-6-414. Cash disposition when districts ~~consolidated~~ reorganize.** Whenever two or more  
19 districts are ~~consolidated~~ reorganized without the mutual assumption of bonded indebtedness, all cash and  
20 debts, other than cash credited to the debt service fund and debts for bonded indebtedness, must be credited  
21 or debited to the same types of funds of the ~~consolidated~~ newly formed district as the funds from which they  
22 were transferred by the county treasurer. In addition, when two or more districts are ~~consolidated~~ reorganized  
23 with the mutual assumption of bonded indebtedness, the cash credited to the debt service fund and the bonded  
24 indebtedness also must be transferred to a similar fund of the ~~consolidated~~ newly formed district."

25

26 **Section 11.** Section 20-6-423, MCA, is amended to read:

27 **"20-6-423. District ~~consolidation~~ reorganization.** (1) (a) Any two or more contiguous elementary  
28 school districts may ~~consolidate to organize an~~ reorganize to form a single elementary district.

1           **(b)**     Any two or more contiguous high school districts may ~~be consolidated to organize a~~ reorganize  
2 to form a single high school district.

3           **(c)**     Any two or more contiguous K-12 school districts may ~~be consolidated to organize a~~ reorganize  
4 to form a single K-12 school district.

5           **(d)**     Any two or more school districts may reorganize to form a single K-12 school district.

6           **(e)**     The ~~consolidation-reorganization~~ must be conducted as provided in this section.

7           **(2)**     **(a)** A ~~consolidation-reorganization~~ proposition may be introduced, individually, in each of the  
8 districts by either of the two following methods:

9           **(i)**     the trustees may pass a resolution requesting the county superintendent of the county where  
10 the district is located to order an election to consider a ~~consolidation-reorganization~~ proposition involving their  
11 district; or

12          **(ii)**    not less than 20% of the electors of an individual district who are qualified to vote under the  
13 provisions of 20-20-301 may petition the county superintendent of the county where the district is located  
14 requesting an election to consider a ~~consolidation-reorganization~~ proposition involving their district.

15          **(b)**     **(i)** ~~The~~ When two or more districts reorganize under subsections (1)(a) through (1)(c), the  
16 resolution or petition must state whether the consolidation-reorganization is to be made with or without the joint  
17 assumption of the bonded indebtedness of each district by all districts included in the consolidation  
18 reorganization. The resolution or petition from each district must agree on whether or not there will be joint  
19 assumption of bonded indebtedness. Without agreement, the ~~consolidation-reorganization~~ proposition may not  
20 be considered further.

21          **(ii)**    When two or more districts reorganize under subsection (1)(d), any bonded indebtedness of a  
22 district remains an obligation of the original territory of the district.

23          **(3)**     When a county superintendent has received a resolution or a valid petition from each of the  
24 districts included in the ~~consolidation-reorganization~~ proposition, the county superintendent shall, within 10 days  
25 after the receipt of the last resolution or petition and as provided by 20-20-201, order the trustees of each  
26 district included in the ~~consolidation-reorganization~~ proposition to call a ~~consolidation-reorganization~~ election to  
27 be held no later than December 31 preceding the school year in which the ~~consolidation-reorganization~~ is to  
28 become effective. If the districts involved in the ~~consolidation-reorganization~~ proposition are located in more

1 than one county, the county superintendents in both counties shall jointly order the district to call a  
2 ~~consolidation-reorganization~~ election.

3 (4) Each district, individually, shall call and conduct an election in the manner prescribed in this title  
4 for school elections and subject to additional requirements of subsections (5) and (6). Any elector qualified to  
5 vote under the provisions of 20-20-301 may vote.

6 (5) (a) If the districts to be ~~consolidated-reorganized~~ are to jointly assume the bonded  
7 indebtedness of each district involved in the ~~consolidation-reorganization~~, the ballots must read, after stating the  
8 ~~consolidation-reorganization~~ proposition, "FOR ~~consolidation-reorganization~~ with assumption of bonded  
9 indebtedness" and "AGAINST ~~consolidation-reorganization~~ with assumption of bonded indebtedness".

10 (b) When the trustees in each district conducting an election canvass the vote under the provisions  
11 of 20-20-415, they shall determine the number of votes "FOR" and "AGAINST" the proposition.

12 (c) The proposition is approved in the district if a majority of those voting approve the proposition.

13 (6) If the districts to be ~~consolidated-reorganized~~ are not to jointly assume the bonded  
14 indebtedness of each district involved in the ~~consolidation-reorganization~~, the ballots must read, after stating the  
15 ~~consolidation-reorganization~~ proposition, "FOR ~~consolidation-reorganization~~ without assumption of bonded  
16 indebtedness" and "AGAINST ~~consolidation-reorganization~~ without assumption of bonded indebtedness". The  
17 ~~consolidation-reorganization~~ proposition is approved by a district if a majority of those voting in a district  
18 approve the proposition. Otherwise it is disapproved.

19 (7) (a) After the county superintendent of each county where a district involved in the ~~consolidation~~  
20 ~~reorganization~~ proposition is located has received the election certification provided for in 20-20-416 from the  
21 trustees of each district included in a ~~consolidation-reorganization~~ proposition, the appropriate county  
22 superintendent shall determine if the ~~consolidation-reorganization~~ proposition has been approved in each  
23 district. If each district has approved the ~~consolidation-reorganization~~ proposition, each county superintendent  
24 shall, within 10 days after the receipt of the last election certificate, order the ~~consolidation-reorganization~~ of the  
25 districts effective July 1 of the ensuing school fiscal year. The order must:

26 (i) for ~~consolidation-reorganization~~ with the joint assumption of bonded indebtedness, specify that  
27 there will be joint assumption of bonded indebtedness between the owners of all taxable real and personal  
28 property in each district forming the ~~consolidated-reorganized~~ district;

(ii) specify the number of the ~~consolidated~~reorganized district;

(iii) for a reorganization under subsection (1)(d), order any boundary changes necessary to create the K-12 district; and

(iii)(iv) establish an interim board of trustees for the ~~consolidated~~reorganized district as provided in 20-6-424. The trustees shall serve until their successors are elected at the next succeeding regular school election and qualified.

(b) Each county superintendent shall send a copy of the order to the board of county commissioners of each county where a district involved in the ~~consolidation~~reorganization proposition is located and to the trustees of each district incorporated in the ~~consolidation~~reorganization order.

(8) If any district included in the ~~consolidation~~reorganization proposition disapproves the ~~consolidation~~reorganization proposition, the ~~consolidation~~reorganization of all districts fails and the appropriate county superintendent shall notify each district of the disapproval of the ~~consolidation~~reorganization proposition."

**Section 12.** Section 20-6-424, MCA, is amended to read:

**"20-6-424. Interim governance of ~~consolidated~~reorganized district.** (1) Upon passage of a ~~consolidation~~reorganization proposition under the provisions of 20-6-423, an interim board of trustees made up of all of the members of the boards of trustees of the districts that ~~consolidated~~reorganized shall serve as the trustees for the ~~consolidated~~newly formed district from the date of the ~~consolidation~~reorganization order until the newly elected board of the ~~consolidated~~newly formed district is organized under 20-3-321. The interim board of trustees shall elect a presiding officer from among its members.

(2) The trustees of each district incorporated in the ~~consolidation~~reorganization order shall continue to perform those duties related to the operation of their individual districts until the effective date of the ~~consolidation~~reorganization. The interim board of trustees shall perform those duties related to the formation of and transition to the ~~consolidated~~newly formed district, including but not limited to:

(a) calling an election of the new board of trustees for the ~~consolidated~~newly formed district to be held on the regular election day preceding the effective date of the ~~consolidation~~reorganization; and

(b) if necessary, calling an election under 20-9-353 for the ensuing budget year of the ~~consolidated~~

1 newly formed district.

2 (3) At the next regular school election following the ~~consolidation~~reorganization election, trustees  
3 for the ~~consolidated~~newly formed district must be elected in accordance with the election provisions of Title 13  
4 and Title 20. The term of office is 3 years, except that the initial terms of the newly elected trustees must be  
5 selected by lot in order to comply with the provisions of 20-3-302.

6 (4) The interim board of trustees must be dissolved upon the organization of the newly elected  
7 trustees pursuant to 20-3-321."

8

9 **Section 13.** Section 20-6-704, MCA, is amended to read:

10 **"20-6-704. Dissolution of K-12 school district.** (1) Except as provided in subsection (2), in order to  
11 dissolve a K-12 district under the provisions of this section, the trustees of a district shall submit for approval to  
12 the electors of the K-12 district a proposition dissolving the K-12 district for the purpose of annexing or  
13 ~~consolidating~~reorganizing the K-12 district's elementary or high school program with a contiguous school  
14 district or districts in an ensuing school fiscal year under the provisions of 20-6-422 or 20-6-423.

15 (2) If the trustees of the school district determine that the creation or continuation of the K-12  
16 district has resulted in or will result in the loss of federal funding for the elementary or high school programs and  
17 that it is in the best interest of the district to dissolve into the original elementary district and high school district  
18 that existed prior to the formation of the K-12 district, the trustees may dissolve the district under the following  
19 procedure:

20 (a) The trustees of the district shall pass a resolution requesting the county superintendent to order  
21 a dissolution of the district.

22 (b) When the county superintendent receives the resolution from the district, the county  
23 superintendent shall, within 10 days, order the dissolution of the K-12 district into the original elementary district  
24 and high school district, to take effect on July 1 of the ensuing school fiscal year. Within 30 days of the order,  
25 the county superintendent shall send a copy of the order to the board of county commissioners, the trustees of  
26 the district, and the superintendent of public instruction.

27 (3) If the entire territory of the dissolving K-12 district will be annexed to or ~~consolidated~~  
28 reorganized with a contiguous district or districts, the resolution or petition required in subsection (1) or (2) must

1 contain a description of the manner in which the real and personal property and funds of the district are to be  
2 apportioned in the dissolution of the district and the subsequent annexation to or ~~consolidation~~ reorganization  
3 with one or more other districts. If a portion of the dissolving K-12 district will not be annexed or ~~consolidated~~  
4 reorganized with another district or districts, the resolution or petition must contain a description of the manner  
5 in which the property, funds, and financial obligations, including bonded indebtedness, of the K-12 district are to  
6 be apportioned to the district or districts whose territory is not annexed to or ~~consolidated~~ reorganized with  
7 another district.

8 (4) After the county superintendent receives the certificate of election provided for in 20-20-416  
9 from the trustees of the K-12 district and from each district included in a ~~consolidation~~ reorganization  
10 proposition, the county superintendent shall determine whether the dissolution and annexation or ~~consolidation~~  
11 reorganization proposition or propositions have been approved. If the K-12 district has approved the dissolution  
12 proposition and each district involved in a ~~consolidation~~ reorganization has approved the ~~consolidation~~  
13 reorganization proposition, the county superintendent shall, within 10 days after the receipt of the election  
14 certificate, order the dissolution of the K-12 district into the original elementary district and high school district,  
15 to take effect on July 1 of the ensuing school fiscal year. Within 30 days of the order, the county superintendent  
16 shall send a copy of the dissolution order to the board of county commissioners, the trustees of the district  
17 included in the dissolution order, and the superintendent of public instruction.

18 (5) Whenever a K-12 district is dissolved, the following provisions apply:

19 (a) The trustees of the district whose territory is not annexed or ~~consolidated upon~~ reorganized on  
20 dissolution of the K-12 district are responsible for the execution of remaining financial obligations of the K-12  
21 district and for the apportionment between the elementary and high school programs of any obligations not  
22 identified in the resolution required under subsection (3).

23 (b) The provisions of 20-6-410 apply for tenure teachers in the dissolution of a K-12 district.

24 (c) For purposes of applying the budget limitation provisions of 20-9-308, the budget of a K-12  
25 district during its last year of operations as a K-12 district will be prorated based on rules promulgated by the  
26 superintendent of public instruction."

27  
28 **Section 14.** Section 20-9-311, MCA, is amended to read:

**"20-9-311. Calculation of average number belonging (ANB) -- 3-year averaging. (1) Average**

number belonging (ANB) must be computed for each budget unit as follows:

(a) compute an average enrollment by adding a count of regularly enrolled pupils who were enrolled as of the first Monday in October of the prior school fiscal year to a count of regularly enrolled pupils on the first Monday in February of the prior school fiscal year or the next school day if those dates do not fall on a school day, and divide the sum by two; and

(b) multiply the average enrollment calculated in subsection (1)(a) by the sum of 180 and the approved pupil-instruction-related days for the current school fiscal year and divide by 180.

(2) For the purpose of calculating ANB under subsection (1), up to 7 approved pupil-instruction-related days may be included in the calculation.

(3) When a school district has approval to operate less than the minimum aggregate hours under 20-9-806, the total ANB must be calculated in accordance with the provisions of 20-9-805.

(4) (a) Except as provided in subsection (4)(d), for the purpose of calculating ANB, enrollment in an education program:

(i) from 180 to 359 aggregate hours of pupil instruction per school year is counted as one-quarter-time enrollment;

(ii) from 360 to 539 aggregate hours of pupil instruction per school year is counted as half-time enrollment;

(iii) from 540 to 719 aggregate hours of pupil instruction per school year is counted as three-quarter-time enrollment; and

(iv) 720 or more aggregate hours of pupil instruction per school year is counted as full-time enrollment.

(b) Except as provided in subsection (4)(d), enrollment in a program intended to provide fewer than 180 aggregate hours of pupil instruction per school year may not be included for purposes of ANB.

(c) Enrollment in a self-paced program or course may be converted to an hourly equivalent based on the hours necessary and appropriate to provide the course within a regular classroom schedule.

(d) A school district may include in its calculation of ANB a pupil who is enrolled in a program providing fewer than the required aggregate hours of pupil instruction required under subsection (4)(a) or (4)(b)

1 if the pupil has demonstrated proficiency in the content ordinarily covered by the instruction as determined by  
2 the school board using district assessments. The ANB of a pupil under this subsection (4)(d) must be converted  
3 to an hourly equivalent based on the hours of instruction ordinarily provided for the content over which the  
4 student has demonstrated proficiency.

5 (e) (i) Except as provided in subsection (4)(e)(ii), a pupil in kindergarten through grade 12 who is  
6 concurrently enrolled in more than one public school, program, or district may not be counted as more than one  
7 full-time pupil for ANB purposes. When a pupil is concurrently enrolled in more than one district, any fractional  
8 enrollment under subsection (4)(a) must be attributed first to a pupil's nonresident district.

9 (ii) A pupil who participates in a jumpstart program under Title 20, chapter 7, part 18, may be  
10 counted as up to 1 1/4 enrollment for ANB purposes. A district shall add one-quarter enrollment for a pupil who  
11 participated in an early literacy jumpstart program to the pupil's regular enrollment count under this subsection  
12 (4) in both the October and February enrollment counts following the student's participation in the jumpstart  
13 program.

14 (5) For a district that is transitioning from a half-time to a full-time kindergarten program, the state  
15 superintendent shall count kindergarten enrollment in the previous year as full-time enrollment for the purpose  
16 of calculating ANB for the elementary programs offering full-time kindergarten in the current year. For the  
17 purposes of calculating the 3-year ANB, the superintendent of public instruction shall count the kindergarten  
18 enrollment as one-half enrollment and then add the additional kindergarten ANB to the 3-year average ANB for  
19 districts offering full-time kindergarten.

20 (6) When a pupil has been absent, with or without excuse, for more than 10 consecutive school  
21 days, the pupil may not be included in the enrollment count used in the calculation of the ANB unless the pupil  
22 resumes attendance prior to the day of the enrollment count.

23 (7) (a) The enrollment of preschool pupils, as provided in 20-7-117, may not be included in the  
24 ANB calculations.

25 (b) Except as provided in subsection (7)(c), a pupil who has reached 19 years of age by  
26 September 10 of the school year may not be included in the ANB calculations.

27 (c) A pupil with disabilities who is over 19 years of age and has not yet reached 21 years of age by  
28 September 10 of the school year and who is receiving special education services from a school district pursuant

1 to 20-7-411(4)(a) may be included in the ANB calculations if:

2 (i) the student has not graduated;

3 (ii) the student is eligible for special education services and is likely to be eligible for adult services  
4 for individuals with developmental disabilities due to the significance of the student's disability; and

5 (iii) the student's individualized education program has identified transition goals that focus on  
6 preparation for living and working in the community following high school graduation since age 16 or the  
7 student's disability has increased in significance after age 16.

8 (d) A school district providing special education services pursuant to subsection (7)(c) is  
9 encouraged to collaborate with agencies and programs that serve adults with developmental disabilities in  
10 meeting the goals of a student's transition plan.

11 (8) The average number belonging of the regularly enrolled pupils for the public schools of a  
12 district must be based on the aggregate of all the regularly enrolled pupils attending the schools of the district,  
13 except that:

14 (a) the ANB is calculated as a separate budget unit when:

15 (i) a school of the district is located more than 20 miles beyond the incorporated limits of a city or  
16 town located in the district and at least 20 miles from any other school of the district, the number of regularly  
17 enrolled pupils of the school must be calculated as a separate budget unit for ANB purposes and the district  
18 must receive a basic entitlement for the school calculated separately from the other schools of the district;

19 (ii) a school of the district is located more than 20 miles from any other school of the district and  
20 incorporated territory is not involved in the district, the number of regularly enrolled pupils of the school must be  
21 calculated separately for ANB purposes and the district must receive a basic entitlement for the school  
22 calculated separately from the other schools of the district;

23 (iii) the superintendent of public instruction approves an application not to aggregate when  
24 geographic barriers exist affecting transportation, such as poor roads, mountains, rivers, or other obstacles to  
25 travel, that would result in an unusual hardship to the pupils of the school if they were transported to another  
26 school, the number of regularly enrolled pupils of the school must be calculated separately for ANB purposes  
27 and the district must receive a basic entitlement for the school calculated separately from the other schools of  
28 the district; or

(iv) two or more districts ~~consolidate~~ reorganize or annex under the provisions of 20-6-422 or 20-6-423, the ANB and the basic entitlements of the component districts must be calculated separately for a period of 3 years following the ~~consolidation~~ reorganization or annexation. Each district shall retain a percentage of its basic entitlement for 3 additional years as follows:

(A) 75% of the basic entitlement for the fourth year;

(B) 50% of the basic entitlement for the fifth year; and

(C) 25% of the basic entitlement for the sixth year.

(b) when a junior high school has been approved and accredited as a junior high school, all of the regularly enrolled pupils of the junior high school must be considered as high school district pupils for ANB purposes;

(c) when a middle school has been approved and accredited, all pupils below the 7th grade must be considered elementary school pupils for ANB purposes and the 7th and 8th grade pupils must be considered high school pupils for ANB purposes; or

(d) when a school has been designated as nonaccredited by the board of public education because of failure to meet the board of public education's assurance and performance standards, the regularly enrolled pupils attending the nonaccredited school are not eligible for average number belonging calculation purposes, nor will an average number belonging for the nonaccredited school be used in determining the BASE funding program for the district.

(9) The district shall provide the superintendent of public instruction with semiannual reports of school attendance, absence, and enrollment for regularly enrolled students, using a format determined by the superintendent.

(10) (a) Except as provided in subsections (10)(b) and (10)(c), enrollment in a basic education program provided by the district through any combination of in-person or remote instruction may be included for ANB purposes only if the pupil is offered access to the complete range of educational services for the basic education program required by the accreditation standards adopted by the board of public education.

(b) Access to school programs and services for a student placed by the trustees in a private program for special education may be limited to the programs and services specified in an approved individual education plan supervised by the district.

(c) Access to school programs and services for a student who is incarcerated in a facility, other than a youth detention center, may be limited to the programs and services provided by the district at district expense under an agreement with the incarcerating facility.

(d) This subsection (10) may not be construed to require a school district to offer access to activities governed by an organization having jurisdiction over interscholastic activities, contests, and tournaments to a pupil who is not otherwise eligible under the rules of the organization.

(11) A district may include only, for ANB purposes, an enrolled pupil who is otherwise eligible under this title and who is:

(a) a resident of the district or a nonresident student admitted by trustees under a student attendance agreement and who is attending a school or an offsite instructional setting of the district;

(b) unable to attend school due to a medical reason certified by a medical doctor and receiving individualized educational services supervised by the district, at district expense, at a home or facility that does not offer an educational program;

(c) unable to attend school due to the student's incarceration in a facility, other than a youth detention center, and who is receiving individualized educational services supervised by the district, at district expense, at a home or facility that does not offer an educational program;

(d) receiving special education and related services, other than day treatment, under a placement by the trustees at a private nonsectarian school or private program if the pupil's services are provided at the district's expense under an approved individual education plan supervised by the district;

(e) participating in the running start program at district expense under 20-9-706;

(f) receiving educational services, provided by the district, using appropriately licensed district staff at a private residential program or private residential facility licensed by the department of public health and human services;

(g) enrolled in an educational program or course provided at district expense using remote delivery methods, including but not limited to tutoring, distance learning programs, online programs, and technology delivered learning programs. The pupil:

(i) must meet the residency requirements for that district as provided in 1-1-215;

(ii) shall live in the district and must be eligible for educational services under the Individuals With

1 Disabilities Education Act or under 29 U.S.C. 794; or

2 (iii) must be enrolled in the educational program or course under a mandatory attendance  
3 agreement as provided in 20-5-321; or

4 (iv) must be receiving remote instruction under 20-7-118(1)(c).

5 (h) a resident of the district attending the Montana youth challenge program or a Montana job  
6 corps program under an interlocal agreement with the district under 20-9-707.

7 (12) A district shall, for ANB purposes, calculate the enrollment of an eligible Montana youth  
8 challenge program participant as half-time enrollment.

9 (13) (a) A district may, for ANB purposes, include in the October and February enrollment counts an  
10 individual who is otherwise eligible under this title and who during the prior school year:

11 (i) resided in the district;

12 (ii) was not enrolled in the district or was not enrolled full time; and

13 (iii) completed an extracurricular activity with a duration of at least 6 weeks.

14 (b) (i) Except as provided in subsection (13)(b)(ii), each completed extracurricular activity under  
15 subsection (13)(a) may be counted as one-sixteenth enrollment for the individual, but under this subsection (13)  
16 the individual may not be counted as more than one full-time enrollment for ANB purposes.

17 (ii) Each completed extracurricular activity lasting longer than 18 weeks may be counted as one-  
18 eighth enrollment.

19 (c) For the purposes of this section, "extracurricular activity" means:

20 (i) a sport or activity sanctioned by an organization having jurisdiction over interscholastic  
21 activities, contests, and tournaments;

22 (ii) an approved career and technical student organization, pursuant to 20-7-306; or

23 (iii) a school theater production.

24 (14) (a) For an elementary or high school district that has been in existence for 3 years or more, the  
25 district's maximum general fund budget and BASE budget for the ensuing school fiscal year must be calculated  
26 using the current year ANB for all budget units or the 3-year average ANB for all budget units, whichever  
27 generates the greatest maximum general fund budget.

28 (b) For a K-12 district that has been in existence for 3 years or more, the district's maximum

1 general fund budget and BASE budget for the ensuing school fiscal year must be calculated separately for the  
2 elementary and high school programs pursuant to subsection (14)(a) and then combined.

3 (15) The term "3-year ANB" means an average ANB over the most recent 3-year period, calculated  
4 by:

5 (a) adding the ANB for the budget unit for the ensuing school fiscal year to the ANB for each of the  
6 previous 2 school fiscal years; and

7 (b) dividing the sum calculated under subsection (15)(a) by three."  
8

9 **Section 15.** Section 20-9-502, MCA, is amended to read:

10 **"20-9-502. Purpose and authorization of building reserve fund -- subfund structure.** (1) The  
11 trustees of any district may establish a building reserve fund to budget for and expend funds for any of the  
12 purposes set forth in this section. Appropriate subfunds must be created to ensure separate tracking of the  
13 expenditure of funds from voted and nonvoted levies and transfers for school safety pursuant to 20-9-236.

14 (2) (a) A voted levy may be imposed and a subfund must be created with the approval of the  
15 qualified electors of the district for the purpose of raising money for the future construction, equipping, or  
16 enlarging of school buildings or for the purpose of purchasing land needed for school purposes in the district. In  
17 order to submit to the qualified electors of the district a building reserve proposition for the establishment of or  
18 addition to a building reserve, the trustees shall pass a resolution that specifies:

19 (i) the purpose or purposes for which the new or addition to the building reserve will be used;

20 (ii) the duration of time over which the new or addition to the building reserve will be raised in  
21 annual, equal installments;

22 (iii) the total amount of money that will be raised during the duration of time specified for the levy;

23 and

24 (iv) any other requirements under 15-10-425 and 20-20-201 for the calling of an election.

25 (b) Except as provided in subsection (4)(b), a building reserve tax authorization may not be for  
26 more than 20 years.

27 (c) The election must be conducted in accordance with the school election laws of this title, and  
28 the electors qualified to vote in the election must be qualified under the provisions of 20-20-301. The ballot for a

1 building reserve proposition must be substantially in compliance with 15-10-425.

2 (d) The building reserve proposition is approved if a majority of those electors voting at the election  
3 approve the establishment of or addition to the building reserve. The annual budgeting and taxation authority of  
4 the trustees for a building reserve is computed by dividing the total authorized amount by the specified number  
5 of years. The authority of the trustees to budget and impose the taxation for the annual amount to be raised for  
6 the building reserve lapses when, at a later time, a bond issue is approved by the qualified electors of the  
7 district for the same purpose or purposes for which the building reserve fund of the district was established.  
8 Whenever a subsequent bond issue is made for the same purpose or purposes of a building reserve, the  
9 money in the building reserve must be used for the purpose or purposes before any money realized by the  
10 bond issue is used.

11 (3) (a) A subfund must be created to account for revenue and expenditures for school major  
12 maintenance and repairs authorized under this subsection (3). The trustees of a district may authorize and  
13 impose a levy of no more than 10 mills on the taxable value of all taxable property within the district for that  
14 school fiscal year for the purposes of raising revenue for identified improvements or projects meeting the  
15 requirements of 20-9-525(2). The 10-mill limit under this subsection (3) must be calculated using the district's  
16 total taxable valuation most recently certified by the department of revenue under 15-10-202. The amount of  
17 money raised by the levy, the deposits and transfers authorized under subsection (3)(f) of this section, and  
18 anticipated state aid pursuant to 20-9-525(3) may not exceed the district's school major maintenance amount.  
19 For the purposes of this section, the term "school major maintenance amount" means the sum of \$15,000 and  
20 the product of \$110 multiplied by the district's budgeted ANB for the prior fiscal year. To authorize and impose a  
21 levy under this subsection (3), the trustees shall:

22 (i) following public notice requirements pursuant to 20-9-116, adopt no later than March 31 of  
23 each fiscal year a resolution:

24 (A) identifying the anticipated improvements or projects for which the proceeds of the levy, the  
25 deposits and transfers authorized under subsection (3)(f) of this section, and anticipated state aid pursuant to  
26 20-9-525(3) will be used; and

27 (B) estimating a total dollar amount of money to be raised by the levy, the deposits and transfers  
28 authorized under subsection (3)(f) of this section, anticipated state aid pursuant to 20-9-525(3), and the

1 resulting estimated number of mills to be levied using the district's taxable valuation most recently certified by  
2 the department of revenue under 15-10-202; and

3 (ii) include the amount of any final levy to be imposed as part of its final budget meeting noticed in  
4 compliance with 20-9-131.

5 (b) Proceeds from the levy may be expended only for the purposes under 20-9-525(2), and the  
6 expenditure of the money must be reported in the annual trustees' report as required by 20-9-213.

7 (c) Whenever the trustees of a district impose a levy pursuant to this subsection (3) during the  
8 current school fiscal year, they shall budget for the proceeds of the levy, the deposits and transfers authorized  
9 under subsection (3)(f) of this section, and anticipated state aid pursuant to 20-9-525(3) in the district's building  
10 reserve fund budget. Any expenditures of the funds must be made in accordance with the financial  
11 administration provisions of this title for a budgeted fund.

12 (d) When a tax levy pursuant to this subsection (3) is included as a revenue item on the final  
13 building reserve fund budget, the county superintendent shall report the levy requirement to the county  
14 commissioners by the later of the first Tuesday in September or within 30 calendar days after receiving certified  
15 taxable values and a levy on the district must be made by the county commissioners in accordance with 20-9-  
16 142.

17 (e) A subfund in the building reserve fund must be created for the deposit of proceeds from the  
18 levy, the deposits and transfers authorized under subsection (3)(f) of this section, and anticipated state aid  
19 pursuant to 20-9-525(3).

20 (f) If the imposition of 10 mills pursuant to subsection (3)(a) is estimated by the trustees to  
21 generate an amount less than the maximum levy revenue specified in subsection (3)(a), the trustees may  
22 deposit additional funds from any lawfully available revenue source and may transfer additional funds from any  
23 lawfully available fund of the district to the subfund provided for in subsection (3)(a), up to the difference  
24 between the revenue estimated to be raised by the imposition of 10 mills and the maximum levy revenue  
25 specified in subsection (3)(a). The district's local effort for purposes of calculating its eligibility for state school  
26 major maintenance aid pursuant to 20-9-525 consists of the combined total of funds raised from the imposition  
27 of 10 mills and additional funds raised from deposits and transfers in compliance with this subsection (3)(f).

28 (4) (a) A voted levy may be imposed and a subfund must be created with the approval of the

1 qualified electors of the district to provide funding for transition costs incurred when the trustees:

2 (i) open a new school under the provisions of Title 20, chapter 6;

3 (ii) close a school;

4 (iii) replace a school building;

5 (iv) ~~consolidate~~ reorganize with or annex another district under the provisions of Title 20, chapter 6;

6 or

7 (v) receive approval from voters to expand an elementary district into a K-12 district pursuant to

8 20-6-326.

9 (b) Except as provided in subsection (4)(c), the total amount the trustees may submit to the

10 electorate for transition costs may not exceed the number of years specified in the proposition times the greater

11 of 5% of the district's maximum general fund budget for the current year or \$250 per ANB for the current year.

12 The duration of the levy for transition costs may not exceed 6 years.

13 (c) If the levy for transition costs is for ~~consolidation~~ reorganization under 20-6-423 or annexation

14 under 20-6-422:

15 (i) the limitation on the amount levied is calculated using the ANB and the maximum general fund  
16 budget for the districts that are being combined; and

17 (ii) the proposition must be submitted to the qualified electors in the combined district.

18 (d) The levy for transition costs may not be considered as outstanding indebtedness for the

19 purpose of calculating the limitation in 20-9-406.

20 (5) (a) A subfund in the building reserve fund must be created for:

21 (i) the funds transferred to the building reserve fund for school safety and security pursuant to 20-  
22 9-236; and

23 (ii) funds generated by a voter-approved levy for school and student safety and security pursuant  
24 to subsection (5)(b) of this section.

25 (b) A voted levy may be imposed with the approval of the qualified electors of the district to provide  
26 funding for improvements to school and student safety and security that meet any of the criteria set forth in 20-  
27 9-236(1)(a) through (1)(e). A voted levy for school and student safety and security may not be considered as  
28 outstanding indebtedness for the purpose of calculating the limitation in 20-9-406. The election for a voted levy

1 for school and student safety and security must be conducted in accordance with the school election laws of  
 2 this title, and the electors qualified to vote in the election must be qualified under the provisions of 20-20-301.  
 3 The ballot for a building reserve proposition must be substantially in compliance with 15-10-425."

4

5 NEW SECTION. **Section 16. Effective date.** [This act] is effective July 1, 2025.

6

- END -