

LONG-RANGE PLANNING PROGRAMS OVERVIEW

Long-Range Planning Description

Long-Range Planning (LRP) programs are devoted to the creation and upkeep of major state 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 bare 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 (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
- 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 and historical grants, administered by the Montana Arts Council
- Quality School Facility Grants Program (QSFP) – grants for major maintenance of K-12 school facilities, administered by the Department of Commerce

As apparent in the descriptions above, LRP projects are administered by various state agencies, but the provision of services is similar in each of the programs. First, project requests are received by the program either from state agencies, local governments, or private entities. With prioritization a key element of establishing the LRP budgets, project requests are reviewed by the agency (or board, or council), the executive, and the legislature, in each case to rank, or prioritize, requests based on program specifications. If the legislature agrees to appropriate funds and authorize the various projects, money is distributed 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.

LRP Highlights

Long-Range Planning Major Budget Highlights
<ul style="list-style-type: none">◆ \$142.3 million of appropriations for seven of the nine LRP programs◆ Total program appropriations are 66.9% less than the 2011 biennium◆ Total program appropriations are 36.7% greater than executive proposal<ul style="list-style-type: none">● Legislature funded TSEP programs● Increase includes a change in appropriation from HB 2 (KRY refinery cleanup)● Increase includes appropriations for the new Southwestern Veterans' Home◆ \$44.3 million of transfers of LRP project funds to the general fund

Summary of Legislative Action

The following figure shows the appropriations made by the 62nd Legislature for each of the LRP programs. The budgets are shown by program and source of funding.

Long-Range Planning Budgets (in millions)								
2013 Biennium Budget								
Program	Capital Project	State Spec	Fed Spec	Bonds / Loans	Prop Fund	Authoriz	Grand Total	Total %
Long-Range Building Program (LRBP)	\$2.670	\$39.256	\$25.823		\$0.250	\$14.335	\$82.334	57.87%
State Building Energy Conservation Program (SBECP)							0.000	0.00%
Long-Range Information Technology Program (LRITP)							0.000	0.00%
Treasure State Endowment Program (TSEP)		14.754					14.754	10.37%
Treasure State Regional Water Program (TSEPRW)		3.920					3.920	2.76%
Renewable Resource Grant and Loan Program (RRGL)		7.690		\$13.724			21.414	15.05%
Reclamation and Development Grant Program (RDGP)		7.084					7.084	4.98%
Cultural and Aesthetic Grant Program (C&A)		0.696					0.696	0.49%
Quality School Facilities Grant Program (QSFP)		12.069					12.069	8.48%
Grand Total	<u>\$2.670</u>	<u>\$85.469</u>	<u>\$25.823</u>	<u>\$13.724</u>	<u>\$0.250</u>	<u>\$14.335</u>	<u>\$142.272</u>	

Total legislative appropriations for the LRP budgets are \$142.3 million. This is 67% less than the LRP budgets in the 2011 biennium and 37% greater than the executive budget proposal. For the 2013 biennium, the largest source of program funding is state special revenue, \$85.5 million, and there is no general fund proposed to be appropriated in any of the programs. In the upcoming biennium, the highest amount of appropriations was provided for the LRBP, \$82.3 million. The legislature did not provide any appropriations for one LRP program, the SBECP. Following the 2011 Legislative Session, the Governor vetoed the single appropriation that the legislature provided in the LRITP program, leaving two LRP budgets without appropriations in the 2013 biennium.

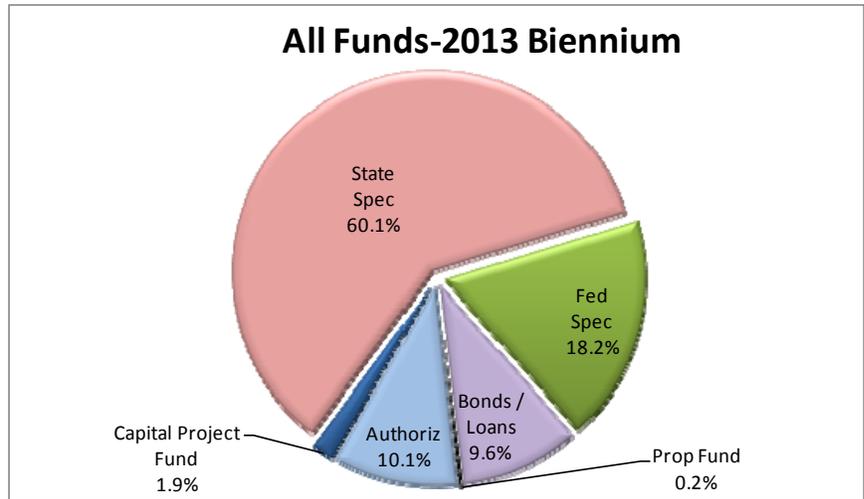
The legislature authorized transfers of \$44.3 million from LRP program funds to the general fund. The executive budget proposal had suggested such actions; however the legislature reduced the proposal by \$26.3 million, or 37%. As seen in the figure below, the greatest reduction from the executive transfer proposal was the legislative decision to appropriate funds to the TSEP and TSEPRW programs. While the legislature provided appropriations to the programs, they also chose to transfer \$1.6 million of TSEP funds and \$1.0 million of TSEPRW funds to the general fund. Another significant change in the executive budget proposal for fund transfers was the reduction of \$6.0 million from the proposed LRITP transfer to fund the Legislative Branch IT Projects appropriation in HB 5 (the project was vetoed from HB 5 after the Legislature adjourned). More information on these actions is available later in this report. The general fund will benefit by \$44.3 million through the various action of the legislature.

Transfers from LRP Programs to the General Fund						
Program	Description	Action	Executive Proposal	Legislative Transfers	Change	% Change
LRBP	Project reduction / elimination	Transfer of Funds	\$10,685,622	\$10,685,622	\$0	0.0%
LRBP	Program funds reduction	Transfer of Funds	1,000,000	500,000	(500,000)	-50.0%
LRITP	Project reduction / elimination	Transfer of Funds	10,737,033	4,762,033	(5,975,000)	-55.6%
TSEP	Program funds reduction	Transfer of Funds	17,614,270	1,570,000	(16,044,270)	-91.1%
TSEPRW	Program funds reduction	Transfer of Funds	4,823,825	1,000,000	(3,823,825)	-79.3%
QSFP	Debt Service Funding Switch	Statutory change	17,172,000	17,172,000	0	0.0%
QSFP	Temporary funding reduction	Statutory change	<u>8,560,381</u>	<u>8,560,381</u>	<u>0</u>	0.0%
Total General Fund Transfers from LRP Programs			<u>\$70,593,131</u>	<u>\$44,250,036</u>	<u>(\$26,343,095)</u>	-37.3%

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. The revenues come from a variety of sources including various tax allocations and in several cases interest earnings from dedicated trusts. The only exception from program dedicated 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 LRP budget is primarily appropriated from state special revenue funds but includes appropriations from most fund types. No general fund appropriations are included for the LRP programs in the 2013 biennium. The figure to the right shows the funding of the LRP budget in the 2013 biennium. Over 60% of the appropriations are funded with state special revenue. Federal special appropriations account for 18% of the budget. Authorizations, 10% of total funding, are not appropriations and exist in the LRP budget (in LRBP) 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. Notable in the 2013 biennium, capital project fund appropriations are an insignificant 2% of the total budget. This is in part due to corrections made in the LRBP capital project fund. More detail on the funding of LRP programs is found in the program sections of this report.

Executive Budget Comparison

The Sixty-second Legislature made several decisions that increased overall LRP budgets. The largest increase in LRP programs was the result of the legislative initiative to provide project appropriations in both the TSEP and TSEPRW programs. The executive budget had proposed transferring most of the program revenues to the general fund, but the legislature chose instead to transfer only a portion of the program funds. Some significant increases to the executive proposal include a funding switch, which designated the environmental cleanup of the KRY refinery as a capital project and funded the project in HB 5 and full funding of the new Southwestern Veterans Home project in HB 296. Combined, the legislative LRP budgets increased the executive proposal by \$38.2 million, or 36.7%.

Long-Range Planning Budget Comparison (in millions)					
Budget Item	LRP Budgets FY 10-11	Executive Proposals FY 12-13	Legislative Approps FY 12-13	Change from Executive	% Dif
Long-Range Building Program (LRBP)	\$208.800	\$62.484	\$82.334	\$19.850	31.8%
State Building Energy Conservation Program (SBECP)	23.24	0.000	0.000	0.000	-
Long-Range Information Technology Program (LRITP, in HB 5)	99.25	0.000	0.000	0.000	-
Treasure State Endowment Program (TSEP)	33.85	1.000	14.754	13.754	1375.4%
Treasure State Regional Water Program (TSEPRW)	15.00	0.000	3.920	3.920	-
Renewable Resource Grant and Loan Program (RRGL)	29.96	20.934	21.414	0.480	2.3%
Reclamation and Development Grant Program (RDGP)	7.03	6.849	7.084	0.235	3.4%
Cultural and Aesthetic Grant Program (C&A)	0.92	0.725	0.696	(0.029)	-4.0%
Quality School Facilities Grant Program (QSFP)	11.66	12.069	12.069	0.000	0.0%
Total Costs	\$429.708	\$104.062	\$142.271	\$38.210	36.7%
Capital Projects Fund (Capital)	\$18.865	\$2.420	\$2.670	\$0.250	10.3%
General Fund (GF)	74.446	\$0.000	\$0.000	\$0.000	-
State Special (SS)	112.388	56.447	85.469	29.023	51.4%
Federal Special (FS)	141.889	16.886	25.823	8.938	52.9%
Bonds and Loans (Bonds)	41.571	13.724	13.724	0.000	0.0%
Proprietary Fund (Prop)	1.750	0.250	0.250	0.000	0.0%
Authorization (Author)	38.800	14.335	14.335	0.000	0.0%
Total Funds	\$429.708	\$104.062	\$142.272	\$38.210	36.7%

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 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. 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 the capital projects fund (long-range building fund). The LRBP is administered by the Department of Administration, Architecture and Engineering Division (A&E).

Program Highlights

Long-Range Building Program Major Program Highlights (HB 5)
<ul style="list-style-type: none">◆ The Legislature appropriated and authorized a total funds LRBP budget of \$82.3 million for the 2013 biennium in HB 5 and HB 296◆ Total appropriations include:<ul style="list-style-type: none">• \$2.7 million of LRBP capital project funds• \$39.3 million state special revenue funds• \$25.8 million of federal special revenue funds◆ Projects requiring legislative authorization as required in 18-2-102, MCA but not appropriation include:<ul style="list-style-type: none">• \$0.3 million of proprietary funds• \$14.3 million in authority◆ The LRBP total funds budget for the 2013 biennium is 60.6% lower than the 2011 biennium budget but 31.8% higher than the executive proposal◆ The building program projects appropriated for the 2013 biennium primarily address life health and safety concerns◆ Notable projects include:<ul style="list-style-type: none">• Environmental cleanup at the KRY refinery, now designated as a “capital project”• Construction of the new Southwestern Montana Veterans’ Home (HB 296)◆ The 62nd Legislature reduced or eliminated 7 projects, as recommended in the executive proposal<ul style="list-style-type: none">• \$10.7 million of associated project funds are transferred to the general fund◆ Transfer of \$500,000 of LRBP funds to the general fund

Summary of Legislative Action

The Sixty-second Legislature authorized a LRBP consisting of 36 projects with a total project cost of \$82.3 million in HB 5 and HB 296. The following figure shows, by agency, the projects approved by the legislature and detailed project descriptions follow the figure. Projects for the department of Fish, Wildlife, and Parks (FWP) dominated the LRBP budget for the 2013 biennium both in the number of projects (17) and the amount of appropriations (\$27 million). Project appropriations for FWP include \$10.3 million for land acquisition. The remainder of the LRBP budget is primarily devoted to major deferred maintenance projects in state buildings. The one exception is the HB 296 appropriation for the new Southwestern Veterans’ Home in Butte, with total appropriations of \$14.2 million (\$13.75 million in HB 296 and \$0.475 million in HB 5).

Long-Range Building Program (LRBP)						
Project Appropriations and Authorizations - HB 5 & HB 296 - 2013 Biennium						
Bill#/Agency / Project	Appropriations			Non-Appropriation		Total
	LRBP Capital Project Fund	State Special	Fed Special	Proprietary	Authorization	
HB 5						
Department of Administration						
Install Fire Protection Systems - Montana Law Enforcement Academy	\$600,000					\$600,000
Elevator & ADA Modifications, Capitol Cmplx Mechanical & Energy Projects, Capitol Cmplx		\$800,000				800,000
Repair Natural Gas System at MSH, Warm Spgs	250,000	1,592,500				1,592,500
Department of Administration-Statewide						
Spending Authority, Utility Energy Conservation Funds					\$1,000,000	1,000,000
Authority to Spend Federal Grant Funds			\$5,000,000			5,000,000
Department of Corrections						
Repair Building 15 Roof - Riverside Youth Correctional Facility, Boulder	215,000					215,000
Department of Environmental Quality						
Environmental Cleanup-KRY site		5,850,000				5,850,000
Department of Fish, Wildlife, and Parks						
Parks Program		2,351,000	1,700,000			4,051,000
Future Fisheries		1,274,000				1,274,000
Fishing Access Site Protection		1,474,000	400,000			1,874,000
Upland Game Bird Program		1,181,800				1,181,800
Hatchery Maintenance		575,000	575,000			1,150,000
Admin Facilities Repair & Maint		1,570,500				1,570,500
Grant Programs/Federal Projects		258,000	2,000,000			2,258,000
Milltown Dam Park Improvements		927,530	730,500			1,658,030
Wildlife Habitat Maintenance		970,000				970,000
Dam Maintenance		50,000				50,000
Smith River Corridor Enhancements		150,000				150,000
Waterfowl Program		509,000				509,000
Community Fishing Ponds		50,000				50,000
Department of Fish, Wildlife, and Parks (Land Acquisition)						
Habitat Montana		8,668,000	200,000			8,868,000
Fishing Access Site Acquisition		279,000				279,000
Bighorn Sheep Habitat		538,000				538,000
Home to Hunt Access		600,000				600,000
Department of Military Affairs						
Replace Armory Roofs, Statewide			930,000			930,000
Federal Spending Authority			2,500,000			2,500,000
Department of Natural Resource and Conservation						
Aircraft Hangar, Kalispell				\$250,000		250,000
Department of Public Health and Human Services						
Replace Security Key System - MDC, Boulder	200,000					200,000
Preliminary Design - SW Montana Veterans' Home, Butte		475,000				475,000
Department of Transportation						
Statewide Maintenance, Repair & Small Projects		2,142,000				2,142,000
Equipment Storage Buildings, Statewide		2,158,000				2,158,000
Montana University System						
Install Fire Protection Systems - Montana University System	530,000				260,000	790,000
Hazard Mitigation Projects - Montana University System	875,000		2,850,000		1,075,000	4,800,000
General Spending Authority, UM - All Campuses					6,000,000	6,000,000
General Spending Authority, MSU - All Campuses					6,000,000	6,000,000
Total LRBP Projects, HB 5	\$2,670,000	\$34,443,330	\$16,885,500	\$250,000	\$14,335,000	\$68,583,830
HB 296						
Department of Health and Human Services						
Southwestern Montana Veterans' Home Project		\$4,812,500	\$8,937,500			\$13,750,000
Total LRBP Projects	\$2,670,000	\$39,255,830	\$25,823,000	\$250,000	\$14,335,000	\$82,333,830

Detailed Project Descriptions

LRBP appropriations and authorizations amounting to \$68.6 million for capital projects are approved in HB 5 and an additional \$13.8 million in HB 296, amounting to total LRBP appropriations of \$82.3 million. Appropriations are made from 38 different capital project, state special revenue, federal special revenue, and higher education fund accounts. A brief description of the long-range building projects included in HB 5 and HB 296 is seen below.

Department of Administration

- Install Fire Protection Systems, Montana Law Enforcement Academy (MLEA) - \$600,000 LRBP Capital Project Funds (05007) - Install fire suppression systems at the Montana Law Enforcement Academy dormitories
- Elevator and ADA Modifications, Capitol Complex - Capitol Complex - \$800,000 General Services State Special Revenue (02299) - This project will include major repairs, modifications, and replacement to elevators in the Capitol Complex
- Mechanical & Energy Projects, Capitol Complex - \$1,592,500 General Services State Special Revenue (02299) - This funding will be used to implement energy savings conservation measures and replace worn out equipment at Capitol Complex buildings
- Repair Natural Gas System, Montana State Hospital (MSH) - \$250,000 LRBP Capital Project Funds (05007) – This appropriation will replace old direct buried natural gas distribution lines that have corroded and are beginning to leak within the Montana State Hospital Campus at Warm Springs. A number of gas leaks within the Warm Springs campus have been discovered recently and A&E has responded with emergency repairs, removing any immediate and present danger. This appropriation will allow prompt replacement of larger sections of the corroded underground pipes with a non-corroding pipe system to stop new leaks from occurring

Department of Administration - Statewide

- Spending Authority, Utility Energy Cons. Funds - \$1,000,000 Authority to Spend Energy Grant Funds (05145) - Utility company energy conservation funds will be used to reduce state energy funds required to implement energy retrofit projects
- Authority to Spend Federal Grant Funds - \$5,000,000 Federal Special Revenue (03472) - This appropriation allows the state to use federal grant funds for repair, maintenance, and improvement of existing state-owned facilities

Department of Corrections

- Repair Building 15 Roof - Riverside Youth Correctional Facility (RYCF), Boulder - \$215,000 LRBP Capital Project Funds (05007) - This project will repair the roof of Building 15, located at RYCF in Boulder

Department of Environmental Quality

- KRY Environmental Cleanup, Kalispell - \$5,850,000 Orphan Share state special revenue (SSR) (02472) – This appropriation will cover the state share of the liability associated with the cleanup of the Kalispell Pole and Timber, Reliance Refining Company, and Yale Oil Corporation Facilities (collectively referred to as the KRY Site). The KRY site is made up of three state superfund facilities listed on the Montana Comprehensive Environmental Cleanup and Responsibility Act Priorities List. The appropriation will allow cleanup work necessary to implement, under the oversight of the Department of Environmental Quality, the agency's selected remedial action at the KRY site

Department of Fish, Wildlife, and Parks

- Parks Program - \$4,051,000 Total (\$225,000 Motorboat Fees SSR (02273), \$297,000 FWP Accommodations Tax SSR (02274), \$329,000 State Parks Miscellaneous SSR (02411), \$1,500,000 Highway SSR (02422), \$1,700,000 Federal Fish and Wildlife (03097)) - This project will rehabilitate existing facilities, infrastructure, and roads at state parks

- Future Fisheries - \$1,274,000 Total (\$1,000,000 General License SSR (02409), \$274,000 River Restoration Account SSR (02149) - This project provides grant funding for statewide fish habitat restoration projects. The appropriation from the general license account (02409), was initially planned to be appropriated from the RIT Bull/Cutthroat Trout Enhancement SSR (02022), and if the funding allocated from the Resource Indemnity Trust interest earnings is restored in HB 316 or if HB 316 fails to be passed and approved, then the funds are appropriated from the Bull/Cutthroat Trout SSR (02022) (HB 316 was vetoed by the Governor)
- Fishing Access Site Protection - \$1,874,000 Total (\$74,000 Motorboat Fees SSR (02273), \$1,400,000 General License SSR (02409), \$400,000 Federal Fish and Wildlife (03097)) - This project will provide for the installation and rehabilitation of basic facilities at Fishing Access Sites (FAS)
- Upland Game Bird Program - \$1,181,000 Total (\$980,000 Upland Game Bird SSR (02113), \$201,800 Upland Game Bird Planting SSR (02687)) - This program provides landowners with funding to restore/establish habitat and also implements the mandatory pheasant release program
- Hatchery Maintenance - \$1,150,000 Total (\$575,000 General License SSR (02409), \$575,000 Federal Fish and Wildlife (03097)) - This project will provide funding for the timely repair and preventive maintenance at ten state owned fish hatcheries across the state
- Admin Facilities Repair & Maintenance - \$1,570,500 Total (\$1,146,000 General License SSR (02409), \$424,500 Real Estate Trust SSR (02410)) - This project addresses ongoing maintenance and repair at administrative sites, protecting them from deterioration
- Grant Programs/Federal Projects - \$2,258,000 Total (\$72,000 Off Highway Vehicle Gas Tax SSR (02213), \$186,000 Off Highway Vehicle, Parks SSR (02239), \$1,500,000 Parks Federal Revenue (03098), \$500,000 Land & Water Conservation Fund Land (LWCF) Federal Pass-through (03406)) - This project includes the off-highway vehicle grants, recreational trails program grants, and land & water conservation fund grants
- Milltown Dam Park Improvements - \$1,658,030 Total (\$927,530 Private Contracts and Grants SSR (02051), \$730,500 Miscellaneous Federal Funds (03403)) - The Milltown Dam project will develop a state park at the dam removal and clean-up site east of Missoula
- Wildlife Habitat Maintenance - \$970,000 Habitat Trust Interest SSR (02469) - This project provides funding to maintain wildlife management areas in accordance with state requirements. If HB 209 is passed and approved, this appropriation is increased by \$830,000 (HB 209 was vetoed by the Governor).
- Dam Maintenance - \$50,000 General License SSR (02409) - This project will provide funding for the repair of department-owned dams
- Smith River Corridor Enhancements - \$150,000 Smith River Corridor Enhancements SSR (02171) - This project addresses the Smith River corridor and the associated funding of the earmarked Corridor Enhancement Account (CEA)
- Waterfowl Program - \$509,000 Waterfowl Stamp SSR (02085) - This project provides for the protection and enhancement of wetland habitat
- Community Fishing Ponds - \$50,000 General License SSR (02409) - This project will provide funds for the development of community fishing ponds and promote efforts for family fishing adventures

Department of Fish, Wildlife, and Parks, Land Acquisition

- Habitat Montana - \$8,868,000 Total (\$8,631,000 Wildlife Habitat SSR (02114), \$37,000 Mule Deer Auction SSR (02559), \$200,000 Federal State Wildlife Grants (03408)) - The purpose of this project is to acquire wildlife habitat via easement, lease, or fee. If HB 209 is passed and approved, this appropriation (from the wildlife habitat SSR – 02114) is reduced by \$3,476,160 (HB 209 was vetoed by the Governor)
- Fishing Access Site Acquisition - \$279,000 Fishing Access Site Acquisition SSR (02415) - This program provides funding which enables the department to acquire interest in lands for angler access to public waterways. This appropriation is restricted to land purchases that are 5 acres or less
- Bighorn Sheep Habitat - \$538,000 Mountain Sheep SSR (02086) - The purpose of this project is to protect mountain sheep habitat through acquisition of interest in land either by easement, lease, or fee
- Home to Hunt Access - \$600,000 Hunting Access Acquisition SSR (02459) - This project addresses hunting access to public lands through private lands by easements, leases, or fee title

Department of Military Affairs

- Replace Armory Roofs, Statewide - \$930,000 DMA LRB Federal Funds (03244) – This project will fund the roof replacement at the Army Aviation Support Facility, Helena
- Federal Spending Authority - \$2,500,000 National Guard Federal Funds (03132) - This appropriation allows federal funds to be used for repair and maintenance, minor construction and facility improvements

Department of Natural Resources and Conservation

- Aircraft Hangar - \$250,000 Air Operations Internal Service Funds (06538) – This project will provide the authorization to use proprietary funds for the construction or acquisition of an aircraft hangar in Kalispell to house DNRC aircraft

Department of Public Health and Human Services

- Replace Security Key System at MDC, Boulder - \$200,000 LRBP Capital Project Funds (05007) - This appropriation will repair and upgrade the existing security system at the Montana Developmental Center in Boulder
- Preliminary Design-SW MT Veterans' Home, Butte - \$475,000 Southwest MT Veterans' Home SSR (02135) - This project will provide for the programming, preliminary design, environmental review, and refined cost estimates in preparation of the VA grant application documents for the Southwestern Montana Veterans' Home
- SW MT Veterans' Home, Butte (HB 296) - \$13,750,000 Total (\$4,812,500 SSR (02135), \$8,937,500 FSR (fund number is not known at this time)) – This project will fund the construction of a new 60 bed cottage/community living style campus with a central building and maintenance/shop/garage buildings in Butte. The project is scheduled for completion in February 2014, but project completion is reliant on the availability of construction funds. The facility will be a contracted state veterans' facility and will not be state operated. Ongoing operations costs will require 1.0 FTE state liaison (administrative specialist) beginning in FY 2014, to comply with federal VA regulations. The cost of the FTE is expected to be \$58,754 annually and there will be expected office setup costs of \$3,100. These costs will be funded by state special revenue

Department of Transportation

- Statewide Maintenance, Repair and Small Projects - \$2,142,000 Highway SSR (02422) – This project will provide funding for routine/annual preventive maintenance to ensure existing facilities are maintained and small construction projects statewide
- Equipment Storage Buildings, Statewide - \$2,158,000 Highway SSR (02422) – This project will provide funding to construct new buildings for Department of Transportation road maintenance equipment and personnel at various locations throughout the state

Montana University System

- Install Fire Protection Systems, MT University System (UM campuses) - \$790,000 Total (\$530,000 LRBP Capital Project Funds (05007), \$260,000 UM Unexpended Plant Funds (71100)) - This project will repair, upgrade, or replace existing fire protection systems at Montana University System facilities.
- Hazard Mitigation Projects, MT University System (All campuses) - \$4,800,000 Total (\$875,000 LRBP Capital Project Funds, \$2,850,000 MUS Hazard Mitigation (03471), \$75,000 UM Unexpended Plant Funds (71100), \$1,000,000 MSU Unexpended Plant Funds (71200) - This project will make pre-disaster mitigation improvements to vulnerable MT University System facilities
- General Spending Authority, UM (All campuses) - \$6,000,000 UM Unexpended Plant Funds (71100) – This project provides authority to use grants, donations, and university funds at to UM to construct and administer various projects which exceed \$150,000 and do not create new programs or require state support
- General Spending Authority, MSU (All campuses) - \$6,000,000 MSU Unexpended Plant Funds (71200) - This project provides authority to use grants, donations, and university funds at to MSU to construct and

administer various projects which exceed \$150,000 and do not create new programs or require state support

In addition to making LRBP appropriations, the legislature also reduced or eliminated seven projects appropriated in past biennia and transferred the funds to the general fund. The executive proposal recommended the project reductions and the legislature agreed and struck or reduced prior year appropriations, providing \$10.7 million of funds that will be transferred from the LRBP capital projects fund to the general fund. The figure below lists the projects that were reduced, the session and bill number of the original appropriation, the total project appropriation and amount of the appropriation of LRBP capital project funds, and the amount of the reduction.

LRBP Project Reductions					
Project	Session	Bill No.	Original Total Appropriation	LRBP Fund Appropriation	LRBP Fund Reduction
Receiving Hospital Renovation, MT State Hospital	5/2007SS	HB 4	\$5,800,000	\$5,800,000	\$4,500,000
Expansion of Food Services, MSP	5/2007SS	HB 4	1,930,000	1,637,000	1,191,402
New Building for Youth Transition Center, Great Falls	2009	HB 5	1,310,000	1,310,000	1,250,000
Office of Public Assistance, Wolf Point	2009	HB 5	2,250,000	2,250,000	2,234,220
Statewide Facilities Planning	2009	HB 5	400,000	400,000	400,000
Infrastructure Repairs, State Capitol, Helena	2009	HB 5	800,000	500,000	500,000
Auto Tech Center Design, MSU-Northern	5/2007SS	HB 4	<u>800,000</u>	<u>800,000</u>	<u>610,000</u>
Total LRBP Project Reduction Proposals			<u>\$13,290,000</u>	<u>\$12,697,000</u>	<u>\$10,685,622</u>

The legislature also transferred \$500,000 of LRBP funds, made available to the program when HJ 2 revenue estimates were increased (subsequently increasing the funds flowing to the LRBP capital projects fund). The total transfer of LRBP capital project funds in HB 5 was \$11.2 million and will be transferred to the general fund by June 30, 2011. The legislature also provided some guidance on several of the LRBP appropriations in HB 5. First, the legislature provided coordination language with two bills (HB 209 and HB 316), but both pieces of legislation were vetoed by the Governor. The legislature also put parameters on one of FWP land acquisition appropriations. The legislature added language to HB 5 that states that the appropriation for Fishing Access Site Acquisition “is restricted to purchases of land that are 5 acres or less.”

Funding

Funding for the Long-Range Building Program comes from various sources: the LRBP capital projects fund, state special revenue funds, federal funds, and other funds (such as university funds, private funds, and capitol land grant funds). While not the largest source of funding for capital projects, the LRBP capital projects fund is the principle source funding of the state building program major maintenance.

The LRBP capital projects fund will begin the 2013 biennium with a significant negative beginning fund balance estimated at \$6.2 million. The negative balance results from lower than expected interest earnings during the 2011 biennium and necessary adjustments to outstanding project funds.

LRBP account revenues include 2.6% of cigarette tax revenue and 12.0% of coal

Long-Range Building Program Fund (05007)	
Fund Balance Projection 2013 Biennium	
Estimated Beginning Cash Balance (7/1/2011)	(\$6,210,736)
Revenue Projections ¹	
Cigarette Tax	\$3,574,000
Coal Severance Tax	12,669,000
Interest Earnings	808,900
Supervisory Fees	<u>350,000</u>
2013 Biennium Revenues	17,401,900
Appropriations	
Operating Costs-A & E Division ²	(3,760,205)
Debt Service-2003G	(3,384,371)
Debt Service-2005A	(2,194,029)
Funding Switch	1,330,000
LRBP Capital Projects	<u>(2,670,000)</u>
Total Appropriations	(10,678,605)
Project Elimination and Transfer	
Project Eliminations	10,685,622
Transfer of LRBP Funds to GF	<u>(11,185,622)</u>
Net Transfer Impact	<u>(500,000)</u>
Estimated Ending Cash Balance - (6/30/2013)	<u>\$12,559</u>

¹HJ 2 - Revenue estimating resolution

²HB 2 - General appropriations act

severance tax revenue. Other income includes LRBP interest earnings and supervisory fees paid to the A&E. The LRBP fund is expected to collect \$17.4 million in revenues, fees, and earnings over the 2013 biennium.

Appropriations of the LRBP program include A&E administrative costs and debt service costs. The A&E administrative cost is \$3.8 million and is appropriated in HB 2 from the LRBP capital projects fund. After consideration of a \$1.3 million funding switch established by the 2001 Legislature, the LRBP is responsible for \$4.2 million of debt service for bonds authorized by the 1995 Legislature. Finally, the legislature appropriated \$2.7 million for LRBP projects from the capital projects fund, providing total appropriations from the capital projects fund of \$10.7 million.

As mentioned above, the legislature also provided a transfer of \$11.2 million to the general fund. The transfer of funds consists of \$10.7 million, available through the reduction and elimination of prior biennia projects, and \$0.5 million, available from funds that the legislature did not appropriate for capital projects. Consequently, the LRBP capital projects account is expected to have an ending fund balance of \$12,559 at the end of the 2013 biennium.

Executive Budget Comparison

The legislature appropriated and authorized project funds totaling \$82.3 million for capital building projects in the 2013 biennium compared to the executive proposal of \$62.5 million, an increase of approximately \$19.9 million or 31.8%. Significant increases to the LRBP appropriations include the addition of Repair of Natural Gas System at Montana State Hospital, which increased LRBP capital project appropriations by \$250,000, the KRY refinery project, which increased state special appropriations by \$5.9 million, and construction of the new Southwestern Veterans’ Home, which increased both state special and federal special appropriations by a total of \$13.8 million. The legislature also reduced the executive proposal to transfer LRBP capital project funds by \$500,000 to provide a positive ending fund balance in the LRBP capital projects fund. The changes by fund are shown in the figure below.

Long-Range Building Program Executive Proposal Compared to Legislative Budget				
Funding Source	Executive Recommendation	Legislative Appropriation	Difference	Percent Change
LRBP-CP	\$2,420,000	\$2,670,000	\$250,000	10.3%
State Special	28,593,330	39,255,830	10,662,500	37.3%
Fed Special	16,885,500	25,823,000	8,937,500	52.9%
Proprietary	250,000	250,000	0	0.0%
Authorizations	<u>14,335,000</u>	<u>14,335,000</u>	<u>0</u>	0.0%
Total HB 5 Appropriations	<u>\$62,483,830</u>	<u>\$82,333,830</u>	<u>\$19,850,000</u>	31.8%
LRBP Transfer to GF	\$11,685,622	\$11,185,622	(\$500,000)	-4.3%

Other Legislation

HB 10

The funding of \$5.98 million for the Legislative Branch Information Technology Projects, appropriated in HB 5 (The Long-Range Building Program Bill) is provided in HB 10, however the Governor line item vetoed the project. Consequently, the monies will remain in the LRITP fund while the appropriation is vetoed.

HB 51

HB 51, “Revise Laws Related to State Building Energy Conservation Programs”, makes programmatic changes to the SBECF at the recommendation of a performance audit of the Legislative Audit Division (LAD). According to the LAD audit, SBECF practices have not been in compliance with the statutory requirements related to the transfer or “sweep” of energy savings to the LRBP. HB 51 makes statutory changes that allow the Department of Environmental Quality (DEQ) to continue the practice of collecting all the energy savings and subsequently transferring the funds in excess of costs to the LRBP. In addition, HB 51 clarifies and provides parameters to the amount of time that agencies are required to reimburse the program for the energy savings related to the projects.

The fiscal note assumes that the statutory changes in HB 51 will cost the LRBP fund approximately \$558,000 over the next 15 years, or approximately \$37,200 per year. For more information on HB 51, refer to the SBECF section of this report.

Note: While HB 51 reduces the future transfers of energy savings to the LRBP, the DEQ must continue making payments to the building program. The DEQ did make a “sweep” of \$200,000 in FY 2011. This sweep is not apparent on the 2013 LRBP fund balance table, but is represented in an improvement of the LRBP beginning fund balance. Determinations of the audit show that DEQ is still lagging in making the sweeps to the LRBP fund, and in hearings on HB 51, DEQ informed the Long-Range Planning subcommittee that sweeps would be made in future years after evaluating the amount needed for debt service.

Program Description

The State Building Energy Conservation Program (SBECP), administered by the Department of Environmental Quality (DEQ), was established by the 1989 Legislature. According to the State Building Energy Conservation Act, codified in Title 90, Chapter 4, part 6, MCA, the program is designed to reduce operating costs for state facilities by identifying and funding cost-effective energy efficiency improvement projects. 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.

Program Highlights

State Building Energy Conservation Program Major Program Highlights
<ul style="list-style-type: none"> ◆ No SBECP appropriations authorized for the 2013 biennium ◆ The SBECP has \$3 million of continuing appropriation authority, provided by the 2009 Legislature, to complete in the 2013 biennium ◆ SBECP programmatic changes were made in HB 51

Summary of Legislative Action

The Sixty-second Legislature did not provide any new state building energy conservation appropriations for the SBECP in the 2013 biennium. Yet in hearings, DEQ informed the legislature that there will be \$3 million of unused appropriation authority for energy conservation projects in the 2013 biennium. Because the original appropriations were contained in the Long-Range Building Program (LRBP), the appropriation authority is ongoing until the point of project completion. The SBECP projects planned in the 2013 biennium are consistent with the scope and definition of the projects as discussed with the Sixty-first Legislature for the 2011 biennium. But the legislature did make some statutory changes in HB 51 that will impact the program.

The legislature passed HB 51, “Revise Laws Related to State Building Energy Conservation Programs”, which made programmatic changes to the SBECP. Currently, the program is moving towards “revolving fund” functionality. HB 51 impacts the previous program functionality (when the program used debt financing to pay for projects), but does not affect current program functionality.

For many years, the SBECP projects were funded with the proceeds of bond issues. Agencies taking part in the program (doing energy upgrade projects through the program) reimburse the SBECP with the estimated energy savings realized through the project. The agency energy savings are collected over the life of the project. Any reimbursements above the debt service and program costs of the project were statutorily required to be paid directly to the LRBP. However, a recent financial audit, the Legislative Audit Division (LAD) found:

“...estimated energy cost savings in excess of projected debt service are to be transferred by a participating agency to the LRBP at the request of DEQ. While statute indicates participating agencies transfer these additional savings directly to LRBP upon request from DEQ, in practice the SBECP has collected estimated energy cost savings directly from participating agencies and only transferred portions of the difference between the estimated energy cost savings and projected debt service to the LRBP.”

Because SBECP practices were not in agreement with the statutory requirements, the LAD recommended, “...the Department of Environmental Quality comply with statute regarding the transfer of funds to the Long Range Building Program”. HB 51 provides, instead, statutory changes that allow DEQ to continue the practice of collecting the all energy savings and subsequently transferring the funds in excess of costs to the LRBP. HB 51 also formally establishes a fund through which transfers to the LRBP may be made.

Next, again in response to the audit findings of LAD:

State law does not provide direction as to the retirement or continuation of the collection of estimated energy cost savings beyond the retirement of the bond payments. Existing statute is silent regarding the collection of estimated energy cost savings from participating agencies after bond debt. As a result, it is unclear what should happen to estimated energy cost savings collected after the term of bond repayment.

HB 51 clarifies and provides parameters to the amount of time that agencies are required to reimburse the program for the energy savings related to the projects. HB 51 amends 90-4-614, MCA, to read, “These transfers (in the amount of energy cost savings) must be made for a period that is equal to the term of the bonds, plus one year.” The result of the amendment is that the payback period for projects is shortened, and the participating agencies will be able to realize energy savings sooner than under the current SBECF practices. However, since DEQ will collect less money from agencies, less money will be transferred to the LRBP. The fiscal note assumes that the reduction related to the statutory changes in HB 51 will be approximately \$558,000 over the next 15 years, or approximately \$37,200 per year.

Funding

Funding for the SBECF was modified by the Sixtieth and the Sixty-first Legislatures. The result is that the program has been fashioned to operate as a “revolving project” program. As previously determined (and shown in the 2011 Fiscal Report, Section F), once agencies begin reimbursing the program for the energy conservation projects appropriated by the 2009 Legislature, total reimbursements should generate about \$1.9 million per year for new projects and administrative costs. However, the full list of projects has not been completed, and it will take some time for the projects to be completed. Energy savings are collected after the projects are completed, so the current reimbursements are not expected to be sufficient to support additional projects until the 2015 biennium.

Executive Budget Comparison

The Sixty-second Legislature made no new appropriations for the SBECF, so there were no changes to the executive proposal for the SBECF in the 2013 biennium.

Other Legislation

The Sixty-second Legislature did not enact any other legislation that would directly impact the SBECF program.

LONG-RANGE INFORMATION TECHNOLOGY PROGRAM

Program Description

The Long-Range Information Technology Program (LRITP) provides an alternative method of funding large information technology (IT) investments. The LRITP consolidates all major IT projects in one appropriation bill and defines major IT enterprises as capital projects. All of the executive branch projects included in the LRITP program will be overseen by the state chief information officer (CIO) within the Department of Administration (DOA).

Program Highlights

Long-Range Information Technology Program Major Program Highlights	
<ul style="list-style-type: none"> ◆ Three projects appropriated in prior biennia were reduced in HB 10 <ul style="list-style-type: none"> • Freed-up \$10.7 million • The MACWIS (CAPS) project will be built in the future and will require future appropriation ◆ HB 10 provides a transfer of \$4.8 million to the general fund 	

Summary of Legislative Action

The Sixty-second Legislature reduced prior biennia appropriations for three major IT projects in HB 10, providing a savings in project costs of \$10.7 million. The legislature also provided an appropriation of \$6.0 million for the Legislative Branch Information Technology Capital Projects, which was subsequently vetoed by the Governor. The figure below shows the single (struck) appropriation for LRITP capital projects and lists the projects reduced in HB 10. The figure also shows the session and bill number of the original appropriation, the total project appropriation and amount of the appropriation of LRITP capital project funds, and the amount of the reduction.

Long-Range Information Technology Program (LRITP) Appropriations and Project Reductions - HB 10 - 2013 Biennium						
Action / Agency / Project	Session	Bill No.	Original Appropriation	Original LRITP Appropriation	LRITP Reduction	
Projects Funded from LRITP Capital Project Funds						
Legislative Branch ¹						
Legislative Branch Information Technology Capital Projects		HB-5	\$5,975,000		5,975,000	
Reductions from LRITP Capital Project Funds						
Montana Automated Child Welfare Information System (MACWIS)-Initially CAPS	5/2007SS	HB 4	\$27,150,000	\$15,204,000	(\$10,273,760)	
Judicial Branch IT Project	5/2007SS	HB 4	2,909,470	2,909,470	(340,000)	
Efficiency Through Imaging, DOR	2009	HB 10	<u>3,366,178</u>	<u>3,366,178</u>	<u>(123,273)</u>	
Total LRITP Reductions			\$33,425,648	\$21,479,648	(\$10,737,033)	
Net Reduction (reductions - planned appropriation) from LRITP Capital Projects Fund					(\$4,762,033)	
Transfer to General Fund					<u>\$4,762,033</u>	
¹ Projects show as struck were line item vetoed by the Governor						

Of the projects reduced, the greatest concern was raised for the reduction of the Montana Automated Child Welfare Information System (MACWIS) project (replacement of Child and Protective Services (CAPS) and other related legacy systems). According to the Department of Public Health and Human Services, the federal partners will permit Montana to continue to claim CAPS operational funding at the State Automated Child Welfare Information System (SACWIS) federal participation rate and are working with DPHHS to address federal compliance issues. DPHHS representatives have also stated that they will request appropriations for the new MACWIS project again at some point in the future. As a result of the reduction, the Judicial Branch Information Technology Project is expected to be brought forward in the future with a request for new appropriations to

complete the project. The Efficiency through Imaging project reduction is equal to the project contingencies. With the project already contracted and moving forward, the budgetary risks and the need for contingency funds is reduced.

In addition to reducing past biennia appropriations, the Sixty-second Legislature enacted two revisions for project bidder conditions and criteria related to the Unemployment Insurance Tax Modernization project, appropriated in HB 10 from the 2009 session. The first change increased the minimum total scoring preference for bidders from 10% to 20% of the total points. The second change required vendors, seeking to place bids on the project, to have installed substantially similar projects in at least two other states (was initially one similar project) in the past.

Funding

Funding for LRITP capital projects is made through the LRITP capital projects fund. The LRITP fund has no revenue distributions directed to the upgrades of state IT capital projects, but instead relies on fund transfers and agency funds to pay the costs of major IT projects. In the 2013 biennium, there are no new appropriations in the LRITP.

As seen in the figure to the right, the LRITP capital projects fund is expected to begin the 2013 biennium with a \$0 balance. The legislature eliminated three projects funded with LRITP capital project funds, freeing-up \$10.7 million in the fund. As shown in the fund balance calculations, \$4.8 million of the freed-up moneys will be transferred to the general fund. While the legislature did appropriate funds for one project, the Legislative Branch Information Technology Capital Projects project (HB 5), the Governor subsequently line item vetoed the project. Given the Governor’s project veto, the LRITP is expected to have an ending fund balance of \$6.0 million at the end of the 2013 biennium.

Long-Range Information Technology Program Fund (05031)	
Fund Balance Projection 2013 Biennium	
Estimated Beginning Cash Balance (7/1/2011)	\$0
Project Elimination	
Project Elimination	\$10,737,033
Total Project Eliminations	<u>10,737,033</u>
Appropriations	
LRITP Capital Projects⁺	(5,975,000)
Total Appropriations	<u>0</u>
Transfer to General Fund	<u>(4,762,033)</u>
Estimated Ending Cash Balance - (6/30/2013)	<u>\$5,975,000</u>
¹ HB 5 (line-item vetoed by Governor)	

Executive Budget Comparison

Following the Governor’s veto of the single IT capital project appropriation, the Sixty-second Legislature did not increase the executive recommendation for LRITP projects. The executive budget did not recommend any LRITP projects. However, the legislature did reduce the amount of LRITP capital projects funds that the executive budget recommended transferring to the general fund by \$6.0 million, the cost of the vetoed LRITP project. The change represents a reduction of 56% from the transfers to the general fund.

Long-Range Information Technology Program				
Executive Proposal Compared to Legislative Budget				
Fund Type	Executive Proposal	Legislative Appropriations	Change	% Change
LRITP Transfer to General Fund	\$10,737,273	\$4,762,033	(\$5,975,240)	-56%
*The Legislature planned to use the difference in the transfer amount for a project that was subsequently line-item vetoed by the Governor				

Other Legislation

The Sixty-second Legislature did not enact any legislation that would directly impact the LRITP program.

TREASURE STATE ENDOWMENT PROGRAM

Program Description

The Treasure State Endowment Program (TSEP) is a state infrastructure-financing program approved by Montana voters with the passage of Legislative Referendum 110 in June 1992. Grant funding for the program is derived from investment earnings on coal severance tax funds. According to 90-6-702, MCA, the purpose of TSEP is to assist local governments in funding infrastructure projects. Eligible applicants include cities, towns, counties, and tribal governments, county or multi-county water, sewer, or solid waste districts. The TSEP is administered by the Department of Commerce (DOC). The TSEP administrators recommend and the legislature authorizes grants through a procedure that ranks the projects according to seven statutory priorities and relative financial need. Projects are generally funded in priority order, given the amount of interest earnings anticipated in the biennium.

Program Highlights

Treasure State Endowment Program	
Major Program Highlights	
<ul style="list-style-type: none">◆ Total grant funds appropriated in HB 351 are \$14.8 million<ul style="list-style-type: none">● \$100,000 for emergency grants● \$900,000 for preliminary engineering grants● \$13.8 million for 30 TSEP local government infrastructure grants (8 of which were line item vetoed by the Governor¹)● A conditional appropriation for \$840,000 is established to fund one or more of 6 additional grants◆ Given the Governor's line item vetoes of eight TSEP projects, there is sufficient appropriation to fund projects 31 through 35 and a portion of project 36◆ Flow of coal severance tax to the TSEP trust is extended for four years	

Summary of Legislative Action

The 2011 Legislature appropriated \$14.8 million of Treasure State Endowment trust earnings in HB 351 for the 2013 biennium. From the appropriations, \$13.8 million funds 30 infrastructure projects, \$0.1 million funds emergency grants, and \$0.9 million funds project planning grants. The grants to local governments authorized by the legislature are seen in figure below. While the legislature authorized 30 grants and 6 conditional grants, the Governor made line item vetoes to 8 of the more highly ranked projects. The grants must meet "start-up conditions", which includes documentation demonstrating that other matching funds required for completion of the project are firmly committed, by December 31, 2014.

The total appropriation for local government grants in HB 351 is equal to the first 30 projects included in the bill. However, the legislature did make provisions that could allow the remaining 6 grants (projects 31 through 36) to be funded. Grants ranked 31-36 may be funded if any one of the following four conditions occurs:

- Sufficient funds have been deposited in the TSEP special revenue account to fully fund the projects numbered 1 through 30A subsequent legislature withdraws funding for any of the projects numbered 1 through 30
- The department determines that any of the projects numbered 1 through 30 will be able to meet startup conditions
- A project submits a written withdrawal to the department indicating it no longer requires the grant
- If the department realizes savings of monies set aside for the cost of a loan that may be required to fund projects authorized by the 2009 Legislature that meet the startup conditions by the deadline (see discussion below)

¹ At the time of this writing, the Governor had line-item vetoed 8 TSEP projects, as shown in the figure on the following page; however the Sixty-second Legislature is being polled at this time, and may or may not concur with the Governor's actions.

Treasure State Endowment Program (TSEP)					
Grant Awards - HB 351 - 2013 Biennium					
Rank	Applicant	Project Type	Recommended Award	Grant Awards	Cummulative Total
1	Hardin, City of	Water	\$500,000	\$500,000	\$500,000
2	Park County ¹	Bridge	555,626	0	500,000
3	Sheridan, Town of	Wastewater	750,000	0	500,000
4	Yellowstone County	Bridge	157,227	157,227	657,227
5	Madison County	Bridge	699,931	0	657,227
6	Brady County W&S District	Water	750,000	750,000	1,407,227
7	Carter Choteau County W&S District	Water	750,000	750,000	2,157,227
8	Sun Prairie Village Co. W&S District	Water	625,000	625,000	2,782,227
9	Sweet Grass County	Bridge	156,678	0	2,782,227
10	Beaverhead County	Bridge	426,941	426,941	3,209,168
11	Carbon County	Bridge	406,695	0	3,209,168
12	Jefferson County	Bridge	218,634	218,634	3,427,802
13	Hebgen Lake Estates County W&S District	Wastewater	720,000	720,000	4,147,802
14	Augusta W&S District	Wastewater	295,000	295,000	4,442,802
15	Gallatin Gateway County W&S District	Wastewater	750,000	750,000	5,192,802
16	Fergus County	Bridge	276,157	0	5,192,802
17	Melrose W&S District	Wastewater	162,000	162,000	5,354,802
18	Blaine County	Bridge	434,309	434,309	5,789,111
19	Deer Lodge, City of	Wastewater	500,000	500,000	6,289,111
20	Lincoln County	Bridge	287,827	0	6,289,111
21	W. Yellowstone/Hebgen Bsn Refuse Dsp. Dist.	Solid Waste	246,563	246,563	6,535,674
22	Eureka, Town of	Wastewater	625,000	625,000	7,160,674
23	Fairfield, Town of	Water	500,000	500,000	7,660,674
24	Ravalli County	Bridge	142,616	142,616	7,803,290
25	Granite County	Bridge	276,408	276,408	8,079,698
26	Roundup, City of	Water	500,000	0	8,079,698
27	Roberts - Carbon Co. W&S District	Wastewater	500,000	500,000	8,579,698
28	Lockwood W&S District	Wastewater	750,000	750,000	9,329,698
29	North Havre County Water District	Water	590,000	590,000	9,919,698
30	Sand Coulee Water District	Water	200,966	200,966	10,120,664
31	East Helena, City of	Wastewater	750,000	750,000	10,870,664
32	Bigfork W&S District	Water	750,000	750,000	11,620,664
33	Custer County	Wastewater	750,000	750,000	12,370,664
34	Crow Tribe for Crow Agency	Water	750,000	750,000	13,120,664
35	Hill County	Bridge	174,082	174,082	13,294,746
36	Polson, City of	Water	625,000	625,000	13,919,746
Total Treasure State Endowment Grants			\$17,552,660	\$13,919,746	

¹ Projects show as struck were line item vetoed by the Governor

LFD COMMENT

Notes on the TSEP Project Table

The Governor line-item vetoed 8 projects amounting to \$3,632,914 from the TSEP project list, but did not change the appropriation of \$13,753,578. Language in HB 351 states:

Projects numbered 31 through 36 listed in subsection (3) that have satisfied the conditions described in [section 4(1)] may not receive grant funds unless sufficient funds have been deposited into the treasure state endowment special revenue account to fully fund the projects numbered 1 through 30 in subsection (3). However, if a subsequent legislature withdraws funding for any of the projects numbered 1 through 30 listed in subsection (3), if the department determines that any of the projects numbered 1 through 30 listed in subsection (3) will be unable to meet the startup condition described in [section 4(1Xb)], or if a project submits a written withdrawal to the department indicating it no longer requires a grant, those funds may be made available to projects numbered 31 through 36 listed in subsection (3) that have completed the conditions described in [section 4(1)].

In the event that any remaining funds deposited into the treasure state endowment state special revenue account during the 2013 biennium are insufficient to fully fund any one of the grant recipients listed in subsection (3), the department may make the remaining funds available to the first grant recipient that has satisfied the conditions

described in [section (1)j and that is able to firmly commit the balance of the amount necessary to fund the project in its entirety.

This language allows lower ranked projects (projects 31-36) to be funded, on a first come first serve basis, if higher ranked projects (projects 1-30) are not funded. The legislature is currently being polled on the veto on HB 351, and if the legislature concurs with the line-item vetoes, the appropriation will be \$166,168 short of the amount needed to fund all the lower ranked projects. Should all lower ranked grants request funding, then the language shown above would allow DOC to reduce grants by \$166,168.

However, the legislature also provided a conditional appropriation of up to \$840,000 that would increase the appropriation of \$13.8 million in HB 351. The conditions state that if the TSEP program does not need to borrow monies to fully fund grants that have met start-up conditions (or if the loan is less than anticipated by the 2011 Legislature) and the \$840,000 reserved for the costs is not needed (or is reduced), then the appropriation TSEP local government infrastructure appropriation may be increased. The amount of the loan and loan costs will not be known until the end of FY 2011. If the conditions are met, then the appropriation could be sufficient to fund all the lower ranked grants.

To fund all local government grant requests for the 2011 biennium, the 2009 Legislature provided the DOC with an appropriation of up to \$6.2 million of funds borrowed from the Board of Investments per 90-6-701(b), MCA. The fund balance analysis provides that DOC would need to borrow as much as \$3.3 million to fund all the grants authorized by the 2009 legislature, requiring \$840,000 to finance the repayment of the loan in the 2013 biennium.

However, the estimate of the required loan does not take into consideration projects that may not be able to meet startup conditions. Local governments who are not able to meet startup conditions by June 30, 2011 will lose their grant authorization, yet DOC is unable to estimate which (if any) grants will be unable to meet startup conditions before the end of the biennium. Because of the uncertainty of the how much money the DOC will be required to borrow, the legislature provided language in HB 351 that will allow the DOC to make use of funds that are not required to pay the biennial cost of the loan in the 2013 biennium.

The legislature also enacted two substantial TSEP program changes. First, the legislature limited the future use of TSEP funds for bridge projects. In recent years, the number of local government bridge projects has become a greater component of the TSEP program. The legislature chose to include language in HB 351 that will limit the number of bridge projects and the amount of TSEP funds that may be used for bridge projects. To make the changes, the legislature amended 90-6-710, MCA, requiring the DOC to prepare two prioritization lists, one for infrastructure projects and one for bridge projects. The legislature also added language to the code stating:

“Each list must be prioritized pursuant to subsection (2) of this section, but the department may recommend up to 20% of the interest earnings anticipated to be deposited into the treasure state endowment fund established in 17-5-703 during the following biennium for bridge projects.”

With this change, up to 20% of any biennium's TSEP funds will be available for bridge projects in the future.

Another change that the legislature made to the TSEP program was to extend the amount of time that the coal severance tax will flow into the TSEP endowment trust. The TSEP trust was established with distributions of the coal severance tax, 50% of the 50% distribution dedicated to the permanent coal trust. In law, the distribution was scheduled to terminate June 30, 2016. The legislature extended the flow for four years, and it will now terminate June 30, 2020.

Note: The legislature authorized 30 local government grants to be funded with expected TSEP interest and earnings. The legislature also authorized six grants that could be funded if any of the higher ranked grants do not go forward or there is additional money as a result of the actual costs of a potential loan. However, the Governor

line item vetoed eight of the more highly ranked grants. If approved by the legislature, the vetoes will free-up \$3.6 million of TSEP interest and earnings that will be used for the lower ranked grants.

At this time, the Sixty-second Legislature is being polled on acceptance of the Governor’s line item vetoes, and it is not known if the vetoes will stand. However, there is uncertainty about whether the actions of the Governor constitute a line item veto as defined in the Montana Constitution or in statute. Accordingly, even if the legislature concurs with the Governor’s line item veto of HB 351 during the poll, there is legal uncertainty as to whether the Governor’s veto would be upheld if it is challenged in the courts.

Funding

The fund balance table to the right shows the projected ending fund balance of the treasure state endowment state special revenue account for the 2013 biennium. The TSEP account will begin the biennium with a negative beginning fund balance of \$3.2 million. The negative beginning fund balance of July 1, 2011 results from the amount of grants that were authorized by the 2009 Legislature. It was the intent of the Sixty-first Legislature to fund all the 2011 biennium grant requests on the condition that they meet the program “start-up conditions” by the stated deadline. To provide the funding for the grants, the 2009 version of HB 11 contained an appropriation of up to \$6.5 million in borrowed funds. The TSEP has statutory authority to borrow funds from the Board of Investments, per 90-6-701(1)(b), MCA for local government grants. At this time, the need for borrowed funds is estimated to be \$3.3 million, and the loan will be repaid through the future earnings of the trust. The negative beginning fund balance is expected to be offset with the loan.

Treasure State Endowment Fund (02270)	
Fund Balance Projection 2013 Biennium	
Estimated Beginning Fund Balance (7/01/2011)	(\$3,246,651)
Estimate of Loan	<u>3,246,651</u>
	0
Revenue Projections ¹	
FY 2012 Interest Earnings	\$9,605,000
FY 2013 Interest Earnings	<u>10,407,000</u>
2013 Biennium Revenues	\$20,012,000
Appropriations	
Administration - Commerce ²	(\$1,127,022)
Emergency Grants	(100,000)
Preliminary Engineering Grants	(900,000)
Loan Repayment	(840,039)
TSEP Grants	<u>(13,753,578)</u>
Total Appropriations	(\$16,720,639)
Transfer to General Fund	<u>(1,570,000)</u>
Estimated Ending Fund Balance - (6/30/2013) ³	<u>\$1,721,361</u>
¹ HJ 2 - Revenue estimating resolution	
² HB 2 - General appropriations act	
³ The estimated ending fund balance is higher than anticipated by the legislature because of the Governor's veto of HB 316	
Note: The impacts of the Governor's line item vetoes, coupled with the conditional appropriation provided in HB 351, could result in a 2013 biennium fund balance that is greater than anticipated in this fund balance analysis	

TSEP interest earnings are expected to be \$20.0 million for the biennium. The legislature made several appropriations from the TSEP state special fund. First, \$1.1 million was appropriated for the administrative costs of the program, which occurs in HB 2. Other appropriations in the TSEP bill (HB 351) include \$100,000 for the emergency grants program and a \$900,000 appropriation for preliminary engineering grants.

The TSEP balance sheet also includes the statutory appropriation of \$840,039 for the 2013 biennium payments of the expected loan. This debt service expense is estimated by the LFD and assumes that TSEP would require a loan of \$3.3 million to cover the costs of all the grant awards of the 2011 biennium. Additional assumptions include a loan maturity of 10 years and an interest rate of 5%. The legislature made provisions in HB 351 that if the loan is less than expected (or not required), lowering the loan repayment costs, the appropriation for the local government grants is increased by the difference between the estimated debt service amount and the actual amount.

Finally, the legislature transferred \$1.57 million from the TSEP fund to the general fund to provide an adequate general fund ending fund balance. By the end of the 2013 biennium, the TSEP state special fund is expected to have an ending fund balance of \$1.7 million.

Note: The remaining balance in the TSEP fund is larger than anticipated by the legislature because of the Governor’s veto of HB 316, which would have transferred 10% of the TSEP trust balance to the permanent trust, reducing the anticipated interest and earnings of the trust by an estimated \$1.6 million in the 2013 biennium and increasing distributions of permanent trust interest to the general fund by a like amount.

Executive Budget Comparison

The executive budget recommended \$1.0 million of appropriations from the interest earnings of the TSEP trust for the 2013 biennium and a transfer of \$17.6 million of TSEP interest to the general fund. The appropriations consisted \$0.1 million for emergency grants and \$0.9 million for preliminary engineering grants, but no recommendation for appropriations for local government infrastructure and bridge grants. The legislature appropriated \$14.8 million of interest earnings and funded local government grants with \$13.8 million of the TSEP interest and earnings. To fund the local government grants, the legislature reduced the amount of funds transferred to the general fund to \$1.57 million. The result is that the legislature increased appropriations by 1375% from the executive proposal and reduced the transfer to the general fund by \$16.0 million or 91%.

Treasure State Endowment Program Appropriations Executive Proposal Compared to Legislative Budget				
Fund Type	Executive Proposal (HB 11)	Legislative Appropriations (HB 351)	Change	% Change
State Special	\$1,000,000	\$14,753,578	\$13,753,578	1375%
TSEP Transfer to GF	\$17,614,270	\$1,570,000	(\$16,044,270)	-91%

Other Legislation

The Sixty-second Legislature did not enact any legislation that would directly impact the TSEP program.

TREASURE STATE ENDOWMENT 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 Treasure State Endowment Program Regional Water System (TSEPRW), established in 90-6-715, MCA, was created to provide a state match for the receipt of federal funds for large regional water projects. The program is administered by the Department of Natural Resources and Conservation (DNRC). Interest from the trust can be distributed as a match to federal funds to regional water authorities that have met certain conditions including:

- An executed agreement with DNRC
- A DNRC approved management plan
- A financial accounting system that conforms to GAAP principles
- A detailed preliminary engineering report

The interest from the trust is also used to pay administrative costs to the DNRC and the four regional water authorities; the Dry Prairie Regional Water Authority, the North Central Montana Regional Water Authority, the Dry-Redwater Regional Water Authority, and the Musselshell-Judith Regional Water Authority.

Program Highlights

Treasure State Endowment Regional Water Program Major Program Highlights
<ul style="list-style-type: none"> ◆ Total state matching funds appropriation is \$3.9 million in HB 351 ◆ Flow of coal severance tax to the TSEPRW trust is extended for four years

Summary of Legislative Action

The legislature passed HB 351 which appropriates \$3.9 million from the interest earnings of the TSEPRW trust. The funds may be used as a match to federal funds for large regional water projects. Some of the projects that may receive funding in the 2013 biennium are shown in the figure below.

Treasure State Endowment Regional Water Program (TSEPRW) Potential Projects - HB 351 - 2013 Biennium			
Potential Projects	Federal Funds	TSEPRW Funds	Total Project Cost
Rocky Boy's-North Central			
Tiber Area Interim Supply-Riverview Colony, South Chester	\$1,183,439	\$1,119,532	\$2,302,971
Core Pipeline Segment #3	<u>0</u>	<u>3,523,000</u>	<u>3,523,000</u>
Total Rocky Boy's-North Central	<u>\$1,183,439</u>	<u>\$4,642,532</u>	<u>\$5,825,971</u>
Fort Peck-Dry Prairie			
East Medicine Lake Distribution Phase I.	\$4,920,000	\$2,352,425	\$7,272,425
North Bainville Phase 2 (\$1.47 M total cost)	1,470,000	340,000	1,810,000
Glasgow Area D	0	800,000	800,000
Glasgow Area B	0	1,200,000	1,200,000
Culbertson to Big Muddy Mainline	0	1,250,000	1,250,000
East Medicine Lake Distribution Phase II	<u>0</u>	<u>1,500,000</u>	<u>1,500,000</u>
Total Fort Peck-Dry Prairie	<u>\$6,390,000</u>	<u>\$7,442,425</u>	<u>\$13,832,425</u>
Total TSEPRW Projects	<u>\$7,573,439</u>	<u>\$12,084,957</u>	<u>\$19,658,396</u>

Along with providing an appropriation for regional water projects, the legislature extended the amount of time that the coal severance tax will flow into the TSEPRW endowment trust. The TSEPRW trust was established with distributions of the coal severance tax, 25% of the 50% distribution dedicated to the permanent coal trust.

In law, the distribution was scheduled to terminate June 30, 2016. The legislature extended the flow for four years, and it will now terminate June 30, 2020.

Funding

The figure to the right shows the estimate for the TSEPRW fund balance. The TSEPRW fund is expected to begin the 2013 biennium a \$0 balance, as all appropriations provided by the 2009 Legislature are expected to be expended. Interest and earnings in the 2013 biennium are projected to be \$6.8 million. The 2011 Legislature appropriated \$1.4 million for administrative expenses in HB 2. The appropriation for regional water project match funds included in HB 351 is \$3.9 million. Finally, the legislature transferred \$1.0 million from the TSEPRW fund to the general fund to provide an adequate general fund ending fund balance. By the end of the 2013 biennium, the TSEPRW state special fund is expected to have an ending fund balance of \$486,553.

TSEPRW Fund (02015)		
Fund Balance Projection 2013 Biennium		
Estimated Beginning Fund Balance (7/1/2011)		\$0
Revenue Projections ¹		
2012 Investment Earnings	\$3,154,000	
2013 Investment Earnings	<u>3,605,000</u>	
2013 Biennium Revenues		6,759,000
Appropriations		
Administration ³	(\$1,352,447)	
Matching Funds Appropriation	<u>(3,920,000)</u>	
Total Appropriations		(5,272,447)
Transfer to General Fund		<u>(1,000,000)</u>
Estimated Ending Fund Balance - (6/30/2013) ³		<u>\$486,553</u>

¹HJ 2 - Revenue estimating resolution
²HB 2 - General appropriations act
³The estimated ending fund balance is higher than anticipated by the legislature because of the Governor's veto of HB 316

Note: The remaining balance in the TSEPRW fund is larger than anticipated by the legislature because of the Governor's veto of HB 316, which would have transferred 10% of the TSEPRW trust balance to the permanent trust, reducing the anticipated interest and earnings of the trust by an estimated \$478,000 in the 2013 biennium and increasing distributions of permanent trust interest to the general fund by a like amount.

Executive Budget Comparison

The executive budget recommended no appropriations matching funds for regional water projects from the interest earnings of the TSEPRW trust for the 2013 biennium and a transfer of \$4.9 million of TSEPRW interest to the general fund. The legislature appropriated \$3.9 million from the trust earnings for regional water projects. To fund the regional water projects, the legislature reduced the amount of funds transferred to the general fund to \$1 million. The result is that the legislature increased appropriations by an incalculable percentage from the executive proposal and reduced the transfer to the general fund by \$3.8 million or 79%.

Treasure State Endowment Regional Water Program Appropriations Executive Proposal Compared to Legislative Budget				
Fund Type	Executive Proposal (HB 11)	Legislative Appropriations (HB 351)	Change	% Change
State Special	\$0	\$3,920,000	\$3,920,000	-
TSEPRW Transfer to GF	\$4,867,000	\$1,000,000	(\$3,867,000)	-79%

Other Legislation

The Sixty-second Legislature did not enact any legislation that would directly impact the TSEPRW program.

RENEWABLE RESOURCE GRANT AND LOAN PROGRAM

Program Description – (RRGL grants)

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. The RRGL program is appropriated in two bills, HB 6 (grants) and HB 8 (loans). The two program components of the RRGL are presented separately in report.

Program Highlights

Renewable Resource Grant and Loan Program – (Grants)	
Major Program Highlights	
◆	Total grant funds appropriated for the RRGL are \$7.7 million and include: <ul style="list-style-type: none">• \$100,000 for emergency grants• \$800,000 for project planning grants• \$300,000 for irrigation development grants• \$50,000 for water project private grants• \$180,000 for a state water plan and inventory• \$6,260,000 for 64 RRGL grants

Summary of Legislative Action

HB 6 (Grants)

The Sixty-second Legislature passed HB 6 which appropriates \$7.7 million from the revenues of the natural resource projects state special revenue fund for the RRGL grants program in HB 6. The largest appropriation, \$6.3 million, funds 64 RRGL project grants, the primary purpose of the program. The list of grants funded in this appropriation is seen in figures on the following pages. Other appropriations include \$100,000 for emergency grants, \$800,000 for project planning grants, \$300,000 for irrigation development planning grants, \$50,000 for water project private grants, and \$180,000 for a state water plan and inventory study. The legislation was made effective upon passage and approval.

The grant awards in HB 6 are provided in rank order, as given in HB 6 and in the grants list below, until the appropriation is fully expended. HB 6 also contains language as follows:

Funds not accepted or used by higher-ranked projects must be provided for projects farther down the priority list or planning grants that would not otherwise receive funding. If at any time a grant sponsor determines a project will not begin before June 30, 2013, the sponsor shall notify the department of natural resources and conservation. After receiving notification, the department may revert the grant amount to the natural resources projects state special revenue account to make it immediately available for other projects.

This language allows the full RRGL grant appropriation to be expended on grants in the 2013 biennium. Consequently, the grants that actually receive funds may differ somewhat from the list provided below.

The legislature also included language in HB 6 that allows grant applicants, whose grants were not prioritized within the level of funding, to access loans (in the amount equal to the authorized grant) from RRGL loan program. Sufficient bond authorization is provided in HB 8 to meet the need for loans to cover unfunded grant awards.

Renewable Resource Grant and Loan Program (RRGL)					
Grant Awards - HB 6 - 2013 Biennium					
Applicant	Grant Awards	Cumulative Total	Applicant	Grant Awards	Cumulative Total
Mt Dnrc Wrd	\$100,000	\$100,000	Balance	\$2,299,998	
Hydropower Feasibility Study					
Sheridan, Town Of	100,000	200,000	Sidney Water Users Id	100,000	2,399,998
Wastewater System Improvements			Increasing Irrigation Efficiency: District 5, Lateral 2		
Deer Lodge, City Of	100,000	300,000	Clinton Id	100,000	2,499,998
Wastewater System Improvements			Irrigation System Improvements Schoolhouse Pipeline		
Fergus Cd	100,000	400,000	East Bench Id	100,000	\$2,599,998
Big Spring Creek Stream Restoration, Machler Conserv Easement			Main Canal Check Structure Rehabilitation		
Mt Dnrc Trust Land Management Division	100,000	500,000	Lower Musselshell Cd	100,000	2,699,998
Smith Lake Dam Rehabilitation			Delphia Melstone Irrigation Structure Rehabilitation/Canal Lining		
Culbertson, Town Of	100,000	600,000	Madison Cd	100,000	2,799,998
Wastewater System Improvements			South Meadow Creek Water Efficiency		
Upper And Lower River Road Wsd	100,000	700,000	Confederated Salish And Kootenai Tribes	100,000	2,899,998
Water And Wastewater System Improvements			Jocko Upper S Canal Lining		
Beaverhead Cd	100,000	800,000	Malta Id	100,000	2,999,998
Poindexter Slough Fishery Enhancement			Dodson North Canal Siphons Replacement Project		
Pondera Cd	100,000	900,000	Roberts Carbon County Wsd	100,000	3,099,998
Pondera County C Canal			Water And Wastewater System Improvements		
Buffalo Rapids Project District I	100,000	1,000,000	Chippewa Cree Tribe	97,429	3,197,427
Irrigation System Improvements- Lateral 26.4			Dry Fork Farms Irrigation Enhancement Project		
Pondera Cd	100,000	1,100,000	Flathead Joint Boc	100,000	3,297,427
Irrig Infra Improv- Pondera Wasteway Rehab & Water Quality Improv			Jocko Upper J Canal Diversion Structure		
Flathead County	100,000	1,200,000	Lockwood Id	100,000	3,397,427
Bigfork Stormwater System Improvements			Irrigation System Improvements - Intake Canal Spillway Replacement		
Hebgen Lake Estates County Wsd	100,000	1,300,000	Glendive, City Of	100,000	3,497,427
Wastewater System Improvements			Gi Feasibility Study		
Harlem, City Of	100,000	1,400,000	Fort Shaw Id	100,000	3,597,427
Wastewater System Improvements			Irrigation System Improvements		
Polson, City Of	100,000	1,500,000	Daly Ditches Id	100,000	3,697,427
Water System Improvements			Irrigation System Improvements- Hedge Canal		
Amsterdam-Churchill Csd No. 307	100,000	1,600,000	Gallatin Gateway County Wsd	100,000	3,797,427
Wastewater System Improvements			Wastewater System Improvements		
Stanford, Town Of	100,000	1,700,000	Greenfields Id	100,000	3,897,427
Water System Improvements			Irrigation System Improvements -Big Coulee		
Helena Valley Id	100,000	1,800,000	Park Cd	100,000	3,997,427
Irrigation System Improvements -Pump No 2 Rehab			Irrigation System Improvements- Park Branch Paradise Canal		
Belt, Town Of	100,000	1,900,000	Huntley Project Id	100,000	4,097,427
Water System Improvements			Irrigation System Improvements- Lower Canal Seepage Lining		
Sun Prairie Village County Wsd	100,000	2,000,000	Anaconda - Deer Lodge County	100,000	4,197,427
Water System Improvements			Water System Improvement: System Wide Water Meter Installation		
Fort Belknap Indian Community	100,000	2,100,000	Fairfield, Town Of	100,000	4,297,427
Water Conservation Project			Water System Improvements		
Sweet Grass County Cd	99,998	2,199,998	Fort Peck Tribes	100,000	4,397,427
Big Timber Creek Channel Stabilization Project			Irrigation System Improvements Lateral L-2M Rehab		
Sidney Water Users Id	100,000	2,299,998	Hardin, City Of	100,000	4,497,427
Increasing Irrigation Efficiency: District 1 & 2, Phase 3			Water System Improvements		
Subtotal	\$2,299,998		Subtotal	\$4,497,427	

Renewable Resource Grant and Loan Program (continued)						
Applicant	Grant	Cumulative	Applicant	Grant	Cumulative	
	Balance	\$4,497,427		Balance	\$6,328,393	
Bitter Root Id	100,000	4,597,427	Ravalli County Environmental Health	73,745	\$6,402,138	
Improvements- Siphon 1, Phase 2			Bitterroot Valley Septic Systems Impact Model, Phase 2			
North Havre County Wdt	100,000	4,697,427	Foys Lakeside County Wsd	100,000	6,502,138	
Water System Improvements			Water Syst Improv: Main Replacement And System Wide Metering			
Roundup, City Of	60,000	4,757,427	Pablo Lake County Wsd	100,000	6,602,138	
Musselshell Watershed Sustainable Irrigation Management			Water System Improvements			
Mt Dnrc Water Resources Division	63,000	4,820,427	Cut Bank, City Of	100,000	6,702,138	
Clark Fork River Basin Task Force			Water System Improvements, Phase 4			
Green Mountain Cd	84,778	4,905,205	University Of Montana	99,934	6,802,072	
Tuscor Creek Restoration Project			Nat Heritage Prg Wetland & Riparian Mapping, L&M Musselshell			
Lewistown, City Of	100,000	5,005,205	Bozeman High School, District #7	100,000	6,902,072	
East Fork Dam Repair			Mandeville Creek Restoration And Community Ed Project			
Crow Tribe Of Indians	100,000	5,105,205	White Sulphur Springs, City Of	100,000	7,002,072	
Water System Improvements Phase 4A			Water System Improvements			
Hill County Wdt	100,000	5,205,205	Mt Dnrc Wrđ	100,000	7,102,072	
Water System Improvements			Cooney And Deadman'S Basin Automated Instrumentation			
Roundup, City Of	100,000	5,305,205	Park Cd	100,000	7,202,072	
Water System Improvements			Irrigation Infrastructure Improvements- Livingston Ditch			
Kevin, Town Of	100,000	5,405,205	Carbon Cd	82,950	7,285,022	
Water System Improvements, Phase 3			Irrigation System Improvements- Whitehorse Canal			
Lacasa Grande Wsd	100,000	5,505,205	Ronan, City Of	100,000	7,385,022	
Wastewater System Improvements			Stormwater System Improvements			
Whitefish, City Of	100,000	5,605,205	Fromberg, Town Of	100,000	7,485,022	
Haskill Basin Water Conservation And Preservation Project			Water System Improvements			
Ravalli County	75,000	5,680,205	Jordan, Town Of	100,000	7,585,022	
Phase 3 Lidar Mapping For Flood Hazard Id			Water System Improvements			
Lockwood Wsd	100,000	5,780,205	Lower Yellowstone Irrigation Project Boc	100,000	7,685,022	
Wastewater System Improvements			Lower Yellowstone on Farm Water Conservation Measures			
Mt Department Of Fish, Wildlife & Parks	99,500	5,879,705	Butte-Silver Bow City-County Government	100,000	7,785,022	
Chadbourne Diversion Dam Repair And Selective Fish Passage Retrofits			Big Hole River (Bhr) Pumpstation Rehab			
Mt Dnrc Wrđ	100,000	5,979,705	Manhattan, Town Of	100,000	7,885,022	
East Fork Rock Creek Diversion And Fish Screen Project			Water System Improvements			
Teton Cd	100,000	6,079,705	North Powell Cd	60,000	7,945,022	
Eureka Reservoir Improvements			Blackfoot Irrigation Efficiency			
East Helena, City Of	100,000	6,179,705	Kalispell, City Of	100,000	8,045,022	
Wastewater System Improvements			Woodland Park Pond Remediation			
Missoula County - <u>Withdrawn by County</u>	0	6,179,705	Mt Dnrc Wrđ	100,000	8,145,022	
Wastewater System Improvements - Spring Meadows Addition			Streamstats Interactive Web Map Application			
Missoula County	50,000	6,229,705	Libby, City Of	100,000	8,245,022	
Lidar Mapping			Wastewater System Improvements			
Projects below this line are recommended only with available funding			Toston Id	100,000	8,345,022	
Total grant appropriation is \$6,260,000 ¹			Crow Creek Pumping Plant Rehabilitation			
Mt Dnrc Wrđ	98,688	6,328,393	Em-Kayan County Wsd	100,000	8,445,022	
Irrig Syst Improv- Martinsdale Supply Canal Headworks Rehab			Water System Improvments			
	Subtotal	\$6,328,393		Subtotal	\$8,445,022	

Renewable Resource Grant and Loan Program (continued)		
Applicant	Grant Awards	Cumulative Total
	Balance	\$8,445,022
Gallatin County Swd Logan Landfill Waste-To-Energy Feasibility Study	100,000	8,545,022
Hill County Cd Milk River Basin Riparian & Hydro Restor-Invasive Species Removal	54,245	8,599,267
Brady County Wsd Water System Improvements	100,000	8,699,267
Lincoln Cd Sinclair Creek Watershed Improvements	100,000	8,799,267
Tin Cup Wsd Lake Dam Improvements	94,638	8,893,905
Melrose Wsd Wastewater System Improvements	100,000	8,993,905
Augusta Wsd Wastewater System Improvements	100,000	9,093,905
Target Range Wsd Replacing Obsolete Septic Systems	100,000	9,193,905
Carbon Cd Irrigation Improvements Project- Pleasant Valley Canal Rehab	100,000	9,293,905
Troy, City Of Water System Improvements	100,000	9,393,905
Mt Dnrc Wrđ Water Resource Survey Framework	71,000	9,464,905
University Of Montana Dev Wolf Pop Mntr Tech To Advance Mgt & Conserv Of Wildlife In Mt	100,000	9,564,905
Lockwood Area/Yellowstone County Wsd Water System Improvements	100,000	9,664,905
Eureka, Town Of Wastewater System Improvements	100,000	9,764,905
Joliet, Town Of Water System Improvements	100,000	9,864,905
University Of Montana Exper Assmt: Eco & Soc Dimensions Of Human Bear Conflict Mitig	99,067	9,963,972
Bigfork County Wsd Water System Improvements	100,000	10,063,972
Park County Shields River Surface And Groundwater Analysis	83,713	10,147,685
Petroleum County Cd Horse Creek Coulee Water Storage Project	82,286	10,229,971
Shelby, City Of West Interceptor Project	100,000	10,329,971
Sidney, City Of Optimizing Water Development From The Well Field	100,000	10,429,971
Thompson Falls, City Of Water System Improvements-Ashley Creek Transmission Main	100,000	10,529,971
	Total Renewable Resource Grants	<u>\$10,529,971</u>
¹ The appropriation for RRGL grants is \$6,260,000, which is sufficient to fully fund grants through the Missoula County Lidar Mapping project and provide a grant of \$30,295 to the MT DNRC Martinsdale Supply Canal Rehabilitation project, should all higher ranked projects request the full grant award		

Funding

The RRGL grants program and other grants programs with appropriations in HB 6, as well as the RDGP grants program appropriated in HB 7, are funded from the “natural resource projects” state special revenue fund. For more information on the funding of the RRGL program, a fund balance analysis for the natural resource projects fund is provided on page F-31 of this report.

Program Description – (RRGL loans)

The RRGL loan program provides loans for renewable resource projects with the proceeds from the issuance of coal severance tax bonds. Loan repayments are used to pay the debt service on the loans. In some cases, interest rates charged to loans is less than the interest rate of the bond issue. In such cases, a distribution from the coal severance tax subsidizes the difference in the interest cost. Because the issues are coal severance tax bonds, the coal severance tax permanent trust is pledged for debt service payments on the bonds. The RRGL loan program is administered by the Department of Natural Resources and Conservation (DNRC).

Program Highlights

Renewable Resource Grant and Loan Program (loans)	
Major Program Highlights	
◆	Total appropriations for the RRGL loan program are \$13.7 million and include: <ul style="list-style-type: none"> • \$6.3 million for the reauthorization of 3 project loans • \$1.8 million for a loan reserve fund • \$5.6 million for loans in lieu of RRGL grants • No new loan projects

Summary of Legislative Action

The figure below lists the loans awarded by the Sixty-second Legislature for the 2013 biennium with the passage of HB 8. The total bond authority and appropriations in HB 8 is \$13.7 million. There are no new loans authorized for the 2013 biennium, and the appropriations provided in HB 8 only reauthorize loans requested in prior biennia.

Renewable Resource Loan Program (RRGL)		
Loan Authorizations - HB 8 - 2013 Biennium		
Loans-Sponsor/Project	Loan Authorizations	Cumulative Total
Section 1¹		
Subsection (2) Projects (4.5% or State bond rate, whichever is lower-15 years)		
DNRC-Water Resource Division (WRD)	\$2,000,000	\$2,000,000
Ruby Dam Rehabilitation Project-Phase 2		
Subsection (3) Projects (3.0% or State bond rate, whichever is lower-20 years)		
DNRC-Conservation and Resource Development Division (CARDD)	2,859,000	4,859,000
Refinance Existing Debt or Rehabilitation of Water and Sewer Facilities		
Subsection (4) Projects (4.5% or State bond rate, whichever is lower-30 years)		
Sunset Irrigation District	1,465,266	6,324,266
Total Loan Authorizations:		
	\$6,324,266	
Additional Loan Authorizations ²		
	5,610,044	
Loan Reserve		
	<u>1,790,147</u>	
Total Bond Authority		
	<u>\$13,724,457</u>	
¹ Section 1 includes loans requiring reauthorization		
² To finance loans in lieu of grants for grants recommended in the RRGL program		
NOTE: Projects are grouped by differences in loan circumstances and interest rates.		

Funding - Loans

RRGL program bond authority is provided in 85-1-624, MCA. Money in the coal severance tax bond fund is pledged for the payment of the principal and interest of the bond issue requested in HB 8, as directed in Title 17, Chapter 5, part 7, MCA.

Executive Budget Comparison

The Sixty-second Legislature increased the executive budget proposal for the RRGL program. As shown in the figure below, the executive budget recommended \$7.2 million of appropriations in HB 6 and authorized \$13.7 million in HB 8. The legislature appropriated a total of \$7.7 million of grant appropriations and provided \$13.7 million of bond authority. The increase in appropriations is related to an increase in the RRGL local government grants appropriation in HB 6 which was increased from the executive recommendation of \$5.8 million to \$6.3 million. All other appropriations in HB 6 and the total amount of bond authority (and associated appropriations) in HB 8 were held constant. The change of total appropriations represents an increase in funding from the executive budget proposal of \$480,000 or 7%.

Renewable Resource Grant and Loan Program Appropriations Executive Proposal Compared to Legislative Budget				
Fund Type	Executive Proposal	Legislative Appropriations	Change	% Change
State Special (grants)	\$7,210,000	\$7,690,000	\$480,000	7%
Bond Proceeds (loans)	\$13,724,457	\$13,724,457	\$0	0%

Other Legislation

The Sixty-second Legislature did not enact any legislation that would directly impact the RRGL program.

RECLAMATION AND DEVELOPMENT GRANT PROGRAM

Program Description

The Reclamation and Development Grant 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 under the RDGP are intended to repair, reclaim, and mitigate environmental damage to public resources from non-renewable resource extraction and develop and ensure the quality of public resources for the benefit of all Montana citizens. The program is administered by the Department of Natural Resources and Conservation (DNRC).

Program Highlights

Reclamation and Development Grant Program	
Major Program Highlights	
◆	Total appropriations of \$7,083,802 <ul style="list-style-type: none">● \$800,000 for project planning grants● \$400,000 for the control of aquatic invasive species● Appropriation to fund 23 RDGP grants - \$5,883,802
◆	The Governor line-item vetoed the project authorization for one RDGP project ²

Legislative Action

The Sixty-second Legislature passed HB 7, the RDGP grant bill. The figure below lists the RDGP grants approved by the 2011 Legislature. The legislature appropriated a total of \$7.1 million for the RDGP program. Total appropriations include \$5.9 million for RDGP grants (an amount sufficient to fund 23 of the 26 authorized projects), and \$800,000 for project planning grants.

The grant awards in HB 7 are provided in rank order, as given in HB 7 and in the grants list below, until the appropriation is fully expended. HB 7 also contains language as follows:

Funds not accepted by grantees or funds not used by higher-ranked projects and activities must be offered for projects and activities farther down the priority list that would not otherwise receive funding.

In addition to providing appropriations for the RDGP grant program, the legislature made an appropriation of \$400,000 for the control of aquatic invasive species and states:

"The appropriation for and authorization of the department of environmental quality Frohner mine reclamation project established in section 2, Chapter 308, Laws of 2005, are terminated. For the 2013 biennium, the amount of \$400,000 is appropriated to the department of natural resources and conservation to control invasive aquatic species in state waters."

² At the time of this writing, the Governor struck 1 RDGP project, as shown in the figure on the following page; however the Sixty-second Legislature is being polled at this time, and may or may not concur with the Governor's actions.

Reclamation and Development Grant Program (RDGP)		
Grant Awards - HB 7 - 2013 Biennium		
Sponsor/Title	Grant Award	Cumulative Total
Montana Board of Oil and Gas East District Orphan Well Plug & Abandonment & Site Restoration	\$300,000	\$300,000
Montana Board of Oil and Gas North/East Dist Orphan Well Plug & Abandonment & Site Restoration	300,000	600,000
Ruby Valley Conservation District Alder Gulch - Phase I Improvements	300,000	900,000
Montana Department of Environmental Quality Forest Rose Mine & Mill Site Reclamation	300,000	1,200,000
Montana Department of Environmental Quality Lily/Orphan Boy Mine Reclamation	300,000	1,500,000
Sanders County Mang Aquatic Inv Plant Species to Protect MT's Water Restoration	300,000	1,800,000
Montana Department of Fish, Wildlife, and Parks Big Spring Creek PCB Remediation	300,000	2,100,000
Montana Department of Natural Resource Conservation and Development St. Mary & Milk River Basins Water Management Initiative	250,000	2,350,000
Montana Department of Environmental Quality Sand Coulee Public Water Supply System Restoration	300,000	2,650,000
Pondera County Pondera County Oil & Gas Well Plug & Abandon Project	100,000	2,750,000
Teton County Teton County Oil & Gas Well Plug	60,000	2,810,000
Fort Peck Tribes Reclamation of Philip Red Eagle 2-25 Salt Water Disposal Well	254,782	3,064,782
Montana Board of Oil and Gas Southern District Orphaned Lease Battery Site Restoration	200,000	3,264,782
Shelby Shelby Refinery	300,000	3,564,782
Missoula County Ninemile Creek Mining District - Phase II	228,345	3,793,127
Montana Department of Environmental Quality Zortman & Landusky-Source Control Prioritization & Feas Evaluation	300,000	4,093,127
Missoula, City of Missoula Sawmill Site Wood Reclamation	300,000	4,393,127
Butte-Silver Bow County Butte Mining Dist: Reclamation & Protection Project (Phase III)	300,000	4,693,127
Fergus Co Road Department Pentachlorophenol "Penta" Cleanup	300,000	4,993,127
Meagher County Conservation District Thomas Creek Placer	162,797	5,155,924
Montana Department of Environmental Quality Beal Pit Run On Controls, Pond Removal	134,800	5,290,724
Crow Tribe of Indians Big Horn River Restoration	300,000	5,590,724
Richland County Conservation District¹ Lower Yellowstone River Bank Restoration	0	5,590,724
Montana Department of Environmental Quality	300,000	5,890,724
Projects below this line are recommended only with available funding Total grant appropriaition is \$5,883,802 ²		
Landusky Mine - Clarifier Construction		
Montana Department of Fish, Wildlife, and Parks Impacts of Energy Devel & Leasing Stips on Mule Deer Hab Selc, Dist, & Pop Dynamics	300,000	6,190,724
Anaconda-Deerlodge Co Anaconda Superfund Remediation Trails Program	300,000	6,490,724
Total Reclamation and Development Grants	<u>\$6,490,724</u>	

¹ Projects show as struck were line item vetoed by the governor

²The total grant appropriation will fund the Department of Environmental Quality grant for the Landusky grant up to \$293,078

For more information on the RDGP project table, please refer to the LFD comment on the following page.

LFD COMMENT	Notes on the RDGP Project Table The Governor line-item vetoed one project amounting to \$293,078 from the RDGP project list, but did not change the appropriation of \$5,883,800. Consequently, the appropriation will be sufficient to fund the Montana Department of Environmental Quality Landusky Mine Clarifier Construction project at a reduced amount of \$293,078 (instead of the requested level of \$300,000).
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Note: The legislature authorized 26 RDGP grants to be funded in priority order with expected natural resource project funds. The Governor vetoed one project, the Richland County Conservation District’s Lower Yellowstone Bank Restoration project. While the project authority was struck, the appropriation for RDGP projects was not changed. If the legislature concurs with the veto, the \$293,078 of grant authority will be used to fund one of the lower ranked grants authorized by the legislature.

At this time, the Sixty-second Legislature is being polled on acceptance of the Governor’s line item vetoes, and it is not known if the veto will stand. However, there is uncertainty about whether the actions of the Governor constitute a line item veto as defined in the Montana Constitution or in statute. Accordingly, even if the legislature concurs with the Governor’s line item veto of HB 7 during the poll, there is legal uncertainty as to whether the Governor’s veto would be upheld if it is challenged in the courts.

Funding

The RDGP program with appropriations in HB 7, as well as the RRGL grants program appropriated in HB 6, is funded from the “natural resource projects” state special revenue fund. For more information on the funding of the RRGL program, a fund balance analysis for the natural resource projects fund is provided on page F-31 of this report

Executive Budget Comparison

The Sixty-second Legislature reduced the executive budget proposal for the RDGP program. As shown in the figure below, the legislature appropriated \$65,200 less than the executive budget recommendation. The appropriation reduction is primarily related to a request by a grant applicant (Montana Department of Environmental Quality, Beal Mine project) for a grant reduction of \$165,200. At the same time, the legislature increased the original \$300,000 appropriation to the DNRC for management of aquatic invasive species to \$400,000, an increase of \$100,000 (netting a total program reduction of \$65,200). The change of total appropriations represents a decrease in funding from the executive budget proposal of 1%.

Reclamation and Development Grant Program Appropriations Executive Proposal Compared to Legislative Budget				
	Executive	Legislative		
Fund Type	Proposal	Appropriations	Change	% Change
State Special	\$7,149,000	\$7,083,800	(\$65,200)	-1%

Funding – Natural Resource Projects Fund (HB 6 and HB 7)

The figure on the next page shows the projected fund balance for the natural resource project fund for the 2013 biennium. The natural resource projects fund provides the funding for various types of grant programs including the RRGL and RDGP programs.

The funding for the natural resource projects fund is established in law and received from the following sources:

- Interest income of the resource indemnity trust fund as provided in and subject to the conditions of 15-38-202, MCA (\$3.5 million each fiscal year for the purpose of making grants)
- Resource indemnity and ground water assessment tax under provisions of 15-38-106, MCA (50% of the remaining proceeds, after appropriations for CERCLA 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, 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)
- Fees or charges collected by the department for the servicing of loans, including arrangements for obtaining security interests

The natural resource projects fund is expected to begin the 2013 biennium with a fund balance of \$1.5 million. The positive fund balance is related to higher than anticipated revenues in the 2011 biennium. Total revenues expected in the natural resource projects fund are \$13.5 million for the 2013 biennium.

In the 2013 biennium, total appropriations from the natural resource projects account for the RRGL program are \$7.7 million and appropriations for the RDGP program are \$7.1 million. The resulting ending fund balance is estimated to be \$218,821.

Note: The remaining balance in the natural resource projects fund is larger than anticipated by the legislature because of the Governor’s veto of HB 316, which would have transferred 10% of the resource indemnity and ground water assessment tax, reducing the anticipated revenues of the natural resource projects fund by an estimated \$200,230 in the 2013 biennium and increasing distributions of permanent trust interest to the general fund by a like amount.

Natural Resource Project Fund (02577) Fund Balance Projection 2013 Biennium	
Estimated Beginning Fund Balance (7/1/2011)	\$1,490,343
Revenue Projections¹	
Resource Indemnity Trust Interest	\$7,000,000
RIGWA Tax	1,636,344
Oil and Natural Gas Tax	4,595,434
Excess Coal Tax Proceeds	250,000
Loan Re-payment	500
Administrative Fees	<u>20,000</u>
2013 Biennium Revenues	\$13,502,278
HB 6 Appropriations	
Emergency Grants	(\$100,000)
Project Planning Grants	(800,000)
Irrigation Development Grants	(300,000)
Water Project Private Grants	(50,000)
State Water Plan and Inventory	(180,000)
Renewable Resource Grants	<u>(6,260,000)</u>
Total RRGL Appropriations	(\$7,690,000)
HB 7 Appropriations	
Project Planning	(\$800,000)
Control Invasive Aquatic Species	(400,000)
Reclamation and Development Grants	<u>(5,883,800)</u>
Total RDGP Appropriations	<u>(\$7,083,800)</u>
Estimated Ending Fund Balance (6/30/2013) ²	<u>\$218,821</u>
¹ HJ 2 - Revenue estimating resolution ² The estimated ending fund balance is higher than anticipated by the legislature because of the Governor's veto of HB 316 Note: The impacts of the Governor's line item vetoes are not expected to change the estimate of the ending fund balance for the Natural Resource Projects fund	

Other Legislation

The Sixty-second Legislature did not enact any legislation that would directly impact the RDGP grant program.

CULTURAL AND AESTHETIC GRANT PROGRAM

Program Description

The Cultural and Aesthetic Grant Program (C&A), administered by the Montana Arts Council (MAC), is funded by investment earnings from a statutory trust. The trust receives distributions of coal severance tax. By statute, the interest from the cultural trust is appropriated for protection of works of art in the State Capitol and other cultural and aesthetic 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 Indian tribal governments.

Program Highlights

Cultural and Aesthetic Grant Program Major Program Highlights
<ul style="list-style-type: none">◆ Total appropriations of \$696,299◆ Capital complex works of art appropriation of \$30,000◆ Cultural and aesthetic grants appropriation of \$666,299<ul style="list-style-type: none">● 83 grants funded● 14.4% fewer grants than the 2011 biennium

Summary of Legislative Action

The Sixty-second Legislature passed HB 9, which authorizes cultural and aesthetic grants and appropriates the funding for the grants. The legislature authorized 83 C&A grant awards totaling \$666,299. These awards are listed, in priority order, in the project list below. The total of 83 grants authorized and funded for the 2013 biennium is a reduction of 13.5% over the number of grants authorized in the 2011 biennium.

The legislature included a provision for the potential of interest earnings shortfalls in the 2013 biennium in HB 9. If interest earnings fall short of the estimates, projects with funding greater than \$4,500 will be reduced by the amount of the shortfall on a pro rata basis.

The Sixty-second Legislature also added conditional language to HB 9, allowing the MAC to increase grant awards greater than \$4,500, except art services organizations, up to a total amount of \$28,677. The grants that could be increased are those that the legislature reduced in an effort to balance the C&A state special fund. The condition to increase grants is stated in HB 9 as follows:

“If either or both of the appropriations in House Bill No. 2 to the Montana arts council for Promotion of the Arts of \$204,342 state special revenue for fiscal year 2012 and \$201,903 state special revenue for fiscal year 2013 are reduced, then the appropriation in [section 2] is increased by the amount of the reduction, not to exceed a total increase of \$28,677. This appropriation increase must increase the grant amount for projects with grant approvals greater than \$4,500 on a pro rata basis, with the exception of service organization grants.”

The grant awards could only be increased if the legislature reduced the administrative and folklife appropriations from the state special fund. However, because the legislature did not change the HB 2 appropriations, the grants will not be increased.

Cultural and Aesthetic Grant Program (C&A) Grant Authorizations - HB 9 - 2013 Biennium							
Grant No.	Applicant	Grant Awards	Cummulative Total	Grant No.	Applicant	Grant Awards	Cummulative Total
Special Project < \$4500				1638	Archie Bray Foundation	11,850	320,463
1607	Signatures from Big Sky	\$4,500	\$4,500	1647	Carbon County Historical Society	15,168	335,631
1604	Miles City Speakers Bureau	4,000	8,500	1654	Helena Symphony Society, Inc.	14,220	349,851
1609	Upper Swan Valley Historical Society Inc	4,400	12,900	1648	Custer County Art & Heritage Center	12,324	362,175
1603	Mai Wah Society	3,000	15,900	1679	Stillwater Historical Society	11,376	373,551
1606	Montana Storytelling Roundup	3,000	18,900	1640	Beaverhead County Museum	15,168	388,719
1608	String Orchestra of the Rockies	3,000	21,900	1651	Glacier Symphony and Chorale	12,324	401,043
1610	Yellowstone Ballet Company	3,000	24,900	1673	Pondera History Association (PHA)	11,376	412,419
1600	Clay Arts Guild	2,500	27,400	1677	Schoolhouse History & Art Center	14,220	426,639
1605	Mission Valley Friends of the Arts	<u>2,000</u>	29,400	1655	Holter Museum of Art	11,850	438,489
	Total Special Projects < \$4500	\$29,400		1686	Western Heritage Center	11,376	449,865
Special Project > \$4500				1652	Great Falls Symphony	11,376	461,241
1621	Humanities Montana	\$14,220	\$43,620	1644	Butte Citizens for Preservation and Revitalization	11,376	472,617
1632	The CoMotion Dance Project	9,480	53,100	1642	Billings Symphony Society	11,376	483,993
1617	Emerson Center for the Arts & Culture	6,636	59,736	1641	Big Horn Arts and Craft Association	11,376	495,369
1630	Musikanten Inc	7,593	67,329	1636	Alberta Bair Theater	9,480	504,849
1622	KUFM-TV	7,110	74,439	1639	Art Mobile of Montana	11,376	516,225
1634	Whitefish Theatre Co	8,532	82,971	1680	Sunburst Foundation	7,584	523,809
1611	Bitter Root Cultural Heritage Trust	4,740	87,711	1661	Montana Artists Refuge	4,740	528,549
1626	Montana Historical Society	7,110	94,821	1643	Butte Center for the Performing Arts	7,584	536,133
1614	Broadwater Productions, Inc.	9,480	104,301	1671	Paris Gibson Square Museum of Art	9,480	545,613
1620	Hockaday Museum of Art	8,532	112,833	1656	Intermountain Opera Association	7,584	553,197
1631	Queen City Ballet Company	4,740	117,573	1658	MCT, Inc.	7,110	560,307
1624	Missouri Valley Development Corp.	4,740	122,313	1674	Rimrock Opera	7,110	567,417
1635	Zootown Arts Community Center	4,740	127,053	1683	The Montana Repertory Theatre	4,740	572,157
1623	Missoula Art Museum	7,110	134,163	1645	Butte Symphony Association	7,110	579,267
1613	Bozeman Symphony Society	7,584	141,747	1676	Rocky Mountain Ballet Theatre	7,584	586,851
1633	Tobacco Valley Improvement Assoc.	2,500	144,247	1669	North Valley Music School	7,584	594,435
1619	Hamilton Players, Inc.	4,400	148,647	1650	Gallatin Historical Society	5,688	600,123
1612	Bitter Root Valley Historical Soc/Ravalli Co Museum	3,000	151,647	1678	Southwest Montana Arts Council	7,584	607,707
1615	Butte-Silver Bow Public Archives	4,740	156,387	1687	World Museum of Mining	4,740	612,447
1629	Museum of the Rockies	4,740	161,127	1688	Yellowstone Art Museum	7,584	620,031
1627	Montana Museum of Art & Culture	4,740	165,867	1653	Helena Presents/Myrna Loy Center	7,584	627,615
1618	Fraternal Order of Eagles	<u>4,000</u>	169,867	1637	Alpine Artisans	4,000	631,615
	Total Special Projects > \$4500	\$140,467		1670	Northwest Montana Historical Society	4,740	636,355
Operational Support				1660	Missoula Cultural Council	3,680	640,035
1668	Museums Association of Montana (SSO 1)	10,000	179,867	1682	The Equinox Theatre	2,000	642,035
1665	Montana Preservation Alliance (SSO 2)	15,000	194,867	1667	Friends of the Museum of the Plains Indian	2,000	644,035
1662	Montana Arts (SSO 3)	12,500	207,367	1672	Pondera Arts Council	<u>2,000</u>	646,035
1657	MAGDA (SSO 4)	12,000	219,367		Total Operational Support	\$476,168	
1628	Montana Performing Arts Consortium (SSO 5)	12,500	231,867	Capital Expenditure			
1663	Montana Association of Symphony Orchestras (SSO 6)	12,500	244,367	1691	Fort Peck Fine Arts Council, Inc.	15,524	661,559
1664	Montana Dance Arts Association (SSO 7)	12,000	256,367	1692	Laurel Revitalization League Inc.	<u>4,740</u>	666,299
1689	YMCA Writer's Voice	14,220	270,587		Total Capital Expenditure	\$20,264	
1685	VSA Arts of Montana	\$9,586	280,173		Total Cultural and Aesthetic Grants	<u>\$666,299</u>	
1649	Dist.7 Human Resources Develop.Council	14,220	294,393				
1666	Montana Shakespeare in the Parks	14,220	308,613				

Funding

The figure to the right shows the estimated funding for the C&A state special revenue account for the 2013 biennium. The beginning fund balance for the 2011 biennium is estimated to be \$0, indicating that the program plans to expend all revenues available in the 2011 biennium. Interest income from the coal tax-funded Cultural Trust is projected to be \$1.1 million for the 2013 biennium.

Total administrative expenses of \$406,245 are appropriated in HB 2. Appropriations in HB 9 include \$30,000 for capitol complex artwork and \$666,299 for the grant program. Total appropriations from the C&A state special revenue account in the 2011 biennium are \$1.1 million. The 2013 biennium ending fund balance for the C&A grants fund is estimated to be \$10,456.

Cultural & Aesthetic Grant Fund (02009)	
Fund Balance Projection, 2013 Biennium	
Estimated Beginning Fund Balance (7/1/2011)	\$0
Revenue Projections ¹	
FY 2012 Investment Earnings	\$547,000
FY 2013 Investment Earnings	<u>566,000</u>
2011 Biennium Revenues	1,113,000
Appropriations	
Administration and Folklife ²	(\$406,245)
Capitol Complex Works of Art	(30,000)
Cultural and Aesthetic Grants	<u>(666,299)</u>
Total Appropriations	(1,102,544)
Estimated Ending Fund Balance (6/30/2013)	<u>\$10,456</u>
¹ HJ 2 - Revenue estimating resolution	
² HB 2 - General appropriations act	

Executive Budget Comparison

The Sixty-second Legislature reduced the appropriation for C&A program from the executive recommendation of \$724,976 to \$696,299, a total reduction of \$28,677 or 4%. Reductions were made in an effort to balance the C&A grants fund. The changes to the C&A grants budget included reduction of each of the grants awards greater than \$4,500 and not statewide service operational support projects (designated as SSO# on the project list), which were reduced by 5.2% from the executive budget proposal.

Cultural and Aesthetic Grant Program Appropriations				
Executive Proposal Compared to Legislative Budget				
Fund Type	Executive Proposal	Legislative Appropriations	Change	% Change
State Special	\$724,976	\$696,299	(\$28,677)	-4%

Other Legislation

HB 2

The Sixty-second Legislature added language to HB 9 which would allow the MAC to increase grant awards greater than \$4,500, except art services organizations, up to a total amount of \$28,677. The grants that could be increased are those that the legislature reduced to balance the C&A state special fund. The grant awards could only be increased if the legislature reduced the administrative and folklife appropriations from the state special fund (administrative and folklife program costs were not reduced).

QUALITY SCHOOL FACILITIES GRANT PROGRAM

Program Description

The Quality Schools Facilities Grant Program (QSFP) 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.

Program Highlights

Quality School Facilities Grant Program	
Major Program Highlights	
<ul style="list-style-type: none"> ◆ Total appropriations of \$12,069,265 ◆ Project planning grants appropriation of \$900,000 ◆ Emergency grants appropriation of \$100,000 ◆ School facility grants of \$11,069,265 <ul style="list-style-type: none"> • 30 grants funded • 3 fewer grants funded in the 2013 biennium when compared to the 2011 biennium 	

Summary of Legislative Action

The Sixty-second Legislature passed HB 15, which authorizes quality school facilities grants and appropriates the funding for the grants. The legislature authorized 30 QSFP grant awards totaling \$11.1 million. These awards are listed, in priority order in the figure on the next page. The total of 30 grants authorized and funded for the 2013 biennium is a reduction of 9% over the number of grants authorized in the 2011 biennium. While the number of grants was reduced from the 2011 biennium, the total amount of grant funding will increase by \$461,301 or 4.2%.

Funding

The school facility and technology fund is expected to begin the biennium with \$44.5 million, the funds remaining from the initial revenues directed to the fund. The fund statutorily receives revenues from the following sources:

- 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, 2012
- 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)

The table to the right shows the fund balance analysis for the 2013 biennium. The Sixty-second Legislature redirected public lands power site rents from the school facilities and technology fund to the K-12 guarantee account until FY 2015 in HB 165, reducing program funding through that date. The continuing program revenues are expected to provide \$5.3 million in the 2013 biennium.

Total appropriations from the school facilities and technology fund are \$31.2 million in the 2013 biennium.

School Facilities and Technology Fund (02218)	
Fund Balance Projection 2013 Biennium	
Estimated Beginning Fund Balance (7/01/2011)	\$44,506,034
Revenue Projections ¹	
Public Lands Riverbed Power Site Rent ²	\$0
Timber Harvest Income	<u>5,300,000</u>
2013 Biennium Revenues	5,300,000
Appropriations	
School Facility Debt Service ³	(17,172,000)
Technology Statutory Appropriation (\$1.0 million/FY)	(2,000,000)
Emergency Grants (Biennial)	(100,000)
Planning Grants	(900,000)
Quality School Facility Grants	<u>(11,069,265)</u>
Total Appropriations	<u>(31,241,265)</u>
Estimated Ending Fund Balance (6/30/2013)	<u>\$18,564,769</u>
¹ HJ 2 - Revenue estimating resolution	
² HB 165 - Redistributed flows to guarantee account until FY 2015	
³ SB 329 - State agreement to pay a portion of debt service on bond issues for K-12 facilities	

Quality School Facility Grant Program (QSFP)					
Grant Awards - HB 15 - 2013 Biennium					
Rank	Applicant / Project Description	County	Amount Requested	Amount Recommended	Cummulative Amount
1	Big Sandy, Chouteau Lighting Retrofit and Occupancy Sensors	Chouteau	\$124,340	\$124,340	\$124,340
2	Sweet Grass Co HS, Sweet Grass Update/Remodel of Ventilation/ Air Handling System	Sweet Grass	207,500	207,500	331,840
3	Somers, Flathead Replace roof at Somers Middle School	Flathead	418,142	418,142	749,982
4	Box Elder, Hill Four-classroom addition to the elementary school	Hill	799,590	799,590	1,549,572
5	Winnett, Petroleum Complete new shop building; purchase equipment	Petroleum	565,450	314,107	1,863,679
6	White Sulphur Springs, Meagher Replace boiler with geothermal heating system	Meagher	350,000	350,000	2,213,679
7	Helena Elementary, Lewis & Clark ADA Compliance for 5 Schools	Lewis & Clark	1,429,796	1,429,796	3,643,475
8	Gardiner, Park Energy efficiency upgrades	Park	77,500	43,694	3,687,169
9	Centerville, Cascade Boiler Replacement	Cascade	148,534	148,534	3,835,703
10	Shelby Elementary, Toole Correct building envelope leakage	Toole	146,904	146,904	3,982,607
11	Fair-Mont-Egan, Flathead Classroom Addition	Flathead	379,110	379,110	4,361,717
12	Livingston, Park Replace failing roof	Park	709,336	709,336	5,071,053
13	Corvallis, Ravalli Construction of a new vocational facility	Ravalli	1,086,516	901,318	5,972,371
14	North Star, Hill Install fire alarm systems	Hill	123,386	123,386	6,095,757
15	Choteau, Teton Remedy safety issues at district's food service facilities	Teton	344,400	344,400	6,440,157
16	Miles City, Custer Temperature controls upgrade	Custer	442,841	442,841	6,882,998
17	Shelby HS, Toole Lighting retrofit	Toole	102,985	102,895	6,985,893
18	Rocky Boy, Hill Emergency Generator Replacement	Hill	72,650	72,650	7,058,543
19	Whitefish, Flathead Phase I redevelopment of HS campus (gym)	Flathead	738,239	658,019	7,716,562
20	Colstrip, Rosebud Temperature controls upgrade	Rosebud	329,153	329,153	8,045,715
21	Whitehall, Jefferson Roof replacement on High School	Jefferson	534,232	534,232	8,579,947
22	Stanford, Judith Basin Boiler Replacement	Judith Basin	220,500	220,500	8,800,447
23	Grass Range, Fergus Air-lock doors & breezeway	Fergus	38,315	38,315	8,838,762
24	Superior, Mineral Life Skills classroom and locker room expansion	Mineral	521,162	521,162	9,359,924
25	Geraldine, Chouteau Energy efficiency improvements	Chouteau	164,000	106,900	9,466,824
26	Bozeman HS, Gallatin Lighting retrofit	Gallatin	109,087	109,087	9,575,911
27	Frazer, Valley Installation of high efficiency boiler	Valley	243,086	243,086	9,818,997
28	Libby, Lincoln Replace HS boiler	Lincoln	391,470	391,470	10,210,467
29	Hamilton, Ravalli Boiler & heat distribution system replacement	Ravalli	751,000	751,000	10,961,467
30	Bozeman Elementary, Gallatin Lighting retrofit	Gallatin	107,798	107,798	11,069,265
Total Quality School Facilities Grants			<u>\$11,677,022</u>	<u>\$11,069,265</u>	

The legislature provided a fund switch in SB 329, which permanently redirects the costs of the state reimbursements for school facilities debt service, per 20-9-371, MCA, into the schools facilities and technology fund.³ The school facilities and technology fund is also obligated to pay a statutory appropriation for technology upgrades at public schools, \$1.0 million per year. The remaining appropriations are related to the 2013 biennium QSFP and include \$100,000 for emergency grants, \$900,000 for facility deferred maintenance project planning, and \$11.1 million for grants to school districts for facility projects. After consideration of all the appropriations, the QSFP ending fund balance is expected to be \$18.6 million at the end of the 2013 biennium.

Other Legislation

HB 165

The Sixty-second Legislature passed HB 165, An Act to Deposit Certain Trust Land and River Bed Income to Guarantee Account, which redirects the navigable riverbed rental income from the school facility and technology account to the common schools guarantee account until July 1, 2014.

SB 329

The Sixty-second Legislature passed SB 329, An Act to Generally Revise K-12 Laws, which provided changes and updates to K-12 education funding. The legislation also redirected the state obligation for payment of new K-12 facility bond issues to the school facilities and technology fund.

³ With uncertainty about the state's future obligation to debt service (the state's payments could increase as school districts across the state build new facilities), future legislatures may need to reanalyze making use of the school facilities and technology fund for the payment of the debt service.