

LONG-RANGE PLANNING PROGRAMS OVERVIEW

Long-Range Planning Description

Long-Range Planning (LRP) programs are devoted to the creation and upkeep of major state and local infrastructure (not including state roads and highway construction and maintenance programs). Most of the projects that come through LRP programs require more than one biennium to complete and bear significant costs. The LRP budget analysis typically focuses on nine programs including:

- Long-Range Building Program (LRBP) – acquisition, construction, and major maintenance of state owned lands and buildings, administered by Department of Administration
- State Building Energy Conservation Program (SBCEP) – energy efficiency improvements to state owned buildings, administered by Department of Environmental Quality
- Long-Range Information Technology Program (LRITP) – major information technology build and upgrade, administered by Department of Administration
- Treasure State Endowment Program (TSEP) – water infrastructure grants to local governments, administered by the Department of Commerce
- Treasure State Endowment Regional Water Program (TSEPRW) – matching funds for major regional water projects, administered by the Department of Natural Resources and Conservation
- Renewable Resource Grant and Loan Program (RRGL) – water conservation grants and loans to local governments, administered by the Department of Natural Resources and Conservation
- Reclamation and Development Grant Program (RDGP) – grants for the reclamation of lands degraded by severance activities, administered by the Department of Natural Resources and Conservation
- Cultural and Aesthetic Grant Program (C&A) – arts, cultural, and historical grants, administered by the Montana Arts Council
- Quality School Facility Grants Program (Quality Schools) – grants for major maintenance of K-12 school facilities, administered by the Department of Commerce

| Long-Range Planning Budget Comparison (millions) | | | | | |
|---|----------|----------------|----------------|-----------------|---------------|
| Budget Item | Bill # | Appropriations | | Biennium | Biennium |
| | | FY 14-15 | FY 16-17 | Change | % Change |
| Appropriations | | | | | |
| | | <u>Approp.</u> | <u>Approp.</u> | | |
| Long-Range Building Program (LRBP) | HB 403 | \$175.6 | \$132.8 | (\$42.7) | -24.3% |
| State Building Energy Conservation Program (SBCEP) | HB 403 | 3.5 | 2.5 | (1.0) | -28.6% |
| Long-Range Information Technology Program (LRITP) | HB 10 | 20.9 | 35.4 | 14.5 | 69.4% |
| Treasure State Endowment Program (TSEP) | HB 11 | 35.0 | 18.9 | (16.1) | -45.9% |
| Treasure State Regional Water Program (TSEPRW) | HB 11 | 17.0 | 4.3 | (12.7) | -74.9% |
| Renewable Resource Grant and Loan Program (RRGL) | HB 6 & 8 | 54.2 | 33.1 | (21.1) | -39.0% |
| Reclamation and Development Grant Program (RDGP) | HB 7 | 6.2 | 5.3 | (1.0) | -15.4% |
| Cultural and Aesthetic Grant Program (C&A) | HB 9 | 0.8 | 0.4 | (0.4) | -47.4% |
| Quality Schools Grant Program (QSFP) | HB 15 | 12.4 | 0.0 | (12.4) | -100.0% |
| Total Costs | | \$325.5 | \$232.7 | (\$92.9) | -28.5% |
| Funding | | | | | |
| Capital Projects Fund (Capital) ¹ | | \$66.6 | \$26.2 | (\$40.4) | -60.7% |
| General Fund (GF) ² | | 11.5 | 0.0 | (11.4) | -99.9% |
| State Special (SS) | | 136.8 | 71.8 | (65.0) | -47.5% |
| Federal Special (FS) | | 26.2 | 35.7 | 9.5 | 36.4% |
| Bonds and Loans (Bonds) | | 24.7 | 27.5 | 2.8 | 11.2% |
| Proprietary Fund (Prop) | | 1.0 | 0.0 | (1.0) | -100.0% |
| Authorization (Author) | | 58.9 | 71.5 | 12.6 | 21.4% |
| Total Funds | | \$325.5 | \$232.7 | (\$92.9) | -28.5% |
| ¹ Capital Project funds include general fund transfer: \$1.0 million in LRBP and \$10.3 million in LRITP ² General Fund appropriation for a non-capitalizable cost, \$7,500. | | | | | |

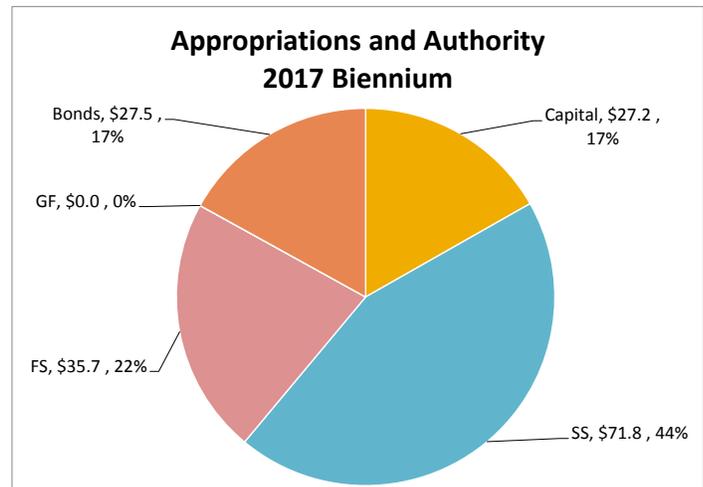
Summary of Legislative Action

The figure on the preceding page shows the appropriations made by the Sixty-fourth Legislature for each of the LRP programs. Total legislative appropriations and authorizations for the LRP budgets are \$232.7 million. This is 28.5% less than the LRP budgets in the 2015 biennium. The largest source of funding is state special revenue at \$71.8 million principally taking the form of statutory program funding.

Funding

In large part, LRP programs are financed with statutorily dedicated allocations of funds. Generally the program/project budget is strictly based on the amount of revenue estimated to be available for the program costs. Other revenues come from a variety of sources including tax allocations and in several cases interest earnings from dedicated trusts. The only exception from earmarked program revenue is seen in the LRITP which has no designated source of funding (projects are funded either through agency revenues or general fund, transferred into the LRITP capital projects fund).

The figure to the right shows the funding of the LRP budget as reflected in the appropriations and authorizations provided by the legislature. While there were LRP transfers from general fund, \$1.0 million in the LRBP and \$10.3 million in the LRITP program, there is only one general fund appropriations of \$7,500 in the budgets (LRITP). The budgets include appropriations from capital project funds (funds which account for financial resources to be used for the acquisition or construction of major capital facilities), 17% of the LRP budgets, and bond issue proceeds, 17%. Over 44% of the appropriations are funded with state special revenue. Federal special appropriations account for 22% of the budget. Authorizations, 17% of total funding and are not technically appropriations.



Executive Budget Comparison

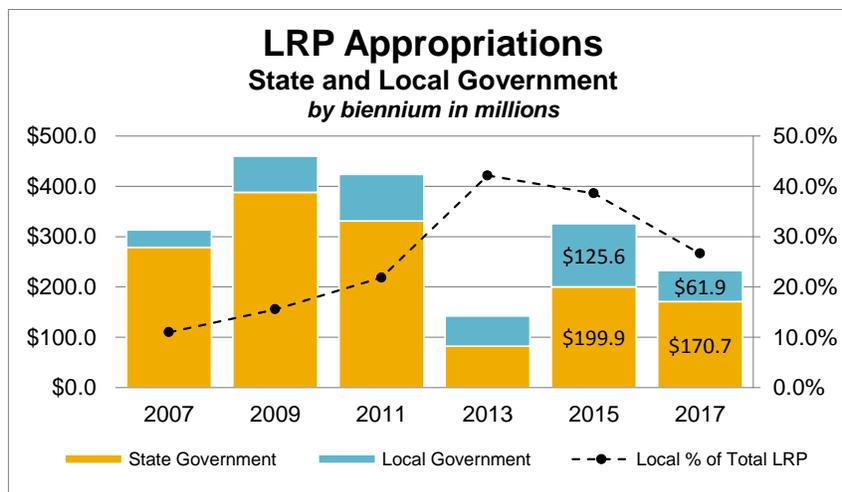
The Sixty-fourth Legislature reduced the executive LRP budget recommendations by \$193.9 million, or 45.5%. The reductions were principally the result of the legislative decision not to fund infrastructure projects with bond proceeds. In making this decision, the legislature eliminated some of the projects recommended in the executive budget including the construction of the Montana Historical Society Heritage Center (\$39.5 million), and a number of other deferred maintenance projects in the LRBP. Furthermore, the executive had proposed funding the full lists of projects requested in the various LRP grants programs, proposed to be funded with bond proceeds. Those proposals were not included in the legislative budget, along with the funding of infrastructure projects in the Eastern Montana oil and natural gas development areas. Finally, the legislature did not make appropriations for the Quality Schools Grant Program, due to funding issues in the program.

| Long-Range Planning Comparison to Executive Proposal (millions) | | | | | |
|---|----------|--------------------|---------------------|------------------|-------------------|
| Budget Item | Bill # | FY 16-17 | FY 16-17 | Biennium Change | Biennium % Change |
| | | Executive Proposed | Legislative Approp. | | |
| Appropriations | | | | | |
| Long-Range Building Program (LRBP) | HB 403 | \$233.6 | \$132.8 | (\$100.7) | -43.1% |
| State Building Energy Conservation Program (SBCEP) | HB 403 | 2.5 | 2.5 | 0.0 | 0.0% |
| Long-Range Information Technology Program (LRITP) | HB 10 | 20.0 | 35.4 | 15.4 | 76.9% |
| Broadband Infrastructure Development (BbD) | - | 15.0 | 0.0 | (15.0) | - |
| Treasure State Endowment Program (TSEP) | HB 11 | 27.2 | 18.9 | (8.3) | -30.4% |
| Eastern Montana Grant Program (TSEP-EMGP) | - | 45.0 | 0.0 | (45.0) | - |
| Treasure State Regional Water Program (TSEPRW) | HB 11 | 3.3 | 4.3 | 1.0 | 30.7% |
| Renewable Resource Grant and Loan Program (RRGL) | HB 6 & 8 | 40.4 | 33.1 | (7.3) | -18.2% |
| Reclamation and Development Grant Program (RDGP) | HB 7 | 8.0 | 5.3 | (2.7) | -34.0% |
| Cultural and Aesthetic Grant Program (C&A) | HB 9 | 0.4 | 0.4 | (0.0) | 0.0% |
| Quality Schools Grant Program (QSFP) | HB 15 | 31.2 | 0.0 | (31.2) | -100.0% |
| Total Costs | | \$426.6 | \$232.7 | (\$193.9) | -45.5% |
| Funding | | | | | |
| Capital Projects Fund (Capital) ¹ | | \$27.8 | \$26.2 | (\$1.6) | -5.8% |
| General Fund (GF) ² | | 0.0 | 0.0 | 0.0 | - |
| State Special (SS) | | 80.7 | 71.8 | (8.9) | -11.0% |
| Federal Special (FS) | | 20.7 | 35.7 | 15.0 | 72.5% |
| Bonds and Loans (Bonds) | | 227.2 | 27.5 | (199.7) | -87.9% |
| Proprietary Fund (Prop) | | 0.0 | 0.0 | 0.0 | - |
| Authorization (Author) | | 70.2 | 71.5 | 1.3 | 1.8% |
| Total Funds | | \$426.6 | \$232.7 | (\$193.9) | -45.5% |

¹Capital Project funds include general fund transfer: \$1.0 million in LRBP and \$10.3 million in LRITP
²General Fund appropriation for a non-capitalizable cost, \$7,500.

State and Local Infrastructure Projects

Over time, the importance of local government infrastructure assistance has grown as a component of the LRP budgets. In the 2007 and 2009 biennia, legislatures were more focused on the state capital projects, but beginning in the 2011 biennium, more attention was focused on local infrastructure funding. In the 2011 and 2015 biennia budgets, the legislature chose to increase funding for both state and local projects with support from the general fund, but the legislature did not follow this course of action for the 2017 budget. In the 2017 biennium, local infrastructure budgets are reduced by \$63.7 million, 50.7%, from the 2015 biennium appropriations.



While funding for local projects is reduced from the 2015 biennium, the Sixty-fourth Legislature did develop some local government infrastructure funding concepts which ultimately failed, but are worthy of note. Some important provisions of the proposals are outlined below.

- SB 354 (not approved by the Governor) would have created the Build Montana Program as a new local government infrastructure program, funded through a new sub-trust to the permanent coal severance tax trust. The program was developed to provide funding for projects in the 2019 biennium and beyond. The legislation would have transferred \$20.0 million from the permanent trust to “seed” the new fund. The program would then have received 75% of the coal severance tax flowing into the trust. In time, the fund would be expected to provide new revenues for local government projects. Legislators worked to insure that the use of the funds would not impact the funding of the pension system, which receives the income generated by the permanent trust. SB 354 was passed by the legislature, but was not approved by the executive.
- SB 416 would have funded both state and local infrastructure projects with a mix of funding through general fund transfers and bond proceeds. Because the legislation included bonding, it required a 2/3 vote of each house of the legislature, and it was not able to attain the vote. Legislators worked to develop a new measure that would be additive to the current ranking criteria for the Treasure State Endowment Program. The new measure would direct local governments to share in the costs of the projects, based on a formulaic test. The measure was as follows:

- “(1) The match rate for a local government is calculated based on its relative participation ratio.*
- (2) The relative participation ratio for a local government that is not a county is the number of its city-reported mills divided by the median of the city-reported mills of all cities as reported in the most recent biennial report of the Department of Revenue.*
- (3) The relative participation ratio for a county is the sum of its county mills divided by the median of county mills for all counties as reported in the most recent biennial report of the Department of Revenue. The sum of county mills includes all mills other than the city mills as reported in the most recent biennial report of the Department of Revenue, including state, county, countywide school, and local school average mills, fire district average mills, and miscellaneous mills.*
- (4) The match rate for a local government is calculated by:*
 - (A) Subtracting the local government’s relative participation ratio from 1;*
 - (B) Dividing the difference by 2; and*
 - (C) Multiplying the quotient by 100.*
- (For local governments where the participation ratio is less than 1, then the match rate is 0.)*

Additional language required, “For a local government that is not a county, the county in which the local government is located must also contribute its match rate as determined above.”

Although the above mentioned legislation was not successful, future legislatures may wish to refer to these concepts for the development of local government infrastructure financing programs.

LONG-RANGE BUILDING PROGRAM

Program Description

In 1963, the legislature enacted the Long-Range Building Program (LRBP) to provide funding for construction, alteration, repair, and maintenance of state-owned buildings and grounds. The program was developed in order to present a single, comprehensive, and prioritized plan for allocating state resources for the purpose of capital construction and repair of state-owned facilities. Historically, the LRBP has been funded with a combination of cash accounts and bonding. The various types of cash accounts include state and federal special revenue funds, other funds (such as university and private funds), and the capital projects fund (long-range building fund). The LRBP is administered by the Department of Administration, Architecture and Engineering Division (A&E).

Summary of Legislative Action

The Sixty-fourth Legislature authorized a LRBP consisting of 44 projects with a total project cost of \$135.3 million in HB 403. The legislature chose not to fund projects with bond proceeds, as initially recommended by the executive.

The legislature focused efforts in LRBP towards facility repairs and deferred maintenance activities for the 2017 biennium. The greatest level of expenditure was provided to the Montana University System (MUS) in seven projects, including two new privately funded buildings and five repairs/maintenance projects, at a total cost of \$79.9 million (\$71.2 million in authorizations¹). The new buildings authorized include a new engineering building at MSU-Bozeman, and a new facility at the Bitterroot college in Hamilton.

Additionally, the department of Fish, Wildlife, and Parks (FWP) were provided 15 appropriations that total \$26.5 million, including \$11.5 million for land access. The legislature restricted FWP Habitat Montana from acquiring land through fee title in HB 5.

The figure on the following page shows by agency the projects approved by the legislature and detailed project descriptions follow the figure.

¹ The use of “authority” in the LRBP section is a reference to funds for major construction projects that do not require appropriation, but due to the sizable cost of the project and the potential of future costs to the state, they must be authorized by the legislature. These funds are typically not “state funds” and include donations and various types of university funds.

LONG-RANGE BUILDING PROGRAM

| Long-Range Building Program HB 403 Projects - 2017 Biennium | | | | | |
|--|-------------------------|---------------------|---------------------|---------------------|----------------------|
| Approp Agency / Project Agency / Project | LRBP Capital Project | State Special | Fed Special | Authorization | Total |
| Sec. 2 - A&E Appropriations | | | | | |
| Department of Administration | | | | | |
| Life Safety & Deferred Maintenance | \$2,800,000 | | | | \$2,800,000 |
| Infrastructure Repairs, Capitol Complex | | 2,500,000 | | | 2,500,000 |
| Elevator Modifications, Capitol Complex | | 700,000 | | | 700,000 |
| Flooring Replacement, Capitol Complex | | 500,000 | | | 500,000 |
| Fire Protection Measures, Capitol Complex | | 300,000 | | | 300,000 |
| Roof Repairs & Replacements | 1,950,000 | | | | 1,950,000 |
| Def. Maintenance & Repairs, Original Gov. Mansion | 200,000 | | | | 200,000 |
| Department of Commerce | | | | | |
| Historic Buildings Maintenance | 400,000 | | | | 400,000 |
| Department of Corrections | | | | | |
| Life Safety, Deferred Maintenance & Energy Improvements | 2,000,000 | | | | 2,000,000 |
| Department of Military Affairs | | | | | |
| Firing Range Cleanup | 250,000 | | 250,000 | | 500,000 |
| Mechanical System Corrections, GFAFRC USAR | | | 450,000 | | 450,000 |
| Sandblast Booth, CSMS | | | 1,500,000 | | 1,500,000 |
| Misc. Improvements, VA Cemetery | | | 2,000,000 | | 2,000,000 |
| Improvements at Montana Military Museum | | | | 65,000 | 65,000 |
| Department of Natural Resources and Conservation | | | | | |
| Aircraft Hanger, Kalispell | | | | 190,000 | 190,000 |
| Department of Public Health and Human Services | | | | | |
| Replace Boiler, MVH | 331,500 | | | | 331,500 |
| Department of Transportation | | | | | |
| Equipment Storage Buildings | | 4,300,000 | | | 4,300,000 |
| Montana University System | | | | | |
| Life Safety & Deferred Maintenance | 4,500,000 | | | | 4,500,000 |
| AUTHORITY ONLY-Engineering Building - MSU Bozeman | | | | 60,000,000 | 60,000,000 |
| AUTHORITY ONLY - Bitterroot College Facility | | | | 4,200,000 | 4,200,000 |
| MT Ag Experiment Station Projects | 2,480,000 | | | | 2,480,000 |
| Land Acquisition, Great Falls College MSU | 750,000 | | | | 750,000 |
| Automotive Tech Center, MSU-Northern | 1,000,000 | | | 1,000,000 | 2,000,000 |
| Montana School for the Deaf and Blind | | | | | |
| Miscellaneous Improvements | 125,000 | | | | 125,000 |
| Total Sec. 2 - A&E Appropriations | \$16,786,500 | \$8,300,000 | \$4,200,000 | \$65,455,000 | \$94,741,500 |
| Sec. 3 - Agency Appropriations | | | | | |
| Department of Environmental Quality (SBECP) | | | | | |
| Energy Improvements | | 2,500,000 | | | 2,500,000 |
| Department of Fish, Wildlife, and Parks | | | | | |
| Upland Game Bird Program | | 849,000 | | | 849,000 |
| Wildlife Habitat Maintenance | | 1,234,000 | | | 1,234,000 |
| Forest Management | | 320,000 | | | 320,000 |
| Migratory Bird Program | | 845,000 | | | 845,000 |
| Parks Program | | 2,766,800 | 1,300,000 | | 4,066,800 |
| Grant Programs | | 139,000 | 3,750,000 | | 3,889,000 |
| Future Fisheries | | 1,277,000 | | | 1,277,000 |
| FAS Site Protection | | 847,200 | 600,000 | | 1,447,200 |
| Hatchery Maintenance | | 600,000 | | | 600,000 |
| Dam Maintenance | | 50,000 | | | 50,000 |
| Community Fishing Ponds | | 50,000 | | | 50,000 |
| Sekokini Springs Hatchery Rearing Ponds | | | 400,000 | | 400,000 |
| Department of Military Affairs | | | | | |
| Federal Spending Authority | | | 3,000,000 | | 3,000,000 |
| Department of Transportation | | | | | |
| Maintenance, Repair & Small Projects | | 2,500,000 | | | 2,500,000 |
| Montana Historical Society | | | | | |
| Maintenance and Improvements at Daly Mansion | 100,000 | | | | 100,000 |
| Montana University System | | | | | |
| AUTHORITY ONLY-General Spending Authority MUS | | | | 6,000,000 | 6,000,000 |
| Total Sec. 3 - Agency Appropriations | \$100,000 | \$13,978,000 | \$9,050,000 | \$6,000,000 | \$29,128,000 |
| Sec. 4 - Land Access | | | | | |
| Department of Fish, Wildlife, and Parks - Land Access | | | | | |
| Habitat Montana | | 10,668,000 | | | 10,668,000 |
| Bighorn Sheep Habitat | | 460,000 | | | 460,000 |
| FAS Lease | | 245,000 | 100,000 | | 345,000 |
| Total Sec. 4 - Land Access Appropriations | \$0 | \$11,373,000 | \$100,000 | \$0 | \$11,473,000 |
| Total Long-Range Building Program | \$16,886,500 | \$33,651,000 | \$13,350,000 | \$71,455,000 | \$135,342,500 |

Project Descriptions

LRBP appropriations and authorizations amounting to \$135.3 million for capital projects are approved in HB 403 from 29 different capital project, state special revenue, federal special revenue, and higher education funds. A brief description of the LRBP projects included in HB 403 is provided below. Some of the acronyms used frequently in this section include:

- HVAC – heating, ventilation, air conditioning
- Sq/ft – square feet
- SSR – state special revenue
- FSR – federal special revenue
- SW – statewide
- Authorization - grants/donations/auxiliary funds/university funds/local government funds not requiring appropriation; provides the legislative consent to use non-state funds

*Appropriations to the Department of Administration*Department of Administration (DOA)

- Life Safety & Deferred Maintenance, SW: \$2.8 million LRBP Capital Project Funds (05007) appropriated to DOA. To correct building and infrastructure safety and deficiencies on agency facilities, statewide.
- Infrastructure Repairs, Capitol Complex: \$2.5 million General Services SSR (02299) appropriated to DOA. Correct infrastructure and building safety, energy and maintenance deficiencies of capitol complex facilities.
- Elevator Modifications, Capitol Complex: \$700,000 General Services SSR (02299) appropriated to DOA. Major repairs, modifications, and upgrades to various elevators on the capitol complex.
- Flooring Replacement, Capitol Complex: \$500,000 General Services SSR (02299) appropriated to DOA. Due to age and deterioration, floor coverings in buildings on the capitol complex are in need of replacement.
- Fire Protection Measures, Capitol Complex: \$300,000 General Services SSR (02299) appropriated to DOA. Modernize the fire detection systems and fire sprinkler systems in the capitol complex buildings.
- Roof Repairs & Replacements, SW: \$1,950,000 LRBP Capital Project Funds (05007) appropriated to DOA. Roof repairs and replacements due to age, deterioration and exposure to the elements.
- Deferred Maintenance and Repairs, Old Governor's Mansion: \$200,000 LRBP Capital Project Funds (05007) appropriated to DOA. Exterior repairs and improvements to the home.

Department of Commerce (DOCom)

- Historic Buildings Maintenance: \$400,000 LRBP Capital Project Funds (05007) appropriated to DOA. This project supports the preservation of historic properties managed by the Montana Heritage Commission (MHC). The funding will allow the MHC to perform major maintenance activities on properties in Virginia and Nevada Cities and in Reeders Village in Helena.

Department of Corrections (DOC)

- Life Safety, Deferred Maint. & Energy Improvements: \$2.0 million LRBP Capital Project Funds (05007) appropriated to DOA. For major deferred maintenance projects at the DOC facilities, statewide.

Department of Military Affairs (DMA)

- Firing Range Cleanup: \$250,000 LRBP Capital Project Funds (05007) and \$250,000 Federal Long-Range Building Funds (03244) appropriated to DOA. Firing range cleanup at Libby, Kalispell, Great Falls, and Livingston Readiness Centers and Helena Armed Forces Reserve Center.
- Mechanical System Corrections, Great Falls Air Force Readiness Center: \$450,000 Federal Long-Range Building Funds (03244) appropriated to DOA. Correct unreliable HVAC and control systems.
- Sandblast Booth, Combined Surface Maintenance Shop (CSMS): \$1.5 million Federal Long-Range Building Funds (03244) appropriated to DOA. Provide a sandblast booth for the CSMS operations.
- Miscellaneous Improvements, VA Cemetery: \$2.0 million Federal Long-Range Building Funds (03244) appropriated to DOA. Expand and improve the VA cemetery at Fort Harrison.
- Improvements at Montana Military Museum: \$65,000 Authority Only. Donations will be used to provide improvements at the facility including, but not limited to, the building of display cases.

Department of Natural Resources and Conservation (DNRC)

- Aircraft Hangar, Kalispell: \$190,000 Authority Only. Provision of authority for the purchase of an aircraft hangar at the Kalispell city airport. DNRC currently leases the facility, which is for sale and will be purchased using budgeted lease payments appropriated in HB 2 to repay the loan. As a result, the funds do not require appropriation.

Department of Public Health and Human Services (DPHHS)

- Replace Boiler at Montana Veterans' Home: \$331,500 LRBP Capital Project Funds (05007) appropriated to DOA. Replacement of the backup boiler and 2 domestic water heaters with a high-efficiency heating system.

Department of Transportation (MDT)

- Equipment Storage Buildings, SW: \$4.3 million Highway SSR Funds (02422) appropriated to DOA. Construct new buildings at various locations throughout the state. The buildings will house road maintenance equipment and personnel.

Montana University System (MUS)

- Life Safety & Deferred Maintenance, MUS: \$4.5 million LRBP Capital Project Funds (05007) appropriated to DOA. Funding for campuses to address major maintenance and code deficiencies that pose health and/or safety risks to students and staff.
- New Engineering Building, MSU Bozeman: \$60.0 million MSU Plant Funds (71200) authorized for DOA. Construct new building for College of Engineering (Authority Only).
- Bitterroot College Facility, Hamilton: \$4.2 million UM Plant Funds (71100) authorized for DOA. Construct a 16,000 sq/ft facility for the Bitterroot College.
- MT Ag Experiment Station (MAES) Projects - Phase 1: \$2,480,000 LRBP Capital Project Funds (05007) appropriated to DOA. MAES field research and outreach facilities needing new construction or code deferred maintenance and renovation projects to continue the service life of facilities. Phase I projects focus on constructing new regulatory compliant pesticide handling storage and research facilities.
- Land Acquisition, Great Falls College: \$750,000 MSU Plant Funds (71200) authorized for DOA. While the project provides authority only for the Great Falls land acquisition, HB 403 provides a transfer of \$750,000 of LRBP capital project funds to the MSU funds for the purpose of a match to the land acquisition provided by the 63rd Legislature. The action is shown as an appropriation from the capital projects fund in the project table above.
- Automotive Tech Center, MSU Northern: \$1.0 million LRBP Capital Project Funds (05007) and \$1.0 million MSU Plant Funds (71200) appropriated/authorized for DOA. Providing additional

funding and authority for the project authorized by the 63rd Legislature. This project would provide for increased space in the current project, along with additional funding resulting from construction inflation. The project is supported by a transfer of \$1.0 million from the general fund.

Montana School for the Deaf and Blind

- Miscellaneous Improvements, Montana School for the Deaf and Blind: \$125,000 LRBP Capital Project Funds (05007) appropriated to DOA. Infrastructure and building safety, energy, accessibility, and maintenance deficiency upgrades at the school.

Agency Appropriations

Department of Environmental Quality (DEQ)

- Energy Improvements, SW: \$440,000 Energy Conservation Repayment Acct. (02370) and \$2,060,000 Energy Conservation SSR (02955) appropriated to DOA and DEQ. Improvements that reduce energy costs in state facilities. For more information on the State Building Energy Conservation Program (SBECP) projects, see the SBECP section of this report.

Department of Fish, Wildlife and Parks

- Upland Game Bird Program: \$660,000 Upland Game Bird Habitat SSR (02113) and \$189,000 Upland Game Bird Planting SSR (02687) appropriated to FWP. This project will provide landowners with funding to restore/establish habitat and also implement the mandatory pheasant release program. This appropriation will not be used for the acquisition of land (fee title acquisition).
- Wildlife Habitat Maintenance: \$1,234,000 Habitat Trust Interest SSR (02469) appropriated to FWP. Maintenance of wildlife management areas in accordance with state requirements.
- Forest Management: \$320,000 Fish & Wildlife Forest Mgt. SSR (02084) appropriated to FWP. Implementation of the forest management practices on appropriate FWP lands.
- Migratory Bird Program: \$845,000 Waterfowl Stamp SSR (02085) appropriated to FWP. Protection, conservation, and enhancement of wetland habitat. This appropriation will not be used for the acquisition of land (fee title acquisition).
- Parks Program: \$70,800 Motor Boat Fees SSR (02273), \$340,000 FWP Accommodations Tax SSR (02274), \$356,000 State Parks Miscellaneous SSR (02411), \$2,000,000 Restricted Highway SSR (02422), and \$1,200,000 Federal (W/B) and Wildlife (P/R) (03097) appropriated to FWP. This project will rehabilitate existing facilities, infrastructure, park sites, and roads at state park sites.
- Grant Programs: \$22,000 Off Hwy Vehicle Gas Tax SSR (02213), \$117,000 Off Hwy Vehicle Acct. (Parks) SSR (02239), \$3,000,000 Parks Federal Revenue (03098), and \$750,000 Land & Water Conservation Fund Pass-through Account (03406) appropriated to FWP. Distributions of the Off-Highway Vehicle grants, Recreational Trails Program grants, and Land & Water Conservation Fund grants.
- Future Fisheries: \$1,000,000 RIT Bull/Cutthroat Trout Enhancement Fund (02022) and \$277,000 River Restoration SSR (02149) appropriated to FWP. Provision of fish habitat restoration projects statewide.
- Fishing Access Site (FAS) Protection: \$47,200 Motorboat Fees SSR (02273), \$800,000 FWP General License Acct. (02049), and \$600,000 Federal (W/B) and Wildlife (P/R) (03097) appropriated to FWP. Installation and rehabilitation of basic facilities at fishing access sites.
- Hatchery Maintenance: \$600,000 FWP General License Acct. (02049) appropriated to FWP. Providing for the timely repairs and preventive maintenance at ten state fish hatcheries across the state.
- Dam Maintenance: \$50,000 FWP General License Acct. (02049) appropriated to FWP. Repairs at FWP-owned dams.

- Community Fishing Ponds: \$50,000 FWP General License Acct. (02049) appropriated to FWP. Development of community fishing ponds.
- Sekokini Springs Hatchery Rearing Ponds: \$400,000 Misc. Federal Funds FSR (03403) appropriated to FWP. Providing rearing ponds, control structures, and piping at the Sekokini Springs hatchery.

Department of Military Affairs

- Federal Spending Authority: \$3.0 million Military Capital Construction Fund (03056) appropriated to DMA. This appropriation allows for federal funds to be used for repair, maintenance, minor construction, and facility improvements.

Department of Transportation (MDT)

- Maintenance, Repair and Small Projects, SW: \$2.5 million Highway SSR Funds (02422) appropriated to MDT.

Montana Historical Society (MHS)

- Maintenance and Improvements, Daly Mansion: \$100,000 LRBP Capital Project Funds (05007). The appropriation provides a grant to MHS which will allow UM-Missoula/Preservation Trust to make improvements at the Daly Mansion.

Montana University System (MUS)

- General Spending Authority MUS: \$3,000,000 UM Plant Funds (71100), \$3,000,000 MSU Plant Funds (71200), authorized for MUS. Major maintenance, new construction, renovations, and ADA/code compliance projects at campuses statewide (Authority Only).

Land Access Appropriations

Note: The Sixty-fourth Legislature stipulated that the following appropriations will be used only for lease and easement acquisition and not for fee title acquisition except in cases where the department is currently negotiating such purchases.

Department of Fish, Wildlife, and Parks (FWP)

- Habitat Montana: \$10,600,000 Wildlife Habitat SSR (02114) and \$68,000 Mule Deer Auction SSR (02559), appropriated to FWP. The purpose of this project is to conserve wildlife habitat via easement or lease.
- Bighorn Sheep Habitat: \$460,000 Mountain Sheep Account (02086) appropriated to FWP. Protection of mountain sheep habitat through acquisition of interest in land either by easement or lease.
- FAS Access: \$245,000 Fishing Access Site Acquisition SSR (02415), and \$100,000 Federal (W/B) and Wildlife (P/R) (03097) appropriated to FWP. Acquisition of interest in land either by easement or lease for angler access to public waterways.

Future Operations and Maintenance Costs

When approving the construction of new buildings and space, the legislature considers the budgetary impacts of the future costs of operations and maintenance (O&M). For new space requested by the university system (MUS), the legislature analyzes the uses of the proposed buildings prior to approving the projects to determine what portion of the future O&M costs should fall to the responsibility of the state. The state portion of the future costs of the university projects are negotiated agreements between the Office of Budget and Program Planning and MUS. To determine responsibility for future costs, the new space defined within five categories that include:

- Instructional (I) – classroom type space; O&M is the responsibility of the state

- Instructional related (IR) – libraries, student services, academic support, institutional support, Native American student centers; O& M may be negotiated to determine the responsibility of the state
- Sponsor research (SR) – primarily business sector research; O&M is not the responsibility of the state. In the 2017 biennium, the new space did not include SR, so that category is not included in the figure below
- Public service (PS) – child care centers, student stores, other student service spaces; O&M is not the responsibility of the state
- Non-academic (NA) – spaces that not used for academic purposes such as sponsored research or public space; O&M is not the responsibility of the state

The figure below includes the projected occupation date, the negotiated O&M splits, and the total and state O&M costs. For example, the engineering building project is planned to include 10% of non-academic and public service type space, so the state will be responsible for 90% of the future O&M costs. The following figure provides estimates of the future O&M costs associated with the new space projects approved by the legislature in HB 403. The O&M cost inflation rate is 1.5% per biennia.

| Future Operations and Maintenance (O&M) Costs for New Space Projects Approved by 64th Legislature | | | | | | | | | | | |
|---|-------------------|------|-----|----|---------------------------|------|-----------|----------------------------|------|-----------|-------------|
| Projected Occupancy | University Splits | | | | Total Future O&M Biennium | | | Future State Cost Biennium | | | |
| | I | IR | PS | NA | 2017 | 2019 | 2021 | 2017 | 2019 | 2021 | |
| Engineering Building, MSU Bozeman | | | | | | | | | | | |
| Norm Asbjornson Innovation Center (11 months of 2021 biennium) | 08/01/18 | 80% | 10% | 5% | 5% | \$0 | \$0 | \$1,461,323 | \$0 | \$0 | \$1,315,190 |
| Bitterroot College, Hamilton | 07/01/18 | 100% | | | | 0 | 172,290 | 349,749 | 0 | 172,290 | 349,749 |
| Total Future Costs | | | | | | \$0 | \$172,290 | \$1,811,072 | \$0 | \$172,290 | \$1,664,939 |

Funding

Funding for the Long-Range Building Program comes from various sources: the LRBP capital projects fund, state special revenue funds, federal funds, and other funds (such as university funds, private funds, and capitol land grant funds). While not the largest source of funding for capital projects, the LRBP capital projects fund is the primary source of funding for major maintenance in the state building program.

The LRBP capital projects fund will begin the 2017 biennium with an estimated \$2.7 million. LRBP account revenues include 2.6% of cigarette tax revenue and 12.0% of coal severance tax revenue. Other income includes LRBP interest earnings, supervisory paid to the A&E, and energy saving transfers from the State Building Energy Conservation Program. The LRBP fund is expected to collect \$22.0 million in program revenues, fees, and earnings. The legislature provided a transfer of \$1.0 million from the general fund to support one project.

| Long-Range Building Program Fund (05007) | | | |
|---|----------------|----------------|-----------------------|
| Fund Balance Projection 2017 Biennium | | | |
| Estimated Beginning Fund Balance-(7/1/2015) | | | \$2,744,889 |
| Estimated Revenue ¹ | <u>FY 2016</u> | <u>FY 2017</u> | <u>Biennium Total</u> |
| Cigarette Tax | \$1,679,434 | \$1,647,809 | \$3,327,243 |
| Coal Severance Tax | 7,118,674 | 7,332,484 | 14,451,158 |
| Interest Earnings | 1,278,980 | 1,278,980 | 2,253,995 |
| Supervisory Fees | 341,825 | 341,825 | 683,650 |
| Energy Savings Transfer | 125,000 | 125,000 | 250,000 |
| General Fund Transfer | 1,000,000 | | <u>1,000,000</u> |
| 2017 Biennium Revenues | | | 21,966,046 |
| Expenditures | | | fees |
| Operating Costs-A & E Division ² | (\$2,053,664) | (\$2,057,160) | (\$4,110,824) |
| Debt Service-2003G | (1,702,866) | (1,706,124) | (3,408,990) |
| Debt Service-2005A | (1,096,719) | (1,098,169) | (2,194,888) |
| Funding Switch | 665,000 | 665,000 | 1,330,000 |
| LRBP Program Proposal | (16,886,500) | | <u>(16,886,500)</u> |
| 2017 Biennium Expenditures | | | (25,271,202) |
| Estimated Ending Fund Balance (6/30/2017) | | | <u>(\$560,268)</u> |
| ¹ Based on HJ2 estimates | | | |
| ² Based on HB 2 proposals | | | |

Appropriations of the LRBP program include A&E administrative costs and debt service costs. The A&E administrative cost is \$4.1 million and is appropriated in HB 2 from the LRBP state special revenue fund. After consideration of a \$1.3 million funding switch established by the 2001 Legislature, the LRBP is responsible for \$4.3 million of debt service for bonds authorized by the 1995 Legislature. Finally, the legislature appropriated \$16.9 million for LRBP projects from the capital projects fund. As a result, the balance by the end of the 2017 biennium is estimated to be negative by \$560,268.

Executive Budget Comparison

The following figure provides the legislative changes from the executive budget proposal. Note that while the legislature appropriated the LRBP budget in HB 403, the executive had initially requested the LRBP budget in HB 5, which included multiple program budgets and the use of bond issue proceeds.

| Program Comparison - Long-Range Building Program | | | | |
|--|----------------------|----------------------|------------------------|----------------|
| Budget Item | Executive Budget | Legislative Budget | Change | % Change |
| | 2017 Biennium | 2017 Biennium | | |
| | <u>Proposed</u> | <u>Appropriated</u> | | |
| LRBP Project Costs | \$233,587,500 | \$132,842,500 | (\$100,745,000) | -43.13% |
| SBCEP Project Costs | 2,500,000 | 2,500,000 | \$0 | 0.00% |
| Total Costs | \$236,087,500 | \$135,342,500 | (\$100,745,000) | -42.67% |
| Capital Projects | \$15,806,500 | \$16,886,500 | \$1,080,000 | 6.83% |
| State Special | 33,651,000 | 33,651,000 | 0 | 0.00% |
| Federal Special | 13,350,000 | 13,350,000 | 0 | 0.00% |
| Authorization ¹ | 70,200,000 | 71,455,000 | 1,255,000 | 1.79% |
| Bond Issue/Loans | 103,080,000 | 0 | (103,080,000) | - |
| Total Funds | \$236,087,500 | \$135,342,500 | (\$100,745,000) | -42.67% |

¹ Does not require appropriation but requires approval of the legislature

The changes from the executive budget request net to a reduction of \$100.7 million or 42.7%. The primary change occurs as a result of eliminating the bond issuance proposals, as initially proposed by the executive in HB 5. Specific changes to the LRBP budget appropriations include:

- Elimination of the First Step facilities proposal – (\$7.6 million) LRBP Capital Project funds
- Funding switch of several deferred maintenance projects from bond proceeds to LRBP funds - \$6.9 million (overall change in LRBP Capital Project expenditures (\$670,000))
 - SW Life Safety and Deferred Maintenance
 - SW Roof Repairs and Deferred Maintenance
 - SW Life Safety and Deferred Maintenance and Electrical Upgrades, Dept. of Corrections facilities
 - MSU Ag Experiment Station Projects
- Elimination of a number of university building proposals – (\$50.7 million) bond proceeds
 - Romney Hall renovation, MSU Bozeman
 - Clapp Building renovation, UM Missoula
 - Library renovation, MUS Billings
 - Engineering Facility renovations, UM Tech Butte
- Elimination of other proposals funded with bond proceeds - (\$45.5 million)
 - 1100 North Last Chance Gulch renovation
 - Montana Heritage Center construction
 - FWP Parks improvements, Lewis and Clark Caverns electrical upgrades
 - FWP Parks improvements, Bannack fire alarm system
- Addition of two MUS projects - \$2.75 million
 - Land Acquisition, Great Falls COT

- Automotive Tech Center, MSU Northern
 - Addition of an airport hangar purchase authority only project - \$190,000
 - Addition of a Military Museum authority only project - \$65,000

Other Legislation

The Sixty-fourth Legislature did not enact any other legislation that would directly impact the LRBP.

STATE BUILDING ENERGY CONSERVATION PROGRAM

Program Description

The State Building Energy Conservation Program (SBECP), administered by the Department of Environmental Quality (DEQ), was established by the 1989 Legislature to reduce operating costs of state facilities by identifying and funding cost-effective energy efficiency improvement projects. Statutory authority is found in Title 90, Chapter 4, part 6, MCA. Energy efficiency improvements include projects such as:

- * Replacing old, inefficient boilers
- * Insulating buildings
- * Upgrading inefficient lighting
- * Providing more effective temperature controls
- * Increasing ventilation system efficiency
- * Upgrading water conservation systems

Projects with the potential for energy savings are funded through the SBECP, and are often jointly funded with the Long-Range Building Program deferred maintenance funds.

Summary of Legislative Action

The Sixty-fourth Legislature provided \$2.5 million of appropriations for the SBECP in the 2017 biennium. The figure below shows the projects appropriated in HB 403 and includes the anticipated annual energy savings associated with the projects and the total years to repay project costs.

| State Building Energy Conservation Program Executive Recommendation - 2017 Biennium | | | | |
|--|--|--------------------|---------------------|--------------------|
| Department | Project Title | Project Costs | Est. Annual Savings | Simple Payback/Yrs |
| Corrections | Dairy Digester | \$600,000 | \$40,000 | 15.0 |
| Administration | Capital Complex Energy Improvements | 1,150,000 | 74,000 | 15.5 |
| | 1100 Last Chance Gulch Mechanical Upgrades | 150,000 | 11,000 | 13.6 |
| University System | Campus Lighting Upgrades | 600,000 | 60,000 | 10.0 |
| Total Funding / Savings | | \$2,500,000 | \$185,000 | |

FUNDING

The SBECP operates as a “revolving loan program”. Agencies effectively borrow the funding for projects and reimburse the program from the energy savings. In FY 2015 reimbursements are expected to generate approximately \$1.8 million, and the reimbursements are expected to remain at that annual level throughout the 2017 biennium. As seen in the figure above, the investment of \$2.5 million will provide estimated savings of \$185,000 per fiscal year, once the projects are complete and the agencies begin reimbursing the program. Savings derived from the projects is expected to continue for between 10 and 15 years. Those funds will be used for projects in future years.

Executive Budget Comparison

The Sixty-fourth Legislature made no changes from the executive request for the SBECP.

Other Legislation

The Sixty-fourth Legislature did not enact any other legislation that would directly impact the SBECP program.

LONG-RANGE INFORMATION TECHNOLOGY PROGRAM

Program Description

The Long-Range Information Technology Program (LRITP) provides an alternative method of funding large information technology (IT) investments. The LRITP consolidates all major IT projects in one appropriation bill and defines major IT enterprises as capital projects. All of the executive branch projects included in the LRITP program will be overseen by the state chief information officer (CIO) within the Department of Administration (DOA).

Summary of Legislative Action

The Sixty-fourth Legislature provided total appropriations of \$35.3 million for five major IT projects in HB 10. The figure below shows the projects by agency, project name, and fund type.

| Long-Range Information Technology Program (LRITP) Projects | | | | |
|--|------------------------------------|--------------------|---------------------|---------------------|
| HB 10 - 2017 Biennium | | | | |
| Agency / Decision Point / Project | LRITP Capital Projects Funds | State Special | Federal Special | Total |
| Project Appropriations | | | | |
| Administration | | | | |
| Statewide Information Technology Projects | \$6,466,000 | | | \$6,466,000 |
| Network Equipment | | | | |
| Data Protection Initiative | | | | |
| Statewide Public Safety Communications | | | | |
| Security System Replacements/Assessments | | | | |
| Court Data Exchange Enhancement | | | | |
| Enterprise Electronic Content Management | 0 | | | 0 |
| Public Health and Human Services | | | | |
| Enhanced Federal Financial Participation | 2,000,000 | | 18,000,000 | 20,000,000 |
| Transportation | | | | |
| PPMS, Risk Based Management, Linear Referencing System | | 650,000 | 4,350,000 | 5,000,000 |
| Financial Management Suite | | 3,000,000 | | 3,000,000 |
| Judicial Branch | | | | |
| Court Technology Improvement Program | 834,000 | | | 834,000 |
| Total Projects | \$9,300,000 | \$3,650,000 | \$22,350,000 | \$35,300,000 |

In addition to the projects appropriated in the LRITP, the legislature also made an appropriation of \$75,000 for the costs of an audit of the Montana Medicaid Information System. The appropriation of \$7,500 was made directly from the general fund, since it is not a capitalizable expense. The remaining \$67,500 was appropriated from federal special revenues.

Project Descriptions

The following is a brief description of the projects shown in the table above. The appropriations are provided to the department of administration unless otherwise noted.

Department of Administration (DOA)

- Statewide Information Technology Projects: \$6.5 million LRITP Capital Projects Fund (05031). This appropriation supports five projects requested in the executive budget. HB 10 includes the following language related to the appropriation:

“The department of administration may prioritize the expenditure of the statewide information technology projects appropriation among the network and security upgrades, data protection initiative, statewide public safety communication system, security system replacement/assessments, and court technology improvement program projects. The department will report the use of the funds to the legislative finance committee.”

- Enterprise Electronic Content Management: \$1.0 million GSD Proprietary Funds (05031) appropriated to DOA. This appropriation will support the continued development of an enterprise wide electronic content management solution for the state. Note: The Governor line item vetoed the Enterprise Electronic Content Management project. In the veto message, the executive states, "I am directing the Department of Administration to leverage existing resources to accomplish the goals of electronic content management." At the time of this writing the line-item veto is being polled by the legislature.

Department of Public Health and Human Services (DPHHS)

- Enhance Federal Financial Participation and A-87 Cost Allocation Waiver: \$2.0 million LRITP Capital Projects Fund (05031) and \$18.0 million federal special revenue appropriated to DOA. This project will allow the department use A-87 cost waivers through 12/31/2018 for projects qualifying for the 90/10 enhanced federal financial participation from the federal government. The funds may be used for design and implementation services with a focus on leveraging and reusing existing assets, improved processes, interoperability, increased security, and outcome-based focus for programs.

Department of Transportation (MDT)

- Program and Project Management/Risk-based Asset Management and Linear Referencing Systems: \$650,000 Restricted Highway SSR (02422) and \$4.4 million Federal Special Revenue appropriated to DOA. This appropriation supports the replacement of three systems: Program and Project Management System (PPMS); Risk-based Asset Management (RBAM); and Linear Referencing System (LRS). PPMS and LRS will replace obsolete technology and RBAM will be developed to meet new federal requirements.
- Financial Management Suite: \$3.0 million Restricted Highway SSR (02422) appropriated to DOA. This appropriation will replace various stand-alone software systems with a financial management system that will be integrated with other MDT systems. The new system would provide essential information to managers for the critical functions of budget development, personal services projections, personal services allocation, and project cost scheduling.

Judicial Branch

- Court Technology Improvement Program: \$834,000 LRITP Capital Projects Fund (05031) appropriated to the supreme court. This appropriation supports upgrades of interactive video equipment to replace failing equipment; implementation of audio technology, and upgrading end-of-life technology. Funding also implements new e-filing technology such as scanners, mobile devices, and public workstations for filers without the ability to e-file elsewhere; mobile device access to case information from anywhere with internet connectivity, and public access workstations for access to records at individual court locations.

Other Legislative Actions

In addition to funding major IT projects, the Sixty-fourth Legislature made use of HB 10 to provide agency guidance. Sections 5 and 6 of HB 10 direct the DOA to:

- In relation to the use of the state data center (Sec. 5):
 - Encourage agencies to use the center, where allowable
 - Encourage local governments, school districts, and the university system to use the facility
 - Market excess capacity to other states
- In relation to state networks efficiencies (Sec. 6):
 - Leverage federal funds and other resources
 - Utilize existing authority to support or enhance enterprise electronic content management services

Sections 7, 8, and 9 provide direction to the DPHHS specifically related to the Medicaid Management Information Systems (MMIS):

- Directs DPHHS to contract for a third party audit reporting on (Sec. 7):
 - The ability for the vendor to meet all contractual requirements of the replacement contract
 - Analyze MMIS systems in other states to project future issues
 - Report to the Legislative Finance Committee no later than July 1, 2015
- Allows DPHHS to replace the contracted vendor given an adverse audit recommendation, non-performance, or breach of the contract.² (Sec. 8)
- Allows DPHHS to terminate the contract for the MMIS system (Sec. 9):
 - Termination is allowed given non-performance or breach of contract by the vendor or as a result of a negative third party audit
 - If termination occurs, then DPHHS is directed to take all legal action necessary to recover previously appropriated funds and any other damages
 - DPHHS may utilize its existing appropriation authority to take advantage of the A-87 cost allocation waiver

Funding

Funding for LRITP capital projects is made through the LRITP capital projects fund. The LRITP fund does not have a dedicated revenue source, but instead relies on fund transfers and agency funds to pay the costs of major IT projects. HB 10 includes a transfer of \$10.3 million to fund LRITP projects in the 2017 biennium.

Note: The Governor struck one project, with a cost of \$1.0 million from the list of projects appropriated in HB 10. While the Governor has the ability to strike appropriations, he does not have the ability to reduce the general fund transfers that support the projects. As a result, DOA will retain \$1.0 million in their capital projects fund but will not have the ability to expend the funds. As a result, there will be at least a \$1.0 beginning fund balance at the start of the 2019 biennium.

Executive Budget Comparison (Adjusted for Governor’s Line Item Veto)

The Sixty-fourth Legislature increased the appropriation for LRITP from the executive recommendation by \$15.4 million or 76.9%.

The specific changes to the LRITP budget include:

- Consolidation of five project requests in one state-wide request – (\$4.7) million
- Addition of two projects - \$3.0 million in LRITP funds and \$18.0 million in federal special revenue funds
 - Enterprise Electronic Content Management (line item vetoed, awaiting polling results)
 - Enhanced Federal Financial Participation
- Reduction of the general fund transfer to the LRITP capital project fund (\$1.7) million

| Program Comparison - Long-Range Information Technology Program | | | | |
|--|-----------------------------------|-------------------------------------|---------------------|--------------|
| Budget Item | Executive Budget 2017 Biennium | Legislative Budget 2017 Biennium | Change | % Change |
| | <u>Proposed</u> | <u>Appropriated</u> | | |
| Projects Cost | \$20,000,000 | \$35,300,000 | \$15,300,000 | 76.5% |
| Other Costs | 0 | 75,000 | 75,000 | - |
| Total Costs | \$20,000,000 | \$35,375,000 | \$15,375,000 | 76.9% |
| Capital Project Fund ¹ | \$12,000,000 | \$9,300,000 | (2,700,000) | -22.5% |
| General Fund ² | 0 | 7,500 | 7,500 | - |
| State Special | 650,000 | 3,717,500 | 3,067,500 | 471.9% |
| Federal Special | 7,350,000 | 22,350,000 | 15,000,000 | 204.1% |
| Total Funds | \$20,000,000 | \$35,375,000 | 15,375,000 | 76.9% |

¹General fund is a transfers to the capital project fund
²Non-Project Appropriation

² The contractor for the MMIS project is also the current fiscal agent for the DPHHS legacy system.

TREASURE STATE ENDOWMENT PROGRAM

Program Description

The Treasure State Endowment Program (TSEP) is a local government infrastructure-financing program approved by Montana voters with the passage of Legislative Referendum 110 in June 1992. Grant funding for the program is derived from investment earnings on coal severance tax funds. According to 90-6-702, MCA, the purpose of TSEP is to assist local governments in funding infrastructure projects. Eligible applicants include cities, towns, counties, and tribal governments, county or multi-county water, sewer, or solid waste districts. The TSEP is administered by the Department of Commerce (DOC). The TSEP administrators recommend and the legislature authorizes grants through a procedure that ranks the projects according to seven statutory priorities and relative financial need. Projects are generally funded in priority order, given the amount of interest earnings anticipated in the biennium.

Summary of Legislative Action

The 2015 Legislature appropriated \$18.9 million for TSEP in HB 11 for the 2017 biennium. From the total appropriations, \$4.0 million funds 9 bridge grants, \$13.9 million funds the highest ranked 24 infrastructure grants. Language included in the bill allows infrastructure projects ranked 25 through 27 to be funded if any of the higher ranked projects withdraw their request. Other appropriations in the bill would provide \$100,000 for emergency grants, and \$900,000 for project planning grants. The 2011 Legislature made changes to the TSEP program, requiring bridge projects to be ranked separately from infrastructure projects and limiting the funding for bridge projects to up to 20% of the interest earnings of the Treasure State Endowment trust, which in the 2017 biennium would equal \$4.0 million.

A complete list of the TSEP projects authorized by the Sixty-fourth legislature is seen on the following page. Given the legislature's intent to assess bridges separately, the bridge projects and infrastructure projects are shown by category.

Funding

The fund balance table below shows the projected ending fund balance of the TSEP state special revenue fund for the 2017 biennium. The TSEP fund is estimated to begin the biennium with a fund balance of \$262,532 following adjustments from projects authorized in the 2015 biennium. TSEP interest earnings are expected to be \$19.9 million for the 2017 biennium.

The legislature made several appropriations from the TSEP state special fund. First, \$1.2 million was appropriated for the administrative costs of the program in HB 2. Other appropriations in the TSEP bill are \$1.0 million. Finally, the legislature provided appropriations of \$17.9 million for TSEP grants.

By the end of the 2017 biennium, the TSEP state special fund is expected to have an ending fund balance of \$38,161.

| Treasure State Endowment Fund (02270) | | | |
|--|-------------|--------------|---------------------|
| Fund Balance Projection - 2017 Biennium | | | |
| Estimated Beginning Fund Balance (7/01/2015) | | | (\$116,468) |
| Changes from Prior Biennium Project Funding | | | 379,000 |
| Revised Estimated Beginning Fund Balance (7/01/2015) | | | \$262,532 |
| Revenue Projections ¹ | <u>2016</u> | <u>2017</u> | <u>Biennium</u> |
| Interest/Investment Earnings | \$9,835,767 | \$10,073,951 | <u>\$19,909,718</u> |
| 2017 Biennium Revenues | | | 19,909,718 |
| Expenditures | | | |
| Administration - Commerce ² | (602,993) | (602,096) | (\$1,205,089) |
| Emergency Grants | | | (100,000) |
| Infrastructure Planning Grants | | | (900,000) |
| Bridge Grants | | | (3,988,000) |
| Infrastructure Grants | | | <u>(13,941,000)</u> |
| Total Expenditures | | | <u>(20,134,089)</u> |
| Estimated Ending Fund Balance - (6/30/2017) | | | <u>\$38,161</u> |
| ¹ Based on HJ2 estimates | | | |
| ² HB 2 Appropriations | | | |

| HB 11 - Treasure State Endowment Program (TSEP) 2017 Biennium | | | | | | | |
|--|--|----------------------------------|--------------------|--------------------|-------------------|-------------------|--|
| | Rank | Applicant | Type of Project | Total Project Cost | Grants Authorized | Cummulative Total | |
| Bridge Projects | 1 | Hill County | 1 Bridge | \$583,994 | \$291,997 | \$291,997 | |
| | 2 | Custer County | 2 Bridges | 934,794 | 467,397 | 759,394 | |
| | 3 | Sweet Grass County | 1 Bridge | 607,796 | 303,898 | 1,063,292 | |
| | 4 | Yellowstone County | 1 Bridge | 1,296,952 | 648,476 | 1,711,768 | |
| | 5 | Valley County | 1 Bridge | 988,216 | 494,108 | 2,205,876 | |
| | 6 | Madison County | 1 Bridge | 3,315,499 | 750,000 | 2,955,876 | |
| | 7 | Carbon County | 3 Bridges | 1,097,923 | 500,000 | 3,455,876 | |
| | 8 | Fergus County | 2 Bridges | 675,188 | 337,594 | 3,793,470 | |
| | 9 | Chouteau County | 1 Bridge | 414,381 | 207,184 | 4,000,654 | |
| Total TSEP Bridge Projects | | | | \$9,914,743 | \$4,000,654 | 4,000,654 | |
| Infrastructure Projects | 1 | Fallon County WSD | Wastewater | 1,805,000 | \$680,000 | \$680,000 | |
| | 2 | Polson, City of | Wastewater | 18,989,081 | 750,000 | 1,430,000 | |
| | 3 | Harlowton, City of | Water | 1,570,000 | 750,000 | 2,180,000 | |
| | 4 | Havre, City of | Stormwater | 2,761,064 | 500,000 | 2,680,000 | |
| | 5 | Bainville, Town of | Water | 2,022,747 | 625,000 | 3,305,000 | |
| | 6 | Crow Tribe of Indians | Wastewater | 3,949,000 | 750,000 | 4,055,000 | |
| | 7 | East Clark Street W & S District | Wastewater | 1,073,700 | 536,850 | 4,591,850 | |
| | 8 | Whitefish, Town of | Wastewater | 1,141,000 | 500,000 | 5,091,850 | |
| | 9 | Hysham, Town of | Water | 2,598,825 | 625,000 | 5,716,850 | |
| | 10 | Big Sandy, Town of | Water | 1,531,823 | 750,000 | 6,466,850 | |
| | 11 | Roundup, City of | Water | 1,239,500 | 500,000 | 6,966,850 | |
| | 12 | Laurel, City of | Water | 5,487,747 | 500,000 | 7,466,850 | |
| | 13 | Terry, Town of | Wastewater | 1,900,000 | 750,000 | 8,216,850 | |
| | 14 | Fromberg, Town of | Wastewater | 3,319,000 | 750,000 | 8,966,850 | |
| | 15 | Upper/Lower River Road WSD | Water & Wastewater | 742,712 | 340,000 | 9,306,850 | |
| | 16 | Westby, Town of | Wastewater | 1,929,000 | 625,000 | 9,931,850 | |
| | 17 | Hot Springs, Town of | Wastewater | 895,000 | 103,000 | 10,034,850 | |
| | 18 | Glasgow, City of | Water | 7,566,129 | 500,000 | 10,534,850 | |
| | 19 | White Sulphur Springs, City of | Wastewater | 2,431,550 | 750,000 | 11,284,850 | |
| | 20 | Lewistown, City of | Wastewater | 1,013,300 | 500,000 | 11,784,850 | |
| | 21 | Greater Woods Bay SD | Wastewater | 25,600,000 | 750,000 | 12,534,850 | |
| | 22 | Ten Mile Crk/Pleasant Valley SD | Wastewater | 3,544,655 | 500,000 | 13,034,850 | |
| | 23 | Thompson Falls, City of | Water | 998,000 | 499,000 | 13,533,850 | |
| | 24 | Butte-Silver Bow City/County | Wastewater | 813,052 | 406,523 | 13,940,373 | |
| | Projects below this line are conditionally recommended if higher ranked projects w ithdraw their grant request | | | | | | |
| | 25 | Flaxville, Town of | Wastewater | 1,445,000 | 625,000 | 14,565,373 | |
| | 26 | Conrad, City of | Water | 2,284,358 | 500,000 | 15,065,373 | |
| 27 | Dillon, City of | Water | 2,559,547 | 625,000 | 15,690,373 | | |
| Total TSEP Infrastructure Projects | | | | \$101,210,790 | \$13,940,373 | 13,940,373 | |
| Total TSEP Program | | | | \$111,125,533 | \$17,941,027 | \$17,941,027 | |

Executive Budget Comparison

The legislature appropriated the TSEP budget in HB 11, whereas the executive initially requested the TSEP budget in HB 5. The executive budget recommended \$18.9 million of appropriations from the interest earnings of the TSEP trust for the 2017 biennium and \$10.4 million of bond proceeds to extend funding to all grant applicants. The legislature appropriated the funding for 9 bridge grants and 24

| Program Comparison - Treasure State Endowment Program | | | | |
|---|-----------------------------------|-------------------------------------|----------------------|----------------------|
| Budget Item | Budget 2015 Biennium | Budget 2017 Biennium | Biennium Change | Biennium % Change |
| Trust Balance (End of Biennium) | \$245,090,000 | \$271,760,000 | \$26,670,000 | 10.9% |
| Trust Earnings | 19,075,659 | 19,940,000 | 864,341 | 4.5% |
| Budget Item | Executive Budget 2017 Biennium | Legislative Budget 2017 Biennium | Change | % Change |
| Number of Grants Funded (infrastructure) | 40 | 24 | (16) | -40.0% |
| Number of Grants Funded (bridge) | 11 | 9 | (2) | -18.2% |
| | <u>Proposed</u> | <u>Appropriated</u> | | |
| Infrastructure Grants Cost | \$11,799,510 | \$13,941,000 | \$2,141,490 | 18.1% |
| Bridge Grants Cost | 3,988,000 | 3,988,000 | 0 | 0.0% |
| Other Grants Cost | 1,000,000 | 1,000,000 | 0 | 0.0% |
| Bonded Grants Cost | 10,407,568 | 0 | (10,407,568) | - |
| Total Costs | \$27,195,078 | \$18,929,000 | (\$8,266,078) | -30.4% |
| State Special | \$16,787,510 | \$18,929,000 | \$2,141,490 | 12.8% |
| Bond Proceeds | 10,407,568 | 0 | (10,407,568) | - |
| Total Funds | \$27,195,078 | \$18,929,000 | (\$8,266,078) | -30.4% |

infrastructure grants from the interest earnings of the TSEP trust. The legislature chose not to fund additional projects through bonded debt. Total funding for the TSEP program was reduced from the executive budget by \$8.3 million, or 30.4%. The reduction in total funding reduced 18 grant projects recommended by the executive.

Other Legislation

The Sixty-fourth Legislature did not enact any legislation that would directly impact the TSEP program.

TREASURE STATE ENDOWMENT REGIONAL WATER PROGRAM

Program Description

The 1999 Legislature created the treasure state endowment regional water system fund as a new sub-trust within the coal tax permanent trust. The Treasure State Endowment Program Regional Water System (TSEPRW), established in 90-6-715, MCA, was created to provide a state match for the receipt of federal funds for large regional water projects. The program is administered by the Department of Natural Resources and Conservation (DNRC). Interest from the trust can be distributed as a match to federal funds to regional water authorities that have met certain conditions including:

- An executed agreement with DNRC
- A DNRC approved management plan
- A financial accounting system that conforms to GAAP principles
- A detailed preliminary engineering report

The interest from the trust is also used to pay administrative costs to the DNRC and the four regional water authorities:

- Dry Prairie Regional Water Authority (federally authorized)
- North Central Montana Regional Water Authority (federally authorized)
- Dry-Redwater Regional Water Authority
- Musselshell-Judith Regional Water Authority

Summary of Legislative Action

The legislature provided appropriations of \$4.3 million for the TSEPRW program for the 2017 biennium in HB 11. The appropriation was greater than recommended by the executive due to the passage of HB 180. In current law, the TSEPRW sub-trust was scheduled to sunset as of July 1, 2016. At that time, the corpus of the sub-trust would have been deposited into the permanent trust and would have started generating increased interest earnings for the uses of the general fund. HB 180 continued the sub-trust through June 30, 2031. While the sub-trust will not receive any new income in future years, the sub-trust will remain to the benefit of the TSEPRW program.

According to the fiscal note of HB 180, the program will receive additional income of \$3.1 million in FY 2017. This income was not anticipated in the executive budget request. With consideration of the new revenue generated in the sub-trust, the Sixty-fourth Legislature provided coordination in HB 11 that increased the existing appropriation by \$1.0 million with passage of the bill. The coordination language also directed DNRC to provide a grant of up to \$441,848 to the Central Montana Regional Water Authority for the Musselshell-Judith Rural Water System Resources Monitoring project.

The remaining appropriation is expected to finalize the state share for the two federally authorized regional water projects: the Dry Prairie Regional Water and the North Central Montana Regional Water projects. The Sixty-third legislature had made provisions to satisfy the state share of the projects. However, the actual interest from the TSEPRW fund was lower than anticipated during the 2013 session and the state funded projects were not completed. At this time, it is anticipated that the interest earnings of the 2017 biennium will be sufficient to fully fund the two projects.

Funding

The figure on the following page shows the estimate for the TSEPRW fund balance. The TSEPRW fund is expected to begin the 2017 biennium with a \$0 balance. Interest and earnings in the 2017 biennium are projected to be \$6.4 million. The legislature made several appropriations from the TSEPRW fund in the 2017 biennium. Appropriations in HB 2 include \$233,396 for the administrative costs of DNRC and \$1.8 million for administrative grants that fund the activities of the four regional

water authorities. After the \$4.3 million appropriation for the state match for regional water projects, the fund is expected to have a fund balance of \$39,163 at the end of the 2017 biennium.

| TSEP Regional Water System Fund (02015) | | | | |
|--|-------------|-------------|-------------|-------------|
| Fund Balance Projection 2017 Biennium | | | | |
| Estimated Beginning Fund Balance (7/1/2015) | | | | \$0 |
| Revenue Projections ¹ | FY 2016 | FY 2017 | Bien | |
| Interest Earnings | \$3,266,605 | \$3,108,715 | \$6,375,320 | 6,375,320 |
| 2017 Biennium Revenues | | | | |
| Expenditures | | | | |
| Administration - DNRC ² | (116,698) | (116,698) | (233,396) | |
| Regional Water Authority Admin. Grants ² | (921,500) | (921,500) | (1,843,000) | |
| Grant Appropriation | (4,259,761) | | (4,259,761) | |
| Total 2017 Expenditures | | | | (6,336,157) |
| Estimated Ending Fund Balance - (6/30/2017) | | | | \$39,163 |
| ¹ Based on HJ2 estimates | | | | |
| ² Based on executive budget proposal HB 2 | | | | |

Executive Budget Comparison

As seen in the figure below, the legislature increased the appropriation for the regional water program by \$1.0 million, or 30.7% from the executive budget proposal. The legislature increased the amount of funds appropriated, based on the passage of HB 180, as described above. The increase in appropriation results from an additional year of interest made available through the legislation.

| Program Comparison - Treasure State Endowment Regional Water Program | | | | |
|--|-----------------------------------|-------------------------------------|--------------------|----------------------|
| Budget Item | Budget 2015 Biennium | Budget 2017 Biennium | Biennium Change | Biennium % Change |
| Trust Balance (End of Biennium) | \$79,470,000 | \$85,050,000 | \$5,580,000 | 7.02% |
| Trust Earnings | 7,664,540 | 6,378,715 | (1,285,825) | -16.78% |
| Budget Item | Executive Budget 2017 Biennium | Legislative Budget 2017 Biennium | Change | % Change |
| Projects Funding | <u>Proposed</u> \$3,259,761 | <u>Appropriated</u> \$4,259,761 | \$1,000,000 | 30.68% |
| Total Costs | \$3,259,761 | \$4,259,761 | \$1,000,000 | 30.68% |
| State Special | \$3,259,761 | \$4,259,761 | \$1,000,000 | 30.68% |
| Total Funds | \$3,259,761 | \$4,259,761 | \$1,000,000 | 30.68% |

Other Legislation

HB 8 – This legislation provides Renewable Resource loans from the proceeds of Coal Severance Tax bonds. Loan repayments are used to pay the debt service on the bonds. For the 2017 biennium, the legislation reauthorizes 30 year loans to the Dry Prairie Regional Water Authority, \$6.0 million, and the North Central Regional Water Authority, \$10.0 million, to fully fund the local share of the regional water projects. The loans, originally provided by the Sixty-third Legislature, were not issued in the 2015 biennium. If the loans are taken, the regional water authorities will repay the debt. If the authorities pursue this, or any other, funding for the local share of the regional water projects in the near future, the remaining financial obligation of these regional water projects will be the responsibility of the federal government. For more information on the Renewable Resource Loan Program, see page F-26 of this report.

HB 180 – As discussed earlier in this section, this legislation provided for the continuation of the Treasure State Regional Water sub-trust, allowing the program to continue until 2031.

RENEWABLE RESOURCE GRANT AND LOAN PROGRAM

Program Description – (RRGL grants)

The Renewable Resource Grant and Loan (RRGL) program was created by the 1993 Legislature. This program combines the former Renewable Resource Development Program, established in 1975, and the Water Development Program, established in 1981. As outlined under Title 85, Chapter 1, part 6, MCA, the purpose of the RRGL is to fund projects that “enhance Montana's renewable resources through projects that measurably conserve, develop, manage, or preserve resources.” The Department of Natural Resources and Conservation (DNRC) administers the RRGL program. The RRGL program is appropriated in two bills, HB 6 (grants) and HB 8 (loans). The two program components of the RRGL are presented separately in this report.

Summary of Legislative Action

HB 6 (Grants)

The Sixty-fourth Legislature passed HB 6 appropriating \$5.6 million from the revenues of the natural resource projects state special fund for the various projects in HB 6. The RRGL program appropriation of \$4.2 million will fully fund 33 RRGL project grants. The legislature also appropriated \$100,000 for RRGL emergency grants and \$700,000 for project planning grants. Beyond the normal RRGL program costs, the legislature appropriated funds for other natural resource projects, which include:

- \$200,000 - Irrigation Development Grants: Provides grants of up to \$15,000 to foster development of new irrigation projects and production of high value crops
- \$300,000 - Watershed Grants: Provides grants of up to \$20,000 for costs associated with collaborative water planning and coordination as recommended in Montana’s State Water Plan
- \$100,000 - Septic Loan Grants: Providing grants to counties to start a revolving loan program to assist county residents to either replace failing septic systems or hook into a nearby municipal system

A complete list of the RRGL grant projects authorized by the Sixty-fourth legislature is seen on the following page.

Funding - grants

The RRGL grants program and other natural resource projects appropriated in HB 6, as well as the RDGP grants program appropriated in HB 7, are funded from the “natural resource projects” state special revenue fund. For more information on the funding of the RRGL program, a fund balance analysis is provided on page F-31 of this report.

| Renewable Resource Grants (RRGL) HB 6 - 2017 Biennium | | | | | |
|--|-------------------|------------------|--|-------------------|------------------|
| Applicant / Project Title | Grants Authorized | Cumulative Total | Applicant / Project Title | Grants Authorized | Cumulative Total |
| | | | Balance | \$2,625,000 | \$2,625,000 |
| Bitterroot Conservation District Supply Diversion Improvement Project | \$125,000 | \$125,000 | Simms County Sewer District Sewer District Wastewater System Improvements | 125,000 | 2,750,000 |
| Whitefish, City of I & I Mitigation Project | 125,000 | 250,000 | Ten Mile/Pleasant Valley Sewer District Wastewater System Improvements Ph. 3 | 125,000 | 2,875,000 |
| White Sulphur Springs, City of Wastewater Improvements Project, Ph. 2 | 125,000 | 375,000 | Laurel, city of Water System Improvements | 125,000 | 3,000,000 |
| Polson, City of Wastewater System Improvements | 125,000 | 500,000 | Pondera County Conservation District C-5 Canal Conversion Project | 125,000 | 3,125,000 |
| Livingston, City of Wastewater Treatment Plant Upgrades | 125,000 | 625,000 | Fromberg, town of Wastewater System Improvements | 125,000 | 3,250,000 |
| Cascade, Town of Missouri River Reclamation | 125,000 | 750,000 | Jefferson County Sugar Beet Row Wastewater System Improvements | 125,000 | 3,375,000 |
| Bitter Root Irrigation District Irrigation District: Siphon 1, Ph. 3 Improvements Project | 125,000 | 875,000 | Sweet Grass County Conservation District Electric Light Ditch Irrigation Diversion Rehabilitation Project | 125,000 | 3,500,000 |
| Westby, town of Wastewater System Improvements | 125,000 | 1,000,000 | Butte-Silver Bow Government Moulton Reservoir, Reclamation & Protection Project | 125,000 | 3,625,000 |
| Bainville, town of Wastewater System Improvements | 125,000 | 1,125,000 | Rocker Montana County Water and Sewer District Sewer Connection to TIFID Wastewater Pipeline | 125,000 | 3,750,000 |
| Fallon County Water and Sewer District Wastewater Collection System | 125,000 | 1,250,000 | Tri-County Water District Wastewater Treatment Project | 125,000 | 3,875,000 |
| Sidney, City of Wastewater Improvements Project Ph. II | 125,000 | 1,375,000 | Neihart, town of Water System Improvements | 125,000 | 4,000,000 |
| Terry, town of Wastewater Treatment Upgrades | 125,000 | 1,500,000 | Cut Bank, City of Wastewater Treatment Project | 125,000 | 4,125,000 |
| DNRC-Water Resources Division Musselshell Basin Instrumentation Project | 125,000 | 1,625,000 | Project grants below this line are fully funded only when projects above withdraw | | |
| Pondera County Conservation District Wasteway Rehab./Water Quality Improvements | 125,000 | 1,750,000 | Missoula County Buena Vista Trailer Community Wastewater Improv.Ph. 1 | 125,000 | 4,250,000 |
| Upper and Lower River Road Water and Sewer District Phase 5 Water and Sewer Improvements | 125,000 | 1,875,000 | Denton, town of Water System | 125,000 | 4,375,000 |
| Missoula County Mill Creek Restoration Project | 125,000 | 2,000,000 | Buffalo Rapids Irrigation Project District 1 Lateral 19.3 Pipeline Conversion Project Ph. 1 | 125,000 | 4,500,000 |
| Flaxville, Town of Wastewater System Improvements | 125,000 | 2,125,000 | Winifred, Town of Water System Improvements | 125,000 | 4,625,000 |
| Milk River Joint Board of Control Hydrometric Gauging Station Expansion & Upgrade | 125,000 | 2,250,000 | Highwood County Water and Sewer District Wastewater System Improvements | 125,000 | 4,750,000 |
| Missoula, City of Caras Park Outfall Stormwater Treatment Retrofit, Ph. 1 | 125,000 | 2,375,000 | Lower Yellowstone Irrigation Project Wasteway Project | 65,000 | 4,815,000 |
| Chester, town of Wastewater Improvements | 125,000 | 2,500,000 | DNRC-Water Resources Division East Fork Rock Creek Main Canal Lining Project | 125,000 | 4,940,000 |
| Hysham, town of Water System Improvements | 125,000 | 2,625,000 | Riverside Water and Sewer District Wastewater Facility Plan | 125,000 | 5,065,000 |

LONG-RANGE PLANNING

RENEWABLE RESOURCE GRANT AND LOAN PROGRAM

| Applicant / Project Title | Grants Authorized | Cumulative Total | Applicant / Project Title | Grants Authorized | Cumulative Total |
|--|---------------------|------------------|--|---------------------|------------------|
| | Balance \$5,065,000 | \$5,065,000 | | Balance \$7,790,500 | \$7,790,500 |
| Lewistown, City Of Riverdale Wastewater Collection System | 125,000 | 5,190,000 | Missoula, City of Buckhouse Bridge Outfall, Stormwater Treatment Retrofit | 125,000 | 7,915,500 |
| East Clark Street Water and Sewer District Wastewater Collection System | 125,000 | 5,315,000 | Harlowton, City of Harlowton Ph. 3 Water System Improvements | 125,000 | 8,040,500 |
| Daly Ditches Irrigation District Preservation and Conservation of Resources | 125,000 | 5,440,000 | Greenfields Irrigation District J-Lake Rehabilitation and Water Quality Improvement | 125,000 | 8,165,500 |
| Buffalo Rapids Irrigation Project District 2 Main Canal Rehabilitation | 125,000 | 5,565,000 | Malta Irrigation District Exeter Siphon Replacement Project | 125,000 | 8,290,500 |
| Sidney Water Users Irrigation District High Canal Ph. 5 Project | 125,000 | 5,690,000 | Garfield County Conservation District Little Dry Water User's Assn., Infrastructure Improv. | 125,000 | 8,415,500 |
| Lower Musselshell County Conservation District South Canal Pre-Tunnel Lining Project | 125,000 | 5,815,000 | Gallatin County Compliance Department Septic System Repair Assistance Program | 125,000 | 8,540,500 |
| Clinton Irrigation District Canal Wasteway Rehabilitation | 125,000 | 5,940,000 | Flaxville, Town of Water System Improvements | 125,000 | 8,665,500 |
| Roundup, City of Water System Improvements | 125,000 | 6,065,000 | Glasgow, city of Water System Improvements | 125,000 | 8,790,500 |
| Missoula County Weed District MT Biological Weed Control Coord. Project | 100,500 | 6,165,500 | Conrad, City of Water System Improvements | 125,000 | 8,915,500 |
| Jordan, Town of Wastewater System Improvements | 125,000 | 6,290,500 | Missoula Irrigation District Water Conservation Project | 125,000 | 9,040,500 |
| Crow Tribe of Indians Wastewater Collection Improvement Project | 125,000 | 6,415,500 | Malta Irrigation District Peoples Creek Diversion Dike Rehab. | 125,000 | 9,165,500 |
| Helena Valley Irrigation District Irrigation Efficiency and Water Conserv. Project | 125,000 | 6,540,500 | East Bench Irrigation District Main Canal Gate Automation | 125,000 | 9,290,500 |
| Fort Shaw Irrigation District Reduce Waste Project | 125,000 | 6,665,500 | Dillon, City of Water System Improvements | 125,000 | 9,415,500 |
| Hysham Irrigation District Re-Lift Canal Improvement Project | 125,000 | 6,790,500 | Medicine Lake, Town of Wastewater Improvements | 125,000 | 9,540,500 |
| South Wind Water and Sewer District Water distribution and wastewater collection study | 125,000 | 6,915,500 | Kevin, Town of Wastewater Improvement Project | 125,000 | 9,665,500 |
| Bainville, town of Water System Improvements | 125,000 | 7,040,500 | Department of Environmental Quality Interactive Web Map Application | 125,000 | 9,790,500 |
| Black Eagle-Cascade County Water & Sewer District Wastewater Collection System Rehabilitation Ph. 2 | 125,000 | 7,165,500 | Liberty County Conservation District Marias River Bank Stabilization Project, Ph. 2 | 125,000 | 9,915,500 |
| Yellowstone Boys and Girls Ranch Wastewater Improvements Project | 125,000 | 7,290,500 | Foys Lakeside County Water and Sewer District Water System Improvements | 125,000 | 10,040,500 |
| Fort Peck Tribes Lateral L-42M Rehabilitation Project, Ph. 1 | 125,000 | 7,415,500 | Ruby Valley Conservation District Smith Slough/Smith Ditch Fisheries Enhancement | 125,000 | 10,165,500 |
| Toston Irrigation District Toston Canal Rehabilitation Project | 125,000 | 7,540,500 | Green Mountain Conservation District Water Quality & Fish Habitat/Vermilion River Watershed | 120,248 | 10,285,748 |
| Hot Springs, town of Wastewater Improvements Project | 125,000 | 7,665,500 | Glen Lake Irrigation District Costich Drop Rehabilitation Project | 125,000 | 10,410,748 |
| Lockwood Irrigation District Pump Station Rehabilitation | 125,000 | 7,790,500 | Lincoln County Measuring/modeling effects of mining & reclamation activities | 110,500 | 10,521,248 |

| Applicant / Project Title | Grants Authorized | Cumulative Total | Applicant / Project Title | Grants Authorized | Cumulative Total |
|---|-------------------|------------------|--|---------------------|---------------------|
| Balance | \$10,521,248 | \$10,521,248 | Balance | \$11,513,748 | \$11,513,748 |
| Petroleum County Conservation District Musselshell Watershed Prioritized Projects Initiative | 125,000 | 10,646,248 | Park County Conservation District Upper Shields River Fish Barrier and Road Improv. | 120,000 | 11,633,748 |
| Big Sandy, town of Water System Improvements | 125,000 | 10,771,248 | Bozeman, City of Sourdough Canyon Natural Water Storage Assess. | 125,000 | 11,758,748 |
| RAE Subdivision County Water and Sewer District No 313 Woodland Park Well | 125,000 | 10,896,248 | DNRC-Water Resources Division Willow Creek Access Road Rehab. Project | 125,000 | 11,883,748 |
| Judith Gap, town of Phase Sewer Improvements | 125,000 | 11,021,248 | Sanders County Middle Clark Fork River, Plains Reach-Channel Stabilize | 125,000 | 12,008,748 |
| Gore Hill County Water District Water System Improvements | 125,000 | 11,146,248 | Thompson Falls, City of Water System Improvements | 125,000 | 12,133,748 |
| DNRC-Flathead Basin Commission Watershed Plan | 125,000 | 11,271,248 | Shelby, City of Stormwater System Improvements | 125,000 | 12,258,748 |
| Huntley Project Irrigation District Feasibility study | 125,000 | 11,396,248 | Mile High Conservation District Blacktail Creek Non-Point Nutrient Management | 125,000 | 12,383,748 |
| Crow Tribe of Indians Renewable Energy Tech. Wastewater Treatment Facility | 117,500 | 11,513,748 | Total RRGL Grants Authorized | \$12,383,748 | \$12,383,748 |

Program Description – (RRGL loans)

The RRGL loan program provides loans for renewable resource projects with the proceeds from the issuance of coal severance tax bonds. Loan repayments are used to pay the debt service on the loans. In some cases, interest rates charged to loans is less than the interest rate of the bond issue. In such cases, a distribution from the coal severance tax subsidizes the difference in the interest cost. The coal severance tax permanent trust is pledged for debt service payments on the bonds. The RRGL loan program is administered by the Department of Natural Resources and Conservation (DNRC).

Summary of Legislative Action

The figure below lists the loans awarded by the Sixty-fourth Legislature for the 2017 biennium with the passage of HB 8. The total bond authority in HB 8 is \$27.5 million, and the appropriations are equivalent. Total loan costs are \$25.0 million and include the authorization for DNRC to grant loans to refinance existing infrastructure debt, six new loans for water system and irrigation projects across the state, and the reauthorization of loans for the local match on the costs of the Dry Prairie and the North Central Regional Water projects. For more information on regional water projects, see the Treasure State Endowment Regional Water Program section, page F-21, of this report. HB 8 also provides a loan to DNRC providing the ability to refinance existing high cost loans assumed by local governments for water and sewer infrastructure projects.

| Renewable Resource Loans HB 8 - 2017 Biennium | | |
|---|-------------|---------------------|
| Loans-Sponsor/Project | Proposal | Cumulative Total |
| Section 1. | | |
| <u>(2) Loans with interest rates of 3.0% or State bond rate, whichever is lower-20 years</u> | | |
| DNRC-Conservation and Resource Development Division (CARDD) | | |
| Refinance Existing Debt or Rehabilitation of Water and Sewer Facilities | \$5,000,000 | \$5,000,000 |
| <u>(3) Loans with interest rates of 4.0% or State bond rate, whichever is lower-20 years</u> | | |
| Deadmans Basin Project, State Owned Project | | |
| Irrigation Infrastructure | 500,000 | 5,500,000 |
| Department of Natural Resources and Conservation | | |
| Cottonwood Flume Replacment | 800,000 | 6,300,000 |
| Highwood | | |
| Wastewater System Improvments | 60,000 | 6,360,000 |
| Yellowstone Boys and Girls Ranch | | |
| Wastewater System Improvments | 800,000 | 7,160,000 |
| Dillon | | |
| Water System Improvments | 50,000 | 7,210,000 |
| <u>(4) Loans with interest rates of 4.0% or State bond rate, whichever is lower-30 years</u> | | |
| Bitter Root Irrigation District | | |
| Siphon 1 - Phase 3 Improvements Project | 1,773,976 | 8,983,976 |
| Section 2. | | |
| <u>2(2) Loans with interest rates of 4.0% or State bond rate, whichever is lower-30 years¹</u> | | |
| Dry Praire Retional Water System | | |
| Local Share | 6,000,000 | 14,983,976 |
| North Central Regional Water System | | |
| Local Share | 10,000,000 | 24,983,976 |
| Total Loan Authorizations: \$24,983,976 | | |
| Loan Reserve: <u>2,498,398</u> | | |
| Total Bond Request <u>\$27,482,374</u> | | |
| ¹ Loans to be reauthorized | | |
| NOTE: Projects are grouped by differences in loan circumstances and interest rates. | | |

Funding - Loans

RRGL program bond authority is provided in 85-1-624, MCA. Money in the coal severance tax bond fund is pledged for the payment of the principal and interest of the bond issue requested in HB 8, as directed in Title 17, Chapter 5, part 7, MCA. The repayment of loans are used to pay the debt service on the loans.

Executive Budget Comparison

The Sixty-fourth Legislature reduced the executive budget proposal for the RRGL grants program, as shown in the figure on the following page. The RRGL program was recommended by the executive in HB 5 and included \$6.3 million of bond proceeds to extend funding to all grant applicants. However, the legislature chose to appropriate only the available state special funds for the 2017 biennium. The legislature appropriated funds for 33 RRGL grants. Total funding for the RRGL program was reduced by \$7.3 million, or 18.2%. The legislature increased funding in the RRGL loan program by \$880,000 with the addition of one loan.

| Program Comparison - Renewable Resource Grant and Loan Program | | | | |
|--|-----------------------------------|-------------------------------------|----------------------|---------------|
| Budget Item | Executive Budget 2017 Biennium | Legislative Budget 2017 Biennium | Change | % Change |
| Number of Grants Funded | 100 | 33 | (67) | -67.0% |
| | <u>Proposed</u> | <u>Appropriated</u> | | |
| Grants Cost | 6,072,614 | 4,172,615 | (\$1,899,999) | -31.3% |
| Other Grants | 1,400,000 | 1,400,000 | 0 | 0.0% |
| Bonded Grants Cost | 6,311,134 | 0 | (6,311,134) | - |
| Loan Program | 26,602,374 | 27,482,374 | 880,000 | 3.3% |
| Total Costs | \$40,386,122 | \$33,054,989 | (\$7,331,133) | -18.2% |
| State Special | \$7,472,614 | \$5,572,615 | (\$1,899,999) | -25.4% |
| CST Bond Proceeds | 26,602,374 | 27,482,374 | 880,000 | 3.3% |
| GO Bond Proceeds | 6,311,134 | 0 | (6,311,134) | - |
| Total Funds | \$40,386,122 | \$33,054,989 | (\$7,331,133) | -18.2% |

Other Legislation

The Sixty-fourth Legislature did not enact any legislation that would directly impact the RRGL program.

RECLAMATION AND DEVELOPMENT GRANTS PROGRAM

Program Description

The Reclamation and Development Grants Program (RDGP) is designed to fund projects that, "...indemnify the people of the state for the effects of mineral development on public resources and that meet other crucial state needs serving the public interest and the total environment of the citizens of Montana (90-2-1102, MCA)." As provided in statute, projects approved under the RDGP are intended to repair, reclaim, and mitigate environmental damage to public resources from non-renewable resource extraction and develop and ensure the quality of public resources for the benefit of all Montana citizens. The program is administered by the Department of Natural Resources and Conservation (DNRC).

Legislative Action

The Sixty-fourth Legislature passed HB 7, the RDGP grant bill, that appropriates \$5.3 million for 9 RDGP grants and other reclamation projects. The HB 7 appropriations include \$3.8 million for RDGP and \$0.8 million for project planning grants. A complete list of the RDGP grants authorized by the Sixty-fourth Legislature is shown below. The legislature provided appropriations for two projects outside the regular RDGP in HB 7, which include:

- \$500,000 - Aquatic Invasive Species (AIS) Control: The funds will be used for aquatic invasive species grants to local governments and contracted technical support
- \$214,000 – Salinity Control Association (MSCA): The funds will be used to support MSCA efforts to investigate, control, and repair saline seep impacted areas

| Reclamation and Development Grants (RDGP) HB 7 - 2017 Biennium | | |
|---|----------------------|---------------------|
| Sponsor/Title | Grants Authorized | Cumulative Total |
| Montana Department of Environmental Quality Belt Water Treatment Project | 500,000 | 500,000 |
| Montana Department of Environmental Quality Black Pine Mine - South Fork Lower Willow Creek Fluvially Deposited Mill Tailings | 500,000 | 1,000,000 |
| Missoula County Martina Creek & Ninemile Creek Reclamation | 484,000 | 1,484,000 |
| Deer Lodge CD French Gulch Placer Mining Restoration | 500,000 | 1,984,000 |
| Montana Department of Environmental Quality Landusky Bio-Reactor Rehabilitation | 500,000 | 2,484,000 |
| Montana Department of Environmental Quality Basin Creek Mine - Site Stability Project | 500,000 | 2,984,000 |
| Montana Department of Environmental Quality Sand Coulee Acid Mine Drainage Source Control | 332,443 | 3,316,443 |
| Deer Lodge CD Moose-French Placer Mining Restoration | 85,000 | 3,401,443 |
| Montana Department of Environmental Quality Mitigation of Threat to Harlowton Public Drinking Water | 82,440 | 3,483,883 |
| Project grants below this line are fully funded only when projects above withdraw | | |
| Madison County North Willow Creek Reclamation | 499,828 | 3,983,711 |
| Cascade County Identifying the Fate of Acid Mine Drainage and Potential Impacts to Madison Aquifer | 327,322 | 4,311,033 |
| MBMG Enhance Monitoring Fox Hills-Hell Creek Aquifer | 499,109 | 4,810,142 |
| MBMG Enhance Montana's Manufacturing Growth through Production of Commodities from Remediation | 498,171 | 5,308,313 |
| Roosevelt County Kenco Refinery Highest Priority Cleanup | 150,000 | 5,458,313 |
| Total RDGP Grants Authorized | \$5,458,313 | \$5,458,313 |

Funding

The RDGP program appropriations in HB 7, as well as the RRGL grants program appropriated in HB 6, are funded from the “natural resource projects” state special revenue fund. The fund balance projection is provided in the figure on the following page.

Executive Budget Comparison

The Sixty-fourth Legislature reduced the executive budget proposal for the RDGP program. The program was recommended by the executive in HB 5 and included \$1.7 million of bond proceeds to extend funding to all grant applicants. However, the legislature chose to appropriate only the available state special funds for the 2017 biennium. The legislature appropriated the funding for 9 RDGP grants. Total funding for the RDGP program was reduced by \$2.7 million, or 34.0%. A portion of the reduction was related to the actions of HB 226, which resulted in a reduction of \$600,000 of resource indemnity trust interest over the biennium and a corresponding reduction of the priority to fund two grants at \$600,000. For more information on HB 226, see the “Other Legislation” section below.

| Program Comparison - Reclamation and Development Grant Program | | | | |
|--|-----------------------------------|-------------------------------------|----------------------|---------------|
| Budget Item | Executive Budget 2017 Biennium | Legislative Budget 2017 Biennium | Change | % Change |
| Number of Grants | 17 | 9 | (8) | -47.1% |
| | <u>Proposed</u> | <u>Appropriated</u> | | |
| Grants Cost | \$4,781,215 | \$3,770,620 | (\$1,010,595) | -21.1% |
| Other Grants Cost | 1,514,000 | 1,514,000 | \$0 | 0.0% |
| Bonded Grants Cost | 1,707,693 | 0 | (\$1,707,693) | - |
| Total Costs | \$8,002,908 | \$5,284,620 | (\$2,718,288) | -34.0% |
| State Special | \$6,295,215 | \$5,284,620 | (\$1,010,595) | -16.1% |
| GO Bond Proceeds | 1,707,693 | 0 | (1,707,693) | - |
| Total Funds | \$8,002,908 | \$5,284,620 | (\$2,718,288) | -34.0% |

Other Legislation

HB 226 - This legislation changes the allocation of the resource indemnity trust fund interest (RIT), increasing the distribution to the oil and gas damage mitigation account, to the benefit of the Board of Oil and Gas, and decreasing the distribution to the natural resource projects account, which is used to fund reclamation and development grants. In biennia when the RIT interest is sufficient to cover the statutory allocations, the oil and gas damage mitigation account will receive an increase of \$600,000 per biennium on top of the current distribution of \$50,000. The distribution to the natural resource projects account will decrease by \$300,000 per year.

The bill provides an upper limit for the fund balance in the oil and gas mitigation account of \$1.0 million at the beginning of each biennium, and requires that the difference of funding not required to meet the \$1.0 million be deposited in the natural resources projects state special revenue account. In the 2017 biennium, there are not expected to be any related deposits into the natural resource projects fund.

The legislation also struck the statutory priority for \$600,000 of grant funding from the RDGP to the Board of Oil and Gas. With the passage and approval of this legislation, two grant projects costing \$600,000 for the Board of Oil and Gas were struck from HB 7.

The legislation has an effective date of July 1, 2015 and will impact the 2017 biennium.

Natural Resource Project Fund

The figure below shows the projected fund balance for the natural resource project fund for the 2017 biennium. The natural resource projects fund provides funding for the RRGL and RDGP programs, along with the funding for other natural resource projects.

The funding for the natural resource projects fund is established in law and received from the following sources:

1. Interest income of the resource indemnity trust fund as provided in and subject to the conditions of 15-38-202, MCA (\$3.2 million each fiscal year for the purpose of making grants)
2. Resource indemnity and ground water assessment tax under provisions of 15-38-106, MCA (50% of the remaining proceeds, after appropriations for CERCLA debt service, and \$366,000 to the groundwater assessment account, for the purpose of making grants)
3. Oil and gas production tax as provided in 15-36-331, MCA (2.16% of oil and natural gas production taxes remaining after the distributions pursuant to subsections (2) and (3))
4. Excess coal severance tax proceeds allocated by 85-1-603, MCA to the renewable resource loan debt service fund (above debt service requirements as provided in and subject to the conditions of 85-1-619, MCA)
5. Fees or charges collected by the department for the servicing of loans, including arrangements for obtaining security interests

| Natural Resource Project Account (02577) HB 6 and HB 7 from HAC - 2017 Biennium | | | |
|--|----------------|----------------|--------------------|
| Estimated Beginning Fund Balance (7/1/2015) | | | \$993,656 |
| | | Biennium | |
| Revenue Projections ¹ | <u>FY 2016</u> | <u>FY 2017</u> | <u>Total</u> |
| RIT Interest Earnings | \$2,276,000 | \$2,873,301 | \$5,149,301 |
| Resource Indemnity & Groundwater Tax | 859,626 | 961,343 | 1,820,969 |
| Oil and Natural Gas Tax | 1,418,552 | 1,688,285 | 3,106,838 |
| Redistribution of Excess Fund Balance | 14,043 | 0 | 14,043 |
| Administrative Fees | 31,000 | 0 | <u>31,000</u> |
| 2017 Biennium Revenues | | | 10,122,151 |
| RRGL Appropriations | | | |
| Emergency Grants | | | (100,000) |
| Project Planning Grants | | | (700,000) |
| Irrigation Development Grants | | | (200,000) |
| Watershed Grants | | | (300,000) |
| Septic Loan Grants | | | (100,000) |
| Proposed RRGL Project Grants | | | <u>(4,172,615)</u> |
| Total RRGL Appropriations | | | (5,572,615) |
| RDGP Appropriations | | | |
| Project Planning | | | (800,000) |
| Aquatic Invasive Species Control | | | (500,000) |
| Montana Salinity Control Association | | | (214,000) |
| Proposed RDGP Project Grants | | | <u>(3,770,620)</u> |
| Total RDGP Appropriations | | | <u>(5,284,620)</u> |
| Estimated Ending Fund Balance (6/30/2017) | | | <u>\$258,572</u> |
| ¹ Based on HJ2 estimates | | | |

The natural resource projects fund is expected to begin the 2017 biennium with a fund balance of \$1.0 million. The revenues of the fund are expected to be \$10.1 million for the 2017 biennium. Total funds available for appropriation are expected to be \$11.1 million.

For the 2017 biennium, total appropriations from the natural resource projects account for the RRGL (HB 6) program are \$5.6 million and appropriations for the RDGP (HB 7) program are \$5.3 million. The resulting ending fund balance is estimated to be \$258,572 at the end of the 2017 biennium.

CULTURAL AND AESTHETIC GRANT PROGRAM

Program Description

The Cultural and Aesthetic Grant Program (C&A), administered by the Montana Arts Council (MAC), is funded by investment earnings from a statutory trust. The trust receives distributions of coal severance tax. By statute, the interest from the cultural trust is appropriated for protection of works of art in the State Capitol and other cultural and aesthetic projects (15-35-108, MCA). Grant applications for cultural and aesthetic projects are submitted to the MAC on a biennial basis. Eligible applicants include the state of Montana and regional, county, city, town, or Indian tribal governments.

Summary of Legislative Action

The Sixty-fourth Legislature passed HB 9, which authorizes cultural and aesthetic grants and appropriates the funding for the grants. The legislature authorized 73 C&A grant awards totaling \$384,995. Additionally, HB 9 includes an appropriation of \$30,000 for the care and conservation of capitol complex artwork.

The legislature included a provision for the potential of interest earnings increases or shortfalls in the 2017 biennium in HB 9 with the following language:

“Except for the appropriation provided for in [section 1(3)], if the interest earnings for the cultural and aesthetic projects trust fund exceed the projections of \$450,000 in FY 2016 and \$430,000 in FY 2017, both the appropriation and the grants for the projects contained in [section 2] may be increased by the percent increase of the actual revenue. Increases to the grant amount may not exceed the amount of the original request. If money in the cultural and aesthetic projects trust fund account is insufficient to fund projects at the appropriation levels contained in [section 2], reductions to those projects with funding greater than \$2,000 must be made on a pro rata basis.”

A complete listing of the grants authorized by the Sixty-fourth Legislature is shown on the following page.

Funding

The figure to the right shows the estimated funding for the C&A state special revenue account for the 2017 biennium. The beginning fund balance for the 2017 biennium is estimated to be \$0, due to lower than anticipated revenues in the 2015 biennium. Interest income from the coal tax-funded Cultural Trust is projected to be \$1.0 million in the 2017 biennium.

Administrative expenses and the Folklife program, appropriated in HB 2, are \$464,873. Appropriations in HB 9 include \$30,000 for capitol complex artwork and \$384,995 for the authorized grants. Total appropriations from the C&A state special revenue account in the 2017 biennium are \$1.0 million, providing an estimated fund balance of \$76,800 by June 30, 2017.

| Cultural & Aesthetic Grant Fund (02009) Fund Balance Projection, 2017 Biennium | | | |
|---|-------------|-------------|------------------|
| Estimated Beginning Fund Balance (7/1/2015) | | | (\$0) |
| Revenue Projections ¹ | <u>2016</u> | <u>2017</u> | <u>Bien</u> |
| Interest Earnings | \$485,271 | \$471,397 | \$956,669 |
| 2017 Biennium Revenues | | | 956,669 |
| Proposed Expenditures | | | |
| MAC Administration ² | (163,006) | (159,713) | (322,719) |
| Folklife ² | (71,160) | (70,994) | (142,154) |
| Capitol Cmplx Works of Art Grants | | | (30,000) |
| | | | <u>(384,995)</u> |
| Total Expenditures | | | <u>(879,868)</u> |
| Estimated Ending Fund Balance (6/30/2017) | | | <u>\$76,800</u> |
| ¹ HJ2 estimates | | | |
| ² HB 2 | | | |

| Cultural and Aesthetic Grants (C&A) Projects | | | | | | | |
|--|--|-------------------|-------------------|----------------------------------|--|-------------------|-------------------|
| HB 9 - 2017 Biennium | | | | | | | |
| Grant Number | Applicant | Grants Authorized | Cummulative Total | Grant Number | Applicant | Grants Authorized | Cummulative Total |
| Special Project <= \$4500 | | | | Operational Support Cont. | | | |
| 1801 | Council for the Arts, Lincoln | \$3,000 | \$3,000 | 1834 | Archie Bray Foundation | 8,000 | 229,345 |
| 1805 | Preservation Cascade, Inc. | 3,000 | 6,000 | 1885 | Zootown Arts Community Center | 6,000 | 235,345 |
| 1807 | The Extreme History Project | 2,000 | 8,000 | 1855 | Mai Wah Society | 4,000 | 239,345 |
| 1804 | Granite County Museum and Cultural Center | 2,000 | 10,000 | 1876 | Stillwater Historical Society | 6,000 | 245,345 |
| 1806 | Signatures from Big Sky | 2,000 | 12,000 | 1848 | Great Falls Symphony | 6,000 | 251,345 |
| 1800 | Cohesion Dance Project | 2,000 | 14,000 | 1858 | Missoula Cultural Council | 2,000 | 253,345 |
| 1802 | Dolce Canto, Inc. | <u>2,000</u> | <u>16,000</u> | 1878 | Verge Theater | 3,000 | 256,345 |
| | Total Special Projects < \$4500 | \$16,000 | \$16,000 | 1842 | Carbon County Arts Guild & Depot Gallery | 4,000 | 260,345 |
| Special Project > \$4500 | | | | Operational Support Cont. | | | |
| 1828 | Montana Preservation Alliance | \$10,000 | \$26,000 | 1849 | Hamilton Players, Inc | 5,000 | 265,345 |
| 1827 | Montana Performing Arts Consortium | 10,000 | 36,000 | 1852 | Intermountain Opera Association | 5,000 | 270,345 |
| 1822 | Humanities Montana | 10,000 | 46,000 | 1867 | Paris Gibson Square Museum of Art | 6,000 | 276,345 |
| 1824 | Missoula Writing Collaborative | 5,000 | 51,000 | 1884 | Yellowstone Art Museum | 4,000 | 280,345 |
| 1815 | CoMotion Dance Project | 8,000 | 59,000 | 1875 | Southwest Montana Arts Council | 5,000 | 285,345 |
| 1826 | Montana Historical Society | 7,000 | 66,000 | 1851 | Holter Museum of Art | 4,000 | 289,345 |
| 1831 | Upper Swan Valley Historical Society Inc | 4,000 | 70,000 | 1866 | Northwest Montana Historical Society | 4,000 | 293,345 |
| 1813 | Chouteau County Performing Arts | 3,000 | 73,000 | 1870 | Queen City Ballet Company | 5,000 | 298,345 |
| 1812 | Butte-Silver Bow Public Archives | 7,000 | 80,000 | 1871 | Ravalli County Museum | 5,000 | 303,345 |
| 1816 | Emerson Center for the Arts & Culture | 3,000 | 83,000 | 1882 | Whitefish Theatre Co | 4,000 | 307,345 |
| 1820 | Helena Symphony | 5,000 | 88,000 | 1836 | Beaverhead County Museum | 4,000 | 311,345 |
| 1817 | Friends of Chief Plenty Coups Advisory Council | 3,000 | 91,000 | 1837 | Big Horn Arts and Craft Association | 4,000 | 315,345 |
| 1818 | Grandstreet Broadwater Productions, Inc. | 5,000 | 96,000 | 1880 | WaterWorks Art Museum | 4,000 | 319,345 |
| 1821 | Hockaday Museum of Art | 3,000 | 99,000 | 1846 | Gallatin Historical Society | 4,000 | 323,345 |
| 1823 | International Choral Festival | 3,000 | 102,000 | 1859 | MonDak Heritage Center | 4,000 | 327,345 |
| 1810 | Bozeman Symphony Society | 5,000 | 107,000 | 1877 | Sunburst Foundation | 4,000 | 331,345 |
| 1819 | Headwaters Dance Co. | 3,000 | 110,000 | 1838 | Billings Symphony Society | 4,000 | 335,345 |
| 1830 | Musikanten Inc | 2,000 | 112,000 | 1883 | World Museum of Mining | 4,000 | 339,345 |
| 1809 | Alpine Artisans, Inc. | 3,000 | 115,000 | 1832 | Alberta Bair Theater | 4,000 | 343,345 |
| 1814 | Clay Arts Guild of Helena | <u>2,000</u> | <u>117,000</u> | 1850 | Helena Presents/Myrna Loy Center | 4,000 | 347,345 |
| | Total Special Projects > \$4500 | \$101,000 | \$117,000 | 1869 | Pondera History Association (PHA) | 4,000 | 351,345 |
| Operational Support | | | | Operational Support Cont. | | | |
| 1860 | Montana Arts | \$10,000 | \$127,000 | 1843 | Carbon County Historical Society | 4,000 | 355,345 |
| 1861 | Montana Association of Symphony Orchestras | 10,000 | 137,000 | 1872 | Rocky Mountain Ballet Theatre | 4,000 | 359,345 |
| 1854 | MAGDA | 10,000 | 147,000 | 1844 | Creative Arts Council | 4,000 | 363,345 |
| 1865 | Museums Association of Montana | 10,000 | 157,000 | 1874 | Shane Lalani Center for the Arts | 3,000 | 366,345 |
| 1862 | Montana Dance Arts Association | 10,000 | 167,000 | 1853 | Irwin & Florence Rosten Foundation | <u>3,000</u> | <u>369,345</u> |
| 1879 | VSA Montana | 8,000 | 175,000 | | Total Operational Support | \$252,345 | \$369,345 |
| 1835 | Art Mobile of Montana | 10,000 | 185,000 | Capital Expenditure | | | |
| 1864 | Montana Shakespeare in the Parks | 10,000 | 195,000 | 1886 | City of Shelby Champions Park | 3,000 | 372,345 |
| 1863 | Montana Repertory Theatre | 10,000 | 205,000 | 1887 | Missoula Art Museum | 5,000 | 377,345 |
| 1873 | Schoolhouse History & Art Center | 8,345 | 213,345 | 1890 | Original Montana Club | <u>7,650</u> | <u>384,995</u> |
| 1856 | MCT, Inc. | 8,000 | 221,345 | | Total Capital Expenditure | \$15,650 | \$384,995 |
| Total Grants Authorized | | | | | | \$384,995 | \$384,995 |

Executive Budget Comparison

The Sixty-fourth Legislature reduced appropriations for the C&A program from the executive proposal by \$137. The reduction occurred when the legislature eliminated one of the recommended grants (Dept. of FWP) and replaced it with the next non-funded request (Montana Club) with slightly reduced costs.

| Program Comparison - Cultural and Aesthetic Trust | | | | |
|---|-----------------------------------|-------------------------------------|----------------|-------------|
| Budget Item | Budget 2015 Biennium | Budget 2017 Biennium | Change | % Change |
| Trust Balance (End of Biennium) | \$12,580,000 | \$13,190,000 | \$610,000 | 4.8% |
| Trust Earnings | 1,006,003 | 956,669 | (49,334) | -4.9% |
| Budget Item | Executive Budget 2017 Biennium | Legislative Budget 2017 Biennium | Change | % Change |
| Number of Grants | 73 | 73 | 0 | 0.0% |
| | <u>Proposed</u> | <u>Appropriated</u> | | |
| Grants Cost | \$385,132 | \$384,995 | (\$137) | 0.0% |
| Capitol Complex Works of Art | 30,000 | 30,000 | 0 | 0.0% |
| Total Costs | \$415,132 | \$414,995 | (\$137) | 0.0% |
| State Special | \$415,132 | \$414,995 | (\$137) | 0.0% |
| Total Funds | \$415,132 | \$414,995 | (\$137) | 0.0% |

Other Legislation

The Sixty-fourth Legislature did not enact any legislation that would directly impact the C&A grants program.

QUALITY SCHOOL FACILITIES GRANT PROGRAM

Program Description

The Quality Schools Facilities Grant Program (quality schools) is a competitive grant program, administered by the Department of Commerce (DOC), which was created to provide infrastructure grants to public school districts in Montana. The program is established in Title 90, Chapter 6, part 8, MCA. The principal objectives of the QSFP are to:

- Enhance the quality of life and protect the health, safety, and welfare of Montana's public school students
- Ensure the successful delivery of an educational system that meets the accreditation standards provided for in 20-7-111
- Extend the life of Montana's existing public school facilities
- Promote energy conservation and reduction
- Integrate technology into Montana's education framework to support student educational needs for the 21st century
- Encourage fiscal responsibility by considering both long-term and short-term needs of the public school district, the local community, and the state

Grants are awarded through a competitive application process that is open to all 421 Montana school districts. In reviewing and ranking project applications, the DOC prioritizes applications by the following statutory criteria:

- Solves urgent and serious public health or safety problems, or enable public school districts to meet state or federal health or safety standards
- Provides improvements necessary to bring school facilities up to current local, state, and federal codes and standards
- Enhances public school districts' ability to offer specific services related to the requirements of the accreditation standards provided for in Section 20-7-111, MCA
- Provides long-term cost-effective benefits through energy-efficient design
- Incorporates long-term, cost-effective benefits to school facilities, including the technology needs of school facilities
- Enhances educational opportunities for students

In the role of prioritizing grants, the DOC must consider (without preference or priority) the following attributes of each school facility project application:

- The need for financial assistance
- The fiscal capacity of the public school district to meet the conditions established in 90-6-812, MCA
- Past efforts to ensure sound, effective, long-term planning and management of the school facility and attempts to address school facility needs with local resources
- The ability to obtain funds from other sources
- The importance of the project and support for the project from the community

Summary of Legislative Action

Due to funding issues in the quality schools program, the legislature did not provide appropriations for the program. For more information, see the funding section of this report on the following page.

Funding

The figure below shows the fund balance analysis for the 2017 biennium. The fund is expected to begin the biennium with a \$0 balance. This occurs because actual revenues are less than what was anticipated by the 2013 Legislature. The total program revenues are expected to provide \$14.2 million and include:

- Timber harvest income under the provisions of 20-9-516(2)(a), MCA (the income attributable to the difference between the average sale value of 18 million board feet and the total income produced from the annual timber harvest on common school trust lands during the fiscal year)
- Public land trust power site rent (streambed rents) under the provisions of 77-4-208(2), MCA (95% of all rental payments received under this section must be deposited in the school facility and technology account provided for in 20-9-516) – set in current law to begin January 1, 2017

Total appropriations from the school facilities and technology fund are \$19.9 million in the 2017 biennium. The 2011 Legislature permanently redirected the costs of the state reimbursements for school district bond issues. In the 2017 biennium, the obligation is appropriated at \$17.2 million. Additionally, there is a statutory appropriation of \$1.0 million annually for assistance in school technology.

The 2013 Legislature redirected administrative costs to the fund. This new cost is \$765,070 in the 2017 biennium. Both the debt obligation and the administrative costs are appropriated in HB 2. Without adequate funding, the 2015 Legislature chose not to appropriate funds for the quality schools program. The estimated ending fund balance for June 30, 2017 is a negative \$5.7 million. Due to the shortfall in funding, it is likely that the school facility debt obligation will be reduced by pro-rating the reduction across those school districts that would receive the state assistance.

| School Facility and Technology Fund (02218) | | | |
|---|----------------|----------------|---------------|
| Fund Balance Projection 2017 Biennium | | | |
| Estimated Beginning Fund Balance (7/01/2015) | | | \$0 |
| | | | Biennium |
| Revenue Projections ¹ | <u>FY 2016</u> | <u>FY 2017</u> | <u>Total</u> |
| Timber Harvest Income | 2,503,000 | 2,627,000 | 5,130,000 |
| Public Land Trust Power Site Rent | 4,521,000 | 4,527,000 | 9,048,000 |
| Interest | 5,000 | 5,000 | 10,000 |
| Natural Resource Development Payment ² | 4,900,000 | 8,100,000 | 0 |
| Bond Proceeds | 19,086,359 | | 0 |
| 2017 Biennium Revenues | | | 14,188,000 |
| Proposed Expenditures | | | |
| School Facility Debt Obligation ³ | (8,586,000) | (8,586,000) | (17,172,000) |
| Technology Statutory Appropriation | (1,000,000) | (1,000,000) | (2,000,000) |
| Administrative Expenses - Commerce ³ | (382,802) | (382,268) | (765,070) |
| Emergency Grants | (400,000) | | 0 |
| Planning Grants | (900,000) | | 0 |
| School Facility Grants - Cash | (11,160,979) | | 0 |
| School Facility Grants - Bonds | (19,086,359) | | 0 |
| Total Expenditures | | | (19,937,070) |
| Estimated Ending Fund Balance - (6/30/2017) | | | (\$5,749,070) |
| ¹ HJ2 | | | |
| ² Based on executive proposal | | | |
| ³ HB 2 | | | |

Executive Budget Comparison

As seen in the figure below, the Sixty-fourth Legislature did not provide appropriations for the quality schools program. The program was recommended by the executive in HB 5 and included \$11.2 million in state special revenues and \$19.1 million of bond proceeds to extend funding to all grant applicants. An additional proposal of the executive would have provided additional funding to the program through a redirection of the natural resource development payment, currently a factor in school funding, to the school facility and technology fund. The action was included in HB 313, which failed to receive the approval of the legislature. With the failure of both HB 5 and HB 313, there was not sufficient funding to appropriate money to the quality school program.

| Program Comparison - Quality School Facility Grant Program | | | | |
|--|---------------------|--------------------|-----------------------|----------------|
| Budget Item | Executive Budget | Legislative Budget | Change | % Change |
| | 2017 Biennium | 2017 Biennium | | |
| Number of Grants | 53 | 0 | (53) | -100.0% |
| | <u>Proposed</u> | <u>Proposed</u> | | |
| Project Costs Cash | \$11,160,979 | \$0 | (\$11,160,979) | -100.0% |
| Project Costs Bonds | 19,086,359 | 0 | (19,086,359) | - |
| Other Grants | 1,000,000 | 0 | (1,000,000) | -100.0% |
| Total Costs | \$31,247,338 | \$0 | (\$31,247,338) | -100.0% |
| State Special | \$12,160,979 | \$0 | (\$12,160,979) | -100.0% |
| GO Bond Proceeds | \$19,086,359 | \$0 | (\$19,086,359) | - |
| Total Funds | \$31,247,338 | \$0 | (\$31,247,338) | -100.0% |

Other Legislation

The Sixty-fourth Legislature did not enact any legislation that would directly impact the quality schools grants program.