

LONG-RANGE PLANNING PROGRAMS OVERVIEW

Long-Range Planning Description

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

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

Long-Range Planning projects are administered by various state agencies, but the provision of services is 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
- Projects are ranked or prioritized based on program specifications
- The Governor reviews the prioritized lists, determines the level of funding available, and presents a list of recommendations to the legislature in the form of a separate funding bill
- The legislature appropriates funds and authorize the various projects
- Money is distributed by the agencies to private contractors, generally through a competitive bid process

In most cases, program funds also cover the administrative costs of the program and are appropriated in the general appropriations act, HB 2.

Over time, the importance of local government infrastructure assistance has grown as a component of the LRP budgets. By design, the available funding for water, wastewater, sewer, and bridge projects has increased. In the 2015 biennium, the legislature increased the state funding for local government infrastructure projects by \$53.7 million over the normal program funding sources.

Summary of Legislative Action

The figure on the following page shows the appropriations made by the Sixty-third Legislature for each of the LRP programs. The budgets are shown by program and bill number, and source of funding. General fund, \$103.2 million as shown in the figure, takes the form of transfers to the various LRP program funds. When looking at the figure below, the column titled authorizations indicates the approval of the legislature for non-state

funds to be used for the construction of state buildings. This authority is statutorily required in 18-2-102, MCA which states, "...a building costing more than \$150,000 may not be constructed without the consent of the legislature." The amounts shown in the authorization column are generally university funds and private donations.

Long-Range Planning Appropriations (and authorizations)								
By Fund - 2015 Biennium								
Program/ Bill	Capital Project	General Fund ¹	State Special	Federal Special	Proprietary	Bonds/ Loans	Authorizations ²	Total
LRBP (HB 5 and HB 14)	\$11,076,000	\$49,550,000	\$29,360,000	\$26,130,000	\$600,000	\$0	\$58,850,000	\$175,566,000
SBCEP (HB 5)			3,500,000					3,500,000
LRITP (HB 10)	5,975,000	11,451,785	3,060,000	40,000	350,000			20,876,785
TSEP (HB 11)		13,300,000	21,683,538					34,983,538
TSEPRW (HB 11)		8,400,000	8,600,000					17,000,000
RRGL (HB 6 and 8)		20,473,686	8,979,632			24,711,793		54,165,111
RDGP (HB 7)			6,243,645					6,243,645
C&A (HB 9)			788,650					788,650
Quality Schools (HB 15)			<u>12,418,642</u>					<u>12,418,642</u>
Grand Total	<u>\$17,051,000</u>	<u>\$103,175,471</u>	<u>\$94,634,107</u>	<u>\$26,170,000</u>	<u>\$950,000</u>	<u>\$24,711,793</u>	<u>\$58,850,000</u>	<u>\$325,542,371</u>

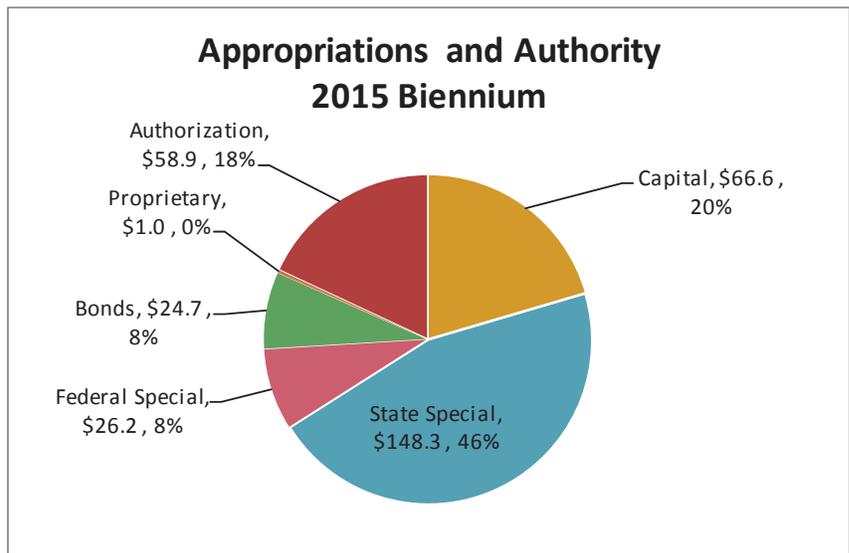
¹General Funds are transfers to various programs
²Authorizations are legislative consent to construct projects using non-state funds

Total legislative appropriations and authorizations for the LRP budgets are \$325.5 million. This is 128.7% greater than the LRP budgets in the 2013 biennium and 9.0% less than the executive budget proposal for the 2015 biennium. In the 2015 biennium, state funding for LRP projects is \$266.7 million, when corrected for the authorizations. The largest source of state funding is general fund at \$103.2 million, again taking the form of transfers to the various program funds. In the upcoming biennium, the highest amount of appropriations was provided for the LRBP, \$175.6 million (\$116.7 million of state and federal funds).

Funding

In large part, LRP programs are financed with statutorily dedicated allocations of funds. Generally the program/project budget is strictly based on the amount of revenue estimated to be available for the program, but in the 2015 biennium, 103.2 million or 32% of total program funding is made with transfers from the general fund. Other revenues come from a variety of sources including tax allocations and in several cases interest earnings from dedicated trusts. The only exception from earmarked program revenue is seen in the LRITP which has no designated source of funding (projects are funded either through agency revenues or general fund, transferred into the LRITP capital projects fund).

The figure to the right shows the funding of the LRP budget as reflected in the appropriations and authorizations provided by the legislature. While the LRP program funding contained significant amounts of general fund through transfers, there are no general fund appropriations in the budgets. The budgets make use of all the usual fund types (state special revenue, federal special revenue, and proprietary) and include appropriations



from capital project funds (funds which account for financial resources to be used for the acquisition or construction of major capital facilities), 20% of the LRP budgets, and bond issue proceeds, 8%. Over 46% of the appropriations are funded with state special revenue. Federal special appropriations account for 8% of the budget. Authorizations, 18% of total funding, not technically appropriations.

Executive Budget Comparison

The Sixty-third Legislature reduced the executive LRP budget recommendations by 9.0%. The reductions were principally the result of the legislative initiative to fund new state building construction projects with cash instead of general obligation bond proceeds. In making this decision, the legislature eliminated some of the projects recommended in the executive budget including new low-side units at the Montana State prison (\$26.0 million) and the new building to house the Montana Heritage Center museum (\$28.5 million). As an offset to the reductions, the legislature increased several local government infrastructure assistance programs. For further detail on the legislative changes to the executive proposed budget, refer to the executive budget comparisons included in the program sections of this report.

Long-Range Planning Budget Comparison (millions)				
Budget Item	Executive	Legislative	Biennium Change	Biennium % Change
	Recommendation ¹ FY 14-15	Budget FY 14-15		
	<u>Proposed</u>	<u>Appropriated</u>		
Long-Range Building Program (HB 5 and HB 14)	\$270,716,000	\$175,566,000	(\$95,150,000)	-35.1%
State Building Energy Conservation Program (HB 5)	3,500,000	3,500,000	0	0.0%
Long-Range Information Technology Program (HB 10)	20,232,785	20,876,785	644,000	3.2%
Treasure State Endowment Program (HB 11)	19,342,366	34,983,538	15,641,172	80.9%
Treasure State Regional Water Program (HB 11)	8,900,000	17,000,000	8,100,000	91.0%
Renewable Resource Grant and Loan Program (HB 6 and 8)	16,159,039	54,165,111	38,006,072	235.2%
Reclamation and Development Grant Program (HB 7)	6,243,645	6,243,645	0	0.0%
Cultural and Aesthetic Grant Program (HB 9)	563,976	788,650	224,674	39.8%
Quality Schools Grant Program (HB 15)	12,268,791	12,418,642	149,851	1.2%
Total Costs	\$357,926,602	\$325,542,370	(\$32,384,231)	-9.0%
Capital Projects Fund	\$13,926,000	\$17,051,000	\$3,125,000	22.4%
General Fund ²	33,082,785	103,175,471	70,092,686	-
State Special	91,862,761	94,634,107	2,771,346	3.0%
Federal Special	26,170,000	26,170,000	0	0.0%
Bonds and Loans	105,535,056	24,711,793	(80,823,263)	-76.6%
Proprietary Fund	950,000	950,000	0	0.0%
Authorizations ³	86,400,000	58,850,000	(27,550,000)	-31.9%
Total Funds	\$357,926,602	\$325,542,371	(\$32,384,231)	-9.0%

¹Revised for 1/7/2013 Governor's changes and includes HB 14 which was not approved by the legislature

²General Funds are transfers to various programs

³Authorizations are legislative consent to construct projects using non-state funds

Other Legislation

HB 218

The Sixty-third legislature passed HB 218, which provides grants to local governments that have been required to maintain and expand local government infrastructure as a consequence of oil and gas development. The legislation creates a short-term infrastructure program, similar to Treasure State Endowment Program (TSEP) and administered by the Department of Commerce. The legislation establishes a new state special fund, the "oil and gas impact account", funded with a \$15.0 million one-time-only transfer (and subsequent appropriation) of general fund in FY 2013 and annually 25% of the revenues collected through the federal mineral leasing funds or

\$10 million, whichever is greater, between FY 2014 and FY 2020. Consequently, there is expected to be \$35 million directed to oil and gas impacted areas by the end of the 2015 biennium. The funds are statutorily appropriated in the 2015 biennium, but in future years are expected to be appropriated by the legislature.

The legislation defines oil impact projects eligible for grants and builds on the normal TSEP type infrastructure projects (water, wastewater, bridges) by providing grants for local government roads, buildings, and services. Grants for the purposes of fire protection, law enforcement, and emergency services are limited to no more than 10% of the total funds. Additionally, up to \$50,000 may be used for grants for public health and welfare services.

The program is developed to provide preference to projects with the attributes such as financial need, project readiness, compliance with program start up conditions, long-range plans for system maintenance, future adequacy for system use, and community participation and approval. The available funds will be first-come-first-serve and the grants will be paid out on a reimbursement basis. Finally, the legislation provides that the “Grants made under this program are subject to the review of the legislative finance committee.”

Note: The Governor vetoed HB 218, and at the time of this writing the legislature is being polled. If the veto is upheld, the oil and gas development infrastructure grant program will not exist.