

QUALITY SCHOOL FACILITIES GRANT PROGRAM

Program Description

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

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

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

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

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

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

Finally, before making its recommendations to the governor, the DOC may make adjustments to its ranking of the projects based on the educationally relevant factors established in Section 20-9-309, MCA.

Summary of Legislative Action

The Sixty-third Legislature passed HB 15, authorizing quality school facilities grants and appropriating the funding for the grants. The legislature authorized 30 QSFP grant awards totaling \$11.4 million. Additionally, the legislature provided appropriations of \$100,000 for emergency grants and \$900,000 for project planning grants.

A complete list of the grants/projects authorized by the legislature is shown on the following page.

Quality School Facilities Grant Program							
Grants Authorized - HB 15 - 2015 Biennium							
Applicant / County / Description	Total Project Cost	Grants Authorized	Cumulative Total	Applicant / County / Description	Total Project Cost	Grants Authorized	Cumulative Total
DeSmet K-12, Missoula Asbestos abatement	\$102,722	\$30,000	\$30,000	Box Elder K-12, Hill Install emergency generator	\$310,607	\$310,607	\$5,547,995
Fairfield Elem, Teton Correct safety issues in kitchen	626,378	596,379	626,379	Missoula ELE, Missoula Replace boiler and distribution system	252,000	200,000	5,747,995
Montana City Elem, Jefferson Install fire sprinklers and storage tank	6,464,700	764,700	1,391,079	Havre Elem, Hill Renovations to existing grade school	5,146,429	2,000,000	7,747,995
Powder River HS, Powder River Asbestos abatement	42,518	36,380	1,427,459	Geraldine Elem, Chouteau Complete energy upgrades	68,161	68,161	7,816,156
Vaughn Elem, Cascade Mitigate crawlspace moisture problems	140,227	133,227	1,560,686	Plains K-12, Sanders Construct 6-classroom addition	1,434,138	1,150,000	8,966,156
Eureka Elem, Lincoln Asbestos abatement	250,759	195,593	1,756,279	St. Regis K-12, Mineral ADA upgrades	185,837	185,837	9,151,993
Frontier Elem, Roosevelt Build technology lab	300,000	200,000	1,956,279	Corvallis K-12, Ravalli Replace boiler and distribution system	785,225	729,910	9,881,903
Wyola Elem, Big Horn Roof replacement	572,600	514,900	2,471,179	Stanford K-12, Judith Basin Replace all in-room unit ventilators	193,501	184,196	10,066,099
Lone Rock Elem, Ravalli Replace old gymnasium	981,875	206,375	2,677,554	Darby K-12, Ravalli Construct new locker rooms and ADA upgrades	454,207	404,207	10,470,306
Hamilton K-12, Ravalli Replace failing restroom floor	3,209,679	41,494	2,719,048	Nashua K-12, Valley Install ventilation system and new boilers	663,200	463,200	10,933,506
Plenty Coups HS, Big Horn Energy efficiency improvements	402,000	307,000	3,026,048	Target Range Elem, Missoula Update computers and network infrastructure	34,324	31,324	10,964,830
St. Ignatius K-12, Lake Roof repair	548,877	534,590	3,560,638	Ryegate K-12, Golden Valley Replace lighting and add computer outlets	11,245	9,962	10,974,792
Simms HS, Cascade Replace kitchen exhaust hood	143,644	123,644	3,684,282	Froid Elem & HS, Roosevelt Replace boiler and distribution system	344,000	294,000	11,268,792
Hot Springs HS, Sanders Consolidate campus facilities	517,240	497,240	4,181,522	Miles City Elem, Custer Replace boiler and system	1,164,729	149,850	11,418,642
Grass Range Elem, Fergus Install air lock door system	46,299	45,799	4,227,321				
Flathead HS, Flathead Energy efficiency improvements	1,161,193	1,010,067	5,237,388	Total QSFG Grants Authorized	<u>\$15,510,712</u>	<u>\$11,418,642</u>	

HB 15 also included several statutory changes that impact the future program. First, statutes related to the school facility and technology state special fund, provided for in 20-9-516, MCA, are now prioritized as: 1) the statutory appropriation for school technology assistance and 2) the state's obligation for assistance to school district bonded debt under 20-9-371, MCA. In providing for the quality school facilities program, the legislature then added the following language:

“If funds remain in the account after the distribution in subsection (1) [the statutory appropriation and bonded debt obligation] is made, the budget director shall certify the amount of unencumbered funds available in the account. These available funds must be used for grants made by the department of commerce under 90-6-802.”

The effect of these statutory changes reduce the likelihood under the current funding that grants will be funded in future biennia. Given the new language ongoing revenues may be inadequate to fund the top two priorities, not to mention the quality schools grants program. The statutory change in 20-9-516, MCA required changes to references in 20-9-343 and 20-9-629, MCA.

NOTE: The Governor line-item-vetoed Section 1 through Section 3 of HB 15, which contained the statutory changes described above, 20-9-343, 20-9-516, and 20-9-629, MCA. The legislature is being polled on the vetoes at the time of this writing. If the Governor's veto is upheld, the prioritization of the school facility and technology funds will continue as currently directed and if funds are not sufficient to cover the costs of the state's obligation for assistance with school district bonded debt, all or part of the obligation may be funded by the general fund.

HB 15 also contained two changes in the program statutes. First, a statutory change to 90-6-802, MCA, allows the administrative costs of the program to be funded through the program account. Next, the legislature made a programmatic change by amending 90-6-811, MCA. The legislature added the following language for the consideration of grant prioritization:

“In preparing recommendations to the governor under 90-6-810, the department shall apply the following criteria to applications for school facility projects in the listed order of priority giving preference to school facility projects involving repairs to existing facilities over projects involving construction of new facilities:”

The new language, shown as underlined, will require the agency to prioritize the repair of existing facilities over new construction projects. The legislature also changed 90-6-811(b), MCA as shown below:

“(b) projects that ~~provide improvements necessary to bring school facilities up to current local, state, and federal codes and standards~~ address deferred maintenance by repairing or replacing existing building components that are inoperable or difficult to service or that lack minimum integrity;”

Again, this change in the statutory language will prioritize deferred maintenance and repairs on school facilities.

Funding

The school facility and technology fund is expected to begin the biennium with \$18.8 million, as seen in the figure on the following page. The fund balance is primarily derived from the initial fund revenues, which consisted of transfers from federal mineral royalties. The transfers were intended to be a temporary source of program funding and were discontinued as of FY 2011. Currently, the fund statutorily receives 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)
- Public land trust power site rent (streambed rents) under the provisions of 77-4-208(2), MCA (95% of all rental payments received under this section must be deposited in the school facility and technology account provided for in 20-9-516) – set in current law to begin January 1, 2015
- School district unreserved fund balance - The Sixty-third legislature passed HB 39 which provides an additional \$55,107 per fiscal year to the fund, beginning in FY 2014

The figure below shows the fund balance analysis for the 2015 biennium. Included in the revenues for the fund is a transfer of \$149,850 from the orphan share state special revenue fund to support an additional quality school grant. The total program revenues are expected to provide \$13.7 million in the 2015 biennium.

Total appropriations from the school facilities and technology fund are \$32.4 million in the 2015 biennium. The 2011 Legislature permanently redirected the costs of the state reimbursements for school district bond issues. In the 2015 biennium, the obligation is appropriated at \$17.1 million. Additionally, there is a statutory appropriation of \$1.0 million annually for assistance in school technology.

The legislature redirected administrative costs to the fund. This new cost is \$792,745 in the 2015 biennium. Finally, the various quality school facility grants included in HB 15 are \$12.4 million, including emergency and project planning grants. The estimated ending fund balance for June 30, 2015 is \$142,436.

NOTE: As may be noted in the fund balance projection above, normal revenues in the 2017 biennium, if anticipated at a level similar to the 2015 biennium, will provide approximately \$17.9 million of revenues to the school facility and technology fund. If the prioritized expenditures for the 2017 biennium are similar to the 2015 biennium, \$19.2 million, the fund will not be able to cover the costs of the prioritized obligations. Consequently, the 2017 Legislature will be required to provide additional funding for the costs. The 2017 Legislature will also need to decide if the quality schools program should continue in the manner designated by law.

School Facility and Technology Fund (02218)			
Fund Balance Projection 2015 Biennium			
Estimated Beginning Fund Balance (7/01/2013)			\$18,810,859
Revenue Projections ¹	<u>FY 2014</u>	<u>FY 2015</u>	<u>Biennium Total</u>
Timber Harvest Income	\$4,037,000	\$4,906,000	\$8,943,000
Public Land Trust Power Site Rent	0	4,471,900	4,471,900
Interest Earnings	35,000	5,000	40,000
School District Unreserved Fund Balances ²	55,107	55,107	110,214
Transfer from Orphan Share Fund	149,850		<u>149,850</u>
2015 Biennium Revenues			13,714,964
Proposed Expenditures			
School Facility Debt Obligation	(8,586,000)	(8,586,000)	(17,172,000)
Technology Statutory Appropriation	(1,000,000)	(1,000,000)	(2,000,000)
DOC Administrative Costs ³	(384,163)	(408,582)	(792,745)
Emergency Grants			(100,000)
Planning Grants			(900,000)
School Facility Grants Appropriation			<u>(11,418,642)</u>
Total Appropriations			<u>(32,383,387)</u>
Estimated Ending Fund Balance - (6/30/2015)			<u>\$142,436</u>

¹SJ2

²HB 39

³Includes administrative costs included in HB 2, including the 2% increase in vacancy savings, and HB 13 estimated impacts

As mentioned above, the Governor line item vetoed the legislature’s statutory changes that prioritized the school facility debt obligation within the fund. The Governor changes are being polled at the time of this writing, but if the veto is upheld, the DOC could shift the school facility debt obligation to the general fund, allowing sufficient funds for future quality school facility grants programs.

Executive Budget Comparison

Program Comparison - Quality School Facility Program (HB 15)				
Budget Item	Executive Recommendation 2015 Biennium	Legislative Budget 2015 Biennium	Legislative Change	Legislative % Change
Number of Grants	29	30	1	3.4%
	<u>Proposed</u>	<u>Appropriated</u>		
Project Costs	\$11,268,791	\$11,418,642	\$149,851	1.3%
Other Grants	1,000,000	1,000,000	0	0.0%
Total Costs	\$12,268,791	\$12,418,642	\$149,851	1.2%
State Special	\$12,268,791	\$12,418,642	\$149,851	1.2%
Total Funds	\$12,268,791	\$12,418,642	\$149,851	1.2%

As seen in the figure above, the Sixty-third Legislature increased the executive budget for the quality schools program by one grant and \$149,851. The increase was funded with a transfer of funds from the orphan share state special revenue account. The added grant would fund the replacement of a boiler at the Miles City elementary school.

Other Legislation

HB 39 – This legislation changes the distribution of school district unreserved fund balances to the state and counties. HB 39 continues the allocation of 70% of the monies to the guarantee account, but redirects 30% of the monies to the school facility and technology account, providing an estimated \$55,107/FY to the account.