

QUALITY SCHOOL FACILITIES GRANT PROGRAM

Program Description

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

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

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

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

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

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

Summary of Legislative Action

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

Funding

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

- o 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)
- o Public land trust power site rent (streambed rents) under the provisions of 77-4-208(2), MCA (95% of all rental payments received under this section must be deposited in the school facility and technology account provided for in 20-9-516) – set in current law to begin January 1, 2017

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

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

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

Executive Budget Comparison

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

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

Other Legislation

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