



# MONTANA LEGISLATIVE BRANCH

## Legislative Fiscal Division

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Legislative Fiscal Analyst  
CLAYTON SCHENCK

DATE: September 17, 2009

TO: Members of the ARRA Monitoring Sub-Committee

FROM: Matt Stayner, Fiscal Analyst, Legislative Fiscal Division

RE: Quick-Start Energy Efficiency Grant Program

Subcommittee Members,

Legislative appropriation was made through HB 645 in the amount of \$14,950,000 for Quick Start Energy Grants. The purpose of the grant program is for energy efficiency improvement grants to public school districts for projects that provide long-term, cost-effective benefits to school facilities. The program is administered by the Department of Commerce. The program provides funding for a school district to complete an energy audit or evaluation of the potential for energy savings or for energy efficiency improvements that are based on an energy audit or evaluation that are expected to achieve measurable energy efficiency to a school facility and cost savings to the school district. The bill states that:

“The Department of Commerce shall distribute Quick-Start funds on a reimbursement basis from May 15, 2009, until September 30, 2009. Any Quick-Start funds not obligated under this section for reimbursement to a public school district by September 30, 2009, must be used as provided in [section 85] for the School Facilities Program Administration and Grants line item appropriation.”

The Department of Commerce policy is that they will reimburse the school districts for any work that is completed up to the September 30<sup>th</sup> deadline, but not for any work that is completed after that date. Funds that are not expended, even if they are obligated by contract, will then be used in accordance with the School Facilities Administration and Grants Program contained in HB 152. David Ewer, the Governor’s Budget Director, was asked to verify and comment about this policy and he stated that he and his staff agree with the Department of Commerce’s interpretation and subsequent policy on this issue.

A question arose regarding whether the funds appropriated by the legislature for the Quick-Start Energy Grants should be expended through reimbursement only for work completed by September 30, 2009, or obligated by contract by September 30, 2009 with expenditure through reimbursement for work completed to extend beyond that date. In either case the remaining

amount (either not expended as in the first part or unobligated as in the second part) would then be used in accordance with the School Facilities Administration and Grants Program.

An opinion was requested of Greg Petesch, the Director of Legal Services of Legislative Services Division. This opinion acknowledges the ambiguity of the language contained in HB 645, but concludes that based on review of the minutes of the House Appropriations Committee relative to the discussion on the Quick Start Energy Program, legislative intent appears to comport with the latter interpretation of the bill which is that the September 30, 2009 deadline applies to the encumbrance of the funds and not to the expenditure of the funds. This opinion is further supported by and is consistent with the general state accounting and budgeting practices under which funds that would otherwise revert may be contractually encumbered prior to the statutorily prescribed reversion date.

According to the Department of Commerce Web Site (<http://commerce.mt.gov/QuickStart/>) as of September 14<sup>th</sup>, \$14,949,040 in awards have been issued for both Quick Start Energy Audits and Quick Start Projects. This amount is the total amount obligated by award to date. The state accounting system, SABHRS, as of September 14<sup>th</sup>, shows total expenditures of \$2,438,479\*. A request for information was made to the Department of Commerce regarding the total amount of reimbursement requests that they have received, but not yet entered in to SABHRS and the total amount that they estimate that will be expended for reimbursements under the program. No response to the request has been received as of the date of this letter. Under the current policy, any amount that is not expended for work completed by September 30<sup>th</sup> will automatically roll in to and be used in accordance with the School Facilities Administration and Grants Program contained in HB 152.

If the sub-committee is satisfied with this policy there is no further action necessary. Should the sub-committee find that this policy is inconsistent with the legislative intent regarding the implementation of the associated provisions of HB 645, the sub-committee may want to pursue one of the following options:

1. Draft a letter to the Director of the Department of Commerce and to the Governor indicating the specific concerns with this policy and what action the sub-committee would like to have happen to alleviate those concerns
2. Refer this matter to the full Legislative Finance Committee for further consideration including the above option

\*The Governor's report on ARRA for July 2009 shows total expenditures of \$257,068 from these award amounts.

enclosures:

Greg Petesch opinion  
David Ewer email