# LOCAL GOVERNMENT INFRASTRUCTURE FUNDING

## CURRENT AND CONCEPTUAL

A Report Prepared for the

**Legislative Finance Committee**

By

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LFD

MONTANA LEGISLATIVE FISCAL DIVISION

## Introduction

The state of Montana and the federal governments offer several funding options to assist local governments with the cost of infrastructure projects. Governmental assistance in financing infrastructure is important in the delivery of adequate and well maintained local infrastructure, given the high costs. Montana offers several competitive grant and loan programs for the financing of infrastructure projects and each of the programs has its own unique purpose. Consequently, program ranking criteria varies between programs and can creates obstacles for local governments as they work to compile infrastructure funding packages using more than one program.

One measure noticeably absent in the program ranking criteria is an assessment of significant economic impacts, which often affects the need for infrastructure expansion or reduction. Both positive and negative economic effects have caused struggles for Montana local governments in recent years. This report will compare current funding programs, discuss the variability of the programs, and describe past and other efforts to assist local government with infrastructure (and other) costs. Ultimately, staff requests direction from the Legislative Finance Committee (LFC), on whether or not the committee wishes to pursue changes in current funding programs and/or developing new funding options for local government infrastructure.

## Current Programs Ranking Criteria

The LFC requested a comparison of program ranking criteria in order to determine what similarities exist between the programs. Attachment 4 includes two funding program ranking matrices. One matrix is related to state competitive grant programs and the second is related to state loan programs. The matrices primarily focus on the funding of water and wastewater infrastructure projects, since this is area where state funding is provided through multiple programs. The Quality Schools Facilities grant program is included because the program has provided almost $1.0 million for water/wastewater system projects for ten school districts since program inception[1]. Bridge funding was included in the infrastructure types to be analyzed in the local government infrastructure project, however state grant funding for bridges is only provided through the Treasure State Endowment Program (TSEP). As a result, there are no comparatives across state programs for bridges (Note: local governments/counties may use local government fuel tax distributions to pay the costs of bridge upgrades and maintenance and there are some federal programs administered by the Montana Department of Transportation that also provide funds for bridge work).

Each matrix shows the program in columns and includes the purpose of the program. In all cases, the purpose of the program drives the ranking criteria. The matrices also denote whether the ranking is determined in state law or through agency rules. The lower section of each matrix details the ranking criteria. To designate the importance of each of the ranking criteria, the items are numbered and the points assigned (by the administering agency) for each of the criteria are provided (where applicable). For grant program ranking, the criteria have been categorized across the rows to demonstrate similarities that exist between the programs. When viewing the grant matrix, it is important to note the number and points to gauge the value of the criteria.

It should be noted that this view of the ranking criteria represents a simplified and high level overview of a complicated process. The ranking processes for each program requires a significant amount of time and energy on the part of the agency. While the criteria shown in the matrices is the guiding criteria for ranking, other factors within the project area may be considered in the process.

## Ranking Highlights

There are a number of similarities in ranking criteria among the five programs compared in the competitive grant matrix. Most of the analyzed programs highly rank the need of the project, but often from a different perspective. For example the TSEP perspective the need for health and safety related improvements will provide the highest number of points. In the Renewable Resource Grant and Loan Program (RRGL) need is more closely related to the benefits to natural resources provided through the project, but ranking of need

[1] The Quality Schools Facility Program was enacted in the 2009 Legislative Session through HB 152.

provides the greatest number of points. The most evenly consistent ranking criteria is the technical merit of the project, which is a measure of the quality of the project engineering and design.

In the loan programs matrix, the ranking criteria is not categorized as seen in the grants matrix. Only the State Revolving Funds (SRF) loan programs rank loan requests, and the ranking criteria of the two SRF programs is very similar. The SRF program primarily funds water and wastewater projects, but may fund other project types such as wellhead protection, storm water, and solid waste projects. Over time, the SRF programs have loaned out approximately $30 million dollars to private irrigators for irrigation improvement projects. The RRGL program does not rank projects, but is often used for dam and irrigation projects. The Intercap Loan program, administered by Department of Commerce through the Board of Investments, may be used for many types of infrastructure including bridges.

**Competitive Grant Programs**
**Ranking Criteria Highlights**

- Purpose Rules
  - The program purpose defines the ranking criteria
- Similarities
  - Project need
  - Technical merit
  - Community support, financial or participatory
- Variations
  - Project need
  - Community planning
  - Affordability analysis

## Variations in Ranking

As mentioned above, the purpose of the program dictates the prioritization of the program ranking criteria. For example, TSEP was developed to improve local government economies, thus weighting numbers of jobs created heavily. Additionally, TSEP was developed to assist smaller communities in funding projects, accounting for weight of the "target rate" analysis[2]. Conversely, the RRGL program was developed for the protection and development of renewable resources and heavily weights conservation results gained through the project. Other differences in ranking are evident when looking at the Community Development Block Grant (CDBG) program, a federal funding program that is in place to assist communities in developing infrastructure and services that will create or enhance community growth. The CDBG program highly weights planning efforts by the local governments. Local governments frequently attempt to use multiple programs to assemble a full funding package for their projects, attempting to satisfy various ranking criteria. The resulting policy question is whether it was the intent of the legislature to have local governments relying on multiple state grant programs to fund their projects.

## Current Program Sufficiency

Over time, the current state funding programs have provided financial and technical support to many, if not most, of the Montana local governments. That said, there can be little debate of the popularity of the current programs. As demonstrated in the charts and tables of the September report, infrastructure maintenance and improvement is very costly. Projects funded in the 2015 biennium TSEP demonstrated an average wastewater system project cost of $3.7 million and water system project cost of $2.3 million. The September report also showed how local governments rely on a number of funding sources, in the form of grants and loans, to fully fund their projects. Most local governments count on at least three funding programs for the project, while one project included eight different sources. In the 2015 biennium funding cycle, all TSEP wastewater and all but three of the water project grants were matched with RRGL program grants. The dual state funding coverage occurred because the Legislature funded all projects that were able to meet at least the minimum ranking score in the 2015 biennium programs.

With the heightened grant funding provided for the 2015 biennium, more projects will be able to successfully compile their funding packages. However, in a normal funding cycle, that is not the case. The result is that if a

[2] Target rates are a calculation used by the Department of Commerce (DOC) to provide a gauge on the community affordability of a water, wastewater, or solid waste projects. The calculation is a part of the project ranking criteria for the TSEP and the Community Development Block Grant Program. The DOC uses the rates of median household income (2.3% for combined water/wastewater, 1.4% for water alone, 0.9% for wastewater alone, and 0.3% for solid waste) to determine community affordability before and after system improvements. If a community pays at or above its target rates, it is eligible for TSEP assistance.

project is not able to obtain, for example, a TSEP grant but has qualified for a RRGL grant the project may only go into construction if the local government has the ability/capacity to obtain other funds (in the form of loans or increased local contributions), and the same situation is at play in all the grant funding sources a local government may be relying on for their project. It is important to note that most of the costs of the local government infrastructure projects are financed by non-grant funds. Projects authorized in the 2015 biennium TSEP program (all wastewater and water projects combined) were anticipating funding 56.5% of the total project cost with local, non-grant, funds. Of those funds, 93.0% were in the form of loans.

One question for LFC consideration is whether the funding obtained through the current programs provide adequate cost coverage. At this time (again using the 2015 biennium TSEP information) a TSEP grant, which is currently limited to $750,000, provides an average of 16.7% of the total costs of wastewater system projects and 26.0% of water system projects. The TSEP increased grant limits from $500,000 to $750,000 beginning in the 2009 biennium. Grants through the RRGL program provide an average of 2.6% of the total costs of wastewater system projects and 3.4% of water system projects. RRGL program grants, limited to $100,000, have not been changed since the program inception. Because the RRGL grants have remained at the same maximum level for 20 years, the program administers are considering increasing the limits in the near future. In real terms, the value of the funding provided has declined with the inflation of construction costs, which creates a constant and continuing challenge for the state grant programs.

The LFC could recommend changes in ranking criteria and grant funding amounts for infrastructure projects. Most often, the details related to ranking criteria (and associated weighting) and the funding limitations are administrative functions of the program. The legislature would need to carefully consider recommending such changes, as there are pros and cons in taking such actions. For example, changes in the program ranking criteria would provide more consistent funding opportunities, but the benefit could come at the cost of the program purpose. Furthermore, increasing the grants funding limits would increase the benefit to the project while reducing the number of grants that could be authorized for funding.

## Not Substantially Included in Stated in Criteria - Economic Impacts

In previous LFC meetings, there has been discussion of how to address economic impacts within infrastructure funding. While the ranking criteria of TSEP, RRGL, and CDBG programs consider the economic benefits that may be gained in the construction of a project, there is no explicit ranking criteria related to the economic impacts that are currently underway in a specific project area (despite the lack of stated criteria, programs may take the economic impacts being experienced in an area into consideration). Economic events at the local government level can be especially problematic as related to infrastructure.

Of recent note are the struggles local governments have faced in Eastern Montana related to oil and natural gas development in the Bakken. Populations have increased significantly from activities in North Dakota. Population growth can cause issues with system sufficiency. In this case, the local governments do not receive the benefits of the industry tax dollars to fund the needed infrastructure improvements. The opposite impact has been felt in Western Montana as the timber industry has declined. Population loss and the resulting decline in the property tax base can render local governments unable to finance recent improvements.

There has not been successful legislation which takes into consideration the economic impacts to local government infrastructure financing. The most recently proposed legislation addressing significant economic impacts was the 2013 session HB 218, the "Oil and Gas Local Government Infrastructure Impact Assistance Act", which is summarized in the next section. The legislation mentioned the impacts of oil and gas development in the purpose statement:

*"The purpose of [sections 1 through 6] is to assist local government units that have been required to maintain and expand local government infrastructure as a consequence of oil and gas development."*

The application guidelines allowed applications from oil and gas impact areas and defined what types of projects could be considered. Additionally, the ranking criteria included financial participation from those benefiting

from oil and gas impacts. That said, the legislation did not include criteria to actually rank or measure the impacts, leaving those determinations to the administering agency.

Although specific ranking criteria for impacts was not mandated by the proposed legislation, criteria could be created for this purpose. Economic impacts have common attributes that include (but are not limited to) the growth or decline of population, personal income, and property valuation. These attributes, and others, could be formulated to provide a measure of local government impacts, which the legislature could use in the current program ranking criteria or in the development of new funding proposals.

## Other Potential Ranking / Funding Concepts

Past efforts by the Montana legislature to provide funding to local governments have mixed success. However, these examples may be useful in providing concepts and ideas for changing ranking criteria or shaping new funding programs. Several examples of local governments funding programs are summarized below along with an example of local government infrastructure funding from the state of Connecticut.

HB 218 – 2013 Session: The Oil and Gas Infrastructure Impact Assistance Act was developed as a short term program to provide state funds to local governments for infrastructure purposes. The program was vetoed by the Governor. The program would have provided $15.0 million for grants in FY 2013. Subsequent grant funding would have been funded with 25% or $10 million per year, whichever is greater, of total U.S. mineral royalty revenue through the life of the program. The funds were to be statutorily appropriated for deposit in new special revenue fund and could have been used for program administration and matching grants. The program would have sunset on December 31, 2020.

HB 645 – 2009 Session: In 2009, the legislature made use of general fund dollars freed up by the federal government's economic stimulus actions through ARRA. The funding was a one-time-only occurrence. The legislation provided additions of funds to several of the grant programs analyzed in this report (expanding state funding for water/waste water infrastructure projects). The legislation also provided grant funds to all cities/towns ($10 million), counties ($10 million), and tribal governments ($5 million). Distributions were based on a set amount for each local government plus a proportional amount of the remaining funds. Use of the local government distributions were designated in the bill, and some latitude was given for changes in the project type. Most of the distributions were used on infrastructure projects varying from county roads to park improvements. To demonstrate the distribution methodology for local governments and the various types of infrastructure projects, Attachment 1 includes the applicable section from HB 645 (Sec. 57).

HB 600 – 1983 Session: In 1983, the legislature created a short lived (repealed in 1987) block grant program making use of a 33.3% of the oil and natural gas tax revenues. The program was developed to provide assistance to local government for two purposes: 1) reimbursement for revenue changes experienced when motor vehicle registration laws were amended and 2) general financial assistance to local governments. The program was developed during a period of unusually high oil prices. However, after the initial spike, the price of oil fell and the legislature repealed the program. Information on the distribution formulas is included in Attachment 2.

In an example of how other states respond to the local government funding for infrastructure, the state of Connecticut has developed a "Local Capital Improvement Program" (LoCIP). The program, funded through the issuance of bonds, provides grants to municipalities upon request based on a statutory formula. The program requires an accompanying capital improvement plan with each grant request[3]. This requirement suggests the state values adequate planning by the municipalities. For more information on the LoCIP program, see Attachment 3.

[3] The exception to this requirement is that municipalities can request authorization for funding and reimbursement for projects listed in new subdivisions (T) through (X) of section 7-536 (a) (4), for the fiscal year ending June 30, 2013, prior to its inclusion in the municipality's CIP; and must then amend their CIP to include the project.

## Conclusion

State assistance in financing infrastructure is an important component in the provision of local government infrastructure. While the state offers several funding programs, none offer assistance primarily based on economic impacts, which may significantly affect local governments. Over time, there have been several attempts to increase support for local government funding, but these attempts have not produced continuing programmatic support.

There are many questions related to infrastructure funding that the LFC might entertain in discussion, and staff asks for guidance in pursuing the LFC's wishes. Questions include, but may not limited to:

1) Does the LFC want to make changes to the current infrastructure funding programs?
    a. Change current ranking criteria and/or:
        i. add a measure for area economic impacts?
        ii. require a capital improvement plan (like the Connecticut program)?
    b. Recommend changes to the grant limits?
    c. Broaden eligible project types?
2) Does the LFC want to create a new local government funding program?
    a. Would a new program be one-time-only or on-going?
    b. Would funding from a new program be directed to infrastructure (like HB 645) or for general purpose (like HB 600)?
    c. Would the LFC want to develop the ranking criteria and would it include a measure for area economic impacts?
    d. Would criteria include a capital improvement plan (like the Connecticut, LoCIP program)?

# ATTACHMENT 1

## HB 645, Section 57

Section 57. Distribution of local government, tribal government, and school funds. (1) Of the $45 million appropriated to the department of commerce for distribution to local governments, tribal governments, and school districts in [section 85], $10 million must be allocated to Montana counties, $10 million must be allocated to Montana cities and towns, and $5 million must be allocated to tribal governments. The department may retain 1.13% of the amount of the grants to counties, cities, towns, tribal governments, and school di stricts for administrative purposes. The distributions to tribal governments must be made available through the state-tribal economic development commission as provided in 90-1-130 through 90-1-135. The commission shall provide funding for projects that are available for immediate commencement to improve infrastructure or improve energy efficiency. The funds are intended to be allocated to complete priority projects as determined by the appropriate tribal government, but each tribe must be allocated at least $200,000. The funds appropriated to the department of commerce for local governments must be distributed pursuant to Title 90, chapter 1, part 2.

The funds allocated to local governments must be distributed as follows:
(a) each county must receive $100,000 plus the proportional share of the funds remaining from the $10 million based upon a blending of the distribution formulas contained in 15-70-101(2)(b) and (3); and (b) each city and town must receive $5,000 plus a proportional share of the funds remaining from the $10 million. The proportional share is calculated by allocating 50% of the remaining funds to each city and town based upon the distribution formula in 15-70-1 01 (2)(c) and 50% of the remaining funds to each city and town based upon the percentage that the population of each city or town bears to the total population of all cities and towns.

(2) Funds received by a county, city, or town pursuant to subsection (1) may be used for:
(a) the following county projects: Beaverhead, county courthouse repair; Big Horn, Little Horn road reconstruction; Blaine, county building improvements; Broadwater, county road chip seal; Carbon, West Fork road expansion; Carter, gravel crushing; Cascade, county building energy performance contract; Chouteau, county road repair and reconstruction; Custer, county road and buildings, including Silo Loop road, Pine Hills improvement, and county building repair and remodel; Daniels, county road gravel screening/crushing; Dawson, county building repair/remodel/construction; Deer Lodge, street light renovation; Fallon, county road and parks shop building; Fergus, Scott Crossing bridge replacement; Flathead, Mennonite Church and Creston roads construction; Gallatin, fairgrounds restroom construction and replacement; Garfield, county building heating/cooling system replacement; Glacier, Glacier County jail/detention center; Golden Valley, fire hall and roads; Granite, Metesch Lane bridge replacement; Hill, Sheppard and Bulhook roads pavement overlay; Jefferson, Boulder south campus sewer replacement; Judith Basin, replace Arrow Creek and Judith River bridge; Lake, South Valley Creek bridge replacement, Skyline bridge repair, and courthouse weatherization; Lewis and Clark, Lewis and Clark County fairgrounds plaza; Liberty, Liberty senior center; Lincoln, Tobacco Valley industrial park infrastructure improvements and Kootenai business park improvements; Madison, Madison
County office renovation and bridge improvement projects; McCone, geothermal heat loop courthouse retrofit; Meagher, county building energy efficiency and handicap accessibility updates; Mineral, Mineral County jail and courthouse restoration and repair; Missoula, Big Flat road reconstruction; Musselshell, Goffena bridge replacement; Park, 9th Street bridge replacement; Petroleum, courthouse windows, Dovetail Creek crossing, and Petroleum County road upgrade; Phillips, courthouse parking lot and sidewalk projects; Pondera, Pondera County community and senior center remodel; Powder River, Powder River County fire hall; Powell, energy efficient windows and boiler for county courthouse; Prairie, county fairgrounds grandstand replacement
and Terry park facilities renovation; Ravalli, Ambrose Creek road pavement preservation; Richland, Spring Lake road reconstruction; Roosevelt, energy efficient courthouse windows project; Rosebud, Ingomar water and sewer project and Forsyth library elevator project; Sanders, high bridge reconstruction; Sheridan, county road gravel and engineering, county road gravel crushing, Plentywood bypass route; Silver Bow, county road repair and maintenance; Stillwater, county courthouse and bridge; Sweet Grass, Pioneer medical center renovation; Teton, county nursing home and county road gravel; Toole, energy efficient lighting for Toole County hospital;

Treasure, county building renovations; Valley, Valley County detention center addition; Wheatland, county road shop and Harlowtown fire hall; Wibaux, county fairgrounds exhibit building; Yellowstone, Clapper Flat and Vandaveer roads and courthouse remodel; and

(b) the following city and town projects: Alberton, street repairs and paving; Anaconda-Deer Lodge, street light renovation; Bainville, Simard Park improvements -- sprinkler systems and sidewalks; Baker, storm drain installation on South Montana 7 and Secondary 322; Bearcreek, town hall renovation and repairs; Belgrade, street intersection reconstruction and sidewalk extension ; Belt, replace concrete water storage tank; Big Sandy, sewer main replacement and resurface Johannnes Avenue; Big Timber, Anderson Street asphalt overlay project; Billings, reconstruction of Alkali Creek Road; Boulder, water system treatment project; Bozeman, water system treatment project, water reclamation facility -- water treatment plant design, recreation facility improvements, sidewalks and restroom upgrades in parks, and debris removal; Bridger, street and sidewalk repairs; Broadus, addition to city hall for police department and sewer lagoon repairs; Broadview, general repairs and maintenance; Brockton, wastewater system repairs and street and alley repairs; Browning, new fire hall; Butte-Silver Bow, road repairs and maintenance; Cascade, one block sewer main replacement; Chester, chip seal town streets; Chinook, city hall repair and improvements and paint armory building; Choteau, city hall-fire station remodel and replace unit heaters in Pavilion building; Circle, purchase street patcher equipment and sewer treatment plant; Clyde Park, construction of Lathrop Street; Colstrip, Orchard lift station replacement; Columbia Falls, street construction and improvements; Columbus, replace curb, gutter, and sidewalk on Pike Avenue; Conrad, replace hydrants and valves and overlay Dakota Street; Culbertson, architecture design of new fire hall; Cut Bank, final engineering and design work for Railroad Street; Darby, water system improvement project; Deer Lodge, phase 1 sewer rehabilitation collection system; Denton, water-sewer upgrades, building repairs, and street repairs; Dillon, Glendale street project; Dodson, street repairs; Drummond, street repairs and park maintenance; Dutton, city park improvements; East Helena, renovate city hall; Ekalaka, bridge and street repair; Ennis, town hall expansion and remodel project; Eureka, repair main arterial road; Fairfield, design and erect new fire hall, televise sewer lines, and replace hydrants; Fairview, park bathrooms renovation; Flaxville, water storage tank repairs; Forsyth, water storage tank and waterworks repairs; Fort Benton, chip seal city streets, U.S. highway 87 repairs, and airport runway improvements; Fort Peck, replace aging fire hydrants; Froid, water storage reservoir replacement; Fromberg, street and sidewalk repairs; Geraldine, main sewer line extension; Glasgow, rehabilitate south side lift station; Glendive, street reconstruction; Grass Range, water, sewer, and street repairs; Great Falls, West Bank street and right-of-way improvement and civic center roof repair; Hamilton, Tenth street reconstruction; Hardin, new fire hall; Harlem, city hall renovation and weatherization and street maintenance; Harlowton, replace sidewalks and install handicapped curbs; Havre, new lift station and recoat concrete water tank; Helena, Centennial Park trail system construction; Hingham, sewer project, street and sidewalk repairs, and fire hydrants; Hobson, extend water to boulevard on Main Street; Hot Springs, remodel fire hall and repair streets; Hysham, overlay town streets; Ismay, general repairs and maintenance; Joliet, sewer and water improvements; Jordan, improve existing streets; Judith Gap, Fourth Avenue street improvements; Kalispe", street projects; Kevin, drainage, culvert, and road repairs; Laurel, open ditch mitigation near middle school; Lavina, install new water system; Lewistown, chip seal streets; Libby, sewer main extension to Cabinet Heights; Lima, re-gravel streets and park shelter; Livingston, safety and building repairs to Sacajawea Park and repairs to sidewalks and streets; Lodge Grass, sewer lagoon; Malta, water and sewer line repairs and maintenance and street paving and repairs; Manhattan, sidewalk extensions, repairs, and maintenance; Medicine Lake, sewer lagoon maintenance, water tower, and waterworks repairs; Melstone, install fire hydrants, water and sewer installation to community center, and sidewalks, curbs, and gutters; Miles City, stormwater system sediment removal and debris removal; Missoula, ADA sidewalk ramps and North Higgins streetscape; Moore, street repairs and capital improvements; Nashua, sewer and water main replacements; Neihart, streets and capital improvements; Opheim, water system and general repairs; Outlook, connect water system to new we"; Philipsburg, replace water and sewer lines; Pinesdale, capital improvements and repairs; Plains, city hall renovations including ADA bathrooms and furnace and air conditioning; Plentywood, engineering study of wastewater treatment system, replace sidewalk at city hall and add gutter system, and chip seal streets; Plevna, culvert and drainage improvements and chip seal streets; Polson, Riverside water main replacement; Poplar, street repairs after water line installation; Red Lodge, roof repairs on city hall and police station; Rexford, community center siding and repairs; Richey, road repairs and maintenance; Ronan, repair and

overlay Third Avenue Northwest; Roundup, curbs, gutters, and sidewalks on Second Avenue East; Ryegate, city park improvements; Saco, street repairs and maintenance; Saint Ignatius, street paving and pedestrian path and other park repairs; Scobey, weatherize city hall; Shelby, street repairs; Sheridan, street repairs and maintenance; Sidney, Twenty-Second Avenue Northwest reconstruction; Stanford, street intersection improvements and replacements; Stevensville, repair and replace roof on town hall complex building; Sunburst, resurface streets, ADA curbs and gutters, and other street repair; Superior, water construction phase II, street repairs, and renovate park buildings; Terry, park improvements; Thompson Falls, street repairs and replace water meters with radio read meters; Three Forks, pave streets and equip parks and recreation facilities; Townsend, Broadway sidewalk replacement; Troy, city hall restoration; Twin Bridges, public walking path connecting parks; Valier, install water tank, new water meters, and water lines and trunks; Virginia City, remodel and relocate city hall; Walkerville, street improvements; West Yellowstone, wastewater improvements; Westby, resurface streets; White Sulphur Springs, patch and repair city streets; Whitefish, new emergency services building; Whitehall, new ambulance building, wastewater improvements, and debris removal; Wibaux, remodel park bathroom as handicapped accessible; Winifred, drainage projects; Winnett, street drainage improvements; Wolf Point, gate valve and hydrant replacement; or

(c) projects approved by the department of commerce for the following purposes:
(i) designing, erecting, repairing, and remodeling public buildings or making energy efficiency improvements to public buildings;
(ii) designing, constructing, and repairing sewers, storm sewers, sewage treatment and disposal plants, waterworks, and reservoirs;
(iii) designing, constructing, and repairing bridges, docks, wharves, breakwaters, and piers;
(iv) designing, constructing, reconstructing, improving, maintaining, and repairing roads;
(v) acquiring, opening, or widening any street and improving the street by designing, constructing, reconstructing, and repairing pavement, gutters, sidewalks, curbs, and vehicle parking strips;
(vi) designing, building, renovating, and equipping parks and other recreation facilities; and
(vii) installing street lighting.

(3) The governing body of a county, city, or town may choose to propose to the department of commerce an alternate project to those listed in subsections (2)(a) and (2)(b) based on the criteria in subsection (2)(c). If the alternate project meets the criteria in subsection (2)(c), the department shall approve the project

# ATTACHMENT 2

## Distribution Formulas for HB 600, 1983 Legislative Session

In the "Local Government Block Grant Program", oil and natural gas revenues were designed to be distributed to three units which consisted of: a general purpose block grant for municipalities, counties, school districts, and other jurisdictions; a general services block grant for counties; and a general services block grant for municipalities.

The general purpose block grants were a local government revenue reimbursement to refund lost revenues to local governments for motor vehicle fees. If funds exceeded the reimbursements, the monies would be distributed by formularies to the general services block grants. This attachment will highlight only the methodology for distributions after the reimbursement component of the program. The distributions could be used for "any purpose authorized by law" and were not explicitly directed to infrastructure improvements.

The formula developed for the county distribution of the general services block grant was as follows:

50% per a ratio of the county population to total county population in the state.

50% as follows:

CMV/IMV * ICP = county tax base factor (TBF)

Then:

CG * individual county TBF/sum of all county TBF = 0.5% individual county share

Where:
CMV = average mill value per capita
IMV = individual county mill value per capita
CG = ½ total county grant

The formula for the municipality distribution of the general services block grant is as follows:

50% per ratio of municipalities population to total municipal population.

50% as shown below.

For consolidate city and county governments:

PCG + (PCG * UP/TSP) / TSMP = consolidated percentage

Where:
PCG = population of consolidated governments
UP = unincorporated population
TSP = total state population
TSMP = total state municipal populations

For municipalities:

MVPC/IVC * IMP = 0.5 of individual municipality's share

Then:

CG * individual municipal TBF/ sum of all municipal TBFs = 0.5% individual municipality's share

Where:
MVPC = average mill value per capital for all municipalities
IVC = individual municipal mill value per capita
IMP = individual municipal population
CG = ½ total municipal grant

# ATTACHMENT 3

## Connecticut Local Capital Improvement Program (LoCIP)[4]

Reimbursable project types for LoCIP grants include:

A) Road construction, renovation, repair, or resurfacing

B) Sidewalk and pavement improvements

C) Sewer facilities/lines construction, renovation, enlargement, or repair

D) Public Buildings, other than schools, construction, renovation, code compliance, energy conservation and fire safety

E) Dams/bridges/flood control construction, renovation, enlargement, or repair

F) Water treatment or filtration facilities/mains construction, renovation, enlargement, or repair

G) Solid waste facilities construction, renovation, or enlargement

H) Public parks improvements

I) Capital improvement plans

J) Emergency communications systems improvements and building security systems including schools

K) Public housing renovation and improvements

L) Veterans' memorials

M) Thermal imaging systems

N) Bulky waste/landfill projects

O) Conservation development plans

P) Auto external defibrillators

Q) Floodplain management and hazardous mitigation activities

R) On-board oil refining systems

S) The planning of a municipal broadband network

T) Bikeway and greenway establishment

U) Land acquisition: incl. for open space and costs to make land available for public use

V) Technology relating to SDE's common core state standard

W) Technology upgrades including expansion of public access to government information via e- portals/kiosks

X) for fiscal years ending June 30. 2013 and June 30, 2014: Snow removal equipment, improvements to public safety, and capital expenditures to facilitate regional cooperation

The calculation for the distribution of funds in the LoCIP program is as follows:

Funds are apportioned to the towns by the statutory formula of 30% road miles, 25% population density, 25% AENGLC (Adjusted Equalized Net Grand List Per Capita) and 20% population, with unconsolidated cities and boroughs receiving a percentage of their associated municipality's allocation based on the total taxes levied. These entitlements may be accumulated from year to year, since there is no deadline for application.

[4] Information supplied below was obtained from the "Updated 2013 LoCIP Guidelines", as found on the internet at: http://www.ct.gov/opm/lib/opm/igp/grants/locip/2013_locip_guidelines_update_july_2013.pdf
The FY 2014 grant information was found on the internet at:
http://advocacy.ccm-ct.org/Resources.ashx?id=ef7b8d7c-e21c-4ed5-8c6f-8ef479da9740

Capital Improvement Plan (CIP)

Funding of a LoCIP grant requires a CIP. A CIP is a multiyear plan prepared to show the general description, need, and estimated cost of each individual capital improvement, and the proposed funding source for each individual capital improvement in the first year of the plan. The CIP should be adopted by the applicant's legislative body having final annual budget approval (City Council, Board of Alderman or Town Meeting) and should be updated annually.

Grant Authorization

The following table provides an example of the LoCIP grants proposal from FY 2014 under the "Appropriations and Finance Committees' Proposed State Budget". This illustration is to demonstrate the grant amounts and total anticipated distributions.

Final Page of Connecticut's FY 2014
LoCIP Grant Awards

| Town | FY14 LoCIP Grant | FY14 MRSA Distribution | Total LoCIP Amount |
|---|---|---|---|
| Other Municipalities | $25,754,913 | $47,631,621 | $73,386,534 |
| Warren | 21,909 | 6,278 | 28,187 |
| Washington | 52,974 | 14,522 | 67,496 |
| Waterbury | 1,243,340 | 2,667,318 | 3,910,658 |
| Waterford | 119,083 | 110,643 | 229,726 |
| Watertown | 159,370 | 450,746 | 610,116 |
| Westbrook | 42,280 | 163,516 | 205,796 |
| West Hartford | 458,106 | 731,452 | 1,189,558 |
| West Haven | 592,499 | 580,531 | 1,173,030 |
| Weston | 65,382 | 39,474 | 104,856 |
| Westport | 143,761 | 100,924 | 244,685 |
| Wethersfield | 188,737 | 157,519 | 346,256 |
| Willington | 61,562 | 46,172 | 107,734 |
| Wilton | 111,666 | 221,174 | 332,840 |
| Winchester | 89,217 | 234,454 | 323,671 |
| Windham | 259,909 | 594,001 | 853,910 |
| Windsor | 183,400 | 828,713 | 1,012,113 |
| Windsor Locks | 80,590 | 1,005,151 | 1,085,741 |
| Wolcott | 114,468 | 221,817 | 336,285 |
| Woodbridge | 65,207 | 51,971 | 117,178 |
| Woodbury | 78,324 | 72,738 | 151,062 |
| Woodstock | 85,394 | 81,504 | 166,898 |
| Total | $29,972,091 | $56,012,239 | $85,984,330 |

As seen in the table, MRSA is Connecticut's municipal revenue sharing account, which was proposed to expand LoCIP funding to municipalities in FY 2014. The following note from the originating document is descriptive of the action:

*"The FY14 LoCIP grant amount is provided through bond funding, and it contains two components. First, each municipality would get the same LoCIP amount it received in FY13. Second, an additional statewide grant of about $56 million would be distributed by taking approximately 62 percent of the total amount a town received this year under the Municipal Revenue Sharing Account through the Manufacturing Transition Grant (PILOT MME) and the Municipal Revenue Sharing Bonus Pool.*

*There is no language currently in the bond bill that says the increased LoCIP funding (i.e., MRSA distribution) can be used for unrestricted purposes. Short of restoring the Manufacturing Transition Grant and the Municipal Revenue Sharing Bonus Pool, CCM supports the adoption of such language to increase municipal flexibility and applicability of such funds."*

# ATTACHMENT 4

## Ranking Matrices

How to read:

1) Competitive Grant Matrix
    a. Program information is shown down each column
    b. The top block of information provides program name
        i. Types of projects funded in the program
        ii. The program's statutory reference
        iii. The administrating agency
    c. The next block of information provides
        i. The program purpose
    d. The next block of information provides
        i. The ranking criteria by type of criteria
        ii. The points assigned by the agency for each criteria
    e. The bottom row provides the total ranking points available for each program
2) Loan Matrix
    a. Program information is shown down each column
    b. The top block of information provides program name
        i. Types of projects funded in the program
        ii. The program's statutory reference
        iii. The administrating agency
    c. The next block of information provides
        i. The program purpose
    d. The next block of information provides
        i. The ranking criteria by type of criteria
        ii. The points assigned by the agency for each criteria
        iii. Detail is provided within the ranking criteria
    e. The next section provides the total ranking points available for each program
    f. The last section provides other important information related to the loan program
        i. Application fees
        ii. Other terms and conditions

## State Infrastructure Programs Ranking Criteria Comparison for Local Government Construction Projects
### Competitive Grant Programs

| Program | Treasure State Endowment Program | Renewable Resource Grants Program | Community Development Block Grant Program | Montana Coal Board | Quality Schools Grants Program |
|---|---|---|---|---|---|
| Project Type | Water/Wastewater/Bridges | Water/Wastewater | Water/Wastewater | Water/Wastewater, Bridges, School Facilities, other Governmental Services | School Facilities |
| Statutory Ref. | 90-6-700, MCA | 85-1-600, MCA | N/A | 90-6-200, MCA | 90-6-800, MCA |
| Agency | Department of Commerce | Department of Natural Resources and Conservation | Housing and Urban Development (through) Department of Commerce | Department of Commerce | Department of Commerce |
| **Purpose** | 1. Create jobs for Montana residents.<br><br>2. Promote economic growth in Montana by helping to finance the necessary infrastructure.<br><br>3. Encourage local public facility improvements.<br><br>4. Create a partnership between the state and local governments to make necessary public projects affordable.<br><br>5. Support long-term, stable economic growth in Montana.<br><br>6. Protect future generations from undue fiscal burdens caused by financing necessary public works.<br><br>7. Coordinate and improve infrastructure financing by federal, state, local government, and private sources.<br><br>8. Enhance the quality of life and protect the health, safety, and welfare of Montana citizens.<br><br>NOTE: The department may recommend up to 20% of the interest earnings anticipated to be deposited into the treasure state endowment fund in each biennium for bridge projects. | 1.1. To further the state's policies, set forth in 85-1-101, regarding the conservation, development, and beneficial use of water resources; invest in renewable natural resource projects that preserve for the citizens of Montana economic and other benefits of the state's natural heritage.<br><br>1.2. The development of renewable resource projects that will continue to provide tax and other revenue and will preserve for the citizens the economic and other benefits of the state's natural heritage.<br><br>1.3. The conservation, development, management, and preservation of water and other renewable resources.<br><br>1.4. Developments supported by this part may not significantly diminish the quality of existing public resources, such as land, air, fish, wildlife, and recreation opportunities.<br><br>1.5. The implementation and development of the comprehensive, coordinated, multiple-use water resources plan known as the "state water plan".<br><br>2.1. Projects that enhance renewable resources in the state through conservation, development, management, or preservation.<br><br>2.2. Assessing feasibility or planning.<br><br>2.3. Implementing renewable resource projects.<br><br>2.4. Similar purposes approved by the legislature. | 1. To help communities with their greatest community development needs. | 1. Assist local governmental units required to expand public services as a consequence of large-scale development of coal mines and coal-using energy complexes or for a decline in coal mining or in the operation of coal-using energy complexes.<br><br>2. Highway improvement account administered by the board and MDT: To assist with construction and reconstruction of designated portions of highways that serve the area affected by the large-scale development.<br><br>3. To support county land planning.<br><br>4. To support public schools throughout the state. | 1. Enhance the quality of life and protect the health, safety, and welfare of Montana's public school students.<br><br>2. Ensure the successful delivery of an educational system that meets the accreditation standards provided for in 20-7-111.<br><br>3. Extend the life of Montana's existing public school facilities.<br><br>4. Promote energy conservation and reduction.<br><br>5. Integrate technology into Montana's education framework to support student educational needs for the 21st century.<br><br>6. Are fiscally responsible by considering both long-term and short-term needs of the public school district, the local community, and the state. |

| Program | Treasure State Endowment Program | | Renewable Resource Grants Program | | Community Development Block Grant Program | | Montana Coal Board | | Quality Schools Grants Program | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Provision of Ranking Authority** | | | | | | | | | | |
| | Statutory | | Agency Rules | | Federal and Agency Rules | | Statutory | | Statutory | |
| **Agency Ranking Criteria** | | Pts. | | Pts. | | Pts. | | | | Pts. |
| Health and Safety | 1. Solves an urgent and serious public health or safety problems, or that enables local governments to meet state or federal health or safety standards. FOR BRIDGES: Does a serious deficiency exist and how much of the population is affected by the deficiency? | 1,100 | | | | | | | 1.1. Solve urgent and serious public health or safety problems or that enable public school districts to meet state or federal health or safety standards. NOTE: Under each priority, the Department is to give preference to school facility projects involving repairs to existing facilities over projects involving construction of new facilities. | 200 |
| Project Need | | | 1. Resource and citizen benefits. | 1,000 | 2. Project need. | 175 | (a) Need. | N/A | 1.2. Address deferred maintenance by repairing or replacing existing building components that are inoperable or difficult to service or that lack minimum integrity. | 180 |
| Need for Financial Assistance | 2. Reflect greater need for financial assistance than other projects. FOR W/WW PROJECTS: Community median household income and user rates; % of population designated as at or below poverty and economic condition in relation to the proposed level of local financial participation and ability to finance without TSEP assistance. FOR BRIDGES: Applicants' access to funds through taxes and other sources that could potentially be used to fund bridge projects on a per capita basis. | 900 | | | 5. Need for financial assistance. | 200 | | | 2.1. Need for financial assistance. | 60 |
| | | | | | 6. Benefit to low and moderate income persons. | 150 | | | | |
| Technical Merit | 3. Incorporate appropriate, cost-effective technical design and that provide thorough, long-term solutions to community public facility needs. | 800 | 2. Technical feasibility. | 100 | 3. Project concept and technical design. | 150 | | | | |

| Program | Treasure State Endowment Program | | Renewable Resource Grants Program | | Community Development Block Grant Program | | Montana Coal Board | | Quality Schools Grants Program | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Agency Ranking Criteria** | | Pts. | | Pts. | | Pts. | | | | Pts. |
| Community Support - Financial | 5. Enable local governments to obtain funds from sources other than TSEP. | 600 | | | | | (d) Degree of local effort in meeting the need. | N/A | 2.2. Fiscal capacity of the public school district to meet the conditions established in 90-6-812 (start-up conditions) | 60 |
| | | | | | | | | | 2.4. Ability to obtain funds from sources other than the funds provided under this part. | 60 |
| Community Support - Citizen Participation | 7. Are high local priorities and have strong community support. | 400 | | | 4. Community efforts and citizen participation. | 100 | | | 2.5. Importance of the project and support for the project from the community. | 60 |
| Planning | 4. Reflect substantial past efforts to ensure sound, effective long-term planning and management of public facilities and that attempt to resolve the infrastructure problem with local resources. | 700 | | | 1. Community planning. | 175 | (e) Need for community planning before the full impact is realized. How does the request reasonably fit into an overall plan for the orderly management of the existing or contemplated growth or decline problems? | N/A | 2.3. 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. | 60 |
| Other | 6. Provide long-term, full-time job opportunities for Montanans, that provide public facilities necessary for the expansion of a business that has a high potential for financial success, or that maintains or encourages expansion of the tax base. | 500 | 4. Financial feasibility. | 100 | 7. Implementation and management. | 175 | (b) Degree of severity of impact from an increase or decrease in coal development or in the consumption of coal by a coal-using energy complex. | N/A | 1.3. Enhance a public school district's ability to offer specific services related to the requirements of the accreditation standards provided for in 20-7-111. | 160 |
| | | | 3. Project management and implementation. | 100 | | | (c) Availability of funds. | N/A | 1.4. Provide long-term, cost-effective benefits through energy-efficient design. | 140 |
| | | | 5. Adverse environmental impact. | 100 | | | | | 1.5. Incorporate long-term, cost-effective benefits to school facilities, including the technology needs of school facilities. | 120 |
| | | | | | | | | | 1.6. Enhance educational opportunities for students. | 100 |
| **Total Available Points (Pts.)** | | 5,000 | | 1,400 | | 1,125 | | N/A | | 1,200 |

## State Infrastructure Programs Ranking Criteria Comparison
### Loan Programs

| Program<br>Statutory Ref.<br>Agency | Drinking Water State Revolving Fund Program<br>75-6-200, MCA<br>Department of Environmental Quality / Department of Natural Resources and Conservation | Water Pollution Control State Revolving Fund Program<br>75-5-1100, MCA<br>Department of Environmental Quality / Department of Natural Resources and Conservation | Renewable Resource Loan Program<br>85-1-600, MCA<br>Department of Natural Resources and Conservation | Intercap Loan Program<br>N/A<br>Department of Commerce |
|---|---|---|---|---|
| **Purpose** | 1. Make loans for construction of public-health related infrastructure improvements to drinking water facilities for activities related to the Safe Drinking Water Act (SDWA).<br><br>2. Provide financial and technical assistance for administration, small systems, capacity development, operator certification, public water supply programs, source water assessment, and wellhead protection programs to facilitate compliance with the national primary drinking water regulations.<br><br>3. Buy or refinance debt obligations to finance projects at or below market rates (after July 1, 1993).<br><br>4. Guarantee or insure municipal obligations issued to finance projects to enhance credit or reduce interest rates.<br><br>5. Provide a source of revenue or security for general obligation bonds the proceeds of which are deposited in the revolving fund.<br><br>6. Provide loan guarantees for similar revolving funds established by municipalities.<br><br>7. Earn interest on fund accounts.<br><br>8. Pay reasonable administrative costs of the program not to exceed 4% of all federal grant awards.<br><br>9. Provide additional subsidization to eligible recipients in the form of forgiveness of principal of loans to the extent authorized or required by federal law and subject to satisfaction of conditions on loans described in 75-6-226. | 1. Make loans to municipalities to finance all or a portion of the cost of water pollution control projects related to the Clean Water Act (CWA).<br><br>2. Make loans to private persons to finance all or a portion of the cost of nonpoint source pollution control projects.<br><br>3. Buy or refinance municipal debt obligations to finance projects at or below market rates (after March 7, 1985).<br><br>4. Guarantee or insure municipal obligations issued to finance projects to enhance credit or reduce interest rates.<br><br>4. Provide a source of revenue or security for general obligation bonds the proceeds of which are deposited in the revolving fund.<br>6. Provide loan guarantees for similar revolving funds established by municipalities.<br><br>7. Earn interest on fund accounts.<br><br>8. Pay reasonable administrative costs of the program not to exceed 4% of all federal grant awards.<br><br>9. Provide additional subsidization to eligible recipients in the form of forgiveness of principal of loans to the extent authorized or required by federal law and subject to satisfaction of conditions on loans described in 75-5-1113. | 1.1. To further the state's policies, set forth in 85-1-101, regarding the conservation, development, and beneficial use of water resources and to invest in renewable natural resource projects that will preserve for the citizens of Montana the economic and other benefits of the state's natural heritage.<br><br>1.2. The development of renewable resource projects that will continue to provide tax and other revenue and will preserve for the citizens the economic and other benefits of the state's natural heritage.<br><br>1.3. The conservation, development, management, and preservation of water and other renewable resources.<br><br>1.4. Developments supported by this part may not significantly diminish the quality of existing public resources, such as land, air, fish, wildlife, and recreation opportunities.<br><br>1.5. The implementation and development of the comprehensive, coordinated, multiple-use water resources plan known as the "state water plan".<br><br>2.1. Projects that enhance renewable resources in the state through conservation, development, management, or preservation.<br><br>2.2. Assessing feasibility or planning.<br><br>2.3. Implementing renewable resource projects.<br><br>2.4. Similar purposes approved by the legislature. | N/A |

| Program | Drinking Water State Revolving Fund Program | | Water Pollution Control State Revolving Fund Program | | Renewable Resource Loan Program | | Intercap Loan Program | |
|---|---|---|---|---|---|---|---|---|
| **Provision of Ranking Authority** | Statute | | Statute | | Agency Rules | | N/A | |
| **Agency Ranking Criteria** | | Pts. | | Pts. | | Pts. | | Pts. |
| | 1. Documented health risks (one or another): | 120 | 1. Purpose (points for all that apply): | 275 | Not Ranked | N/A | Not Ranked | N/A |
| | acute | 120 | protect public health. | 75 | | | | |
| | non acute | 60 | water quality, reduce toxic effects on aquatic life. | 25 | | | | |
| | | | reduce sediment loading 25 pts. | 25 | | | | |
| | | | reduce nutrients. | 25 | | | | |
| | | | comply with national secondary standards. | 25 | | | | |
| | | | meet a total daily load. | 50 | | | | |
| | | | address formal enforcement action. | 50 | | | | |
| | 2. Proactive compliance measures | 50 | 2. Effectiveness (pick one): | 100 | | | | |
| | | | eliminate health hazards or restore water body. | 100 | | | | |
| | | | improves quality of water but may not fully restore. | 50 | | | | |
| | | | improve infrastructure. | 25 | | | | |
| | 3. Potential health risks: | 70 | 3. Activity Specific (all applying by type): | 70 | | | | |
| | microbiological. | 25 | *Wastewater projects: | | | | | |
| | nitrate. | 25 | capacity issues. | 10 | | | | |
| | chemical. | 20 | reliability or obsolescence. | 10 | | | | |
| | | | beneficial use. | 20 | | | | |
| | | | water conservation. | 10 | | | | |
| | | | I/I reduction or I/I less than 20%. | 10 | | | | |
| | | | energy conservation. | 10 | | | | |
| | | | *Nonpoint Source projects: | | | | | |
| | | | improve water use efficiency. | 20 | | | | |
| | | | beneficial uses in addition to water quality. | 25 | | | | |
| | | | protect water quality or public health. | 25 | | | | |
| | 4. Construction of a regional public water supply that would serve two or more existing public water supplies. | 20 | 4. Readiness (all that apply): | 165 | | | | |
| | | | engineer hired for planning and design. | 20 | | | | |
| | | | conceptual plan. | 20 | | | | |
| | | | planning document complete or project funding in place. | 20 | | | | |
| | | | rates and charges in place and adequate to cover costs. | 10 | | | | |
| | | | final plans and specs approved. | 20 | | | | |
| | | | construction expected within 12 mos. | 75 | | | | |

| Program | Drinking Water State Revolving Fund Program | | Water Pollution Control State Revolving Fund Program | | Renewable Resource Loan Program | | Intercap Loan Program | |
|---|---|---|---|---|---|---|---|---|
| **Agency Ranking Criteria** | | Pts. | | Pts. | | Pts. | | Pts. |
| | 5. Affordability (whichever applies): | 20 | 5. Refinance of existing long-term debt. | 10 | | | | |
| | > 3.5% of minimum household income (MHI). | 20 | | | | | | |
| | 2.5% through 3.5% of MHI. | 15 | | | | | | |
| | 1.0% through 2.5% of MHI. | 10 | | | | | | |
| | <=1.0% of MHI. | 5 | | | | | | |
| | | | 6. Interim project financing. | 25 | | | | |
| **Total Available Points (Pts.)** | | 280 | | 645 | | N/A | | N/A |
| | | | | | | | | |
| **Other Borrowing Considerations** | | | | | | | | |
| Application Fee | | | | | $250 | | | |
| Terms | 3.00% | | 3.00% | | In 2015 biennium 3.00% and 4.50% | | Variable rate loans overall average rate - 4.411% current rate - 1.00% | |
| Life | Up to 20 years (30 years for disadvantaged communities or the useable life of project) | | Up to 20 years (30 years for disadvantaged communities or the usable life of project) | | Up to 30 years | | Up to 15 years | |
| Spc. Terms | Limited amount of loan forgiveness available | | Limited amount of loan forgiveness available | | Interest rates may be subsidized by coal taxes | | | |