

# LONG-RANGE PLANNING OVERVIEW

## Executive Summary

The executive proposal would provide a mix of cash and bond funding for Long-Range Planning (LRP) projects. Total LRP appropriations are \$281.1 million, including \$9.6 million of non-state dollars (authority/donations). Of the state funding used in the programs \$7.2 million would be budgeted in capital project funds, \$37.1 million from state special revenue funds, \$21.9 million from federal special revenue funds, and \$205.3 million from the proceeds of bond issues.

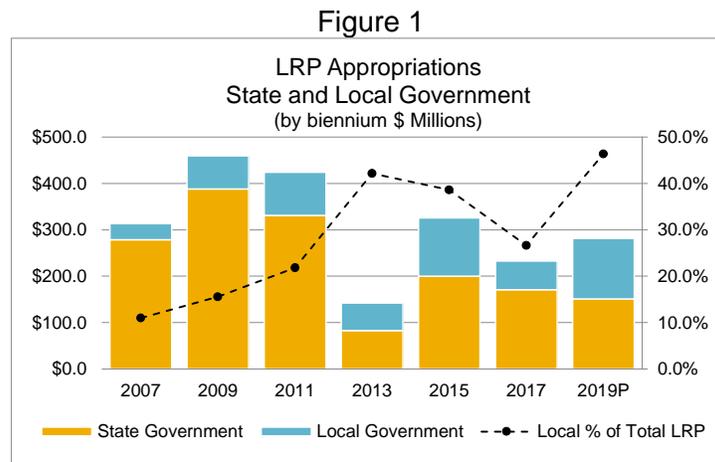
The executive proposes to transfer \$57.3 million of the LRP dedicated funding to the general fund and replace those funds, while proposing additional infrastructure spending, with the proceeds of \$157.4 million in general obligation (GO) bonds. In overarching terms, the executive proposal provides an increase of \$108.3 million in state funding for LRP programs.

The executive proposal includes several major changes from the 2017 biennium LRP budgets, which exclusively made use of dedicated program funding in support of the budget. Significant changes include a greater amount of loans requested through the coal severance tax (CST)/Renewable Resource Loans Program, funding for a new grants program, funding for state participation in the integrated test center (a project underway in Wyoming), requests for two new buildings, and major renovations at another.

## State and Local Infrastructure Projects

Long-Range Planning (LRP) programs are devoted to the creation and upkeep of major state infrastructure. That said, LRP programs do not include the state roads and highway construction and maintenance programs, which are appropriated in HB 2.

LRP budgets may be broadly classified as either state government or local government capital projects (infrastructure projects) programs. Figure 1 shows the level of appropriations provided by category over time. In the 2013 and 2015 biennia, appropriations to the local government grants programs



increased as a proportion of total LRP appropriations. In the 2009, 2011, and 2015 biennia, the legislatures increased local government grant awards by increasing program funding through general fund transfers. In the 2019 biennium, the executive proposal would follow the pattern of providing greater appropriations for the local government programs by adding funding with the proceeds from bond issues. In the 2019 budget, local government funding is increased by proposals that add \$47.0 million through a new Montana Community Grants and Loan Program (MCGL) and increasing coal severance tax loans to local governments (and irrigation districts) by approximately \$20.0 million.

# LONG-RANGE PLANNING OVERVIEW

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## Long-Range Planning Description

The LRP budget analysis typically focuses on nine programs, which include:

- 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 (SBECP) – 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 (no budget request for the 2019 biennium)
- Treasure State Endowment Program (TSEP) – water, wastewater, and bridge 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 (no budget request for the 2019 biennium, but these type of projects would be eligible under the MCGL)
- 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 mineral exploration and mining activities, administered by the Department of Natural Resources and Conservation
- Cultural and Aesthetic Grant Program (C&A) – arts and cultural grants, administered by the Montana Arts Council
- Quality School Facility Grants Program (Quality Schools) – grants for major maintenance, repairs, and upgrades of K-12 school facilities, administered by the Department of Commerce

In the 2019 biennium, one additional program will be included in the LRP budget proposal, which is:

- Montana Community Grants and Loan Program (MCGL) – TSEP-like grants for public facility infrastructure and public safety improvement projects. The program will be administered by the Department of Commerce
  - Integrated Test Center Participation (ITCP) – MCGL would specifically direct grant funding for the state's participation in the Wyoming Integrated Test Center project. The center studies the capture, sequestration and management of carbon emissions from coal fired power plants

## Long-Range Planning Comparison

Figure 2 compares the proposed 2019 biennium executive budget to the levels of appropriation provided by the 2015 Legislature by program and source of funding. The executive proposes total LRP budgets of \$281.1 million. This is \$48.5 million more than the LRP budgets in the 2017 biennium. Significant aspects of this budget include:

- Increased loan funding in the Renewable Resource Grant and Loan Program (RRGL)
- Funding for a new Community Grants and Loan Projects appropriation (MCGL)
- Funding for construction of the Montana Heritage Center and the Southwestern Veterans' Home (LRBP)
- Funding for the Romney Hall renovation project at the Montana State University (LRBP)

In the 2019 biennium, the executive LRP proposal does not recommend any appropriations for the Long-Range Information Technology Program (LRITP) and the Treasure State Endowment Regional Water Program (TSEPRW), which are usually included in this budget.

# LONG-RANGE PLANNING OVERVIEW

Figure 2

Long-Range Planning Budget Comparison (\$ millions)				
Budget Item / Funding Source	Appropriations FY 16-17	Proposed FY 18-19	Biennium Change	Biennium % Change
Long-Range Building Program (LRBP)	\$132.8	\$147.1	\$14.2	10.7%
State Building Energy Conservation Program (SBECP)	2.5	3.7	\$1.2	48.0%
Long-Range Information Technology Program (LRITP)	35.4	0.0	(\$35.4)	-100.0%
Treasure State Endowment Program (TSEP)	18.9	17.8	(\$1.2)	-6.2%
Montana Community Grants and Loans (MCGL)	0.0	47.0	\$47.0	-
Integrated Test Center Participation (ITCP)	0.0	3.0	\$3.0	-
Treasure State Regional Water Program (TSEPRW)	4.3	0.0	(\$4.3)	-100.0%
Renewable Resource Grant and Loan Program (RRGL)	33.1	52.5	\$19.4	58.8%
Reclamation and Development Grant Program (RDGP)	5.3	4.2	(\$1.1)	-20.0%
Cultural and Aesthetic Grant Program (C&A)	0.4	0.5	\$0.1	13.3%
Quality Schools Grant Program (QSFP)	0.0	5.4	\$5.4	-
<b>Total Costs</b>	<b>\$232.7</b>	<b>\$281.1</b>	<b>\$48.5</b>	<b>20.8%</b>
Capital Projects Fund (Capital)	\$26.2	\$7.2	(\$19.0)	-72.5%
General Fund (GF) <sup>1</sup>	0.0	\$0.0	0.0	-
State Special (SS)	71.8	37.1	(\$34.7)	-48.4%
Federal Special (FS)	35.7	21.9	(\$13.8)	-38.7%
Total Bonds (Bonds)	27.5	205.3	177.8	647.1%
<i>General Obligation Bonds Subtotal</i>	<i>0.0</i>	<i>157.4</i>	<i>157.4</i>	<i>-</i>
<i>Coal Severance Tax Bonds Subtotal</i>	<i>27.5</i>	<i>47.9</i>	<i>20.5</i>	<i>74.5%</i>
Proprietary Fund (Prop)	0.0	0.0	0.0	-
<b>Subtotal State Funds</b>	<b>161.2</b>	<b>271.5</b>	<b>110.3</b>	<b>68.4%</b>
Authorization (Author)	71.5	9.6	(\$61.8)	-86.5%
<b>Total Funds</b>	<b>\$232.7</b>	<b>\$281.1</b>	<b>\$48.5</b>	<b>20.8%</b>

LRP projects are administered by various state agencies, but the provision of services has historically been similar in each of the programs:

- Project requests are received by the program either from state agencies, local governments, or private entities
- Project requests are reviewed by the particular agency, board, or council and ranked, or prioritized, based on program specifications
- The Governor reviews the list of requests, determines the level of funding available for projects, and presents a list of funded project recommendations to the legislature in the form of a separate funding bill
- If the legislature agrees to appropriate funds and authorize the various projects, money is distributed through the recipient to private contractors, generally through a competitive bid process

The legislature's work with the LRP budget differs in several ways from the work of other joint subcommittees, which include:

- 1) LRP programs do not have a "base" budget. In LRP budget negotiations, the legislature does not consider matters of fixed costs, FTE and pay plan issues, or changes from the base. LRP budgets are functionally viewed and appropriated as zero-based budgets.
- 2) LRP programs might be thought of as one-time-only appropriations. When funding is requested for any specific project, the funding needs do not continue. For state agency projects, there may be increased need for operations and maintenance dollars in the future, but the project itself is finished and in some cases there is no need for future state support at all.
- 3) The LRP budget is presented to the subcommittee as a set of project recommendations. While the HB 2 budget subcommittees work with agency base budgets and decision packages (DP's)

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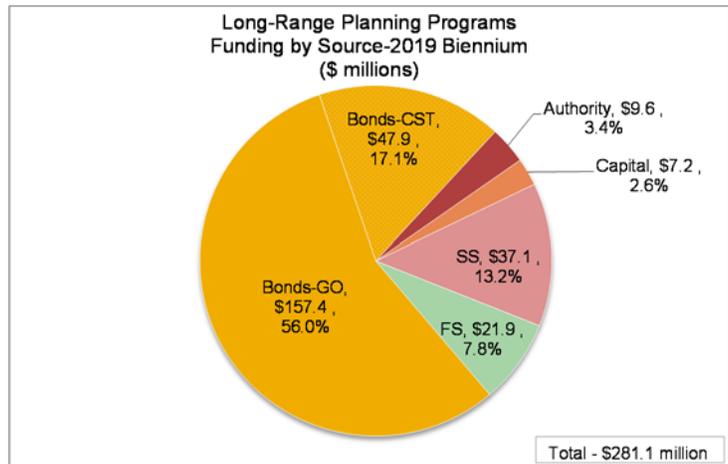
for legislative consideration, the LRP budget does not have such DP's. In fact, the entire budget is essentially a set of DP's for one-time-only project spending as provided in individual bills.

## Funding

Historically, LRP programs are fully 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. The revenues come from a variety of sources including various tax allocations and in several cases interest earnings from dedicated trusts.

Figure 3 shows the funding of the LRP budget for the 2019 biennium. Total biennial funding proposed for the LRP budgets is \$281.1 million. Generally, the LRP budgets are funded primarily from state special revenue funds. However, in the 2019 biennium \$205.3 million, or 73.0% of total budget funding, is derived from bond proceeds (GO and CST). Capital project fund proposals are \$7.2 million, state special revenue funds are \$37.1 million, and federal special revenue funds are \$21.9 million. Authorizations, \$9.6 million or 3.4% of total funding, are not appropriations and exist in the LRPB because legislative approval is required to expend donations (and other types of funds that do not require appropriation) on major building projects with costs in excess of \$150,000. More detail on the funding and appropriations of the LRP programs is found in the program sections of this report.

Figure 3



As mentioned above, most of the LRP programs are funded with dedicated revenues. In the 2017 biennium, the \$232.7 million of appropriations provided were made from dedicated revenues, agency funds, and non-state authority. In the 2019 LRP budget proposal, \$57.3 million of the program dedicated revenues would be transferred to the general fund. The transfers are included as a component of HB 14, the "Jobs and Infrastructure in Montana" or bond bill.

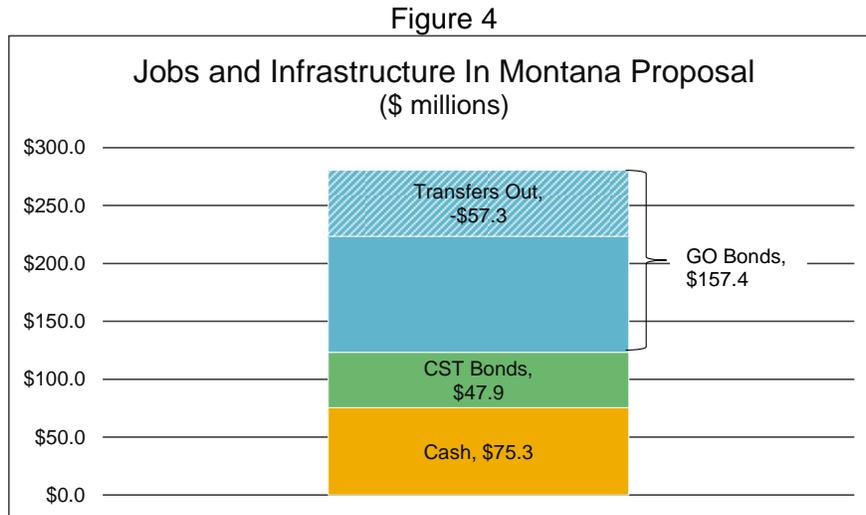
## Jobs and Infrastructure in Montana Proposal

The executive has featured most of the LRP budgets in what is titled the "Jobs and Infrastructure in Montana Proposal," LRP programs involved in the proposal include all the programs shown above in Figure 2 except the C&A program and the LRITP. One of the programs, the TSEPRW is involved only due to the transfers to the general fund (includes no appropriations). The proposal would add one new program referred to as the Montana Community Grant and Loan Projects (MCGL). This proposal includes one specific grant along with grant and loan appropriations that would follow the project types, laws, and rules of the TSEP.

The Jobs and Infrastructure in Montana proposal is substantially contained in HB 14, the Creating Jobs in Montana Act. HB 14 has historically been thought of as the LRPB bond bill. In the 2017 Session, HB 14 is the bonding bill, but provides bond authorizations/appropriations for those state and local government programs included in the executive Jobs and Infrastructure in Montana Proposal. HB 14 is the heart of the proposal, but is augmented by what are thought of as the "normal LRP bills"; HB 5, HB 6, HB 7, HB 8, and HB 11; which provide funding from the designated revenue sources for emergency grants, project planning grants, and various grants that do not require legislative individual project authorization. HB 5, as proposed by the executive would appropriate projects funded exclusively with agency funds (capital project, state special revenue, federal special revenue, and other non-state dollars).

# LONG-RANGE PLANNING OVERVIEW

HB 14 would provide the appropriations from bond proceeds for most of the LRP projects and grants, and would include transfers of the dedicated revenue to the general fund. Figure 4 demonstrates the recommended funding, including the transfers as an offset to the bond proceeds in the Jobs and Infrastructure in Montana proposal. The gold “Cash” bar in Figure 4 includes capital project, state special revenue, and federal special revenue funds.



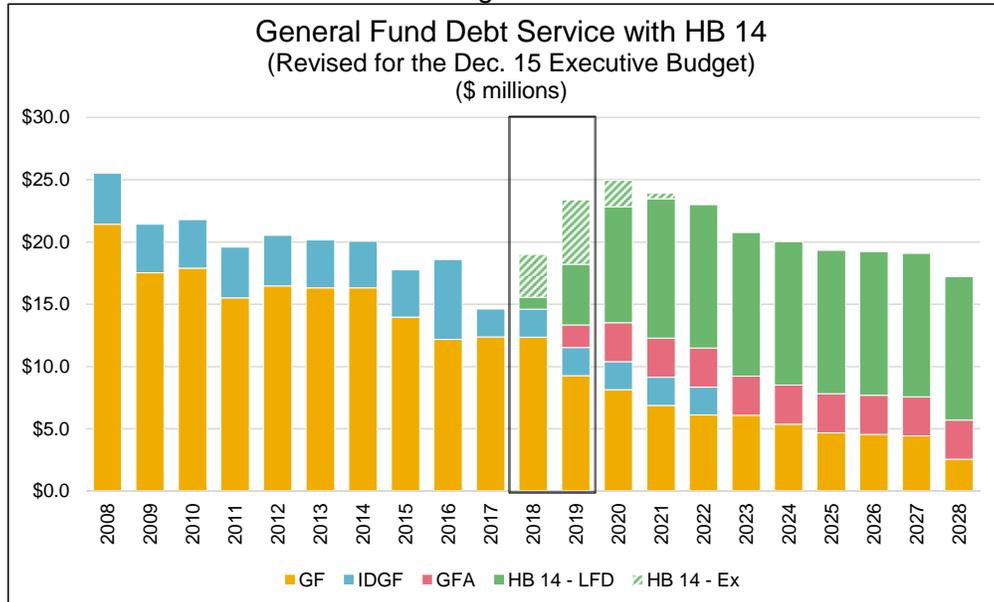
Note: Because HB 14 authorizes the issuance of general obligation bonds (GO), the legislation requires a 2/3 vote of each house of the legislature to be approved.

## Bond Issue Debt Service

The Creating Jobs in Montana Act, as proposed in HB 14, is in large part funded through bond proceeds. To achieve the objectives of the proposal, \$157.4 million of state GO bonds would be issued. The costs of the bonds would be incurred by the general fund, including issuance costs and debt service. There is limited certainty about when the bonds will be issued, since the types of projects and grants included in the legislation vary widely. Most of the projects are long-term endeavors that take years to complete, but some of the grants disperse funds more quickly. Figure 5 provides a graphic overview of general fund debt service, including the debt service for the proposed HB 14 bonds under two sets of assumptions, one as used by the executive in the calculations for the balance sheet and one using LFD assumptions.

# LONG-RANGE PLANNING OVERVIEW

Figure 5



Included in Figure 5 are:

- GF – Debt service paid directly from the general fund. Much of the GF debt service is paid on bonds issued for state building construction projects, but also includes the purchase of school trust lands
- IDGF – Debt service that is paid from funds that would flow into the general fund were it not paying this cost. Included in this group are construction at the state hospital (special revenue bonds) and the debt service of the State Building Energy Conservation Program
- GFA – Projected debt service on GO bonds that have been authorized by not issued. This group includes debt authorized for two tribal compacts, one major water project, and the Heritage Center/Betty Babcock Museum. Should HB 14 be passed and approved as introduced, the debt service associated with the museum project is likely to be issued
- HB 14-LFD – Projected debt service for HB 14 with bonds issued over a 3½ year period with interest rates ranging from 3.43% for the first issue to 4.93% for the last
- HB 14-Ex – Projected debt service for HB 14 using the executive assumption with bonds issued over a 4 year period and interest rates ranging from 3.75% for the first issue to 4.50% for the last

The current general fund debt service (as paid directly from the general fund) is projected to be \$12.4 million in FY 2018 and \$9.3 million in FY 2019. The reduction occurs as older bond issues reach term and are paid off. Under the executive assumptions, HB 14 would add debt service costs of \$4.4 million in FY 2018 and \$10.0 million in FY 2019. In future years, the annual debt service payments would be \$11.6 million. The calculations of the LFD indicate a more gradual near-term increase in debt service than the executive, primarily based upon an assumption of bond issues occurring over a longer period of time. In FY 2018, the LFD projection would be \$946,208 and in FY 2019 \$4.9 million. In future years, the fully issued cost projected by the LFD would be \$11.5 million.

Should HB 14 be passed and approved by the legislature, it is likely that the previously authorized \$6.715 million of bonds for the Montana Heritage Center/Betty Babcock Museum would be issued. This outstanding bond authority, indicated by the pink bars in Figure 5, would add \$498,639 per year to the general fund GO debt service costs.

The full amortization schedules for the LFD HB 14 debt is found in item A-1 of the Section F Appendix.

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## Build Montana Trust Proposal

As proposed by the executive, LC 905 would establish the Build Montana Trust Fund, a new sub-trust within the permanent coal severance tax trust. This legislation would redirect coal severance taxes currently flowing into the coal severance tax permanent trust, or 75% of coal severance taxes (after any costs of the coal tax bond fund), into the new Build Montana Trust Fund. Before FY 2017, those taxes flowed into the Treasure State Endowment Program (50%) sub-trust and the TSEP Regional Water sub-trust (25%). Those coal severance taxes, along with interest earnings within the Build Montana Trust, will continue to flow into the account and must be retained within the Build Montana Trust until the balance reaches \$50 million.

This proposed legislation does not itself create a program for administration or distribution of future interest earnings once the program meets this \$50 million threshold. The Build Montana Trust is projected to reach a balance of \$50 million around FY 2020. Should this legislation be passed and approved, a program will need to be developed for administration and distribution of these infrastructure funds.

Note: While this piece of legislation interacts with the coal severance tax, it does not remove funds from the trust, instead creating a new sub-trust. Removing funds from the trust, other than the income generated by the trust, requires a  $\frac{3}{4}$  vote of the members of each house of the legislature. Since this legislation does not remove funds from the trust, it only requires a simple majority vote of each house.

### LFD COMMENT

LC 905 does not include a programmatic structure for the use of the interest earnings generated by the trust. While it is likely to be FY 2020 before expendable funds would be available, the Sec. F Subcommittee may want to consider program administration and distribution guidelines or recommendations.

### LFD COMMENT

Should the 65<sup>th</sup> Legislature pass LC 905, the legislation would prevent the appropriation of the interest earnings from the new sub-trust until the balance of the trust, or corpus, reaches \$50 million. The Legislative Fiscal Division estimates that the threshold will be met in the middle of FY 2020. At a level of \$50 million, the sub-trust would be expected to generate \$1.8 million per year of interest earnings based upon current interest rates.

In light of the low level of earnings on the \$50 million threshold, the legislature may consider increasing the threshold to an amount that would produce sufficient earnings to provide for a larger initial program.

### LFD COMMENT

The LRP subcommittee would be the likely place for the future hearings related to the appropriations of the Build Montana Program, just as it is for the other coal severance sub-trust programs such as TSEP and TSEP Regional Water. However, LC 905 is categorized as a general bill, and as such may not be heard in the Sec. F Subcommittee. Should that be the case, staff will keep the subcommittee informed on when and in what committees the legislation is being heard.

### LFD COMMENT

LC 905 would redirect coal severance tax distributions that currently flow into the permanent coal severance tax trust. The associated interest earnings of the permanent trust is statutorily appropriated from the general fund for the purpose of reducing the unfunded liability in the Montana public employees retirement system. According to the estimates of the Legislative Fiscal Division, the redirection of the tax flow would reduce interest funding for the pension system by \$1.7 million over the 2019 biennium.

# 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, as established in Title 17, Chapter 7, part 2, MCA, 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. The program is administered by the Architecture and Engineering Division (A&E) of the Department of Administration. 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 LRBP capital project funds.

## Program Budget Comparison

Figure 6 summarizes the proposed executive budget for the program by biennium, type of expenditure, and source of funding.

Figure 6

Program Comparison - Long-Range Building Program				
Budget Item	Budget 2017 Biennium	Budget 2019 Biennium	Biennium Change	Biennium % Change
	Appropriated / Authorized	Proposed		
LRBP Project Costs	\$132,842,500	\$147,076,100	\$14,233,600	10.71%
SBECF Project Costs	2,500,000	3,700,000	\$1,200,000	48.00%
<b>Total Costs</b>	<b>\$135,342,500</b>	<b>\$150,776,100</b>	<b>\$15,433,600</b>	<b>11.40%</b>
Capital Projects	\$16,886,500	\$7,200,000	(\$9,686,500)	-57.36%
State Special	33,651,000	32,760,400	(\$890,600)	-2.65%
Federal Special	13,350,000	21,878,700	\$8,528,700	63.89%
Authorization <sup>1</sup>	71,455,000	9,640,000	(\$61,815,000)	-86.51%
Bond Issue/Loans	0	79,297,000	\$79,297,000	-
<b>Total Funds</b>	<b>\$135,342,500</b>	<b>\$150,776,100</b>	<b>\$15,433,600</b>	<b>11.40%</b>

<sup>1</sup> Does not require appropriation but requires approval of the legislature

## Program Discussion

As seen in Figure 6, the executive proposes a total LRBP budget of \$150.8 million for the 2019 biennium. This is \$15.4 million, or 11.4%, more than the LRBP budget in the 2017 biennium. Under the executive proposal, the LRBP projects would be appropriated in two bills, HB 5 and HB 14.

The figure above contains the executive proposals for the LRBP cash and bonded programs and the State Building Energy Conservation Program (SBECF), which is included in HB 5. The proposal includes \$36.4 million of appropriations that benefit Fish, Wildlife, and Parks (FWP), of which \$31.2 million of capital projects are appropriated directly to the agency. Funding in the FWP capital project program is used for improvements to parks and fishing access sites, land acquisition, and other FWP capital projects. The total appropriations include \$3.7 million for the state building energy program described on page F-12. The LRBP includes \$9.6 million of projects funded with non-state fund spending authority. 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, must be authorized by the legislature. These funds typically include donations and various types of university funds. The request of \$9.6 million of authorizations would be a \$61.8 million reduction when compared to the 2017 biennium authorizations approved by the legislature and is the largest change in the budget proposal. Without including the authority projects, the LRBP budget proposal is increased by \$141.1 million or 121.0% from the level appropriated in the 2017 biennium.

# LONG-RANGE BUILDING PROGRAM

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The funding breakdown as seen in Figure 6 shows that a total of \$79.3 million of the project costs would be funded with the proceeds of bond issues included in HB 14. The proposal would provide funding for the construction of two new buildings and one major building renovation project.

A full list of the projects contained in the executive LRBP proposal, including appropriations by fund type, is found in item A-2 of the Section F Appendix. Detailed project descriptions are provided in the Vol. 3 of the Governor's Budget.

## Project Highlights

Some LRBP project highlights and legislative considerations include:

- The Montana Heritage Center project is again included in the LRBP proposal, requesting \$27.7 million of state funds from the sale of GO bonds, augmenting previous appropriations and authorizations. The project, originally approved by the 2005 Legislature, included \$7.5 million of bond authority and the authorization to use up to \$30.0 million of donated funds to construct the building. The projected cost of the building has increased over time by \$7.7 million, or 20.5%, to a total cost estimate of \$45.2 million. Under the 2019 biennium proposal, \$10 million would be funded through donations and \$35.2 million from state funds (\$7.5 million from the 2005 session and \$27.7 million proposed for the 2019 biennium). To date, the Historical Society has received \$2.0 million in various pledges and donations for the project. Since the 2005 project approval, \$785,000 of the initial bond authority has been issued to fund the preliminary design work on the facility. In a related action, the 2009 Legislature approved an amendment to the original legislation that designated the building location to be at the corner of 6<sup>th</sup> Avenue and Roberts St. in Helena.
- The Southwest Montana Veterans' Home is proposed in HB 14, Sec. 16. The project was originally appropriated by the 2011 Legislature. At that time, the legislature anticipated the receipt of federal funding for the project. The legislation provided an appropriation of \$4.8 million of state special funding and \$8.9 million of federal special funding for a total project cost of \$13.8 million. The legislature directed a distribution of 1.2% of the cigarette tax between July 1, 2011 and June 30, 2015 to accumulate the state's portion of the cost. To date, no federal funding has been received for the project, but the state share grew to over \$5.0 million. HB 14 will fund the entire project with bond proceeds of \$16.8 million, which is a cost growth of \$3.1 million from the 2010 project estimate. HB 14 includes language that would reduce the amount of bond proceeds for the project by the amount of federal project funds received by the state, should those federal funds materialize before the bonds are issued. Should federal funds be provided after bonds are issued for this project, the funds would be directed to the associated debt service account for the repayment of the bonds.
- The Romney Hall renovation, located on the Montana State University campus in Bozeman, would be funded with \$25.0 million of state funds derived through GO bond proceeds and \$3.0 million of non-state funds (donations or university system funds). The renovation project would facilitate a comprehensive adaptive reuse of the building, reduce or eliminate areas of critical deficiency in the building's HVAC, plumbing and electrical systems, and address safety issues including fire and ADA code compliance regarding egress and interior circulation, and increase capacity for higher use of prime space.

# LONG-RANGE BUILDING PROGRAM

## Funding

### Long-Range Building Program Capital Projects Fund

As shown in Figure 7, the LRBP fund will start the 2019 biennium with a fund balance of a negative \$1.8 million. Revenues deposited into the fund include a 2.6% distribution of cigarette tax revenue, \$3.5 million in the biennium, and a 12.0% distribution of coal severance tax revenue, \$13.1 million in the biennium. Other income includes interest earnings on LRBP fund balances and supervisory fees paid to the A&E Division. Total revenue projected for the 2019 biennium is expected to be \$18.7 million.

The executive budget proposes administrative costs for the A&E Division of \$4.2 million in HB 2. The funding for the administrative costs is transferred from the LRBP fund to a state special revenue account for that purpose. The LRBP capital projects fund has historically been responsible for the payment of debt service authorized initially in the mid and late 1990's. This obligation is nearing an end, and will be fully satisfied in FY 2019. The debt service costs are offset by a funding switch of \$665,000 per year from the LRBP fund to the general fund (Funding Switch), authorized by the 2001 Legislature, and in FY 2019 the offset is expected to equal the LRBP obligation. In the 2019 biennium, the debt service for the single outstanding bond issue is expected to cost the LRBP fund \$657,086.

The total executive proposal includes no projects funded from the LRBP capital projects fund in the 2019 biennium. The executive proposal would recommend in HB 14 transfers of \$5.65 million from the LRBP capital projects fund to the general fund in each year of the biennium. The estimated ending fund balance for the LRBP fund is projected to be \$1.0 million at the end of the 2019 biennium.

Figure 7

Long-Range Building Program Fund (05007) Fund Balance Projection 2017-2019 Biennia			
	FY 2018 Projected	FY 2019 Projected	2019 Biennium Projected
Estimated Beginning Fund Balance	(\$1,828,943)	(\$718,394)	(\$1,828,943)
<b>Revenues<sup>1</sup></b>			
Cigarette Tax	\$1,769,211	\$1,758,513	\$3,527,724
Coal Severance Tax	6,461,812	6,661,793	13,123,605
Interest Earnings	429,593	429,593	859,186
Supervisory Fees	381,899	381,899	763,798
Energy Savings Transfer	<u>225,000</u>	<u>225,000</u>	<u>450,000</u>
<b>Total Revenues</b>	<b>9,267,515</b>	<b>9,456,798</b>	<b>18,724,313</b>
<b>Expenditures</b>			
Operating Costs-A & E Division <sup>2</sup>	\$2,076,697	\$2,084,187	\$4,160,884
Debt Service-2015A	1,095,269	657,086	1,752,355
Funding Switch	(665,000)	(657,086)	(1,322,086)
Transfers to the General Fund - HB 14	<u>5,650,000</u>	<u>5,650,000</u>	<u>11,300,000</u>
<b>Total Expenditures</b>	<b>\$8,156,966</b>	<b>\$7,734,187</b>	<b>15,891,153</b>
<b>Estimated Ending Fund Balance</b>	<b>(\$718,394)</b>	<b>\$1,004,217</b>	<b>\$1,004,217</b>
<sup>1</sup> HJ 2			
<sup>2</sup> HB 2 Authority			
Assumes all outstanding project appropriations are expended in FY 2017			

**LFD COMMENT**

The LRBP fund is projected to have a balance of \$1.0 million at the end of the 2019 biennium under the executive proposal, based upon LFD revenue estimates. The projection of unappropriated funds provides a number of options for legislative consideration, which include:

- Appropriate LRBP projects in HB 14 with the capital project funds and reduce the amount of bond proceeds requested
- Appropriate the balance in HB 5, increasing the number of construction and/or maintenance projects
- Increase the transfer of LRBP capital project funds to the general fund in HB 14
- Do nothing and leave the balance in the LRBP fund for future appropriation

# LONG-RANGE BUILDING PROGRAM

## Capitol Land Grant Capital Projects Fund

Capitol land grant (CLG) revenues, derived from trust lands designated in the Enabling Act for the state capitol complex, were at one time used as source of LRBP funding for capital projects. Additionally, the fund has paid debt service on LRBP bonds issued in in the mid-1990's. In FY 2017, the final payment of debt service from the fund will be paid. More recently, the fund was used for costs of the new Helena Data Center and upgrades to the facility. Note: Funding from this source must only be used for projects on the Montana Capitol Complex (10 mile radius from the Capital building per the instructions of the Enabling Act).

Figure 8

Capitol Land Grant Fund (05008) Fund Balance Projection 2017-2019 Biennia			
	FY 2018 Projected	FY 2019 Projected	2019 Biennium Projected
Estimated Beginning Fund Balance	\$3,975,856	\$1,647,119	\$3,975,856
Revenues <sup>1</sup>			
Land Grant Interest & Earnings	<u>1,171,262</u>	<u>1,393,336</u>	<u>2,564,598</u>
Total Revenues	1,171,262	1,393,336	2,564,598
Expenditures			
HB 5 - Life Safety and Deferred Maint.	3,500,000	<u>0</u>	<u>3,500,000</u>
Total Expenditures	\$3,500,000	\$0	3,500,000
Estimated Ending Fund Balance	\$1,647,119	\$3,040,455	\$3,040,455
<sup>1</sup> HJ 2 Assumes all outstanding project appropriations are expended in FY 2017			

Figure 8 provides the fund balance projection for the CLG. The fund is projected to begin the 2019 biennium with a balance of \$4.0 million. The beginning fund balance takes into consideration all existing authority in the fund. As noted earlier, the fund had been supporting the debt service payments of LRBP bonds, which would reach maturity in FY 2017. As a result, there are no more debt service payments expected for the fund. The fund is projected to receive \$2.6 million of revenues in the 2019 biennium. Taking into account the expenditures associated with the proposed HB 5 appropriation for Capitol campus life safety/deferred maintenance projects of \$3.5 million, at the end of the 2019 biennium the CLG is projected to have a balance of \$3.0 million.

**LFD COMMENT**

In the mid-1990's the legislature made use of the LRBP and CLG fund to support the debt service payments of LRBP bonds. In the 2019 biennium, the bonds have reached or are reaching maturity. As this occurs, the debt service obligations of the funds are diminished and ultimately eliminated. With a significant new bonding proposal in front of the 65<sup>th</sup> Legislature, the Sec. F subcommittee may wish to discuss the option for directing some of the proposed LRBP debt service obligation from the general fund and into either (or both) the LRBP and/or CLG funds.

**LFD COMMENT**

Construction of new buildings included in the LRBP budget proposal will result in the addition of new square footage to the state's building inventory. New space is often accompanied by additional operational and maintenance costs in future years. Additionally, some of the projects may result in new program and staffing costs. Due to this characteristic of the LRBP projects, subcommittees tasked with the budget development for agencies proposing construction of new building space will be invited to join LRP subcommittee meetings to hear the details of the projects and to gain an awareness of the future cost impacts of the new space.

# 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

SBECP projects are designed so that energy savings exceed costs. The estimated savings of energy costs are used to reimburse the project costs and finance operational costs. In the past, projects were funded through a bonded program, and reimbursements in excess of the debt service and administrative costs were statutorily required to be transferred to the Long-Range Building Program (LRBP). Beginning in FY 2008, bond proceeds were no longer used to fund the program. The 2007 Legislature funded SBECP projects with an appropriation of general fund and the 2009 Legislature funded projects with appropriations of general fund and federal special funds (ARRA funds). With those funding changes, the program was modified to become a revolving fund, and project reimbursements, plus the interest on the outstanding debt related to the project, are expected to support future projects and program administrative costs. Program recommendations encourage conservation measures which have a service life of at least 15 years. However, energy savings are expected to continue throughout the life of the improvement.

Projects come to the SBECP either directly because of the energy saving benefits or in conjunction with projects planned under the Long-Range Building Program. DEQ offers state agencies assistance in evaluating energy use and identifying energy conservation projects. Program engineers evaluate all projects proposed for the LRBP to assess the energy savings potential on proposed remodeling and renovation projects. Projects with the potential for energy savings are funded through the SBECP, and are often jointly funded with the LRBP deferred maintenance funds.

## Program Budget Comparison

The following figure summarizes the proposed executive budget for the program by biennium, type of expenditure, and source of funding.

Figure 9

Program Comparison - State Building Energy Conservation Program				
Budget Item	Budget 2017 Biennium	Budget 2019 Biennium	Biennium Change	Biennium % Change
	<u>Appropriated</u>	<u>Proposed</u>		
Projects Costs	\$2,500,000	\$3,700,000	\$1,200,000	48.00%
Total Costs	\$2,500,000	\$3,700,000	\$1,200,000	48.00%
Capital Project Funds	\$2,500,000	\$3,700,000	\$1,200,000	48.00%
Total Funds	\$2,500,000	\$3,700,000	\$1,200,000	48.00%

## Program Discussion

The executive proposal for the SBECP is \$3.7 million, \$1.2 million more that appropriated for the program in the 2017 biennium. The program appropriation is found in section 3 of HB 5. A list of SBECP projects,

# STATE-BUILDING ENERGY CONSERVATION PROGRAM

costs, anticipated energy savings and years of expected repayments is seen in Figure 10. Detailed project descriptions are provided in Vol. 3 of the Governor’s Budget.

Figure 10

State Building Energy Conservation Program Executive Recommendation - 2019 Biennium				
Department	Project Title	Project Costs	Est. Annual Savings	Simple Payback/Yrs
Department of Fish, Wildlife, and Parks				
	Fort Peck Hatchery Design and Development	\$100,000	\$8,377	15
	Region 3 Bozeman Necropsy Lab	50,000	4,188	15
Department of Corrections				
	Women's Prison Tower Energy Improvements	300,000	25,130	15
Department of Public Health and Human Services				
	Montana Mental Health Nursing Care Center	500,000	41,883	15
	Warm Springs Greenhouse Improvements	50,000	4,188	15
Department of Labor and Industry				
	Hamilton Job Service Center	50,000	4,188	15
Montana University System				
	MSU Northern Brockman Retro-Cx	90,000	7,539	15
	Campus Lighting Projects using LED technology	500,000	41,883	15
State-wide Energy Improvements				
	Photovoltaic Solar Install with Roof Replacements	1,200,000	80,659	20
	Lighting Upgrade Projects in State Facilities	860,000	72,039	15
Total Funding / Savings		\$3,700,000	\$290,074	

## Funding

The SBCEP has been fashioned to operate in a method similar to a “revolving loan program”. Agencies in effect borrow from the program for the costs of the project, and then reimburse the program for those costs with the savings realized through the projects. In addition to the project costs, agencies also pay an interest rate equal to 3.0% on the unpaid balance of the loan, which funds the administrative costs of the program. In the HB 2 budgets, SBCEP “loan” repayments are scheduled to generate an average of \$1.7 million per year in the 2019 biennium.

In addition to providing energy conservation construction dollars, the SBCEP funding would also support \$1.0 million in administrative costs in the biennium. Incoming loan repayments that were financed with the proceeds of bond issues are used to pay the debt service on general obligation bonds. As mentioned above, the program was originally funded through the proceeds of bond issues. That practice stopped when in the 2009 Legislative Session the program received significant federal funding through the stimulus plan and converted to a revolving loan program. In the 2019 biennium, the program has just one bond issue outstanding that was issued in 2006. In the 2019 biennium, the associated debt service will cost the program \$682,455. The final payment of the debt service is scheduled to occur in FY 2022.

# LONG-RANGE INFORMATION TECHNOLOGY PROGRAM

## Program Description

The Long-Range Information Technology Program (LRITP) is a program developed to fund large information technology (IT) projects. The LRITP consolidates large IT investments in one appropriation bill and defines major IT enterprises as capital projects. All projects included in the LRITP bill are overseen by the state chief information officer (CIO) within the Department of Administration (DOA).

The consolidation of major IT projects is intended to achieve several goals. First, IT projects are complex and require significant and time intensive planning, design, and management efforts, and by designating the projects as “capital projects”, the appropriation continues until completion of the project, as statutorily authorized in 2-17-560, MCA. Second, centralized project oversight is intended to enhance project management and foster stronger partnerships between agencies and the state CIO. Finally, having all the major projects in one piece of legislation facilitates a broad vision of the state IT program and related investments.

## Program Budget Comparison

Figure 11 summarizes the proposed executive budget for the program by biennium, type of expenditure, and source of funding.

Figure 11

Program Comparison - Long-Range Information Technology Program					
Budget Item	Budget 2017 Biennium	Budget 2019 Biennium	Biennium Change	Biennium % Change	
	<u>Appropriated</u>	<u>Proposed</u>			
Projects Cost	\$35,300,000	\$0	(\$35,300,000)	-100.0%	
Other Costs	\$75,000	0	(75,000)	-100.0%	
<b>Total Costs</b>	<b>\$35,375,000</b>	<b>\$0</b>	<b>(\$35,375,000)</b>	<b>-100.0%</b>	
Capital Project Fund <sup>1</sup>	\$9,300,000	\$0	(\$9,300,000)	-100.0%	
General Fund <sup>2</sup>	7,500	0	(7,500)	-100.0%	
State Special	3,717,500	0	(3,717,500)	-100.0%	
Federal Special	22,350,000	0	(22,350,000)	-100.0%	
Other/Proprietary	0	0	0	-	
<b>Total Funds</b>	<b>\$35,375,000</b>	<b>\$0</b>	<b>(\$35,375,000)</b>	<b>-100.0%</b>	
<sup>1</sup> General fund is a transfer to the capital project fund					
<sup>2</sup> Non-Project Appropriation					

**Note:** The executive proposed no program appropriations for the LRITP in the 2019 biennium.

# TREASURE STATE ENDOWMENT PROGRAM

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## Program Description

The Treasure State Endowment Program (TSEP), administered by the Department of Commerce (DOC), is a state infrastructure finance program approved by Montana voters with the passage of Legislative Referendum 110 in June 1992. Grant funding for the program is derived from the interest earnings of the Treasure State Endowment trust. According to 90-6-702, MCA, the purpose of TSEP is to assist local governments in funding infrastructure projects that will:

- Create jobs for Montana residents
- Promote economic growth in Montana by helping to finance the necessary infrastructure
- Encourage local public facility improvements
- Create a partnership between the state and local governments to make necessary public projects affordable
- Support long-term, stable economic growth in Montana
- Protect future generations from undue fiscal burdens caused by financing necessary public works
- Coordinate and improve infrastructure financing by federal, state, local government, and private sources
- Enhance the quality of life and protect the health, safety, and welfare of Montana citizens

Infrastructure projects include drinking water systems, wastewater treatment facilities, sanitary sewer or storm sewer systems, solid waste disposal and separation systems, and bridges. The maximum grant award is \$750,000. The funding for bridge projects is limited to up to 20% of the interest earnings from the TSEP trust in 90-6-710, MCA. As a result, the TSEP projects will be provided in two sections, one for bridge projects and another for infrastructure projects.

Eligible applicants include cities, towns, counties, tribal governments, consolidated local governments, county or multi-county water, sewer or solid waste districts, and other authorities as defined in 75-6-304, MCA. TSEP applications are submitted to the DOC on a biennial basis where they are evaluated according to seven statutory priorities. The seven statutory priorities focus on projects that:

- Solve urgent and serious public health or safety problems or that enable local governments to meet state or federal health or safety standards
- Reflect greater need for financial assistance than other projects
- Incorporate appropriate, cost-effective technical design and provide thorough, long-term solutions to community public facility needs
- Reflect substantial past efforts to ensure sound, effective, long-term planning and management of public facilities and that attempt to resolve the infrastructure problem with local resources
- Enable local governments to obtain funds from sources other than TSEP
- Provide long-term, full-time job opportunities for Montanans, provide public facilities necessary for the expansion of a business that has a high potential for financial success, or maintain the tax base or encourage expansion of the tax base
- Are high local priorities and have strong community support

## Program Budget Comparison

Figure 12 summarizes the proposed executive budget for the program by biennium, type of expenditure, and source of funding.

# TREASURE STATE ENDOWMENT PROGRAM

Figure 12

Program Comparison - Treasure State Endowment Program				
Budget Item	Budget 2017 Biennium	Budget 2019 Biennium	Biennium Change	Biennium % Change
Trust Balance (End of Biennium)	266,272,937	266,272,937	\$0	0.0%
Trust Earnings*	18,903,005	19,980,415	1,077,409	5.7%
Budget Item	<u>Appropriated</u>	<u>Proposed</u>	<u>Change</u>	<u>% Change</u>
Number of Grants Funded (infrastructure)	24	24	0	0.0%
Number of Grants Funded (bridge)	9	5	(4)	-44.4%
Infrastructure Grants Cost	\$13,941,000	\$15,064,432	\$1,123,432	8.1%
Bridge Grants Cost	3,988,000	1,690,041	(2,297,959)	-57.6%
Other Grants Cost	1,000,000	1,000,000	0	0.0%
<b>Total Costs</b>	<b>\$18,929,000</b>	<b>\$17,754,473</b>	<b>(\$1,174,527)</b>	<b>-3.4%</b>
State Special	\$18,929,000	\$1,000,000	(\$17,929,000)	-94.7%
Bond Proceeds	0	16,754,473	16,754,473	-
<b>Total Funds</b>	<b>\$18,929,000</b>	<b>\$17,754,473</b>	<b>(\$1,174,527)</b>	<b>-3.4%</b>
*2017 Biennium Trust Earnings are actual FY 2016 earnings and projected FY 2017 earnings				

## Program Discussion

Figure 12 shows the executive proposal for appropriations of \$17.8 million for the TSEP program in the 2019 biennium, as presented to the legislature in HB 11 and HB 14, Sec. 23. Each of the bills contain a piece of what would normally be seen in the TSEP in past sessions:

- HB 14 contains TSEP project grant appropriations of \$16.8 million, includes the transfer of dedicated funds to the general fund, and authorized the issuance of bonds
- HB 11 contains TSEP planning and emergency grants

Appropriations in HB 11 include \$1.0 million of appropriations requests that include:

- \$100,000 for TSEP emergency grants
- \$900,000 for TSEP project planning grants

A complete list of the requested TSEP bridge and infrastructure projects; including the total project cost, and the recommended grant amount may be seen in item A-3 in the Section F appendix. The details behind the grants requested for the 2017 biennium TSEP, along with a status of grants awarded in the 2017 biennium, are presented in Vol. 4 of the Governor's Executive Budget.

## Funding

The TSEP administrative costs and grant appropriations are funded with the interest earnings from a coal severance tax endowment trust. The TSEP trust is a "sub-trust" of the permanent coal severance tax trust. The corpus of the sub-trust has grown since its formation in 1992. The trust has accumulated 25% of the coal tax revenues since its inception, but beginning in FY 2017, the trust will no longer receive new revenues and the trust balance will be capped. As of the end of FY 2016, the balance was \$266.3 million. The interest earned from the trust is transferred into the state special revenue fund authorized in 90-6-701, MCA.

# TREASURE STATE ENDOWMENT PROGRAM

Figure 13 shows the projected ending fund balance of the treasure state endowment state special revenue account for the 2017 biennium under present law assumptions. The TSEP account will begin the biennium with a beginning fund balance of \$2.0 million. TSEP interest and earnings are expected to be \$20.0 million for the biennium. The executive budget proposal recommends several appropriations from the TSEP state special fund. First, there is an expenditure of \$1.3 million for the administrative costs of the program, which will be appropriated in HB 2. Appropriations contained in HB 11 include \$100,000 for the emergency grants program and a \$900,000 appropriation for preliminary engineering grants from the TSEP fund. The fund is estimated to have a balance of \$2.6 million at the end of the 2019 biennium.

Figure 13

Treasure State Endowment Fund (02270) Fund Balance Projection - 2017-2019 Biennia			
	FY 2018 Projected	FY 2019 Projected	Projected 2019 Biennium
Total Beginning Fund Balance	2,009,221	1,481,328	2,009,221
Revenue Projections <sup>1</sup>			
Interest/Investment Earnings	9,670,250	10,310,165	19,980,415
Total Revenue	9,670,250	10,310,165	19,980,415
Expenditures			
Administration - Commerce <sup>2</sup>	658,143	659,225	1,317,368
Emergency Grants	100,000		100,000
Planning Grants	900,000		900,000
Transfer to the General Fund - HB 14	8,540,000	8,540,000	17,080,000
Total Expenditures	10,198,143	9,199,225	19,397,368
Estimated Ending Fund Balance <sup>3</sup>	\$1,481,327.56	\$2,592,267.33	\$2,592,267
<sup>1</sup> HJ2			
<sup>2</sup> HB 2			
<sup>3</sup> Assumes all outstanding authority is expended			

In addition to the appropriations in HB 11, the executive proposal would transfer \$17.08 million of the TSEP interest earnings in the fund to the general fund. The transfer is a component of HB 14, the Creating Jobs in Montana Act.

<b>LFD COMMENT</b>	<p>The TSEP fund is projected to have a balance of \$2.6 million at the end of the 2019 biennium under the executive proposal. The unappropriated funds provide a number of options for legislative consideration, which include:</p> <ul style="list-style-type: none"> <li>○ Appropriate TSEP projects in HB 14 with the interest earnings and reduce the amount of bond proceeds requested</li> <li>○ Appropriate the balance in HB 11, increasing the number of funded grants</li> <li>○ Increase the transfer of TSEP earnings to the general fund in HB 14</li> <li>○ Request the DOC to retain the extra funds in the TSEP sub-trust, increasing future interest earnings</li> <li>○ Do nothing and leave the balance in the TSEP fund for future appropriation</li> </ul>
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# MONTANA COMMUNITY GRANT AND LOANS PROPOSAL

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## Program Description

The executive budget includes a proposal that would provide funding for the “Montana Community Grants and Loans Projects” (MCGL). The proposal would be administered by the Department of Commerce (DOC) and the grants component of the proposal would be administered similar to the Treasure State Endowment Program (TSEP). The program is proposed in HB 14, Sections 3 through 10, with a focus on local infrastructure project grants and loans.

## Grants

With the grant requirements provided in HB 14, the MCGL program is intended to provide quickly implemented grant funding for local governments. The definition of local governments is expanded from the TSEP program to include other entities such as conservation districts and school districts. Local governments that have applied to TSEP, but were not included in the 2019 biennium funding, would be given some level of preference over other applicants, since the local government would have already applied and been ranked through the TSEP program. The legislation provides that the local governments meet the same rules and conditions as those found in the TSEP Project Administration Manual, but those rules would be changed to apply to the ranking needed on a variety of project types.

Additional provisions included in HB 14 include:

- Any local or tribal government may apply to DOC for grants
- Local governments must provide a one-to-one match on the first \$750,000 of grant funding requested
- For requests over \$750,000, the relative participation ratio is applied to amounts exceeding \$750,000 (see formula below)
- The grant recipient must complete all of the required project start-up conditions by September 30, 2018
- The grant recipient must complete all grant conditions by September 30, 2018 or the grant will be terminated
- Projects submitted for approval to TSEP in the 2019 biennium, but not receiving TSEP funding, may apply for grants not to exceed the funding recommendation of TSEP
- All local governments must submit grant requests and materials to DOC by March 15, 2017
- Maximum funding allowed per project (grants or loans) is \$2.5 million
- Maximum grant funding allowed within the boundaries of any single county, including funding awarded by the 65<sup>th</sup> legislature, is \$5.0 million

### LFD COMMENT

HB 14 would require that local governments submit grant requests by March 15, 2017. While the idea is to get this grant funding to the local governments as quickly as possible, the 65<sup>th</sup> Legislature may not be finished with this legislation by this date. To apply for a grant under this program could be a costly endeavor for the local governments, and applicants could be required to apply for a grant without the certainty that the legislation will be successful. The Sec. F subcommittee may consider changing the deadline for submission of grant materials until after the 65<sup>th</sup> Legislature is scheduled to be finished.

As mentioned in the bulleted list above, for grant requests of more than \$750,000, the match to the funding requests of more than \$750,000 would be subject to a relative participation ratio. The relative participation ratios, as provided in Section 5 of HB 14, may be summarized as follows:

$$\text{LG RPR} = (\text{LG income to mill ratio}) / (\text{median income to mill ratio for all of the same MT LGs})$$

- 1) Where LG is a local government including counties, cities, consolidated city/counties, tribal governments, and
- 2) RPR is the relative participation ratio.

# MONTANA COMMUNITY GRANT AND LOANS PROPOSAL

As directed in HB 14, if the resulting relative participation ratio results in the following:

- Less than 0 - there is no match required
- Between 1.0 and 1.5 - the match rate is 12.5%
- Greater than 1.5 - the match rate is 25%

For local governments that are not counties, the county of the local government must also provide matching funds at a rate as given in the formula.

Section 4 of HB 14 contains the following language as related to the 2019 biennium TSEP proposal:

*Section 4 (2) – “For a project that was submitted for approval to the 65th legislature for funding from the treasure state endowment program but did not receive legislative approval for funding from the program, the amount of a grant for the project under [this act] may not exceed the amount of funding recommended for the project as described in the treasure state endowment program 2019 biennium report to the 65th legislature.”*

This language indicates that those TSEP projects that are heard by the Section F subcommittee but are not funded in Section 23 of HB 14 will be considered for funding under the MCGL proposal. The TSEP program in the 2019 biennium includes infrastructure and bridge grants of a total \$31.9 million. The appropriations included in Section 23 would provide appropriations of \$16.7 million, and the total of unfunded TSEP grant authorizations would be \$15.2 million. If all the unfunded applicants request a grant from the MCGL proposal, they would use 32.3% of the \$47 million grant and loan appropriation in Section 10 of HB 14.

## LFD ISSUE

### Grants for What Purpose

The Montana Community Grants and Loans proposal lacks specificity as to what types of projects qualify for grants. While there is substantial text in the legislation tying grants to TSEP conditions and rules, the legislation does not expand on the other types of projects that could be included. If the intent is to provide grants for purposes other than TSEP infrastructure type projects, the Section F Subcommittee may want to consider including a project type list in HB 14.

## LFD ISSUE

### Delegation of Authority

The Legislature would be delegating authority to the DOC (or the executive) under the MCGL provisions. Unlike TSEP, the Legislature would have no role in determining to whom the funds would be going. This program would allow the DOC to use its judgment in determining to whom grants would be provided with no legislative approval, other than for those unfunded TSEP projects heard in the work of the Section F subcommittee. With uncertainties about precisely how much of the \$47 million appropriation will be used for either grants or loans or to whom the grants and loans will be awarded, the Section F Subcommittee may consider adding language to HB 14 requiring that DOC provide reports to the Legislative Finance Interim Committee on the use of the \$47 million appropriation.

## LFD COMMENT

The Montana Community Grants and Loans proposal would make use of TSEP administrative rules for ranking projects. According to the Department of Commerce, the TSEP rules will be adapted to allow ranking of non-TSEP type projects. DOC has stated that they will bring the revised rules for the acceptance of the Sec. F subcommittee.

The MCGL proposal singles out one grant. The proposal includes a specific grant appropriation of \$3.0 million for Montana’s participation in the Integrated Testing Center (ITC) in Wyoming. The ITC is an integrated test center to study the capture, sequestration, and management of carbon emissions from a Wyoming coal fired power plant in Gillette. More information on the ITC may be found at:

# MONTANA COMMUNITY GRANT AND LOANS PROPOSAL

<http://www.wyomingitc.org/>. Staff will request that the executive provide more information about the role of the state's participation in this venture at Section F subcommittee hearings.

## LFD COMMENT

The 65<sup>th</sup> Legislature will be faced with making a decision on the appropriation for the \$3.0 million grant to the state of Wyoming to study clean coal technologies. Generally, grants heard in the Section F Subcommittee flow to Montana local governments for infrastructure type projects. While providing a grant is possibly the only way for the state to send tax dollars to another state, the nature of this request is unusual. The Section F Subcommittee may consider requesting further information on why this course was chosen by the executive before deciding on this request.

## Loans

The MCGL proposal would also provide funding for loans as provided in Section 8 of HB 14. Loans would be available to assist local governments in providing the matching funds required for the MCGL grants. The provisions of the loans, as included in the legislation include:

- Loans must not exceed the amount of matching funds required for the project
- The loan disbursements are subject to the local government meeting the TSEP “start-up conditions” as stated in Section 6

## LFD COMMENT

In the loan authorization section of HB 14, Section 29, the proposal lacks detail that would provide a comprehensive understanding of the proposal. The legislation does not include information on the interest rates that local governments would be charged to borrow their matching funds from DOC. Additionally, the legislation does not include the number of years of the loans. The Section F Subcommittee may want to consider amending HB 14, adding interest rate and loan duration information to the legislation, to improve the understanding of the terms of the loans and to understand whether the loan program will be competitive with currently existing programs such as the state revolving loan program or the HB 8 Renewable Resource Program (coal severance tax loans) loan program.

## LFD COMMENT

The proposal for the Montana Community loans includes language that directs the dollars collected through the repayment of loans to be placed in a debt service account for the payments of the related debt service. Therefore, while the associated debt service will be an obligation of the general fund, it will ultimately be paid through the loan repayments.

# TREASURE STATE 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 program is administered by the Department of Natural Resources and Conservation (DNRC). The Treasure State Endowment Program Regional Water System (TSEPRW), established in 90-6-715, MCA, was created to:

*“...finance regional drinking water systems that supply water to large geographical areas and serve multiple local governments, such as projects in north central Montana, from the waters of the Tiber reservoir, that will provide water for domestic use, industrial use, and stock water for communities and rural residences that lie south of the Canadian border, west of Havre, north of Dutton, and east of Cut Bank and in northeastern Montana, from the waters of the Missouri River, that will provide water for domestic use, industrial use, and stock water for communities and rural residences that lie south of the Canadian border, west of the North Dakota border, north of the Missouri River, and east of range 39.”*

Two projects that have received federal authorization and now qualify for federal funding are the Fort Peck Indian Reservation/Dry Prairie Regional Water System (Fort Peck/Dry Prairie) and the Rocky Boy’s Indian Reservation/North Central Montana Regional Water System (Rocky Boy’s/NC Montana). The state’s share of the financial obligation for these projects was met in full with the appropriations of the 2013 Legislature.

A third project, the Dry-Redwater Regional Water System, would bring water to portions of Garfield, McCone, Richland, Prairie, and Dawson counties. The Dry-Redwater Regional Water Authority was established in FY 2006, and a project feasibility study was completed in FY 2007. A fourth project, the Musselshell-Judith Regional Water System (Central Montana Regional Water Authority), has not qualified for federal funding, but has received program approval from the state. Both of these projects are progressing through planning phases specified by the Department of Interior and are seeking federal authorization.

The Regional Water Authorities prioritize the construction projects. Each system prioritizes projects based on several criteria but the top three are:

- Need (is there a boil order in the town or an urgent need for the construction)
- Feasibility (can the project move forward this biennium given the Regional Water System infrastructure already in place)
- Cost & Funding (is the project affordable, dependent on federal and state funds, and is the community prepared to pay their share)

## Program Budget Comparison

Figure 14 summarizes the proposed executive budget for the program by biennium, type of expenditure, and source of funding.

Figure 14

Program Comparison - Treasure State Endowment Regional Water Program				
Budget Item	Budget 2017 Biennium	Budget 2019 Biennium	Biennium Change	Biennium % Change
Trust Balance (End of Biennium)	\$92,336,697	\$92,336,697	\$0	0.00%
Trust Earnings*	6,443,118	6,861,265	418,147	6.49%
	<u>Appropriated</u>	<u>Proposed</u>	<u>Change</u>	<u>% Change</u>
Projects Funding	\$4,259,761	\$0	(4,259,761)	-100.00%
Total Costs	\$4,259,761	\$0	(\$4,259,761)	-100.00%
State Special	\$4,259,761	\$0	(4,259,761)	-100.00%
Total Funds	\$4,259,761	\$0	(\$4,259,761)	-100.00%
*2017 Biennium Trust Earnings are actual FY 2016 earnings and projected FY 2017 earnings				

# TREASURE STATE REGIONAL WATER PROGRAM

## Program Discussion

As seen in Figure 14, the executive budget does not include appropriation proposals for the TSEPRW in the 2019 biennium.

### LFD COMMENT

The Rocky Boy's/NC Montana regional water project begins at the waters of the Tiber reservoir, east of Shelby. Recently, the waters of the reservoir tested positive for the larvae of aquatic invasive mussels. To date, no adult mussels have been located in the reservoir, and it is not known if the larvae will be able to survive the harsh Montana winter to become adults.

If the detected larvae do grow into adult mussels and invade the Tiber reservoir, the protection and management of the Tiber water infrastructure could be costly. DNRC is currently seeking cost estimates for the related maintenance. The Sec. F Subcommittee may want to discuss the need for project funding for the purpose of maintenance related to the mussel invasion with DNRC agency representatives.

## Funding

The TSEPRW trust is a "sub-trust" of the permanent coal severance tax trust. The corpus of the sub-trust has grown since its formation in 1999 with distributions of 25% of the coal severance tax deposited into the coal tax trust (12.5% of the total coal severance tax). In FY 2017, the trust will no longer receive deposits of tax dollars in the sub-trust and the trust balance will be capped. As of the end of FY 2016, the balance was \$92.3 million. The interest earned from the trust is transferred into the state special revenue fund authorized in Title 90, Section 6, part 7, MCA, to provide a match for the development of large "regional" water systems.

Figure 15

TSEP Regional Water System Fund (02015) Fund Balance Projection 2017-2019 Biennium			
	FY 2018 Projected	FY 2019 Projected	Projected 2019 Biennium
Estimated Beginning Fund Balance	\$0	(\$668,889)	\$0
Revenue Projections <sup>1</sup>			
Total Revenues	3,325,049	3,536,216	6,861,265
Expenditures			
Administration - DNRC <sup>2</sup>	242,938	242,938	485,876
Regional Water Authority Admin. Grants <sup>2</sup>	716,000	716,000	1,432,000
Total Expenditures	958,938	958,938	1,917,876
General Fund Transfers - HB 14	3,035,000	3,035,000	6,070,000
Estimated Ending Fund Balance	(\$668,889)	(\$1,126,611)	(\$1,126,611)
<sup>1</sup> HJ 2			
<sup>2</sup> HB 2			

Figure 15 shows the fund balance calculation for the TSEPRW account for the 2019 biennium. The beginning fund balance is expected to be \$0 at the beginning of the 2019 biennium, assuming all appropriation authority is expended at the level of 2017 biennium interest earnings for the fund. The trust earnings are expected to be \$6.9 million in the biennium, as estimated in HJ 2. Statutorily, the interest earnings of the trust may be used to fund the administrative expenses for the program, and the executive proposes 2019 biennium appropriations of \$485,876 for DNRC administration and \$1.4 million for the administrative costs of the four regional water authorities, which would be appropriated in the general appropriation act, HB 2. While the executive does not request a construction appropriation for TSEPRW, it does recommend transfers of \$6.1 million from regional water interest earnings to the general fund in Sec. 28 of HB 14, the Creating Jobs in Montana Act. The transfer, along with the administrative appropriations, would exceed the projected level of funding and result in a negative balance of \$1.1 million.

# TREASURE STATE REGIONAL WATER PROGRAM

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## LFD ISSUE

### Appropriations and Transfers Exceed Anticipated Revenue

While the TSEPRW Fund will never go negative, Figure 15 demonstrates that the executive's plan for appropriations and transfers will exceed the expected interest earnings of the TSEPRW trust. According to the Montana Constitution, Article VIII., Section 9, "Appropriations by the legislature shall not exceed anticipated revenue." The options available to the legislature related to the status of this fund include:

- Reduce the administrative appropriations in HB 2
- Reduce the \$6.0 million of transfers to the general fund in HB 14

# RENEWABLE RESOURCE GRANT AND LOAN PROGRAM

## Program Description

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, which involves a biennial application process. DNRC and a technical review team initially evaluate each application for economic and technical feasibility, as well as to ensure that proposed projects are located in Montana. Qualifying applications are then examined according to six criteria:

- Financial feasibility
- Adverse environmental impact
- Technical merit
- Public benefit
- Renewable resource benefit

## Program Budget Comparison

Figure 16 summarizes the proposed executive budget for the program by biennium, type of expenditure, and source of funding.

Figure 16

Program Comparison - Renewable Resource Grant and Loan Program				
Budget Item	Budget 2017 Biennium	Budget 2019 Biennium	Biennium Change	Biennium % Change
Number of Grants Funded	33	24	(9)	-27.3%
	<u>Appropriated</u>	<u>Proposed</u>		
Grants Cost	\$4,172,615	\$2,981,640	(\$1,190,975)	-28.5%
Other Grants	1,400,000	1,550,000	150,000	10.7%
Loan Program	27,482,374	47,945,502	20,463,128	74.5%
<b>Total Costs</b>	<b>\$33,054,989</b>	<b>\$52,477,142</b>	<b>\$19,422,153</b>	<b>58.8%</b>
State Special	\$5,572,615	\$1,550,000	(4,022,615)	-72.2%
CST Bond Proceeds	27,482,374	47,945,502	20,463,128	74.5%
GO Bond Proceeds	0	2,981,640	2,981,640	-
<b>Total Funds</b>	<b>\$33,054,989</b>	<b>\$52,477,142</b>	<b>\$19,422,153</b>	<b>58.8%</b>

## Program Discussion

Figure 16 shows the executive proposal for appropriations of \$52.5 million for the RRGL programs in the 2019 biennium, as presented to the legislature in HB 6, HB 8, and HB 14, Sec. 17. Each of the bills contains a piece of what would have been included in RRGL program in past sessions:

- HB 14 contains a RRGL project grant appropriation of \$3.0 million, includes the transfer of dedicated funds to the general fund, and authorizes the issuance of bonds
- HB 6 contains RRGL project planning grants, emergency grants, and other types of natural resources grants
- HB 8 contains RRGL project loans

More information on the loan program, HB 8 coal severance tax (CST) bonds, will follow the RRGL grant program report.

# RENEWABLE RESOURCE GRANT AND LOAN PROGRAM

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## Grant Program Description

The RRGL grant program received 94 applications requesting grants of \$11.6 million, from which 24 grants are recommended to receive funding of \$3.0 million. The list of grants and associated appropriations are presented in HB 14, the Creating Jobs in Montana Act, and would be funded with the proceeds of general obligation bonds. Total RRGL grants funding, as recommended by the executive, would be reduced by 18.7% from the level of appropriated for the 2017 biennium, while the number of project grants is reduced by 9, or 27.3%.

Appropriations in HB 6 include \$1.6 million of appropriations for five grants that include:

- \$100,000 for RRGL emergency grants
- \$800,000 for RRGL project planning grants
- \$300,000 for Irrigation Development Grants
- \$300,000 for Watershed Grants – projects that will lead to the restoration of the form and natural function of a watershed that may include projects for restoration planning, nutrient loading studies, infrastructure assessment, stormwater control, development of bank storage areas, and the like
- \$50,000 for Private Grants – grants for up to \$5,000 to individuals, associations, for-profit corporations, or not-for-profit corporations for water-related projects that would have quantifiable renewable resource benefits and where benefits would exceed cost and provide public benefits. The grants cannot exceed 25% of the project cost

A complete list of the requested RRGL projects and the recommended grant amounts, may be seen in A-4 in the Section F appendix. The details behind the grants requested for the 2017 biennium RRGL, along with a status of grants awarded in the 2015 biennium, are presented in Vol. 5 of the Governor's Executive Budget.

## Loan Program Description

The second element of the RRGL program is the loan program. The loan program, proposed in HB 8, would authorize the issuance of coal severance tax bonds to finance RRGL project loans. Proceeds from the issuance of bonds are used to finance the loans and the repayment of the loans pay the associated debt service. Loans have differing interest rates based on the years of the loan and the state's bond rate. The interest payments on some of the bonds may be subsidized with earnings from the coal severance tax bond fund. Because money from the coal severance tax bond fund is pledged for debt service payments on the bonds, HB 8 requires a three-fourths vote of the members of each house, as directed by the Montana Constitution.

The loan projects included in the RRGL loan program are seen in Figure 17. Loans would include the reauthorization of two loans originally authorized by the 2015 Legislature. DNRC requests \$8.0 million of bond proceeds to refinance higher interest debt for water and sewer facilities and two loans would support irrigation projects. The total request for bond authority and appropriation is \$47.9 million and includes an amount of \$4.4 million to establish a reserve for the bonds.

# RENEWABLE RESOURCE GRANT AND LOAN PROGRAM

Figure 17

Renewable Resource Loans 2019 Biennium		
Loans-Sponsor/Project	Proposal	Cumulative Total
<u>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	\$8,000,000	\$8,000,000
<u>Loans with interest rates of 4.0% or state bond rate, whichever is lower-20 years</u>		
Avalanche Irrigation District		
Irrigation System Construction	6,000,000	14,000,000
<u>Loans with interest rates of 4.0% or state bond rate, whichever is lower-30 years</u>		
Huntley Irrigation District		
Tunnel 2 and Canal System	13,586,820	27,586,820
<u>Loan Reauthorization with interest rates of 4.0% or state bond rate, whichever is lower-30 years</u>		
Dry Praire Retional Water System		
Local Share	6,000,000	33,586,820
North Central Regional Water System		
Local Share	<u>10,000,000</u>	43,586,820
Total Loan Authorizations:	\$43,586,820	
Loan Reserve:	<u>4,358,682</u>	
Total Bond Request	<u>\$47,945,502</u>	

NOTE: Projects are grouped by differences in loan circumstances and interest rates.

## Funding

The funding for the RRGL is provided through the “natural resource projects” state special revenue fund. To view the full natural resource projects fund balance analysis see page F-34. The RRGL loan program is financed with coal severance tax bond issues. The Board of Examiners will be authorized to issue coal severance tax bonds in the amount of \$47.9 million, which would be appropriated to the DNRC for financing the projects identified in the bill.

# RECLAMATION AND DEVELOPMENT GRANT PROGRAM

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## 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 in the RDGP are intended to:

- Repair, reclaim, and mitigate environmental damage to public resources from non-renewable resource extraction
- Develop and ensure the quality of public resources for the benefit of all Montana citizens

The RDGP is administered by DNRC, which solicits, evaluates, and ranks applications on a biennial basis. The program is required to prioritize \$800,000 of funding to any government entity for abandoned mine reclamation projects. RDGP grants are limited to \$500,000. Public entities eligible to apply for grants include state and local governments, political subdivisions, and tribal governments. Applications are evaluated according to specific criteria related to:

- Public benefit
- Need and urgency
- Appropriateness of technical design
- Financial feasibility
- Project management/organization

## Program Budget Comparison

Figure 18 summarizes the proposed executive budget for the program by biennium, type of expenditure, and source of funding.

Figure 18

Program Comparison - Reclamation and Development Grant Program				
Budget Item	Budget 2017 Biennium	Budget 2019 Biennium	Biennium Change	Biennium % Change
Number of Grants	17	7	(10)	-58.8%
	<u>Appropriated</u>	<u>Proposed</u>		
Grants Cost	\$3,770,620	\$2,929,574	(\$841,046)	-22.3%
Other Grants Cost	1,514,000	1,300,000	(214,000)	-14.1%
Total Costs	\$5,284,620	\$4,229,574	(\$1,055,046)	-20.0%
State Special	\$5,284,620	\$1,300,000	(\$3,984,620)	-75.4%
GO Bond Proceeds	0	2,929,574	\$2,929,574	-
Total Funds	\$5,284,620	\$4,229,574	(\$1,055,046)	-20.0%

## Program Discussion

Figure 18 shows the executive proposal for appropriations of \$4.2 million for the RDGP program in the 2019 biennium, as presented to the legislature in and HB 7 and HB 14, Sec. 18. Each of those bills contains a piece of what would have been included in RDGP program in past sessions:

- HB 14 contains a RDGP project grant appropriation of \$2.9 million, includes the transfer of dedicated funds to the general fund, and authorizes the issuance of bonds
- HB 7 contains RDGP planning and AIS grants

The RDGP program received 19 applications requesting grants of \$5.5 million, from which 7 grants are recommended to receive funding of \$2.9 million. The grants list and appropriation are presented in HB

# RECLAMATION AND DEVELOPMENT GRANT PROGRAM

14, the Creating Jobs in Montana Act, and would be funded with the proceeds of GO bonds. Total RDGP grants funding, as recommended by the executive would be reduced by 20.0% from the level of appropriated for the 2017 biennium, while the number of project grants is reduced by 10, or 58.8%.

Appropriations in HB 7 include \$1.3 million of appropriations for two projects which include:

- \$800,000 for project planning grants
- \$500,000 for the control of aquatic invasive species

A complete listing of the RDGP grants may be seen in figure A-5 in the Section F appendix. The details behind the grants requested for the 2019 biennium RDGP, along with a status of grants awarded in the 2017 biennium, are presented in Vol. 6 of the Governor's Executive Budget.

## Funding

The natural resource projects account funds appropriations for natural resource grants and projects authorized by the legislature. Primary programs funded through the account are the RRGL and the RDGP programs. The account receives the income from the following sources:

- Interest income of the resource indemnity trust (RIT) fund as provided in and subject to the conditions of 15-38-202, MCA (\$3.5 million, when interest earnings are sufficient, each fiscal year for the purpose of making grants)
- Resource indemnity and ground water assessment tax (RIGWA) under provisions of 15-38-106, MCA (50% of the remaining proceeds, after appropriations for CIRCLA debt service, and \$366,000 to the groundwater assessment account, for the purpose of making grants)
- 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))
- Excess coal severance tax proceeds allocated by 85-1-603 (Bond Pool Transfer), 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)

Figure 19

Natural Resource Project Account (02577)			
Fund Balance Projection - 2017-2019 Biennium			
	FY 2018 Projected	FY 2019 Projected	2019 Biennium Total
Estimated Beginning Fund Balance	\$966,483	(\$874,283)	\$966,483
Revenue Projections <sup>1</sup>			
RIT Interest Earnings	2,227,543	3,113,823	5,341,366
Resource Indemnity & Groundwater	769,092	861,998	1,631,090
Debt Service Sweep	1,137,598	1,141,730	2,279,329
Bond Pool Transfer	10,000	10,000	20,000
Administrative Fees	<u>25,000</u>	<u>500</u>	<u>25,500</u>
Total Revenues	4,169,234	5,128,051	9,297,285
RRGL Appropriations - HB 6			
Emergency Grants	100,000	0	100,000
Project Planning Grants	800,000	0	800,000
Irrigation Development Grants	300,000	0	300,000
Watershed Grants	300,000	0	300,000
Private Grants	<u>50,000</u>	<u>0</u>	<u>50,000</u>
Total RRGL Expenditures	1,550,000	0	1,550,000
RDGP Appropriations - HB 7			
Project Planning	800,000	0	800,000
Aquatic Invasive Species Control	<u>500,000</u>	<u>0</u>	<u>500,000</u>
Total RDGP Expenditures	1,300,000	0	1,300,000
General Fund Transfers - HB 14			
	3,160,000	3,160,000	6,320,000
Total Expenditures and Transfers	6,010,000	3,160,000	9,170,000
Estimated Ending Fund Balance	(\$874,283)	\$1,093,768	\$1,093,768
<sup>1</sup> HJ 2			

Figure 19 provides the projected balance for the natural resource project fund. The fund is estimated to have a beginning fund balance of \$966,483 in the 2019 biennium. This beginning fund balance is primarily the result of reduced costs in some of the previous biennium projects. Revenues for the 2019 biennium, as provided in the HJ 2 estimates, are expected to be \$9.3 million.

## RECLAMATION AND DEVELOPMENT GRANT PROGRAM

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Appropriations from the natural resource projects account are authorized in Title 15, Chapter 38, MCA, which states, "Appropriations may be made from the natural resources projects state special revenue account for grants and loans for designated projects and the activities authorized in 85-1-602 and 90-2-1102", the RRGL and RDGP programs. In the 2019 biennium, the executive budget recommends total appropriations of \$1.6 million for the RRGL program and \$1.3 million for the RDGP program from the natural resource projects account. In addition to these appropriations, the executive proposes the transfer of \$6.3 million in the 2019 biennium. The transfers are proposed in Section 28 of HB 14, the Creating Jobs in Montana Act. The ending fund balance at the end of the 2019 biennium is projected to be \$1.1 million.

### LFD COMMENT

The natural resource projects fund is projected to have a balance of \$1.1 million at the end of the 2019 biennium under the executive proposal. The projection of unappropriated funds provides a number of options for legislative consideration, which

include:

- Appropriate RRGL or RDGP projects in HB 14 with the natural resource projects funds and reduce the amount of bond proceeds requested
- Appropriate the balance in HB 6 or HB 7, increasing the number of construction and/or maintenance projects
- Increase the transfer of natural resource project funds to the general fund in HB 14
- Do nothing and leave the balance in the natural resource project fund for future appropriation

# CULTURAL AND AESTHETIC GRANT PROGRAM

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## Program Description

The Cultural and Aesthetic Grant Program (C&A), as provided in Title 22, Chapter 2, part 3, MCA, is administered by the Montana Arts Council (MAC). Interest earnings from a statutory trust, which receives coal severance tax revenues, fund the grant program. By statute, the interest from the cultural trust is to be appropriated for the protection of works of art in the State Capitol and other cultural and aesthetic (C&A) 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 tribal governments. A 16-member Cultural and Aesthetic Projects Advisory Committee, with eight members appointed by the Montana Arts Council and eight appointed by the Montana Historical Society, reviews each application. The committee prioritizes the requests and makes funding recommendations to the legislature as part of the executive budget. All grants require legislative approval in accordance with 22-2-306 through 309, MCA.

## Program Budget Comparison

Figure 20 summarizes the proposed executive budget for the program by biennium, type of expenditure, and source of funding.

Figure 20

Program Comparison - Cultural and Aesthetic Trust				
Budget Item	Budget 2017 Biennium	Budget 2019 Biennium	Biennium Change	Biennium % Change
Trust Balance (End of Biennium)	\$13,346,240	\$13,944,573	\$598,333	4.5%
Trust Earnings	961,917	1,046,816	84,899	8.8%
Number of Grants	73	80	7	9.6%
	<u>Appropriated</u>	<u>Proposed</u>		
Grants Cost	\$384,995	\$440,000	55,005	14.3%
Capitol Complex Works of Art	30,000	30,000	0	0.0%
<b>Total Costs</b>	<b>\$414,995</b>	<b>\$470,000</b>	<b>\$55,005</b>	<b>13.3%</b>
State Special	\$414,995	\$470,000	55,005	13.3%
<b>Total Funds</b>	<b>\$414,995</b>	<b>\$470,000</b>	<b>\$55,005</b>	<b>13.3%</b>

## Program Narrative

The executive recommendation for C&A grants is contained in HB 9. The first C&A priority recommended for funding is a \$30,000 appropriation to the Montana Historical Society for the care and conservation of capitol complex artwork, in accordance with 2-17-805, MCA. The second priority is 80 C&A grant awards totaling \$440,000. The recommended awards are prioritized within four categories, which include Special Projects costing \$4,500 or less, Special Projects greater than \$4,500, Operational Support Projects, and Capital Expenditure Projects. In the 2019 biennium, appropriations for the C&A program would be 13.3% greater than the amount appropriated in the 2017 biennium.

A complete listing of the C&A grants may be seen in figure A-6 in the Section F Appendix. The details behind the grants requested for the 2019 biennium C&A, along with a status of grants awarded in the 2017 biennium, are presented in Vol. 7 of the Governor's Executive Budget.

# CULTURAL AND AESTHETIC GRANT PROGRAM

## Funding

Funding for the C&A program comes from the interest earnings from the cultural trust. The trust receives a statutorily dedicated 0.63% of coal severance tax revenues. At the end of the 2017 biennium, the cultural trust balance is projected to have a balance of approximately \$13.3 million, and the balance is expected to grow by approximately \$598,333 during the 2019 biennium.

Figure 21 shows the projected balance of the C&A state special fund for the 2017 biennium. The fund is expected to begin the 2019 biennium with a fund balance of \$0. This balance occurs because the 64<sup>th</sup> Legislature included language in HB 9 that

Figure 21

Cultural & Aesthetic Grant Fund (02009) Fund Balance Projection - 2017-2019 Biennia			
	2018 Projected	2019 Projected	2019 Biennium Projected
Estimated Beginning Fund Balance	\$0	(\$200,156)	\$0
Revenue Projections <sup>1</sup>			
Total Revenues	504,249	542,567	1,046,816
Expenditures			
MAC Administration and Folklife <sup>2</sup>	234,405	234,784	469,189
Capitol Cmplx Works of Art	30,000	0	30,000
Grants	<u>440,000</u>	<u>0</u>	<u>440,000</u>
Total Expenditures	704,405	234,784	939,189
Ending Fund Balance	(\$200,156)	\$107,627	\$107,627
	<sup>1</sup> HJ 2		
	<sup>2</sup> HB 2		

would allow MAC to either increase or reduce grants on a pro rata basis if actual revenues in the 2017 biennium flow in at higher or lower levels than projected. Revenues in the 2017 biennium are expected to be higher than anticipated in the 2015 Legislative Session and in preliminary calculations, there is expected to be a total revenue increase of \$81,917, or 9.3%, from the 2015 projections. MAC has said they would increase the grants should the higher than anticipated revenues materialize.

The estimates, provided in HJ 2, include interest earnings of \$1.0 million for the 2019 biennium. Expenditures for the C&A

program, which include both administration costs and grants, are limited by the amount of interest earned from the trust investments. The executive budget proposal includes appropriations of \$469,189 for administrative expenses and the Folklife program (as appropriated in HB 2). In the 2019 biennium, HB 2 appropriations are 44.8% of the total program revenues. HB 9 appropriations include \$30,000 for a statutorily required appropriation for capitol complex works of art, and grant funding proposals of \$440,000, which are expected to result in an ending fund balance in FY 2019 of \$107,627.

**LFD  
COMMENT**

In past biennia, the C&A grant program has experienced interest earnings that have not kept pace with legislative appropriations. When revenue shortfalls occur, language contained in the C&A appropriation bill has provided for a reduction of grants on a pro-rata basis. The 2015 Legislature additionally provided language that would allow grant awards to be increased if revenues were realized at a higher level than projected. While this was a delegation of legislative authority, it allows MAC more flexibility in managing the grant funding to the cultural and arts community. Early projections in FY 2017 provide that the grants in the 2017 biennium could be increased by as much as a projected 9.3%. The Sec. F subcommittee may request that the MAC report on changes to the original appropriation in the 2017 biennium version of HB 9.

# QUALITY SCHOOL FACILITY GRANT PROGRAM

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## Program Description

The Quality Schools Facilities Grant Program (quality schools grants program), is a competitive grant program, administered by the Department of Commerce (DOC), which was created to provide infrastructure grants, matching planning grants, and emergency grants to public school districts in Montana. The statute creating the program was passed by the 61<sup>st</sup> Legislature and is found in title 90, chapter 6, part 8, MCA. The principal grant ranking criteria of the quality schools grants are:

- Solve urgent and serious public health or safety problems, or enable public school districts to meet state or federal health or safety standards
- Address deferred maintenance by repairing or replacing existing building components that are inoperable, difficult to service, or that lack minimum integrity
- Enhance public school districts' ability to offer specific services related to the requirements of the accreditation standards provided for in Section 20-7-111, MCA
- Provide long-term cost-effective benefits through energy-efficient design
- Incorporate long-term, cost-effective benefits to school facilities, including the technology needs of school facilities
- Enhance educational opportunities for students

Grants are made through an application process available to all of the 421 school districts across the state. In the role of prioritizing grants, the DOC must give preference to school facility projects involving repairs to existing facilities over projects involving construction of new facilities and consider the following attributes of a 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
- 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

## Program Budget Comparison

Figure 22 summarizes the proposed executive budget for the program by biennium, type of expenditure, and source of funding.

Figure 22

Program Comparison - Quality School Facility Grant Program				
Budget Item	Budget 2017 Biennium	Budget 2019 Biennium	Biennium Change	Biennium % Change
Number of Grants	0	9	9	-
	<u>Appropriated</u>	<u>Proposed</u>		
Grants Cost	\$0	\$5,413,014	\$5,413,014	-
Other Grants	0	0	0	-
Total Costs	\$0	\$5,413,014	\$5,413,014	-
State Special	\$0	\$0	\$0	-
GO Bond Proceeds	0	5,413,014	5,413,014	-
Total Funds	\$0	\$5,413,014	\$5,413,014	-

## Program Narrative

DOC received 50 grant applications requesting over \$6.5 million in project grant funds, from which 9 grants are recommended. The quality schools grant program will be presented to the 2017 Legislature in HB 14, Sec. 25. In the 2017 biennium, the legislature did not provide project appropriations for quality

# QUALITY SCHOOL FACILITY GRANT PROGRAM

schools, due to a lack of sufficient funding, but in the 2019 biennium the executive proposes an appropriation of \$5.4 million.

A complete listing of the quality schools grants may be seen in A-7 of the Sec. F Appendix. The details behind the grants requested for the 2019 biennium quality schools program are presented in Vol. 8 of the Governor's Executive Budget.

## Funding

The school facility and technology account is expected to begin the 2019 biennium with \$1.0 million fund balance. This fund balance is requested in support of the K-12 technology statutory appropriation for FY 2018, which is made at the beginning of each fiscal year. For the 2017 biennium, the fund will receive revenues from the following sources:

- 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)
- Beginning July 1, 2014, public land trust power site rent 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)

For the 2019 biennium, the executive proposes the state contribution to school debt obligation to be \$17.2 million, funded from the school facility and technology fund. The account is also responsible for a \$1.0 million per year statutory appropriation which provides technology upgrades to school districts. Administrative costs related to the grant program are requested at \$796,536. The executive has requested transfers of \$11.3 million from the quality schools account to the general fund over the 2019 biennium in HB 14. The result of the statutory demands upon the fund, plus the discretionary spending and transfer proposals of the executive, is that expenditures would exceed anticipated revenues by \$16.0 million.

Figure 23

School Facility and Technology Fund (02218) Fund Balance Projection 2017-2019 Biennium			
	FY 2018 Projected	FY 2019 Projected	Projected 2019 Biennium
Estimated Beginning Fund Balance	\$1,000,000	(\$7,474,780)	\$1,000,000
Revenues <sup>1</sup>			
Timber Harvest Income	2,301,314	2,223,191	4,524,505
Public Land Trust Power Site Rent	4,855,946	4,934,821	9,790,767
Interest	1,500	1,500	3,000
Total Revenues	7,158,760	7,159,512	14,318,272
Expenditures			
School Facility Debt Obligation Payment	8,586,000	8,586,000	17,172,000
Technology Statutory Appropriation	1,000,000	1,000,000	2,000,000
Administrative Expenses - Commerce <sup>2</sup>	397,540	398,996	796,536
Transfers to the General Fund - HB 14	<u>5,650,000</u>	<u>5,650,000</u>	<u>11,300,000</u>
Total Expenditures	15,633,540	15,634,996	31,268,536
Estimated Ending Fund Balance	(\$7,474,780)	(\$15,950,264)	(\$15,950,264)
<sup>1</sup> HJ 2			
<sup>2</sup> HB 2			

The executive request includes an appropriation of \$5.4 million for quality schools grants in the "Creating Jobs In Montana Act", HB 14. The appropriation is included in Sec. 25 of the legislation and would be made from a new fund created in the legislation.

LFD ISSUE	<p><b>Appropriations Requested Exceed Projected Revenues</b></p> <p>As shown in the fund balance figure above, the requested appropriations and transfers in the school facility and technology account exceed anticipated revenues. According to the Montana Constitution, Article VIII., Section 9, "Appropriations by the legislature shall not exceed</p>
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# QUALITY SCHOOL FACILITY GRANT PROGRAM

anticipated revenue.” There are a number of options available to the legislature related to the status of this fund, which include:

- Reduce the school facility debt obligation, suggesting that the Sec. E subcommittee fund the appropriation with an additional source of revenue
- Eliminate the transfers from school facility and technology account to the general fund
- Increase funding for the account on a OTO or ongoing basis with revenue from the general fund or other funding sources
- Consider any combination of the above mentioned options
- Do nothing and leave the account in an over-appropriated status

## LFD COMMENT

The HB 2 companion bill, as proposed by the executive would prioritize the use of the funding in the school facilities and technology account. In an amendment to 20-6-516, MCA, the uses of the account would be prioritized as follows:

- a) administration of the quality schools grant program or other programs that provide infrastructure assistance to local governments;
- b) major deferred maintenance;
- c) improving energy efficiency in school facilities;
- d) critical infrastructure in school districts;
- e) emergency facility needs;
- f) technological improvements; and
- g) state reimbursements for school facilities as provided in 20-9-317.

If this statutory amendment is passed and approved by the legislature, the immediate effect would be to reduce or eliminate the funding available for the last item in the prioritized list, the state reimbursements for school districts, or as shown in Figure 23 the School Facilities Debt Obligation Payment of \$8.6 million per fiscal year.

## LFD ISSUE

### Quality Schools Administrative Costs

For a number of biennia the Quality Schools Program has struggled with fulfilling the program requirements due to an insufficient flow of revenues for the support increasing expenditures in the school facility and technology fund.

In the FY 2015-2016 interim, the School Funding Interim Commission recommended two bill drafts that would replace the quality schools program with different programs. The 2017 Legislature will need to decide to retain the current program or to replace it with one of the new proposals or perhaps some other proposal as developed during the session.

In the meantime, the program continues under present law. While that exists, there are still requirements for DOC to administer grant projects and accept and rank project applications. In HB 2, the executive recommends funding of \$796,536 over the 2019 biennium for the administrative costs of the quality schools grant program. This amount of funding is significant given that the program would be administering nine quality school grants, no project planning grants, and no emergency grants. If no alternative program is approved by the 65<sup>th</sup> Legislature, the legislature might consider:

- Increasing funding to the school facility and technology account
- Request that the Sec. A subcommittee consider reducing appropriations for program staff and associated costs
- Eliminating the program and its statutes altogether

Appendix Item A-1

Debt Service Payments for HB 14 Bonds with Existing Heritage Center Authority										
	#1	#2	#3	#4	#5	#6	#7	Total HB 14	Museum	Grand Total
	\$27,231,177	\$16,523,780	\$49,453,924	\$20,474,977	\$29,431,319	\$5,536,400	\$8,724,124	\$157,375,701	\$6,715,000	164,090,701
	3.428%	3.678%	3.928%	4.178%	4.428%	4.678%	4.928%		3.678%	
FY 2018	\$946,208							\$946,208		\$946,208
FY 2019	1,892,415	1,174,229	1,796,431					4,863,074	477,187.71	5,340,262
FY 2020	1,892,415	1,174,229	3,592,862	1,520,420	1,116,670			9,296,595	477,187.71	9,773,783
FY 2021	1,892,415	1,174,229	3,592,862	1,520,420	2,233,340	429,223	345,432	11,187,920	477,187.71	11,665,108
FY 2022	1,892,415	1,174,229	3,592,862	1,520,420	2,233,340	429,223	690,865	11,533,353	477,187.71	12,010,540
FY 2023	1,892,415	1,174,229	3,592,862	1,520,420	2,233,340	429,223	690,865	11,533,353	477,187.71	12,010,540
FY 2024	1,892,415	1,174,229	3,592,862	1,520,420	2,233,340	429,223	690,865	11,533,353	477,187.71	12,010,540
FY 2025	1,892,415	1,174,229	3,592,862	1,520,420	2,233,340	429,223	690,865	11,533,353	477,187.71	12,010,540
FY 2026	1,892,415	1,174,229	3,592,862	1,520,420	2,233,340	429,223	690,865	11,533,353	477,187.71	12,010,540
FY 2027	1,892,415	1,174,229	3,592,862	1,520,420	2,233,340	429,223	690,865	11,533,353	477,187.71	12,010,540
FY 2028	1,892,415	1,174,229	3,592,862	1,520,420	2,233,340	429,223	690,865	11,533,353	477,187.71	12,010,540
FY 2029	1,892,415	1,174,229	3,592,862	1,520,420	2,233,340	429,223	690,865	11,533,353	477,187.71	12,010,540
FY 2030	1,892,415	1,174,229	3,592,862	1,520,420	2,233,340	429,223	690,865	11,533,353	477,187.71	12,010,540
FY 2031	1,892,415	1,174,229	3,592,862	1,520,420	2,233,340	429,223	690,865	11,533,353	477,187.71	12,010,540
FY 2032	1,892,415	1,174,229	3,592,862	1,520,420	2,233,340	429,223	690,865	11,533,353	477,187.71	12,010,540
FY 2033	1,892,415	1,174,229	3,592,862	1,520,420	2,233,340	429,223	690,865	11,533,353	477,187.71	12,010,540
FY 2034	1,892,415	1,174,229	3,592,862	1,520,420	2,233,340	429,223	690,865	11,533,353	477,187.71	12,010,540
FY 2035	1,892,415	1,174,229	3,592,862	1,520,420	2,233,340	429,223	690,865	11,533,353	477,187.71	12,010,540
FY 2036	1,892,415	1,174,229	3,592,862	1,520,420	2,233,340	429,223	690,865	11,533,353	477,187.71	12,010,540
FY 2037	1,892,415	1,174,229	3,592,862	1,520,420	2,233,340	429,223	690,865	11,533,353	477,187.71	12,010,540
FY 2038	946,208	1,174,229	3,592,862	1,520,420	2,233,340	429,223	690,865	10,587,145	472,879.20	11,060,024
FY 2039			1,796,431	1,520,420	2,233,340	429,223	690,865	6,670,278		6,670,278
FY 2040					1,116,670	429,223	690,865	2,236,758		2,236,758
FY 2041							345,432	345,432		345,432
<b>Total</b>	<b>\$37,848,301</b>	<b>\$23,484,571</b>	<b>\$71,857,232</b>	<b>\$30,408,399</b>	<b>\$44,666,796</b>	<b>\$8,584,455</b>	<b>\$13,817,300</b>	<b>\$230,667,053</b>	<b>\$9,539,446</b>	<b>\$240,206,499</b>
<b>Interest</b>										
<b>Paid</b>	<b>\$10,617,124</b>	<b>\$6,960,791</b>	<b>\$22,403,308</b>	<b>\$9,933,421</b>	<b>\$15,235,477</b>	<b>\$3,048,055</b>	<b>\$5,093,176</b>	<b>\$73,291,352</b>	<b>\$2,824,446</b>	<b>\$76,115,798</b>

Other Assumptions

- Bonds are issued per the schedule based on the need developed by the LFD with agency input where available
- Bonds are issued over a 3.5 year timeline
- Bonds are issued January 1 and July 1
- The first payment is due 6 months after the bonds are issued
  - 0.20% increase in interest for each issue
  - 0.50% increase in interest annually

Appendix Item A-2

Long-Range Building Program  
Executive Recommendation - 2019 Biennium

Approp Agency / Project Agency / Project	Capital Projects	State Special	Fed Special	Authorization	Bonds	Total	% Total
<b>HB 5</b>							
<b>Sec. 2 - Appropriations</b>							
<b>Department of Administration, A&amp;E Appropriations</b>							
Life Safety & Deferred Maintenance, Capitol Complex	3,500,000					3,500,000	
Utility Rebate Funds, Statewide		2,000,000				2,000,000	
<b>Department of Fish, Wildlife, and Parks</b>							
L&C Caverns State Park - Electrical Upgrades		2,200,000				2,200,000	
Admin Facilities Major Maintenance		2,737,000		262,500		2,999,500	
<b>Department of Military Affairs</b>							
UTES/CSMS Wash Facility				2,000,000		2,000,000	
Fort Harrison & Miles City Cemetery Improvements				4,000,000		4,000,000	
Replace Malta Readiness Center				3,015,000		3,015,000	
<b>Total Sec. 2 Appropriations</b>	<b>\$3,500,000</b>	<b>\$6,937,000</b>	<b>\$9,277,500</b>	<b>\$0</b>	<b>\$0</b>	<b>\$19,714,500</b>	<b>13.1%</b>
<b>Sec. 3 - Agency Appropriations</b>							
<b>Department of Environmental Quality (SBECP)</b>							
Energy Improvements	3,700,000					3,700,000	
<b>Subtotal Department of Environmental Quality Projects</b>	<b>\$3,700,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,700,000</b>	<b>2.5%</b>
<b>Department of Fish, Wildlife, and Parks</b>							
Upland Game Bird Enhancement Program		1,164,000				1,164,000	
Wildlife Habitat Maintenance		500,000				500,000	
Forest Management		100,000				100,000	
Migratory Bird Program		880,000				880,000	
Cultural Preservation, Bannack State Park		1,650,000				1,650,000	
Makoshika State Park - Road Infrastructure		2,100,000				2,100,000	
Grant Programs		222,400		4,900,000		5,122,400	
Future Fisheries		1,177,000				1,177,000	
FAS Site Protection		500,000		1,743,200		2,243,200	
Hatchery Maintenance		550,000			175,000	725,000	
Dam Maintenance		60,000				60,000	
Community Fishing Ponds		25,000				25,000	
Fish Passage Construction, Statewide		183,000		372,000	165,000	720,000	
Hatchery Raceways, Murray Springs					300,000	300,000	
<b>Subtotal Department of Fish, Wildlife, and Parks</b>	<b>\$0</b>	<b>\$9,111,400</b>	<b>\$7,015,200</b>	<b>\$640,000</b>	<b>\$0</b>	<b>\$16,766,600</b>	<b>11.1%</b>
<b>Department of Military Affairs</b>							
Federal Spending Authority				3,000,000		3,000,000	
<b>Subtotal Department of Military Affairs Projects</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,000,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,000,000</b>	<b>2.0%</b>

**Long-Range Building Program  
Executive Recommendation - 2019 Biennium**

Approp Agency / Project Agency / Project	Capital Projects	State Special	Fed Special	Authorization	Bonds	Total	% Total
<b>Department of Transportation</b>							
Maintenance, Repair & Small Projects		2,500,000				2,500,000	
Subtotal Department of Transportation Projects	\$0	\$2,500,000	\$0	\$0	\$0	\$2,500,000	1.7%
<b>Montana University System</b>							
AUTHORITY ONLY-General Spending Authority MUS				6,000,000		6,000,000	
Subtotal Montana University System Projects	\$0	\$0	\$0	\$6,000,000	\$0	\$6,000,000	4.0%
<b>Total Sec. 3 - Agency Appropriations</b>	<b>\$3,700,000</b>	<b>\$11,611,400</b>	<b>\$10,015,200</b>	<b>\$6,640,000</b>	<b>\$0</b>	<b>\$31,966,600</b>	<b>21.2%</b>
<b>Sec. 4 - Land Acquisition</b>							
Department of Fish, Wildlife, and Parks - Land Acquisition							
Habitat Montana		13,324,000				13,324,000	
Big Horn Sheep Habitat		370,000				370,000	
Home to Hunt Access		220,000				220,000	
FAS Acquisition		298,000		186,000		484,000	
<b>Total Sec. 4 - Land Acquisition Appropriations</b>	<b>\$0</b>	<b>\$14,212,000</b>	<b>\$186,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$14,398,000</b>	<b>9.5%</b>
<b>Subtotal HB 5</b>	<b>\$7,200,000</b>	<b>\$32,760,400</b>	<b>\$19,478,700</b>	<b>\$6,640,000</b>	<b>\$0</b>	<b>\$66,079,100</b>	<b>43.8%</b>
<b>HB 14</b>							
<b>Sec. 11 - A&amp;E Appropriations</b>							
<b>Department of Administration</b>							
Deferred Maintenance, Statewide					3,000,000	3,000,000	
<b>Department of Military Affairs</b>							
Female Latrines			200,000		200,000	400,000	
Roof Replacements			2,200,000		1,100,000	3,300,000	
<b>Department of Public Health and Human Services</b>							
MMHNCC Boiler Replacement and Heating System Upgr					2,500,000	2,500,000	
<b>Montana Historical Society</b>							
New Montana Heritage Center (Betty Babcock Museum)					27,682,000	27,682,000	
<b>Montana University System</b>							
Romney Hall - MSU Bozeman				3,000,000	25,000,000	28,000,000	
Deferred Maintenance, MUS					3,000,000	3,000,000	
Subtotal Sec. 11	\$0	\$0	\$2,400,000	\$3,000,000	\$62,482,000	\$67,882,000	45.0%
<b>Department of Public Health and Human Services</b>							
Southwest Montana Veterans' Home (Sec. 16)					16,815,000	16,815,000	
Subtotal Sec. 16	\$0	\$0	\$0	\$0	\$16,815,000	\$16,815,000	11.2%
<b>Subtotal HB 14</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,400,000</b>	<b>\$3,000,000</b>	<b>\$79,297,000</b>	<b>\$84,697,000</b>	<b>56.2%</b>
<b>Total Long-Range Building Program</b>	<b>\$7,200,000</b>	<b>\$32,760,400</b>	<b>\$21,878,700</b>	<b>\$9,640,000</b>	<b>\$79,297,000</b>	<b>\$150,776,100</b>	

**Treasure State Endowment Program (TSEP)  
2019 Biennium**

Rank	Applicant	County	Type of Project	Total Project Cost	Grant Recommended	Cumulative Total
<b>Bridge Program</b>						
1	Missoula County	Missoula	Bridge	\$1,124,732	\$500,000	\$500,000
2	Park County	Park	Bridge	215,914	107,957	607,957
3	Madison County	Madison	Bridge	474,568	237,284	845,241
4	Prairie County	Prairie	Bridge	1,472,148	160,000	1,005,241
5	Gallatin County	Gallatin	Bridge	1,421,041	684,800	1,690,041
Projects below this line are not recommended for funding						
6	Carbon County	Carbon	Bridge	1,658,739	750,000	2,440,041
7	Lewis & Clark County	Lewis & Clark	Bridge	619,970	309,985	2,750,026
8	Judith Basin County	Judith Basin	Bridge	503,444	247,125	2,997,151
9	Powell County	Powell	Bridge	1,594,104	750,000	3,747,151
10	Yellowstone County	Yellowstone	Bridge	621,828	310,914	4,058,065
11	Jefferson County	Jefferson	Bridge	394,824	197,412	4,255,477
12	Ravalli County	Ravalli	Bridge	391,599	133,143	4,388,620
13	Stillwater County	Stillwater	Bridge	1,003,400	500,000	4,888,620
14	Blaine County	Blaine	Bridge	779,479	389,739	5,278,359
15	Big Horn County	Big Horn	Bridge	949,398	473,455	5,751,814
Total TSEP Bridge Projects				\$13,225,188	\$5,751,814	
<b>TSEP Bridge Project Leverage Ratio</b>		<b>\$1:\$2.8</b>				
<b>Water Infrastructure Program</b>						
1	Sanders Co. Sewer District at Paradise	Sanders	Wastewater	3,244,000	\$750,000	\$750,000
2	Beaverhead Co. Jackson W&S District	Beaverhead	Water	588,000	294,000	1,044,000
3	Denton, Town of	Fergus	Wastewater	2,536,000	625,000	1,669,000
4	Helena, City of	Lewis & Clark	Wastewater	2,827,840	750,000	2,419,000
5	Absarokee W&S District	Stillwater	Water	3,723,828	500,000	2,919,000
6	Medicine Lake, Town of	Sheridan	Wastewater	2,730,600	625,000	3,544,000
7	Froid, Town of	Roosevelt	Wastewater	3,313,550	750,000	4,294,000
8	Cut Bank, City of	Glacier	Water	2,231,000	750,000	5,044,000
9	Eureka, Town of	Lincoln	Wastewater	1,310,000	555,000	5,599,000
10	Nine Mile W&S District	Toole	Water	4,823,270	750,000	6,349,000
11	South Wind W&S District	Cascade	W&WW	1,558,500	750,000	7,099,000
12	Livingston, City of	Park	Wastewater	15,996,231	625,000	7,724,000
13	Townsend, City of	Broadwater	Wastewater	5,072,725	625,000	8,349,000
14	Scobey, City of	Daniels	Water	3,724,500	500,000	8,849,000
15	Manhattan, Town of	Gallatin	Wastewater	1,223,621	611,800	9,460,800
16	Stanford, Town of	Judith Basin	Water	1,229,576	500,000	9,960,800
17	Hot Springs, Town of	Sanders	Water	1,087,632	478,632	10,439,432
18	Sheridan, Town of	Madison	Water	1,388,000	625,000	11,064,432
19	Simms County Sewer District	Cascade	Wastewater	1,682,900	750,000	11,814,432
20	Circle, Town of	McCone	Water	1,250,000	625,000	12,439,432
21	Lockwood W&S District	Yellowstone	Water	3,180,000	625,000	13,064,432
22	Harlowton, City of	Wheatland	Water	1,533,000	750,000	13,814,432
23	Cascade, Town of	Cascade	Wastewater	1,043,001	500,000	14,314,432
24	Shelby, City of	Toole	Water	1,757,833	750,000	15,064,432
Projects below this line are funded if higher ranked projects terminate their request						
25	Dutton, Town of	Teton	Water	1,160,000	500,000	15,564,432
26	Flaxville, Town of	Daniels	Wastewater	1,536,000	625,000	16,189,432
27	Butte-Silver Bow	Silver Bow	Wastewater	698,573	349,286	16,538,718
Projects below this line are not recommended for funding						
28	Winifred, Town of	Fergus	Water	1,390,500	500,000	17,038,718
29	Ryegate, Town of	Golden Valley	Wastewater	1,922,000	500,000	17,538,718
30	Whitefish, City of	Flathead	Wastewater	17,366,666	750,000	18,288,718
31	Glendive, City of	Dawson	Wastewater	11,581,540	625,000	18,913,718
32	Neihart, Town of	Cascade	Water	1,054,438	500,000	19,413,718
33	Thompson Falls, City of	Sanders	Water	1,500,000	625,000	20,038,718
34	Chinook, City of	Blaine	Water	2,790,000	625,000	20,663,718
35	Malta, City of	Phillips	Water	1,119,110	500,000	21,163,718
36	Sanders County	Sanders	Storm Water	3,648,000	625,000	21,788,718
37	Bigfork County W&S District	Flathead	Water	3,991,000	500,000	22,288,718
38	Roundup, City of	Musselshell	Water	1,275,000	500,000	22,788,718
39	Conrad, City of	Pondera	Water	3,122,416	500,000	23,288,718
40	Fort Benton, City of	Chouteau	Water	1,532,000	500,000	23,788,718
41	Laurel, City of	Yellowstone	Water	1,018,000	500,000	24,288,718
42	Poplar, City of	Roosevelt	Wastewater	4,325,000	750,000	25,038,718
43	Lincoln Lewis & Clark Co. Sewer District	Lewis & Clark	Wastewater	560,000	280,000	25,318,718
44	Jordan, Town of	Garfield	Wastewater	2,388,000	500,000	25,818,718
45	Judith Gap, Town of	Wheatland	Wastewater	260,000	125,000	25,943,718
Total TSEP Infrastructure Projects				\$133,293,850	\$25,943,718	
<b>TSEP Infra. Project Leverage Ratio</b>		<b>\$1.0:\$4.6</b>				
Total TSEP Program				\$146,519,038	\$31,695,532	

Appendix Item A-4

Renewable Resource Grants (RRGL) 2019 Biennium			
Rank	Applicant / Project Title	Grant Recommended	Cumulative Total
1	Helena Valley Irrigation District Gate Automation	\$125,000	\$125,000
2	Granite County Flint Creek Dam Resource Enhancement	125,000	250,000
3	Bozeman, City of Sunset Hills Cemetery and Lindley Park Water Conservation	125,000	375,000
4	Broadwater CD Avalanche Irrigation District Irrigation System Improvements	125,000	500,000
5	Medicine Lake, Town of Wastewater System Improvements	125,000	625,000
6	Ward Irrigation District Canal Intake Improvements	125,000	750,000
7	Sweet Grass County CD Boe-Engle Ditch Diversion Infrastructure Improvements	106,640	856,640
8	Beaverhead Conservation District Poindexter Slough Fishery Enhancement, Phase 3	125,000	981,640
9	Crow Tribe of Indians Wastewater Collection System Improvement, Phase 3	125,000	1,106,640
10	Stillwater CD Yanzick/Brey-Riddle Ditches Irrigation System Improvements	125,000	1,231,640
11	Lewis and Clark County SD Wastewater System Improvements	125,000	1,356,640
12	Froid, Town of Wastewater System Improvements	125,000	1,481,640
13	Townsend, City of Wastewater System Improvements	125,000	1,606,640
14	South Wind WSD Water and Wastewater System Improvements, Phase 3	125,000	1,731,640
15	Poplar, City of Wastewater System Improvements	125,000	1,856,640
16	Lower Yellowstone Irrigation Project Lateral O Check and Terminal Wasteway Rehabilitation	125,000	1,981,640
17	Stillwater County - Absarokee Sewer RSID Wastewater System Improvements	125,000	2,106,640
18	Ryegate, Town of Wastewater System Improvements	125,000	2,231,640
19	Huntley Project Irrigation District Lower Main Canal Lining, Phase 2	125,000	2,356,640
20	Helena Valley Irrigation District Lateral 14.8 Rehabilitation, Phase 1	125,000	2,481,640
21	Broadwater CD Big Springs Ditch Water Conservation, Phase 2	125,000	2,606,640
22	Thompson Falls, City of Wastewater System Improvements	125,000	2,731,640
23	Pondera County CD Pondera County Canal & Reservoir Company KB2 Canal Rehabilitation, Phase 2	125,000	2,856,640
24	Malta Irrigation District Exeter Siphon Replacement	125,000	2,981,640
Projects below this line are recommended only when higher ranked projects withdraw			
25	Sidney Water User Irrigation District Main Canal Pipeline Conversion	125,000	3,106,640

Rank	Applicant / Project Title	Grant Recommended	Cumulative Total
26	Buffalo Rapids Irrigation District 2 Shirley Main Canal Rehabilitation	125,000	3,231,640
27	Fort Shaw Irrigation District D-System Water Conservation	125,000	3,356,640
28	Cascade, Town of Wastewater System Improvements	125,000	3,481,640
29	Helena, City of Westside Wastewater System Improvements	125,000	3,606,640
30	Eureka, Town of Wastewater Expansion and Improvement, Phase 1B	100,000	3,706,640
31	Whitefish, City of Wastewater System Improvements	125,000	3,831,640
32	Black Eagle - Cascade County WSD Sewer Main Slip Lining	125,000	3,956,640
33	Thompson Falls, City of Water System Improvements	125,000	4,081,640
34	Dutton, Town of Water System Improvements	125,000	4,206,640
35	Fallon County Baker Lake Restoration	100,000	4,306,640
36	Madison County Big Hole Streambank Rehabilitation	125,000	4,431,640
37	Glen Lake Irrigation District Costich Drop Rehabilitation , Phase 1	125,000	4,556,640
38	Harlowton, City of Water System Improvements, Phase 4	125,000	4,681,640
39	Alberton, Town of Water System Improvements	125,000	4,806,640
40	Buffalo Rapids Irrigation District 1 Lateral 20.6 Pipeline Conversion, Phase 2	125,000	4,931,640
41	Chouteau County CD Ranching for Rivers: Cost Share to Landowners for Infrastructure Improvements for Grazing Management on the Missouri River	125,000	5,056,640
42	Judith Gap, Town of Wastewater System Improvements, Phase 2	125,000	5,181,640
43	Flathead CD Krause Creek Restoration	116,000	5,297,640
44	Sanders County Sewer District at Paradise Wastewater System Improvements	125,000	5,422,640
45	Jefferson County Jefferson Slough Eurasian Watermilfoil Control	96,530	5,519,170
46	Huntley Project Irrigation District Tunnel 2 - Discharge Line Rehabilitation	125,000	5,644,170
47	Simms County Sewer District Wastewater System Improvements	125,000	5,769,170
48	Cut Bank, City of Water System Improvements	125,000	5,894,170
49	MT DNRC-Water Resources Division Flint Creek Water Project - Allendale Canal Intake & Fish Screen	125,000	6,019,170
50	Sheridan, Town of Water System Improvements	125,000	6,144,170
51	Fort Peck Tribes Lateral L-42M Rehabilitation, Phase 1	125,000	6,269,170
52	Toston Irrigation District Main Canal Rehabilitation	125,000	6,394,170

Rank	Applicant / Project Title	Grant Recommended	Cumulative Total
53	Laurel, City of Water System Improvements	125,000	6,519,170
54	Clinton Irrigation District Main Canal Wasteway Rehabilitation and Intake Canal Improvements	125,000	6,644,170
55	Tin Cup WSD Water Conservation	125,000	6,769,170
56	Jordan, Town of Wastewater System Improvements	125,000	6,894,170
57	Lincoln County Ksanka Creek Restoration - Highway 93 to Osloski Road	125,000	7,019,170
58	Manhattan, Town of Wastewater System Improvements	125,000	7,144,170
59	Lower Musselshell CD Musselshell River Channel Migration Zone Mapping	125,000	7,269,170
60	Shelby, City of Water System Improvements	125,000	7,394,170
61	MT DNRC-Water Resources Division Broadwater Missouri Canal System Study and Masterplan	100,000	7,494,170
62	MT DNRC-Water Resources Division East Fork Rock Creek Main Canal Lining	125,000	7,619,170
63	Roundup, City of Water System Improvements	125,000	7,744,170
64	Custer County Custer County Miles City Flood Control	125,000	7,869,170
65	Scobey, City of Water System Improvements	125,000	7,994,170
66	Wilsall Water District Water System Improvements	125,000	8,119,170
67	Hot Springs, Town of Water System Improvements	125,000	8,244,170
68	Winifred, Town of Water System Improvements	125,000	8,369,170
69	MT DNRC-Water Resources Division Nevada Creek Water Project - Douglas Canal Lining Replacement	125,000	8,494,170
70	Denton, Town of Water System Improvements	125,000	8,619,170
71	Fort Benton, City of Water System Improvements	125,000	8,744,170
72	Absarokee WSD Water System Improvements	125,000	8,869,170
73	Hysham Irrigation District Re-Lift Canal Improvement	125,000	8,994,170
74	Deer Lodge, City of Municipal Well Replacement	125,000	9,119,170
75	Flathead CD Whitefish Water Treatment Plan and Resource Optimization	86,000	9,205,170
76	Toole County CD Eagle Aquifer Evaluation, North-Central Montana	116,230	9,321,400
77	Missoula County Sunset West Water System Improvements	125,000	9,446,400
78	Gallatin Local WQD Bridger Range Front Hydrogeologic Investigation	125,000	9,571,400
79	Missoula, City of Restoration and Migration of Public Access Damage - Clark Fork River, Phase 1	125,000	9,696,400

Rank	Applicant / Project Title	Grant Recommended	Cumulative Total
80	Circle, Town of Water System Improvements	125,000	9,821,400
81	Stanford, Town of Water System Improvements	125,000	9,946,400
82	West Great Falls Flood Control & DD Riverbank Erosion Rehabilitation and Repairs	125,000	10,071,400
83	Nine Mile WSD Water System Improvements	125,000	10,196,400
84	MT Bureau of Mines and Geology - MT Tech Irrigation Efficiencies and Domestic Groundwater Supplies	125,000	10,321,400
85	Brady County WSD Water System Improvements	109,400	10,430,800
86	Bigfork County Water and Sewer District Water Storage and Distribution Improvements	125,000	10,555,800
87	Chinook, City of Water System Upgrades	125,000	10,680,800
88	Lockwood Irrigation District Pump Station Rehabilitation	125,000	10,805,800
89	RAE County WSD Falcon Hollow #2 Well	125,000	10,930,800
90	Malta, City of Water System Improvements	125,000	11,055,800
91	Lockwood WSD Water System Improvements	125,000	11,180,800
92	Ekalaka, Town of Flood Study	125,000	11,305,800
93	Conrad, City of Water System Improvements	125,000	11,430,800
94	Sweet Grass County CD Yellowstone River Channel Stabilization and Surface Water Protection, Phase 2	125,000	11,555,800
<b>Total RRGL Grants Recommended</b>		<b>\$11,555,800</b>	

## Appendix Item A-5

Reclamation and Development Grants (RDGP) 2019 Biennium			
Rank	Sponsor/Title	Grant Recommended	Cumulative Total
1	Granite CD Flint Creek Watershed Metals Remediation – Fred Burr Creek, Rumsey Mill Tailings	\$500,000	\$500,000
2	MDEQ Tramway Creek Mine Reclamation Project	432,500	932,500
3	City of Harlowton Removal of Contaminated Soils and Free Product at the Harlowton Roundhouse in Harlowton, MT	300,000	1,232,500
4	City of Lewistown Cleanup of the Central Post and Treating Company in Lewistown, MT	475,000	1,707,500
5	East Helena Public Schools Dartman Field Reclamation Project	500,000	2,207,500
6	Confederated Salish & Kootenai Tribes Revais Creek Mine Tailings Reclamation	302,074	2,509,574
7	Missoula County Ninemile Creek Housem Placer Mine Reclamation	420,000	2,929,574
Projects below this line are recommended only when higher ranked projects withdraw			
8	Lincoln CD Tobacco River Restoration Project – Engineering and Implementation	395,136	3,324,710
9	Richland County CD Mitigating Impacts to the Fox Hills/Hell Creek Aquifer, Richland County	454,419	3,779,129
10	MDEQ Upper Blackfoot Mining Complex – Wetland Connection	300,000	4,079,129
11	City of Deer Lodge Milwaukee Roundhouse CECRA Site Passenger Refueling Are VCRA Program Remediation	294,250	4,373,379
12	City and County of Butte-Silver Bow, Planning Department Butte-Silver Bow Erosion Control and Vegetation Enhancement Program	185,307	4,558,686
13	Fort Belknap Indian Community (FBIC) Landusky Pit and Swift Gulch Capture Wells to Reduce Acid Mine Discharge to State Waters and the Fort Belknap Indian Reservation, Montana	132,000	4,690,686
14	MDEQ Basin Creek Mine – Phase 2 Site Stability Project	300,000	4,990,686
15	Ruby Valley CD California Creek Mining Reclamation – Multi-Phase Stream and Floodplain Restoration	62,625	5,053,311
16	Deer Lodge Valley CD Mt. Haggin Uplands Restoration Project	74,405	5,127,716
17	Mile High CD Conifer Encroachment Reduction Project	32,809	5,160,525
18	Deer Lodge Valley CD Oregon Creek Placer Mine Reclamation	58,610	5,219,135
19	Roosevelt County Kenco Refinery Cleanup	275,000	5,494,135
Total R&D Grants Requested/Recommended		\$5,494,135	

**Cultural and Aesthetic Grants (C&A)  
2019 Biennium**

Rank	Grant Number	Applicant	Grant Recommended	Cumulative Total
<b>Special Project &lt; = \$4500</b>				
1	1906	Mai Wah Society Museum	4,500	4,500
2	1904	Council for the Arts, Lincoln	4,500	9,000
3	1903	Butte Citizens for Preservation & Revitalization	4,500	13,500
4	1912	Upper Swan Valley Historical Society	4,500	18,000
5	1907	Montana Chamber Music Society	4,500	22,500
6	1900	Alpine Artisans, Inc.	4,500	27,000
7	1908	Montana Flute Association	4,500	31,500
8	1911	Treasure County '89ers Inc.	3,500	35,000
9	1905	Judith Mountain Players, The	3,500	38,500
10	1910	The Root & The Bloom Collective	3,000	41,500
11	1902	Billings Cultural Partners	2,000	43,500
12	1901	Arts & Above	2,000	45,500
Projects below this line are not recommended for funding				
13	1,909	Peeterse, Natalie	0	45,500
14	1,913	Waksman, Alana	0	45,500
Total Special Projects < \$4500			45,500	
<b>Special Project &gt; \$4500</b>				
1	1920	Montana Preservation Alliance	10,000	55,500
2	1919	Montana Historical Society	10,000	65,500
3	1914	Emerson Center for the Arts & Culture	10,000	75,500
4	1916	Friends of the Historical Museum at Fort Missoula	4,000	79,500
5	1918	Helena Symphony	6,000	85,500
6	1917	HAVEN	6,000	91,500
7	1915	Friends of Big Sky Education DBA Warren Miller Pr	3,500	95,000
Total Special Projects > \$4500			49,500	
<b>Operational Support</b>				
1	1958	Montana Shakespeare in the Parks	12,000	107,000
2	1923	Art Mobile of Montana	10,000	117,000
3	1927	Billings Symphony Society	10,000	127,000
4	1953	Montana Association of Symphony Orchestras	8,000	135,000
5	1959	Museums Association of Montana	8,000	143,000
6	1956	Montana Performing Arts Consortium	8,000	151,000
7	1947	MAGDA	8,000	159,000
8	1955	Montana Dance Arts Association	8,000	167,000
9	1952	Montana Arts	8,000	175,000
10	1948	MCT, Inc.	10,000	185,000
11	1957	Montana Repertory Theatre	10,000	195,000
12	1943	Humanities Montana	10,000	205,000
13	1922	Archie Bray Foundation	10,000	215,000
14	1946	Irwin & Florence Rosten Foundation	6,000	221,000
15	1921	Alberta Bair Theater	10,000	231,000
16	1932	Cohesion Dance Project	6,000	237,000
17	1980	Zootown Arts Community Center	6,000	243,000
18	1976	Western Heritage Center	6,000	249,000
19	1967	Ravalli County Museum	6,000	255,000
20	1963	Paris Gibson Square Museum of Art	6,000	261,000
21	1940	Helena Presents/Myrna Loy Center	7,500	268,500
22	1937	Grandstreet Broadwater Productions	7,500	276,000
23	1979	Yellowstone Art Museum	7,500	283,500

Rank	Grant Number	Applicant	Grant Recommended	Cumulative Total
24	1969	Schoolhouse History & Art Center	6,000	289,500
25	1961	Northwest Montana Historical Society	6,000	295,500
26	1972	Sunburst Foundation	4,500	300,000
27	1968	Rocky Mountain Ballet Theatre	4,500	304,500
28	1936	Glacier Symphony and Chorale	6,000	310,500
29	1977	Whitefish Theatre Co	5,000	315,500
30	1942	Holter Museum of Art	5,000	320,500
31	1928	Butte Symphony Association	4,500	325,000
32	1978	World Museum of Mining	6,000	331,000
33	1926	Billings Preservation Society	6,000	337,000
34	1951	Missoula Writing Collaborative	6,000	343,000
35	1975	WaterWorks Art Museum	6,000	349,000
36	1950	Missoula Cultural Council DBA Arts Missoula	5,000	354,000
37	1966	Queen City Ballet Company	4,500	358,500
38	1964	Pondera Arts Council	5,000	363,500
39	1931	Carbon County Historical Society	5,000	368,500
40	1938	Great Falls Symphony	5,000	373,500
41	1941	Hockaday Museum of Art	5,000	378,500
42	1971	Stillwater Historical Society	5,000	383,500
43	1974	Verge Theater	4,000	387,500
44	1970	Southwest Montana Arts Council	4,500	392,000
45	1973	The Extreme History Project	4,500	396,500
46	1944	Intermountain Opera Association	4,500	401,000
47	1954	Montana Ballet Company	4,000	405,000
48	1930	Carbon County Arts Guild & Depot Gallery	4,000	409,000
49	1949	Missoula Community Access Television	4,000	413,000
50	1933	Daly Mansion Preservation Trust	3,500	416,500
51	1939	Hamilton Players, Inc.	3,500	420,000
52	1960	North Valley Music School	3,500	423,500
53	1965	Pondera History Association (PHA)	3,000	426,500
54	1924	Big Horn Arts and Craft Association	3,000	429,500
55	1945	Int'l Wildlife Film Festival/The Roxy	2,500	432,000
56	1929	C.M. Russell Museum	2,500	434,500
57	1925	Bigfork Art and Cultural Center	2,000	436,500
Projects below this line are not recommended for funding				
58	1935	Gallatin Historical Society	0	436,500
59	1962	NOVA Center for the Performing Arts	0	436,500
60	1934	Flathead Lake Music Camp Inc.	0	436,500
Total Operational Support			341,500	
<b>Capital Expenditure</b>				
1	1981	City of Shelby Champions Park	3,500	440,000
Total Capital Expenditure			3,500	
Total C&A Grants Requested/Recommended			\$440,000	

## Appendix Item A-7

Quality School Facilities Grant Program Grants List - 2019 Biennium			
Rank	Applicant / Description	Grant Recommended	Cumulative Total
1	St. Ignatius K-12 Elementary school deteriorated envelop repair	680,511	\$680,511
2	Grass Range ELE Abate asbestos tile/mastic and mudded pipe joints from the building and replace with non-asbestos materials	55,631	736,142
3	Miles City ELE Fire alarm and security upgrades	352,834	1,088,976
4	Libby K-12 Heating and ventilation and air conditioning system	1,075,000	2,163,976
5	Custer County HS304 Replacement of combined sanitary sewer and storm water piping and associated gym roof drains and sidewalk replacement	953,576	3,117,552
6	Grass Range HS Upgrade all doors to meet fire safety codes	77,183	3,194,735
7	Wolf Point HS Update the existing roof water drainage system, parking lot drainage, and parking lot surface	918,600	4,113,335
8	Polson ELE Elementary school boiler replacement	1,224,679	5,338,014
9	Geraldine K-12 Bleacher replacement project	75,000	5,413,014
Projects below this line are not funded			
10	Arlee ELE Boiler replacement	694,157	6,107,171
11	Livingston ELE Energy savings and infrastructure improvement	665,000	6,772,171
12	Rosebud K-12 Domestic water quality improvements	174,300	6,946,471
13	Park City ELE Replace a 31-year old leaking roof over the Main School Facility	562,396	7,508,867
14	Cascade ELE Heating system repairs for both districts	421,120	7,929,987
15	Noxon ELE Deferred maintenance, HVAC system replacements	490,011	8,419,998
16	Ashland ELE Roof replacement	1,013,000	9,432,998
17	Troy ELE HVAC system upgrades	395,000	9,827,998
18	Troy HS HVAC system upgrades	395,000	10,222,998
19	Lodge Grass HS Improvements to electrical systems in school building and teacherage	459,000	10,681,998
20	Billings HS HVAC and lighting package replacement and upgrade	1,558,988	12,240,986
21	Trout Creek ELE Foundation and flooring repairs	102,600	12,343,586

Rank	Applicant / Description	Grant	
		Recommended	Cumulative Total
22	Superior K-12 High school building heating and ventilation system upgrades	526,851	12,870,437
23	Lockwood ELE Roofing replacement and repair	542,003	13,412,440
24	Centerville ELE Security upgrades to the entire campus	770,603	14,183,043
25	Kalispell ELE Energy savings performance contract and infrastructure upgrades	483,680	14,666,723
26	Shields Valley ELE Boiler replacement	458,311	15,125,034
27	Lavina K-12 Coal boiler system replacement	365,126	15,490,160
28	Belt ELE Ventilation system upgrades – gymnasium and classrooms	531,550	16,021,710
29	St. Regis K-12 Relocation of the school administration to improve safety and security	538,196	16,559,906
30	Stevensville ELE New boilers and building controls upgrade	879,801	17,439,707
31	Havre HS High school ventilation	525,000	17,964,707
32	Anaconda HS Boiler system replacement and efficiency upgrades	1,800,738	19,765,445
33	Forsyth HS Heating and ventilation upgrades at high school	263,073	20,028,518
34	Stevensville HS New boilers and building controls upgrades	1,064,057	21,092,575
35	Sun River Valley (Simms HS) Addition and remodel	898,262	21,990,837
36	Kalispell HS Energy savings performance contract and infrastructure upgrades	1,574,235	23,565,072
37	Drummond HS Retaining wall with improved drainage system	193,600	23,758,672
38	Rocky Boy HS High school air handler replacement	763,620	24,522,292
39	Frenchtown K-12 Window replacement and exterior sun screens	426,408	24,948,700
40	Laurel ELE Heating and ventilation system upgrade	632,000	25,580,700
41	Stanford K-12 Install a modern ventilation system for the high school and mold mitigation	413,040	25,993,740
42	Hamilton K-12 Building envelope improvements	833,216	26,826,956
43	Hays Lodge Pole K-12 Building improvements for accessibility, safety, health compliance, electrical, and mechanical	4,025,500	30,852,456
44	Roundup HS Boiler system replacement project	503,500	31,355,956

Rank	Applicant / Description	Grant	
		Recommended	Cumulative Total
45	Wibaux K-12 Demolishing the current Marcus building and building a new structure	3,729,823	35,085,779
46	Power HS Kitchen and cafeteria remodel	600,650	35,686,429
47	Butte ELE Replacement and upgrade of the Emerson Elementary Make-up Air system and install new Direct Digital Controls	374,751	36,061,180
48	Fort Benton HS Technology upgrades for student support	67,472	36,128,652
49	Clinton ELE Energy conservation measures (insulation, controls, ventilation air)	313,784	36,442,436
50	Terry K-12 Major repairs and improvements to existing schools	120,000	36,562,436
<b>Total QSFG Grants Requested/Recommended</b>		<b>\$36,562,436</b>	