

# LOCAL GOVERNMENT INFRASTRUCTURE FUNDING CURRENT AND CONCEPTUAL

# Introduction

## This report will:

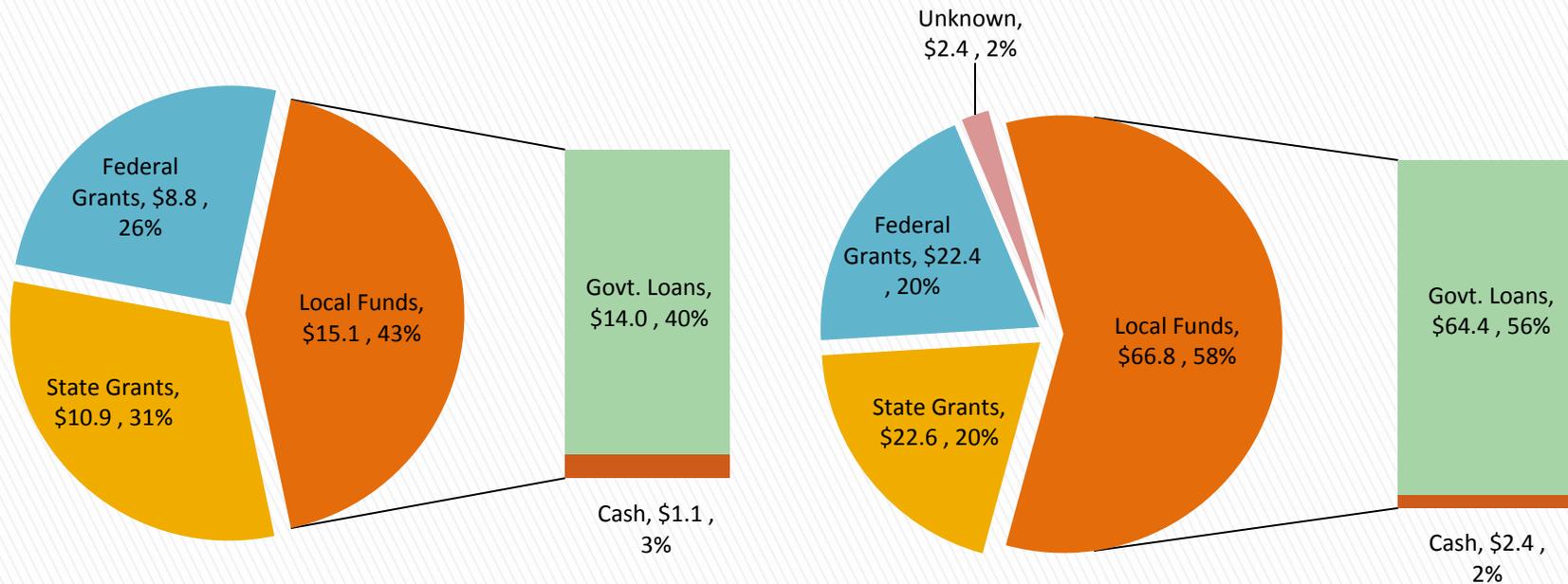


- ✓ Compare and contrast state programs
- ✓ Discuss variability of the programs
- ✓ Discuss the sufficiency of current programs
- ✓ Describe other and past funding concepts
- ✓ Request LFC direction

**Local Government Water and Waste Water Projects  
With TSEP and RRGL Grants Authorized in the 2013 Session**

| Applicant/County                          | Pop. Served | Project Cost         | Anticipated State Grant Funding |                      |                  |                        | Anticipated Federal Grant Funding |                        |                  |                    |                  |                      | Anticipated Govt. Loans |                     | Local Funds        | Unknown            |         |
|---|-------------|----------------------|---------------------------------|----------------------|------------------|------------------------|-----------------------------------|------------------------|------------------|--------------------|------------------|----------------------|-------------------------|---------------------|--------------------|--------------------|---------|
|   |             |                      | TSEP                            | RRGL                 | Coal Board       | SRF (loan forgiveness) | CDBG                              | RD Grant               | WRDA             | STAG               | BOR              | Water SMART          | SRF Loan                | RD Loan             |                    |                    |         |
| <b>Waste Water Projects</b>               |             |                      |                                 |                      |                  |                        |                                   |                        |                  |                    |                  |                      |                         |                     |                    |                    |         |
| Craig Co WSD, Lewis & Clark               | 103         | \$3,332,755          | \$750,000                       | \$100,000            |                  |                        | \$1,328,115                       |                        |                  |                    |                  |                      |                         |                     |                    | \$68,000           |         |
| Glendive, Dawson                          | 4,729       | 8,879,392            | 750,000                         | 100,000              |                  |                        |                                   |                        |                  |                    |                  |                      | 8,029,392               | \$1,086,640         |                    |                    |         |
| Valier, Pondera                           | 498         | 1,983,930            | 750,000                         | 100,000              |                  |                        | 523,350                           |                        |                  |                    |                  |                      |                         | 610,580             |                    |                    |         |
| Hill County - North Havre, Hill           | 973         | 423,000              | 211,500                         |                      |                  |                        |                                   |                        |                  |                    |                  |                      | 105,750                 |                     |                    |                    | 105,750 |
| Dawson Co/West Glendive, Dawson           | 1,833       | 3,047,631            | 750,000                         | 100,000              |                  |                        |                                   |                        |                  |                    |                  |                      | 2,197,631               |                     |                    |                    |         |
| Seeley Lake Sewer Dist, Missoula          | 780         | 6,907,000            | 750,000                         | 100,000              |                  |                        | 450,000                           | 1,300,000              | 680,000          | 1,521,700          |                  |                      |                         | 2,105,300           |                    |                    |         |
| Three Forks, Gallatin                     | 1,728       | 4,529,155            | 750,000                         | 100,000              |                  |                        |                                   |                        |                  |                    |                  |                      | 3,679,155               |                     |                    |                    |         |
| Richland County, Richland                 | 297         | 2,165,000            | 750,000                         | 100,000              | 100,000          |                        |                                   | 364,500                |                  |                    |                  |                      |                         | 850,500             |                    |                    |         |
| Amsterdam/Churchill Sewer Dist., Gallatin | 727         | 3,160,368            | 750,000                         | 100,000              |                  |                        |                                   |                        |                  |                    |                  |                      |                         | 2,310,368           |                    |                    |         |
| Fort Benton, Chouteau                     | 1,594       | 4,230,000            | 750,000                         | 100,000              |                  |                        |                                   | 2,366,000              |                  |                    |                  |                      |                         | 1,014,000           |                    |                    |         |
| Moore, Fergus                             | 186         | 1,880,000            | 625,000                         | 100,000              |                  |                        |                                   | 512,500                |                  |                    |                  |                      |                         | 512,500             | 5,000              | 125,000            |         |
| Forsyth, Rosebud                          | 1,944       | 3,434,700            | 500,000                         | 100,000              | 250,000          |                        |                                   |                        |                  |                    |                  |                      | 2,199,700               | 385,000             |                    |                    |         |
| Vaughn Co WSD, Cascade                    | 701         | 1,972,645            | 750,000                         | 100,000              |                  |                        |                                   |                        |                  |                    |                  |                      | 1,122,645               |                     |                    |                    |         |
| Choteau, Teton                            | 1,781       | 7,804,370            | 750,000                         | 100,000              |                  |                        | 450,000                           | 250,000                |                  |                    |                  |                      |                         | 6,254,370           |                    |                    |         |
| Boulder, Jefferson                        | 1,300       | 4,882,000            | 625,000                         | 100,000              |                  |                        | 450,000                           | 750,000                |                  |                    |                  |                      |                         | 2,757,000           | 200,000            |                    |         |
| Cut Bank, Toole                           | 3,105       | 8,131,000            | 625,000                         | 100,000              |                  |                        |                                   |                        |                  |                    |                  |                      |                         | 7,406,000           |                    |                    |         |
| White Sulphur Springs, Meagher            | 984         | 988,000              | 460,500                         | 100,000              |                  |                        |                                   |                        |                  |                    |                  |                      | 427,500                 |                     |                    |                    |         |
| Winnett, Petroleum                        | 185         | 2,304,000            | 750,000                         | 100,000              |                  |                        | 450,000                           |                        |                  |                    |                  |                      |                         | 1,004,000           |                    |                    |         |
| Harlowton, Wheatland                      | 1,062       | 1,611,000            | 625,000                         | 100,000              |                  |                        |                                   | 210,000                |                  |                    |                  |                      |                         | 676,000             |                    |                    |         |
| Stevensville, Ravalli                     | 1,553       | 3,755,630            | 750,000                         | 100,000              |                  |                        | 450,000                           | 676,689                |                  |                    |                  |                      |                         | 1,578,941           | 200,000            |                    |         |
| Lodge Grass, Big Horn                     | 510         | 3,721,000            | 750,000                         | 100,000              | 200,000          |                        | 450,000                           |                        |                  |                    |                  |                      |                         | 2,221,000           |                    |                    |         |
| Harlem, Blaine                            | 848         | 2,363,829            | 625,000                         | 100,000              |                  |                        | 450,000                           | 355,749                |                  |                    |                  |                      |                         | 833,080             |                    |                    |         |
| Winifred, Fergus                          | 208         | 2,513,000            | 500,000                         | 100,000              |                  |                        | 450,000                           | 122,850                |                  |                    |                  | 300,000              |                         | 150,150             | 125,000            | 765,000            |         |
| Havre, Hill                               | 9,621       | 8,966,411            | 500,000                         | 100,000              |                  |                        |                                   | 2,569,923              |                  |                    |                  |                      |                         | 5,271,488           | 400,000            | 125,000            |         |
| Fairfield, Teton                          | 659         | 2,629,753            | 625,000                         | 100,000              |                  |                        |                                   | 518,926                |                  |                    |                  |                      |                         | 1,210,827           | 50,000             | 125,000            |         |
| Miles City, Custer                        | 8,487       | 8,400,800            | 500,000                         | 100,000              |                  |                        |                                   | 1,950,200              |                  |                    |                  |                      |                         | 5,850,600           |                    |                    |         |
| Drummond, Granite                         | 318         | 2,342,000            | 750,000                         | 100,000              |                  |                        |                                   | 445,000                |                  |                    |                  |                      |                         | 1,037,000           | 10,000             |                    |         |
| Alberton, Mineral                         | 374         | 623,000              | 292,000                         | 100,000              |                  |                        |                                   |                        |                  |                    |                  |                      |                         |                     |                    |                    | 39,000  |
| Belt, Cascade                             | 633         | 2,525,205            | 625,000                         | 100,000              |                  |                        |                                   | 500,000                |                  |                    |                  | 300,000              |                         | 830,205             |                    |                    | 170,000 |
| Joliet, Carbon                            | 575         | 2,388,000            | 154,200                         | 100,000              |                  |                        |                                   | 831,500                |                  |                    |                  |                      |                         | 831,500             |                    |                    | 470,800 |
| Hamilton, Ravalli                         | 3,705       | 2,301,000            | 322,262                         | 100,000              |                  |                        | 450,000                           |                        |                  |                    |                  |                      |                         |                     | 1,001,000          | 427,738            |         |
| <b>Total Waste Water Projects</b>         |             | <b>\$114,195,574</b> | <b>\$19,065,462</b>             | <b>\$3,000,000</b>   | <b>\$550,000</b> | <b>\$0</b>             | <b>\$4,050,000</b>                | <b>\$15,575,302</b>    | <b>\$680,000</b> | <b>\$1,521,700</b> | <b>\$300,000</b> | <b>\$300,000</b>     | <b>\$17,953,773</b>     | <b>\$46,402,049</b> | <b>\$2,444,000</b> | <b>\$2,353,288</b> |         |
| <b>% of Total Funding</b>                 |             |                      | <b>16.7%</b>                    | <b>2.6%</b>          | <b>0.5%</b>      | <b>0.0%</b>            | <b>3.5%</b>                       | <b>13.6%</b>           | <b>0.6%</b>      | <b>1.3%</b>        | <b>0.3%</b>      | <b>0.3%</b>          | <b>15.7%</b>            | <b>40.6%</b>        | <b>2.1%</b>        | <b>2.1%</b>        |         |
| <b>Average Waste Water Project Cost</b>   |             | <b>\$3,683,728</b>   |                                 | <b>% State Share</b> |                  | <b>19.8%</b>           |                                   | <b>% Federal Share</b> |                  | <b>19.6%</b>       |                  | <b>% Local Share</b> |                         | <b>58.5%</b>        |                    |                    |         |
| <b>Water Projects</b>                     |             |                      |                                 |                      |                  |                        |                                   |                        |                  |                    |                  |                      |                         |                     |                    |                    |         |
| Manhattan, Gallatin                       | 1,520       | \$1,855,000          | \$750,000                       | \$100,000            |                  | \$200,000              |                                   |                        | \$300,000        |                    |                  |                      | \$505,000               |                     |                    |                    |         |
| Cascade, Cascade                          | 819         | 2,069,051            | 750,000                         | 100,000              |                  | 219,000                | 450,000                           |                        |                  |                    |                  |                      | 550,051                 |                     |                    |                    |         |
| Pinesdale, Ravalli                        | 742         | 2,541,939            | 750,000                         | 100,000              |                  |                        | 450,000                           | 372,582                |                  |                    |                  |                      |                         | 869,357             |                    |                    |         |
| Musselshell Co WSD, Musselshell           | 60          | 900,250              | 450,125                         |                      | 150,000          |                        |                                   | 207,500                |                  |                    |                  |                      |                         | 92,625              |                    |                    |         |
| Hot Springs, Sanders                      | 531         | 1,185,100            | 592,550                         |                      |                  |                        | 450,000                           |                        |                  |                    |                  |                      | 142,550                 |                     |                    |                    |         |
| Chinook, Blaine                           | 1,386       | 2,998,900            | 750,000                         | 100,000              |                  |                        |                                   | 644,220                |                  |                    |                  |                      |                         | 1,503,180           | 1,500              |                    |         |
| Roundup, Musselshell                      | 1,931       | 1,250,273            | 500,000                         | 100,000              |                  |                        | 450,000                           |                        |                  |                    |                  |                      |                         | 200,273             |                    |                    |         |
| Libby, Lincoln                            | 2,626       | 8,797,000            | 750,000                         | 100,000              |                  |                        | 450,000                           | 3,204,000              |                  |                    |                  |                      |                         | 3,916,000           | 377,000            |                    |         |
| Philipsburg, Granite                      | 914         | 1,120,000            | 550,000                         | 100,000              |                  |                        |                                   | 112,500                |                  |                    |                  |                      |                         | 357,500             |                    |                    |         |
| Dutton, Teton                             | 389         | 832,555              | 408,500                         | 100,000              |                  | 92,500                 |                                   |                        |                  |                    |                  |                      | 231,555                 |                     |                    |                    |         |
| Polson, Lake                              | 4,041       | 1,480,620            | 625,000                         | 100,000              |                  |                        |                                   |                        |                  |                    |                  |                      | 755,620                 |                     |                    |                    |         |
| Conrad, Pondera                           | 2,753       | 1,479,995            | 625,000                         |                      |                  |                        |                                   |                        |                  |                    |                  |                      | 854,995                 |                     |                    |                    |         |
| Malta, Phillips                           | 2,120       | 6,157,500            | 500,000                         | 100,000              |                  |                        |                                   | 1,667,250              |                  |                    |                  |                      |                         | 3,890,250           |                    |                    |         |
| Eureka, Lincoln                           | 1,017       | 1,100,000            | 550,000                         | 100,000              |                  |                        |                                   | 90,000                 |                  |                    |                  |                      |                         | 360,000             |                    |                    |         |
| Plevna, Fallon                            | 138         | 1,100,000            | 500,000                         | 100,000              |                  |                        |                                   |                        |                  |                    |                  |                      |                         |                     | 500,000            |                    |         |
| <b>Total Water Projects</b>               |             | <b>\$34,868,183</b>  | <b>\$9,051,175</b>              | <b>\$1,200,000</b>   | <b>\$150,000</b> | <b>\$511,500</b>       | <b>\$2,250,000</b>                | <b>\$6,298,052</b>     | <b>\$300,000</b> | <b>\$0</b>         | <b>\$0</b>       | <b>\$0</b>           | <b>\$3,039,771</b>      | <b>\$10,988,912</b> | <b>\$1,078,773</b> | <b>\$0</b>         |         |
| <b>% of Total Funding</b>                 |             |                      | <b>26.0%</b>                    | <b>3.4%</b>          | <b>0.4%</b>      | <b>1.5%</b>            | <b>6.5%</b>                       | <b>18.1%</b>           | <b>0.9%</b>      | <b>0.0%</b>        | <b>0.0%</b>      | <b>0.0%</b>          | <b>8.7%</b>             | <b>31.5%</b>        | <b>3.1%</b>        | <b>0.0%</b>        |         |
| <b>Average Water Project Cost</b>         |             | <b>\$2,324,546</b>   |                                 | <b>% State Share</b> |                  | <b>31.3%</b>           |                                   | <b>% Federal Share</b> |                  | <b>25.4%</b>       |                  | <b>% Local Share</b> |                         | <b>43.3%</b>        |                    |                    |         |

# Project Funding by Source Type



Water System Project Funding  
In Treasure State Endowment Program

Wastewater System Project Funding  
In Treasure State Endowment Program

# Current Program Ranking

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»» Program Purpose Drives Ranking

(See Attachment 4 Ranking Matrices)

# Current Program Ranking Criteria

## 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

# Example of Program Contrast

## ▶ Treasure State Endowment Program (TSEP)

**90-6-702. Purpose.** The purpose of the treasure state endowment program is to assist local governments in funding infrastructure projects that will:

- (1) create jobs for Montana residents;
- (2) promote economic growth in Montana by helping to finance the necessary infrastructure;
- (3) encourage local public facility improvements;
- (4) create a partnership between the state and local governments to make necessary public projects affordable;
- (5) support long-term, stable economic growth in Montana;
- (6) protect future generations from undue fiscal burdens caused by financing necessary public works;
- (7) coordinate and improve infrastructure financing by federal, state, local government, and private sources; and
- (8) enhance the quality of life and protect the health, safety, and welfare of Montana citizens.

### Primary Ranking Criteria:

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 – 1,100 points

## ▶ Renewable Resource Grant Program (RRGL)

**85-1-601 (2).** The purpose of the renewable resource grant and loan program is 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.

### Primary Ranking Criteria:

1. Provides resource and citizen benefits – 1,000 points

# Current Program Sufficiency

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- ➤ Agreement in Ranking
- ➤ Grant Award Sufficiency

# Funding from Multiple Sources

- ▶ Local governments may need to meet multiple program criteria to guarantee project funding
- ▶ The inability to qualify for any source of funding in a project financial package results in the need to locate replacement funding

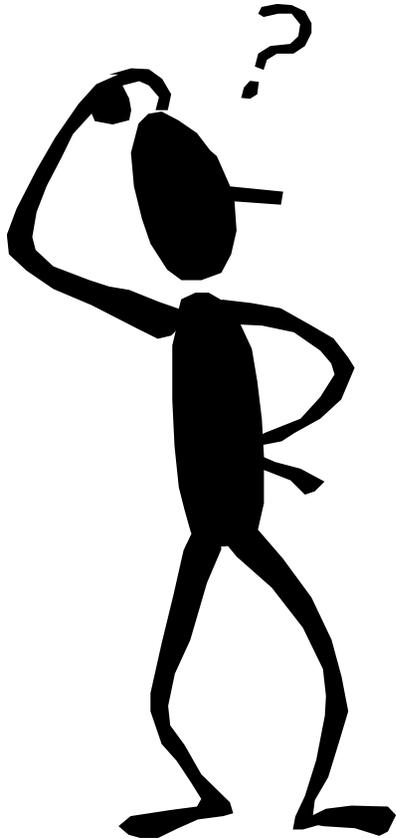


# How Much is Enough?



- ▶ TSEP grants provide up to \$750,000 for projects
  - The grant amount was increased from \$500,000 beginning in the 2009 biennium
  - In the 2015 budget cycle, TSEP grants accounted for an average of 16.7% of wastewater project costs and 26.0% of water project costs
- ▶ RRGL grants provide up to \$100,000 for projects
  - The grant limit has not been increased in the life of the program – or 20 years
  - In the 2015 budget cycle, RRGL grants accounted for an average of 2.6% of wastewater project costs and 3.4% of water project costs

# Can the Legislature Effect Change?



- ▶ The Legislature can change ranking criteria
  - Amend Statutes
  - Request Changes in Rules
  - May impact the purpose of the program
- ▶ The Legislature can recommend changes to the grant awards limits

# Economic Impacts

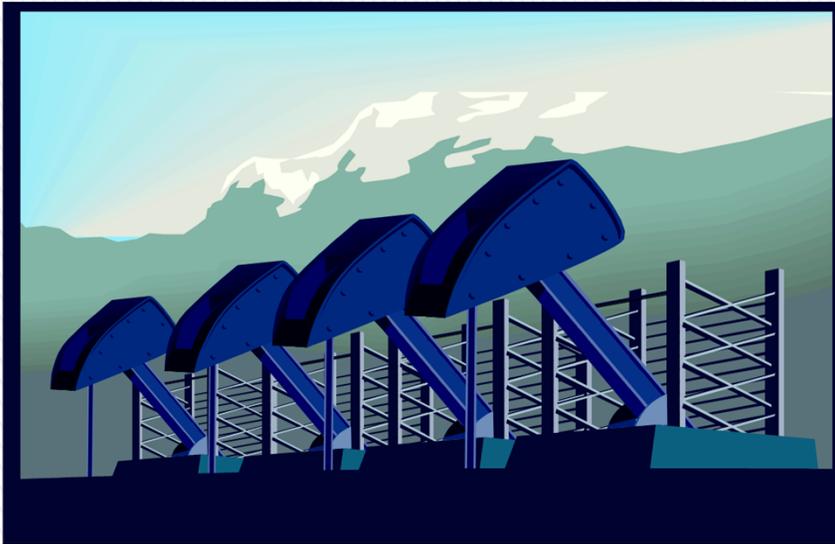
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- No explicit ranking criteria for area specific economic impacts



- Programs may make considerations through the ranking work
  - There is ranking criteria in several programs that provide consideration for the impacts created by the project
- Area impacts can have a big impact on infrastructure

# Can Area Economic Impacts be Included in Ranking Criteria?



In Eastern Montana – Oil and Natural Gas Development:

- ✓ Population (+)
- ✓ Personal income (+)
- ✓ Property value (+)



In Western Montana – Timber Industry Declines:

- ✓ Population (-)
- ✓ Personal income (-)
- ✓ Property value (-)

# Impact Consideration of HB 218

- ▶ Proposed legislation attempted to address area economic impacts
- ▶ Impacted areas were clearly defined 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 measure of the impact was not formulized in the proposed legislation
  - The measure was left to the discretion of the program administrators

# Other Funding Concepts

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- ➤ Past efforts in Montana
- Connecticut example

# Recent Examples of Infrastructure Funding

## ▶ HB 218

- Oil and Gas Infrastructure Impact Assistance Act
- Funding directed to areas impacted by oil and natural gas development
- Provided \$15 million in FY 2013 and up to \$10 million in subsequent years for grants
- Sunset December 31, 2020

## ▶ HB 645

- Provided funding to all Montana local governments for infrastructure projects
- Was developed as a distribution mechanism rather than an ongoing program

# Older and Other State Programs

- ▶ HB 600 from 1983
  - General funding for local governments
  - Used a complex formula for the secondary distributions
  - Thought to be very equitable
- ▶ Connecticut LoCIP
  - Local government infrastructure program
  - Specifies infrastructure types
  - Requires submission of a capital improvement plan



# Conclusion

Any questions?

Our questions for you and directions to staff follow -



# Where to go From Here?



- 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)?