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SENATE EDUCATION

EXHIBIT NO. 2

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As the executive director of Montana's only statewide non-profit dedicated to historic preservation, my mission is to save and protect Montana's historic places, traditional landscapes and cultural heritage. Now in our 25th year, we have been working in partnership with a variety of partners in our state, including Montana legislators, the state historic preservation program, MT Department of Commerce, Travel Montana, Montana Main Street and Montana's state parks division.

We were optimistic in 2009 when HJR32 launched an interim study on the importance of historic preservation to our state and its potential for economic development. Refurbishing and reusing historic buildings, interpreting and promoting historic and cultural properties are all proven means, in Montana and nationwide, of stimulating local economies and improving the qualities of downtowns, neighborhoods and commercial districts. In short, historic preservation efforts, through Main Street programs, tax credits for commercial historic preservation, grants for improvements to heritage buildings, or promotion of cultural sites, historic parks and heritage tourism - all of these preservation activities stimulate economies, create jobs and protect Montana's heritage.

Throughout last session we saw support for historic preservation from a broad range of interests -- the Montana Bankers Assoc, League of Cities & Towns, MEDA, local developers, local governments and private owners - who understand the importance of preservation our cities & towns.

For those of you who aren't familiar with Montana's HB 645 stimulus bill, we were the only state in the nation to grant out funds from our federal stimulus money for historic preservation projects. 56 projects in communities across Montana received funds to repair properties and create good, skilled jobs, helping to revitalize struggling towns and

stimulate industries hardest hit by the economic downturn like building trades, real estate development, wood products & tourism.

Some facts: \$1 Million invested in manufacturing on average generates 23.9 jobs. \$1 Million invested in Rehabbing a historic building = 35.4 jobs. One Helena project recently calculated that their \$1 Million project touched 147 workers. Preservation stimulus grant recipients were required to track jobs and economics; soon we will learn the impact of those dollars on our state's economy.

Through the interim study the committee reviewed the many benefits that historic preservation offers our state, the ways other states fund & support preservation, and potential for making preservation far more effective across Montana. At the outset we hoped to look at funding streams, incentives for stimulating jobs through preservation, and stronger state programs that would place us on a more even playing field with states like Colorado, South Dakota, Wyoming, Washington where some form of state funding supports historic preservation on a continuing basis.

Montana has a wealth of real, heritage places that are well preserved - from buffalo jumps, battlefields, and ghost towns to fairgrounds, depots, schoolhouses and courthouses. Some are privately owned; the state itself owns some 800 historic buildings, including those in Bannack and Virginia City. There are also many state administrative, educational and actively used buildings that serve agencies and the public. These are historic assets and their preservation is important to economic health and can be a centerpiece for heritage development that can bring substantial benefits to Montanans.

A Governor's Council convened in 2005-07 to consider preservation of just state-owned properties. Many public and private participants contributed and together crafted a report which I would like to share with you. The list of recommendations has been taken to heart and we have worked to see several of them implemented including investment in

Bannack, support for the Main Street program, and encouraging and funding local preservation programs and projects like the HB645 grant projects.

The interim study report carried this work forward, and looked at many factors for improvement and making preservation efforts more efficient. The findings are in the committee's report which you all are receiving a copy of, and which we encourage you to read over and consider.

I direct your attention to the final paragraph that summarizes the work of the committee, and to their list of findings for the current time and in future:

The simple reality is that many of the proven strategies to bolster historic preservation and provide for restoration, maintenance and development of heritage properties in any meaningful way cost money, and the demands on the state's budget are enormous... ELG's recommendations recognize the limitations of the state budget, while encouraging further investigation into ways the state can preserve and protect these unique treasures for their intrinsic value as well as their potential role in building Montana's economy.

Now we have the opportunity to strengthen state heritage stewardship in the interest of all Montanans to better manage and maintain our state's heritage assets. This bill better equips the state to track our assets and encourages transparency. Sharing the findings through the preservation review board and the legislature will help encourage best practices and stewardship of our state's heritage properties for now and for future. We encourage your support of this pragmatic and efficient means of improving

Excerpt from:

"Community Service", the Final Report of the Education and Local Government Interim Committee, 2009-2010 Interim

Summary of Final Recommendations

HJR 32 Study of Historic Preservation

- Require state agencies and the Montana University System (through the Office of the Commissioner of Higher Education) to biennially report to the preservation review board the status and maintenance needs of heritage properties owned and maintained by those entities. (LC 245; Appendix M)
- Require the State Historic Preservation Officer to compile the information on the state and University System heritage properties and report to an interim legislative committee, along with any recommendations. (LC 245; Appendix M)
- State agencies that manage heritage properties should explore partnerships with non-governmental entities for potential outsourcing of technical assistance programs that would make state dollars directed to heritage activities more effective.

SJR 2 Study of Community College District Establishment

- Revise process for establishment of community college districts. (LC 247; Appendix B)

SJR 8 and HJR 6 Shared Policy Goals and Accountability Measures

- Recommend the K-12, Montana University Systems, and K-20 agreements. (Appendices I, J, and K)

Other Committee Work

- Revise the timing of county and school district budgeting deadlines. (LC 246; Appendix H)

HJR 32 Historic Preservation Study

The Montana Constitution, Art. IX, sec. 4, provides clear direction on management of the state's cultural resources:

Section 4. Cultural resources. The legislature shall provide for the identification, acquisition, restoration, enhancement, preservation, and administration of scenic, historic, archeologic, scientific, cultural, and recreational areas, sites, records and objects, and for their use and enjoyment by the people.

In late April 2009, proponents of HJR 32 reminded a Montana Senate committee of the numerous historic and prehistoric treasures that are scattered throughout Montana--sites visited by Lewis and Clark; places where pivotal battles raged between the U.S. Army and the Sioux, Cheyenne, and Nez Perce tribes in the late 19th Century; caves and rock walls where prehistoric people painted scenes of battles and hunting; and buildings, some still standing after more than a hundred years, that housed significant events and sheltered prominent figures in Montana's history.

The same witnesses also told the members of the Senate Local Government Committee that, compared to other states, Montana does not adequately fund its State Historic Preservation Office, nor has it provided consistent long-term funding for the historic preservation programs administered by several different state agencies. Heritage tourism is on the rise, the proponents said, suggesting that a state that relies heavily on tourism could hitch its wagon to that trend and realize significant economic benefits.

HJR 32 sought to explore solutions to these problems and to analyze the potential economic impacts of appropriate and meaningful compliance with Art. IX, sec. 4, of the state's Constitution, not to mention the numerous state statutes that govern preservation of Montana's heritage.

Study Approach

After weighing the results of the post-session interim study poll conducted to gauge legislator interest in the study resolutions and after considering other studies, statutory duties, and potential emerging issues, the Legislative Council assigned HJR 32 to the Education and Local Government Interim Committee (ELG) with the recommendation for limited dedication of staff and committee resources. This meant that the sophisticated level of economic analysis envisioned in the study would likely not occur; rather, staff proposed and ELG supported a study strategy that involved gathering information on historic preservation programs administered by state government and how they are funded, examining similar programs and funding mechanisms in other states, and exploring alternative means of administering and funding Montana's programs.

Montana Programs and Governing Statutes

Advocates of historic preservation in Montana have noted that one of the barriers to effective preservation and beneficial use of the resources has been an absence of centralized administration of the existing historic preservation programs. State-run entities that deal with

preservation of historic properties on some level are located in the following agencies.

- Montana Historical Society: State Historic Preservation Office
- Montana Department of Fish, Wildlife, and Parks: Parks Division Heritage Resources Program
- Montana Department of Commerce: Montana Main Street Program and Heritage Preservation and Development Commission
- Montana Arts Council: Cultural and Aesthetic Grants Program
- Montana Department of Administration: Long-Range Building Program
- Montana Department of Natural Resources and Conservation: Administers over 5 million acres of state land on which more than 600 heritage properties have been identified

Additional agencies include the Montana Department of Transportation, which has staff that work with preservation of historic and archaeological sites in conjunction with the agency's projects, and the Montana Department of Revenue which administers historic preservation tax credits.

The provisions of the MCA that govern the state programs listed above or that deal in some way with historic preservation are located in the following table.

MCA Part Name	Description	MCA Reference
Executive Branch Agencies; Education (Historical Society, Arts Council, Preservation Review Board)	Assigns the Montana Historical Society and the Montana Arts Council to the State Board of Education for purposes of planning and coordination Administratively establishes Historical Society Board of Trustees; Preservation Review Board; and State Historic Preservation Office	Title 2, chapter 15, part 15
Specific Tax Credits and Tax Checkoffs	Income tax credit for preservation of historic property	Title 15, chapter 30, part 23
Corporation License Tax, Rate and Return	Corporation tax credit for preservation of historic buildings	Title 15, chapter 31, part 1
Coal Severance Tax, General Provisions	Disposal of severance taxes: 1.27% allocated to permanent fund account for parks acquisition and management; .063% allocated to trust fund for cultural and aesthetic grants	Title 15, chapter 35, part 1

MCA Part Name	Description	MCA Reference
Lodging Facility Use Tax, General Provisions	Distribution of tax proceeds: 1% to Montana Historical Society for installation and maintenance of roadside signs and sites; 6.5% to Department of Fish, Wildlife, and Parks for parks maintenance; 67.5% to Department of Commerce	Title 15, chapter 65, part 1
Cultural and Aesthetic Grants	Directs operation of the Cultural and Aesthetic Grant Program; provides grant conditions, application procedure, grant award criteria	Title 22, chapter 2, part 3
Antiquities	Enumerates duties and directs operation of Montana Historical Society State Historic Preservation Office, Preservation Review Board, and--with respect to heritage properties--state agencies; directs state management of heritage properties; requires avoidance and mitigation of impacts to heritage properties; provides for antiquities permits; ties into Montana Environmental Policy Act for evaluation of impacts of projects on heritage properties and paleontological remains; reporting requirements; penalty	Title 22, chapter 3, part 1
Preservation of Records	Creates the state archives at the Montana Historical Society and directs preservation of noncurrent records of permanent value	Title 22, chapter 3, part 2
Local Management of Historic Properties	Local Management of Historic Sites and Buildings Act: intended to encourage restoration, preservation, and maintenance of historic sites by allowing the Montana Historical Society to enter into contracts with local nonprofit corporations for those purposes	Title 22, chapter 3, part 6
Human Skeletal Remains and Burial Site Protection Act	Provides protection from disturbance or destruction all human skeletal remains, burial sites, and burial material; establishes the Burial Preservation	Title 22, chapter 3, part 8

MCA Part Name	Description	MCA Reference
	Board to be attached to the Department of Administration for administrative purposes; directs involvement of State Historic Preservation Officer; and directs procedure to be followed upon discovery of human remains or burial materials	
Repatriation of Human Remains and Funerary Objects	Directs inventory of human remains and funerary objects and directs repatriation process	Title 22, chapter 3, part 9
Heritage Preservation and Development	Establishes the Montana Heritage Preservation and Development Commission for acquisition and management of properties with outstanding historical value-- specifically Virginia City and Nevada City; attaches the Commission to the Department of Commerce for administrative purposes	Title 22, chapter 3, part 10
State Parks	Directs the Department of Fish, Wildlife, and Parks' management of state parks, including properties acquired and maintained as monuments and historic sites; governs establishment of primitive parks, many of which are historically significant	Title 23, chapter 1, part 1
Planning and Economic Development, Department of Commerce	Establishes Montana Main Street Program to be operated in conjunction with the National Trust for Historic Preservation to encourage communities to restore and retain historic character of downtown areas, with the goal of stimulating business; provides for Heritage Preservation and Cultural Tourism Commissions organized by local governments and sets out commission duties; allows for local government participation in the National Historic Preservation Act's certified local government programs	Title 90, chapter 1, part 1

Funding for state-administered historic preservation programs varies. The programs' duties and funding mechanisms are described in the following summaries, which ELG reviewed as part of the study. Cathy Duncan, Legislative Fiscal Analyst, and Helen Thigpen, ELG Staff Attorney, contributed to the summaries.

Montana Main Street Program Quick Facts

- ▶ The Montana Main Street Program is located in the Department of Commerce's Business Resources Division.
- ▶ Funding for the program has been one-time-only (OTO) since the program's inception.
- ▶ Funding for the current biennium is \$250,000 general fund money freed up by economic stimulus funds and appropriated in HB 645.
- ▶ The program was established by the 2005 Legislature (HB 481) and began in July 2005. OTO funding was \$250,000 from the fuel tax revenues.
- ▶ According to the Montana Main Street Program's website, its underlying premise is to "encourage economic development within the context of historic preservation. The Main Street approach encourages communities to use their unique assets--distinctive architecture, pedestrian friendly atmosphere, local ownership, and personal services--to rebuild their downtowns. To do so, Main Street focuses on four major areas: Organization, Promotion, Design, and Economic Restructuring, called the Four Point Approach™."
- ▶ Communities participating in the Montana Main Street Program are considered either Fully Designated Communities or Affiliate Communities. The program's website describes the distinction.

Designated Communities must hire at least a part-time paid executive director and must have more than 5,000 residents. Designated communities receive on-site technical training delivered by the National Main Street Center [*part of the National Trust for Historic Preservation*].

Affiliate Communities are those with fewer than 5,000 residents. There is no requirement to hire a paid director. However, affiliate communities do not receive on-site technical training. Instead, the purpose of the affiliate program is to provide educational and networking opportunities for rural communities.

- ▶ Fully Designated Communities are Anaconda, Butte, Polson, Red Lodge, Stevensville, Libby, and Livingston. Affiliate Communities are Columbus, Sheridan, West Yellowstone, and White Sulphur Springs.

- ▶ Projects highlighted in Fully Designated Communities are examples of the promotion, design, and economic aspects of the program and the functions of the local offices. These include the Stevensville Hotel; Anaconda's Copper King Express (an excursion train running between Anaconda and Butte); Stevensville's Western Heritage Days; Butte's "Lighten Up" project to illuminate the city's historic mine headframes; and a Butte tree planting project to improve the appearance of the entryway streets to the city's historic district.
- ▶ Supporters of the Main Street concept emphasize that in providing tools, ideas, and expertise, the program empowers and provides incentives to communities to raise money through grants and local donations rather than rely on taxpayer dollars to fund their projects.

FWP Heritage Resources Program Quick Facts

- ▶ The Department of Fish, Wildlife, and Parks (FWP) administers a Heritage Resources Program to improve its ability to identify and protect historic and cultural resources in Montana's state parks.
- ▶ FWP has conducted numerous excavations in various state parks over the years and usually hired outside consultants to ensure that it complied with the requirements of the Montana Antiquities Act. The Historic Resources Program was established by FWP in 2007 to provide a more centralized method by which it could inventory and protect historic and cultural resources in state parks.
- ▶ Through the Heritage Resources Program, FWP collects and manages information on the location and nature of existing resources, ensures that cultural resources are protected during FWP activities, assists with planning and management activities related to cultural resources, and coordinates public outreach and education activities.
- ▶ The Heritage Resources Program maintains a Memorandum of Understanding with the Montana Heritage Commission to exchange services, including grant preparation and staff expertise.
- ▶ There is a Heritage Resources Program coordinator. In addition, field hands work to maintain and help protect the state's heritage and the parks FWP cares for, such as Bannack, Chief Plenty Coups, Travelers' Rest, First Peoples Buffalo Jump, Rosebud Battlefield, and others.
- ▶ FWP's authority to acquire and designate areas, sites, or objects to be held, improved, and maintained as state parks, state recreation areas, state monuments, or state historical sites is located in § 23-1-101, MCA.
- ▶ Any person, association, or representative of a governing unit may submit a proposal

to FWP for the acquisition of any area or site that should be maintained as a state monument or state historical site. Nominations must be received by July 1 of the year preceding a legislative session. FWP is required to present a list of the areas, sites, or objects that were proposed for purchase through the parks account on the 15th day of any legislative session. Funds must be appropriated by the Legislature before any park, area, monument, or site may be purchased.

- ▶ There are currently 53 state parks in Montana and approximately 230 historic and archaeological sites within these parks.
- ▶ FWP manages 7 of the 23 National Historic Landmarks in Montana, and 10 state parks are listed as National Historic Places.
- ▶ See information on the Long-Range Building Program for additional funding information.

Montana Heritage Preservation and Development Commission Quick Facts

- ▶ In 1997, the Legislature established the Montana Heritage Preservation and Development Commission to manage, develop, and operate Heritage Commission properties. Under § 22-3-1001, MCA, these are "properties that possess outstanding historical value, display exceptional qualities worth preserving, are genuinely representative of the state's culture and history, and demonstrate the ability become economically self-supporting."
- ▶ The legislation that established the Heritage Commission also authorized the purchase of historic properties in Virginia City and Nevada City. In 2001, the Montana Board of Land Commissioners approved through a private donation the acquisition of Reeder's Alley in Helena. The Land Board also approved the acquisition of the Pioneer Cabin in Helena from the Last Chance Gulch Restoration Association.
- ▶ The primary purpose of the Heritage Commission is to manage these properties, encourage profitable commercial enterprises, and protect the resources for the benefit of all Montanans.
- ▶ The Heritage Commission is attached to the Department of Commerce for administrative purposes.
- ▶ The Heritage Commission consists of 14 members. Nine members must be appointed by the Governor, one by the President of the Senate, and one by the Speaker of the House. The requirements for the Governor's appointments are set forth in § 22-3-1002, MCA. The director of the Montana Historical Society, the director of the Department of Fish, Wildlife, and Parks, and the director of the Department of Commerce also serve on the Commission. Members appointed by the Governor serve 3-year terms. Members appointed by the Legislature serve 2-year terms.

- ▶ Funding for the Heritage Commission comes from operating revenue, bed tax funds (\$400,000), and 25 cents from an optional car registration fee (approximately \$150,000 in FY 2009). The Heritage Commission also receives funding from leases, private donations, federal grants, and filming fees. The Heritage Commission's operating budget in FY 2009 totaled approximately \$1.7 million.
- ▶ The Long-Range Building Program has, in the past, provided funds for preservation and improvement of Virginia City, Nevada City, and Reeder's Alley.
- ▶ When purchasing or selling real or personal property, the Heritage Commission must consider a variety of factors, including whether the property represents the state's culture and history, whether the property can become self-supporting, and whether the property can contribute to the economic and social enrichment of the state.
- ▶ There is a Heritage Commission Account in both the state and federal special revenue funds. Account money must be used for the purchase of properties in Virginia City and Nevada City, restoration, maintenance, and operation of historic properties in these cities, and purchasing, restoring, and maintaining historically significant properties in Montana that are in need of preservation.

Long-Range Building Program Quick Facts

- ▶ The Long-Range Building Program (LRBP) is administered by the Department of Administration.
- ▶ The program was started in 1963 to provide funding for construction, alteration, repair, and maintenance of state-owned buildings and grounds.
- ▶ The program is established in Title 17, chapter 7, part 2, MCA, and was developed to present a single, comprehensive, and prioritized plan for allocating state resources for the purpose of capital construction and repair of state-owned facilities.
- ▶ Projects in the LRBP are funded with LRBP funds, state special revenues, federal special revenues, proprietary funds, and when authorized, bond proceeds.
- ▶ The program revenue includes distributions of the cigarette (2.6% of total tax) and coal severance (12% of total tax) taxes. Additional income is received from Architecture and Engineering (A&E) supervisory fees and the short-term interest earned on the moneys in the fund.
- ▶ In the current biennium, funds from the above listed sources amount to an estimated \$19 million.
- ▶ In the past three biennia, the fund has also received transfers of "surplus" general

fund with the intent of reducing the state's backlog in building deferred maintenance.

- ▶ Revenues in the 2013 biennium are expected to be less than the \$19 million estimated for the 2011 biennium.
- ▶ Total appropriations and authority (authority is provided to projects where legislative approval is required by section 18-2-102, MCA, but appropriations would be either duplicative or unneeded; examples include projects for the university system which will be funded with donations and current unrestricted fund and projects in general services division where appropriations are made through the rate process) for the 2009 biennium were \$208.8 million.
- ▶ The LRBP has provided funds for several historic preservation projects in recent biennia.

2009 Biennium: HB 4 (2007 May Special Session)

Preservation and Improvements, Virginia & Nevada Cities - \$2,000,000 (LRBP Fund)

FWP Parks Program - \$7,750,000 (LRBP, state special, and federal special funds)

The \$7.75 million from the LRBP that the parks division of FWP received in the 2007 session were directed to the fishing access site program, the trails program and the state parks programs in the division. Of the money that went to state parks, a significant portion was used for activities other than heritage preservation.

Federal special revenues were used for preservation work at Bannack State Park

2011 Biennium: HB 5

Historic Preservation and Supporting Improvements - \$750,000 (LRBP Fund)

Preservation activities at Virginia and Nevada Cities and Readers Alley, Helena

Other historic preservation work includes upgrades and maintenance at historic properties within the university system

State Historic Preservation Office
Quick Facts

- ▶ The State Historic Preservation Office (SHPO), formally established by House Bill No. 785 in 1979, is located within the Montana Historical Society.
- ▶ SHPO consists of a historic preservation officer and a qualified professional staff,

including historians, architectural historians, historic architects, archaeologists, and administrative personnel. The historic preservation officer is appointed by the Governor from a list of three nominees submitted by the director of the Montana Historical Society.

- ▶ The program's primary mission is to work with Montanans to preserve the state's significant historic, archaeological, and cultural places.
- ▶ SHPO administers the Montana Antiquities Act (section 22-3-421, MCA) and the state's participation in the National Historic Preservation Act (16 U.S.C. § 470, et seq.).

Montana Antiquities Act: Sets out the responsibilities for SHPO and for state agencies regarding historic and prehistoric sites. State agencies are required to identify and develop methods for ensuring the identification and protection of heritage properties and paleontological remains on state-owned lands.

National Historic Preservation Act: Established a national system to protect cultural and historic resources of local, state, national, and tribal significance, including the National Register of Historic Places, the National Historic Landmarks list, and the State Historic Preservation Officers.

- ▶ SHPO also provides assistance to the Burial Preservation Board in carrying out its duties under the Montana Human Skeletal Remains and Burial Site Protection Act and the Montana Repatriation Act.
- ▶ The historic preservation officer's duties include but are not limited to following the necessary procedures to qualify the state for federal historic preservation dollars and conducting an ongoing statewide survey to identify and document properties that are significant in American history, architecture, archaeology, or culture.
- ▶ SHPO is funded through a combination of general funds, federal special revenue from the National Park Service, and proprietary funds.
- ▶ For the current biennium, SHPO received \$130,595 from the general fund, \$1,125,867 in federal special funds, and \$7,907 in proprietary funds for a total of **\$1,264,369**.

Cultural and Aesthetic Grants Program Quick Facts

- ▶ The Cultural and Aesthetic Grant Program (C&A) administered by the Montana Arts Council.
- ▶ The C&A program is established in Title 22, chapter 2, part 3, MCA, and was developed for the protection of works of art in the State Capitol and other cultural and aesthetic projects.

- ▶ Projects in the C&A program are funded with the investment earnings from a statutory trust, which is built with and receives coal severance tax revenues.
- ▶ The C&A trust receives a statutory 0.63% of coal severance tax revenues, and the interest and earnings from the trust support the grant activities of the program.
- ▶ In the current biennium, interest and earnings from the trust were estimated to be \$1.3 million.
- ▶ Interest and earnings in the 2013 biennium are expected to be similar to the amount estimated for the 2011 biennium.
- ▶ The total grant appropriation for the 2011 biennium was \$885,400 and funded 97 grant awards.
- ▶ The administrative costs of the grant program are also funded with the trust interest and earnings.
- ▶ Grants are provided in five categories including Special Projects less than \$4,500, Special Projects greater than \$4,500, Operational Support Projects, Capital Expenditure Projects, and "Challenge Grants".
- ▶ Grant applications are reviewed by a 16-member committee, the Cultural and Aesthetic Projects Advisory Committee, 8 of whom are appointed by the Montana Historical Society and 8 appointed by the Montana Arts Council. This committee submits funding and ranking recommendations to the Legislature, and the Legislature makes all final funding decisions.
- ▶ The Montana Arts Council has no ranking, recommendation, or decisionmaking authority over any of the grants.
- ▶ In addition to the projects in the table below, the Cultural Trust provides operating and special project support for historic preservation organizations such as the Upper Swan Valley Historical Society, the Carbon County Historical Society, the Western Heritage Center in Billings, the World Museum of Mining, the MonDak Heritage Center in Sidney, the Montana Preservation Alliance, the Montana Historical Society, and many others.
- ▶ The C&A grants program funds historic preservation projects in the 2011 biennium in the capital expenditure category. Some examples are shown in the table below.

Project Name	Project Sponsor	Biennium	Total Cost	Grant Request	Grant Authorized	Past Grants (cumulative)
Condition Assessment & Repair of Moss Mansion	Billings Preservation Society	2011	\$535,883	\$54,926	\$12,000	\$13,526
Windows Restoration-	Meagher	2007	\$66,326	\$4,500	\$4,500	\$0

Repair	County Historical Assoc.					
Roof, Siding & Basement Renovation	Liberty Village Arts Center & Gallery	2007	\$49,500	\$12,375	\$6,900	\$17,775

HB 645

Another means of funding historic preservation--albeit on a one-time-only basis--appeared during the 2009 legislative session. HB 645, signed by the Governor on May 14, 2009, implemented the federal American Recovery and Reinvestment Act (ARRA) for Montana. It appropriated federal funds and state general fund money freed up through the receipt of federal dollars. Dozens of programs received funding through the bill, along with specific instruction on program operation.

The Legislature set aside \$3.6 million for competitive historic preservation grants and, in the narrative establishing the program, recognized both the potential economic benefits of historic preservation and the value of the state's heritage.

The item for Historic Preservation Competitive Grants is for the awarding of grants to public or private entities for the preservation of historic sites within the state of Montana based on competitive criteria created by the department, as guided by the Legislature, that may include:

- (1) the degree of economic stimulus or economic activity, including job creation and work creation for Montana contractors and service workers;
 - (2) the timing of the project, including the access to matching funds if needed and approval of permits so the work can be completed without delay;
 - (3) the historic or heritage value related to the state of Montana;
 - (4) the successful track record or experience of the organization directing the project;
- and
- (5) the expected ongoing economic benefit to the state as a result of the project completion.

HB 645 had (and continues to have) its detractors. Fundamental philosophical differences about how to strengthen the economy and what government should look like ignited lengthy debates as the bill progressed. Whether or not the economic stimulus strategy embodied in ARRA and in HB 645 proves to have been successful in the long run, communities that received historic preservation grants put those dollars--and local contractors--to work straightaway on some interesting projects.

Of the 135 applicants who requested over \$20 million in funding for historic preservation projects, 56 received grants ranging from \$13,509 for the Wibaux House to \$161,174 for the Rialto Theater in Deer Lodge. A full listing of projects that received grant funding is included as Appendix A. Montana was the only state to have directly applied economic stimulus money to historic preservation grants.

National Perspective

States use a variety of means to fund historic preservation and encourage cultural and heritage tourism. All 50 states have a State Historic Preservation Officer⁴. Forty-two states, including Montana, have laws providing some measure of protection for cultural resources and heritage properties. However, organization and administration of historic preservation programs, funding for those programs, and sources of grant funds vary widely across the country.

Some of the funding sources that states apply to administration of historic preservation programs and grant awards include lotteries, real estate transfer taxes, license plate fees, bonds, gaming taxes, and interest from state investments.

The states of Texas, Colorado, and Oregon are examples of robust, successful historic preservation programs that work diligently to promote heritage tourism, according to information provided to ELG at its March 2010 meeting by Barbara Pahl, Director of the National Trust for Historic Preservation's Mountain-Plains Region.

Oregon and Texas sponsor historic trails programs aimed at identifying and preserving trails for locals and visitors alike. Texas and Colorado place particular emphasis on heritage tourism⁵, as does Oregon--its Historic Preservation Office is located in the state Parks and Recreation Department. Texas is among a handful of states with a specific program focused on restoration of historic courthouses⁶.

In Colorado, an ongoing source of money for historic preservation grants is the State Historical Fund, created by a 1990 amendment to the Colorado Constitution that allowed limited gaming in the towns of Cripple Creek, Central City, and Black Hawk and directed use of the gaming

⁴ The 1966 National Historic Preservation Act provided for the establishment of SHPOs and directed that the federal share of funding come from offshore oil and gas leases. The original federal contribution was to be \$150 million; however, that commitment has never been fully realized. In the latest budget, \$54.5 million is identified for the state programs, according to information provided to ELG by the National Trust for Historic Preservation.

⁵ The following statements are included in the Texas Historical Commission's Strategic Plan, Fiscal Years 2011-2015.

- Since 1997, the Texas Heritage Trails Program has facilitated development of 10 heritage regions and 10 regional organizations, and all 254 counties are receiving tourism assistance
- In the past 10 years more than 715 cultural and heritage sites have been evaluated for tourism readiness and received written recommendations. Ten regional travel guides and five thematic travel guides have been developed.
- Ten heritage region websites have been developed and continue to promote cultural and heritage sites within those heritage regions.
- In the past 10 years, the heritage regions to fund their operations have raised more than \$379,000 in regional cash contributions.
- More than \$663,000 in in-kind contributions has been generated in the 10 heritage regions to fund their operations.

⁶ The Texas Historical Commission Strategic Plan states that the "Texas Historic Courthouse Preservation Program has generated more than \$150 million in local match from participating counties, 8,579 jobs, \$238,370,081 in income, and \$325,274,262 in gross state product."

HB 663, introduced in 2007 by Rep. Dan Villa; HB 614, introduced in 2005 by Rep. Chris Harris; and HB 357, introduced in 2003 by Rep. Chris Harris sought to establish a county courthouse restoration program in Montana. They all failed.

tax revenue. According to Colorado's Office of Archaeology and Historic Preservation:

Funds are distributed through a competitive process and all projects must demonstrate strong public benefit and community support. Grants vary in size, from a few hundred dollars to amounts in excess of \$200,000. The Fund assists in a wide variety of preservation projects including restoration and rehabilitation of historic buildings, architectural assessments, archaeological excavations, designation and interpretation of historic places, preservation planning studies, and education and training programs.

Sources of the Texas Historical Commission's budget include the state general fund, bond proceeds, a sporting goods sales tax, fees from historical sites, interagency contracts, and federal sources. The Colorado Historical Society, located within the Colorado Department of Higher Education, receives gaming tax revenue, federal grants, and earned income. And in Oregon, lottery proceeds, park user fees, RV/ATV registrations, and proceeds from the state fair are the major funding sources for the state's Parks and Recreation Department.

Findings and Recommendations

Having considered a wealth of information on the current state of historic preservation in Montana and elsewhere and having discussed various strategies for improving management of state heritage resources, ELG endorsed the following findings.

1. ELG recognizes the value of the state's rich historical legacy and outstanding heritage assets.
2. Preservation of heritage properties is directly linked to maintaining quality of life and community identity.
3. The state of Montana is responsible for maintaining the heritage properties owned by the state and managed by its agencies on behalf of the public.
4. Proper maintenance of state-owned heritage properties cannot be achieved in the absence of a comprehensive inventory of the properties owned and managed by the state and assessment of the properties' status.
5. Impact studies from around the country demonstrate that historic preservation creates skilled jobs and stimulates local and state economies.
6. Because historic preservation policies and programs are located throughout state government in various agencies, coordination and planning among those agencies is critical to building a collaborative vision for maintaining heritage properties and maximizing the effectiveness of the programs.
7. Public and privately-owned heritage properties throughout the state are in desperate need of restoration and maintenance work, as evidenced by the \$20 million worth of requests for \$4 million in HB 645 grant funding.

8. Many other states fund preservation programs and grants through a variety of funding mechanisms. These funds are critical to the preservation of heritage buildings and retention of culturally significant sites.
9. Montana's historic properties would benefit greatly from some level of state support. Beyond preservation of Montana's unique historic places, these investments would help to stimulate local economies in towns across Montana.

Recommendations

A potential structural budget gap hovering near the \$400 million mark cast a shadow over the deliberations of all of the 2009-2010 interim committees, and ELG was no exception.

Recognizing this, the committee issued recommendations for implementation that members believed would not strain state agency operations or budgets.

1. Require state agencies and the Montana University System (through the Office of the Commissioner of Higher Education) to biennially report to the preservation review board the status and maintenance needs of heritage properties owned and maintained by those entities. *(Source: Sen. Hawks motion at June 10, 2010, ELG meeting; bill draft: LChj32)*
2. Require the State Historic Preservation Officer to compile the information on the state and University System heritage properties and report to an interim legislative committee, along with any recommendations. *(Source: Sen. Hawks motion at June 10, 2010, ELG meeting; bill draft: LChj32)*
3. State agencies that manage heritage properties should explore partnerships with non-governmental entities for potential outsourcing of technical assistance programs that would make state dollars directed to heritage activities more effective.

Recommendations for ongoing consideration

ELG recommended that the 2011-2012 interim committee having the appropriate subject area jurisdiction continue to explore ways to strengthen historic preservation in Montana and that the following be among the considerations.

1. Including the Main Street program in the Department of Commerce budget, rather than continuing to rely on one-time-only funding.
2. Expanding the state historic preservation tax credit.
3. Requesting that the Department of Commerce, through its travel and tourism promotion functions, place more focus on heritage tourism.
4. Exploring use of Treasure State Endowment Program funding and other potential funding sources in establishment of a Preservation Grants Fund.
5. Commissioning a comprehensive analysis specific to Montana of economic

impacts of tax credits and other historic preservation efforts, similar to a report issued in March 2010 by researchers with the Rutgers University Edward J. Bloustein School of Planning and Public Policy. The report, entitled "First Annual Report on the Economic Impact of the Federal Historic Tax Credit", examined the origins and impacts of the credit, providing "quantitative and qualitative information regarding the economic and other benefits of the federal HTC (e.g., providing affordable housing and spurring downtown revitalization); . . ." The report includes such specific data as Gross Domestic Product, jobs created, and income created by sector nationwide as a result of the credit.

6. Exploring consolidation of some state heritage programs--such as SHPO, Montana Heritage Commission, Travel Montana, Main Street, FWP--to avoid redundancy and ensure greater effectiveness.

The simple reality is that many of the proven strategies to bolster historic preservation and provide for restoration, maintenance, and development of heritage properties in any meaningful way cost money, and the demands on the state's budget are enormous. In addition, vigorous disagreements persist over how and where taxpayer dollars should be directed. ELG's recommendations recognize the limitations of the state budget, while encouraging further investigation into ways the state can preserve and protect these unique treasures for their intrinsic value as well their potential role in building Montana's economy.