

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.					

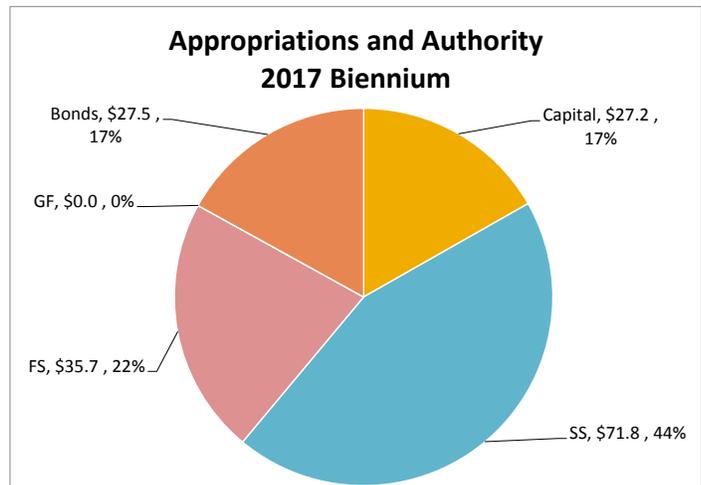
Summary of Legislative Action

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

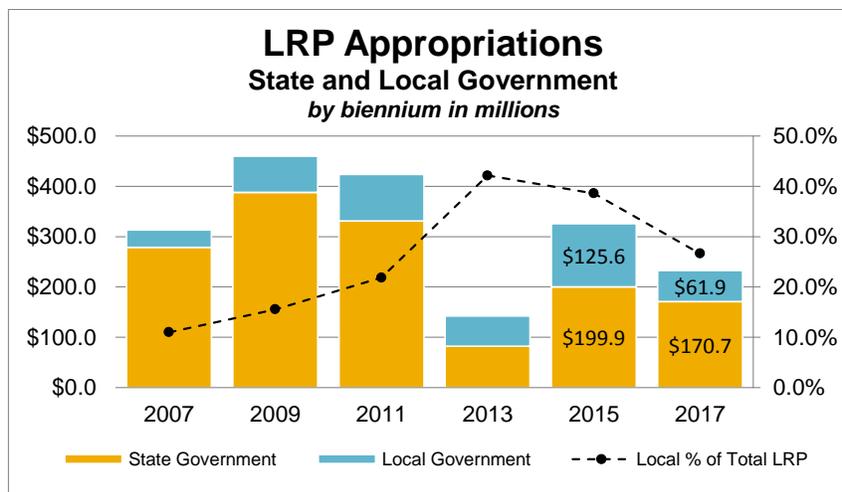
The Sixty-fourth Legislature reduced the executive LRP budget recommendations by \$193.9 million, or 45.5%. The reductions were principally the result of the legislative decision not to fund infrastructure projects with bond proceeds. In making this decision, the legislature eliminated some of the projects 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.