

LONG-RANGE BUILDING PROGRAM

PROGRAM DESCRIPTION

In 1963, the legislature enacted the Long-Range Building Program (LRBP) to provide funding for construction, alteration, repair, and maintenance of state-owned buildings and grounds. The program was developed in order to present a single, comprehensive, and prioritized plan for allocating the state's resources for the purpose of capital construction and repair of state-owned facilities. Historically, the LRBP has been funded with a combination of cash accounts and bonding. The various types of cash accounts include state and federal special revenue funds, other funds (such as university and private funds), and the capital projects fund (long-range building program account).

Table 1 summarizes capital project appropriations for each biennium since 1983.

Biennium	Capital Projects Fund	General Fund	Other Funds (3)	Total Cash Projects	G.O. Bonds	Total Cash & Bonded Projects
1983	\$11.700	\$0	\$12.760	\$24.460	\$35.834	\$60.294
1985	10.870	-	15.693	26.563	39.335	65.898
1987	10.518	-	19.202	29.720	8.550	38.270
1989	6.247	-	11.440	17.687	-	17.687
1991	7.515	-	21.556	29.071	3.823	32.894
1993	8.382	1.768	70.052	80.202	48.561 (1)	128.763
1995	3.119	2.600 (2)	30.898	36.617	6.460	43.077
1997 (4)	7.835	-	145.191	153.026	41.865	194.891
1999	9.160	-	69.164	78.324	43.319	121.643
2001	7.515	0.170	107.936	115.621	33.404	149.025
2003 (5)	5.490	-	75.325	80.815	25.025	105.840

(1) The 1993 legislature reduced the prison expansion by \$12.7 million.

(2) HB46 diverted cigarette tax revenues from the capital projects fund to a state special revenue fund for the operation of veterans' homes. This \$2.6 million reduction in the capital projects fund was offset by a general fund appropriation.

(3) Other funds include non-general fund sources, such as state and federal special revenue funds, private contributions, and miscellaneous "other" funds.

(4) Excludes the \$3.5 million general fund appropriation to OPI for state advances and reimbursements for school facilities (HB5). This was not part of the long range building program.

(5) Amounts provided for the 2003 biennium are based upon the estimated start dates for design and construction.

SUMMARY OF LEGISLATIVE ACTION

House Bills 5 and 14 contain the cash and bonding authorizations, respectively, for the long-range building program. The 2001 legislature authorized 64 projects with a total project cost of \$105.8 million. Of this amount \$25.0 million is to be funded with bond proceeds, while \$80.8 million will be funded with cash as follows:

- ?? \$25 million in general obligation bonded projects
- ?? \$5.5 million capital project funds
- ?? \$20.4 million state special revenue
- ?? \$15.8 million federal special revenue
- ?? \$39.1 million "other" funds

Table 2 shows the 2003 biennium legislative authorization by project and fund source.

Project	Program	HB 14 Bonded	Recommendations for HB 5 "Cash" Projects			Project	
		Projects	LRBP	State Special	Fed Special	Other Funds	Total
Department of Administration							
Life Safety Projects, Statewide	Cash		\$400,000				\$400,000
Hazardous Material Mitigation Fund	Cash		350,000				350,000
Roofs - Statewide, A&E	Cash		499,000				499,000
Project Litigation Fund	Cash		475,000				475,000
Capitol Complex Land Acquisition, Admin	Cash					400,000	400,000
Department of Corrections							
Construct C. Reception Unit, DOC	Bond	\$5,000,000			\$1,000,000		6,000,000
School for Deaf and Blind							
Facility Improvements, MSD&B	Cash		315,160				315,160
Department of Fish, Wildlife and Parks							
Fishing Access Sites Maintenance	Cash			275,000			275,000
Fishing Access Sites Protection	Cash			600,000	100,000		700,000
Fishing Access Sites Acquisition	Cash			600,000			600,000
Hatchery Maintenance, FWP	Cash			575,000			575,000
Park/Bearpaw Lakes Dam Repair, FWP	Cash			210,000			210,000
Future Fisheries, FWP	Cash			2,010,000			2,010,000
Valier Boat Ramp, FWP	Cash				150,000		150,000
Wildlife Habitat Maintenance, FWP	Cash			750,000			750,000
Habitat Montana, FWP	Cash			4,800,000			4,800,000
Waterfowl Stamp Program, FWP	Cash			342,950			342,950
Upland Game Bird Program, FWP	Cash			1,200,000			1,200,000
Big Horn Sheep Program, FWP	Cash			25,000			25,000
Cultural & Historic Parks, FWP	Cash			1,060,000	150,000		1,210,000
Motorboat Recreation, FWP	Cash			1,039,650	505,000		1,544,650
Federal WB, FWP	Cash				745,000		745,000
State Park Roads	Cash			400,000			400,000
Capitol Complex Grounds Improvements, FWP	Cash					150,000	150,000
Land & Water Conservation Fund (LWCF) Grants, FWP	Cash				2,250,000		2,250,000
Federal Trails Grants, FWP	Cash				1,900,000		1,900,000
Off Highway Vehicles Trails Grants, FWP	Cash			425,000			425,000
Administrative Facility Repair & Maintenance	Cash			764,000			764,000
Department of Justice							
Upgrade Foundations and Boiler, MT							
Law Enforcement Academy	Cash		200,000				200,000
Department of Military Affairs							
Federal Spending Authority, DMA	Cash				1,500,000		1,500,000
Construct New Dillon Armory, DMA	Bond	1,940,000			3,800,000		5,740,000
Construct New Kalispell Armory DMA					3,700,000		3,700,000
Department of Natural Resources							
Expand Unit Office, DNRC Libby	Cash		94,000				94,000
Department of Public Health and Human Services							
Licensure Compliance, Montana Mental Health Nursing Care Center	Cash		524,000				524,000
Montana Veterans Home Improvements, DPHHS	Cash			165,875			165,875
Eastern Montana Veterans Home Improvements, DPHHS	Cash			177,800			177,800

Project	Program	HB 14 Bonded Recomm.	Recommendations for HB 5 "Cash" Projects				Project Total
			LRBP	State Special	Fed Special	Other Funds	
Department of Transportation							
Maintenance, Repair & Small Projects, MDT	Cash			2,300,000			2,300,000
Construct Equipment Storage, Buildings, MDT	Cash			2,700,000			2,700,000
Montana University System - Statewide							
Roofs - Statewide, MUS	Cash		426,000				426,000
Master Plan Campuses, MUS	Cash		100,000			150,000	250,000
University of Montana							
Replace Primary Power Distribution System, UM-Dillon	Cash		162,750			59,375	222,125
Heating Plant Steam Dist - Phase, UM- Butte	Cash		438,750			236,250	675,000
Grant Projects, All Campuses, UM	Cash					1,500,000	1,500,000
ADA Code/Deferred Maintenance	Cash					1,000,000	1,000,000
Multi-Media Center, UM Yellow Bay	Cash					1,350,000	1,350,000
Law Building Renovation/Expans.	Cash					5,000,000	5,000,000
School of Journalism Building, UM	Cash					12,000,000	12,000,000
Renovate Chemistry Building	Bond	6,350,000					6,350,000
Chemistry Building Addition/Renovation UM-Missoula	Cash					3,200,000	3,200,000
Develop Classroom/Lab Design MSU- COT Billings	Cash		50,000				50,000
Montana State University							
Animal & Range Science Facility, MSU	Cash					5,000,000	5,000,000
Renovate Liberal Arts Life Safety Maintenance, MSU-Billings	Bond	3,220,000					3,220,000
Renovate Exterior Linfield Hall & Montana Hall, MSU, Deferred Maint.	Bond	1,450,000					1,450,000
Upgrade HVAC Systems, Cowan Hall, MSU-Northern	Bond	2,173,000					2,173,000
Construct Applied Technology Center, MSU-Northern	Bond	2,000,000				3,000,000	5,000,000
Develop Design to Expand HCOT Helena	Cash		125,000				125,000
Gaines Hall Renovation/Addn MSU - Bozeman	Cash					2,000,000	2,000,000
Install PBS Digital Conversion, MSU Bozeman	Bond	1,892,286				3,059,455	4,951,741
Agricultural Experiment Station, MSU- Bozeman	Bond	1,000,000				1,000,000	2,000,000
Expanded Program							
Department of Administration							
Life Safety Projects Statewide	Cash		300,000				300,000
Hazardous Materials Mitigation, Statewide	Cash		90,000				90,000
Roof Replacement/Repairs, Statewide	Cash		150,000				150,000
Montana Universities and Colleges							
Code Compliance/Deferred maint., All campuses	Cash		550,000				550,000
Develop Design to Expand HCOT-UM	Cash		240,000				240,000
Total Projects Authorized		<u>\$25,025,286</u>	<u>\$5,489,660</u>	<u>\$20,420,275</u>	<u>\$15,800,000</u>	<u>\$39,105,080</u>	<u>\$105,840,301</u>

Other Legislation*House Bill 124*

The sunset of the Department of Fish, Wildlife and Parks fee in lieu of taxes would not be impacted due to House Bill 132. HB 124 (the "big bill" changing distribution of funds to local governments) would have changed the sunset provision on this fee but due to the coordinating language in HB 124, with HB 132, the HB 124 sunset provision is void.

House Bill 132

HB 132 extends the termination date applicable to the allocation and disposition of a percentage of the fee in lieu of tax on motor boats and related-to the boating advisory council to June 30, 2006. HB 132 also extends the termination date of allocation and disposition of a percentage of the fee in lieu of tax on motorboats for boating facilities, (applicable to the change in the penalty for the failure to pay the boat fee in lieu of tax and also to state-funded and state-certified county boating safety programs) to June 30, 2006. HB 132 authorizes the use of boat fees to benefit public boating facilities and removes the provision that limits disbursement of collected fees to the region in which the payer's boating activities occur. HB 132 results in an increase in state special revenues available to the Department of Fish, Wildlife and Parks (FWP) in the amount of \$285,000 in FY2003. This increase is reflected in HB 5 funding for the FWP Motorboat Recreation Program. There is also an increase in federal funds of \$428,000 that will be used in the Federal Wallop Breaux Program in FWP which is funded in HB 5.

Senate Bill 238

SB 238, which is effective March 1, 2002, increases the nonresident migratory game bird hunting license from \$5 to \$50. This is estimated to generate an additional \$112,950 in FY 2003. The Department of Fish, Wildlife, and Parks will use the funds to expand the waterfowl stamp program for protection and enhancement of wetland habitat with emphasis on partnerships with other agencies and non-government organizations. The \$112,950 is appropriated in HB 5.

Other Committee Action.

At the request of the Long Range Planning Committee, the Department of Labor and Industry and the Department of Administration prepared a memo of understanding (MOU) regarding the application of Montana "Little Davis-Bacon Act" wage rates for the construction of public works projects. This memo states in part:

"In future instances where there are questions involving the nature of construction of public works projects and the wage rates applicable thereon, the Department of Labor and Industry, upon request from the Department of Administration, will work cooperatively with the Architecture and Engineering Division to determine which rate or rates apply to the project or projects in question. It is further agreed that this approach will be used on an interim basis until such time as rules can be formally adopted by the Department of Labor and Industry, in concert with the Department of Administration, to formalize this process."

EXECUTIVE BUDGET COMPARISON

The 2001 legislature appropriated funds totaling \$105.8 million for capitol projects for the 2003 biennium compared to \$166.7 million included in the Executive Budget. Significant changes to the Executive Budget are described below.

Construct DPHHS Building in Helena

The executive originally recommended \$41 million to fund the construction of the new DPHHS building in Helena. The 2001 legislature accepted the subsequent Executive request to withdraw the proposal from HB 14.

Construct Central Reception Unit

The Executive requested that a new reception facility be constructed at the prison in Deer Lodge for \$8.5 million that would be funded by capitol project funds (CPF) that are received from bond proceeds. The debt service for the bonds is funded by the general fund. The legislature reduced the project to \$6 million, to be funded by \$5 million in CPF and \$1 million from federal sources.

Replace the HVAC, Phase II, Science Complex

The Executive recommended CPF funding of \$3.3 million to replace existing worn out heating, ventilating and air conditioning (HVAC) equipment in the Science Complex at UM-Missoula. The 2001 legislature did not approve this request.

Expand the College of Technology Helena

The Executive recommended the approval of \$5.5 million to expand the UM-COT Helena. The 2001 legislature did not approve this request. Instead the 2001 legislature provided \$365,000 in Long-Range Building Program funds to develop a complete design that could be used for the bid process.

Agricultural Experiment Station

The 2001 legislature provided \$2 million to provide funding for various rehabilitation projects at experiment stations around the state. The funding is provided from \$1 million of CPF and \$1 million from other sources.

Install PBS Digital Conversion, MSU-Bozeman

The Executive recommended this funding in HB 15 through the sale of \$2.5 million in general obligation bonds. The 2001 legislature added this request to HB 14 with \$1.9 million in CPF authority and to HB 5 with \$3.1 million in other funds.

Increase Maintenance Funding

The 2001 legislature increased the funding available in the future by changing how \$665,000 of debt service will be paid. In the past, the debt service for the 1996D, 1997B and 1999C bond issues were funded 100% by the LRBP account. Starting July 1, 2001, \$665,000 of the debt service on these issues will be paid for by the general fund until these bonds are paid off. As a result, each year the 2001 legislature increased the available funding for LRBP projects by \$665,000 per year greater than it otherwise would have been until the bond issues are paid in full.

Funding*House Bill 5 – Cash Projects*

HB 5 is commonly referred to as the “cash bill” for the LRBP, as it includes projects financed with non-bonded funds, including money from the capital projects fund, long-range building program account state special revenue fund, federal special revenue fund, and other funds (such as university funds, private funds, and capitol land grant funds).

Long-Range Building Capital Projects Fund

Although the LRBP account does not represent the largest portion of funding for capital projects, the revenues allocated to this account represent the only specific commitment of state funds for capital projects. LRBP account revenues include 15.85 percent of cigarette tax revenue, 12 percent of coal severance tax revenue, interest earnings, and supervisory fees paid to the Architecture and Engineering Division (A&E) of the Department of Administration.

The LRBP account also receives some funds from the State Building Energy Conservation Program. Through this program, the state issues general obligation (G.O.) bonds, uses the bond proceeds to pay for energy efficiency improvements, and then uses the resulting energy cost savings to pay the debt service on the bonds. The projects are designed so that the cost savings exceed the bond debt service payments. Excess savings are transferred to the long-range building program.

Table 3 shows the projected fund balance for the LRBP account for the 2003 biennium.

Estimated Beginning Cash Balance (July 1, 2001)		(\$183,548)
Revenues:		
Cigarette Tax *	\$3,551,985	
Coal Severance Tax *	8,121,240	
Interest Earnings	330,792	
Supervisory Fees	365,010	
DEQ Transfer - Energy Savings	<u>287,993</u>	
Total Revenues		<u>12,657,020</u>
Funds Available		12,473,472
Expenditures:		
Operating Costs - A & E Division (Current Request)	(2,322,108)	
Debt Service - 1996D Issue **	(3,583,492)	
Debt Service - 1997B Issue **	(882,862)	
Debt Service - 1999C Issue **	<u>(1,395,618)</u>	
Total Expenditures - Excluding Capital Projects		<u>(8,184,080)</u>
Funds Available For Capital Projects		4,289,392
Funding Proposals		
Capital Construction Program - LRBP Projects Only		<u>(4,319,660)</u>
Estimated Ending Fund Balance		<u>(\$30,268)</u>
* Based upon HJR 2 revenue estimates		
** Coal severance tax portion only		

Capitol Land Grant Revenue

Capitol land grant revenues, derived from trust lands designated in the Enabling Act for the state capitol complex, are a source of LRBP funding used for both debt service and payments and capitol projects. HB 5 includes \$400,000 from this funding source for the acquisition of capitol complex land.

Table 4 shows a projected ending fund balance that is based on the update revenue estimates from the Department of Natural Resources and Conservation.

House Bill 14 – Bonded Projects

As shown in Table 2, HB 14 contains nine LRBP projects funded, in whole or in part, through the issuance of general obligation bonds. All the debt service is funded from the general fund.

The total new debt service cost to the general fund for these projects during the 2003 biennium is \$.86 million. In addition, \$1.3 million of debt service will be paid from the general fund for debt service rather than the LRBP until the 1996D, 1997B, and 1999C bond issues are paid in full.

	Fiscal 2002	Fiscal 2003
Beginning Available Fund Balance	\$1,618,479	\$1,087,380
<u>Revenues</u>		
Interest and Income	1,050,000	760,000
Funds available	<u>\$2,668,479</u>	<u>\$1,847,380</u>
<u>Expenditures</u>		
Justice Bldg Debt Service	85,514	85,471
Capitol Renovation Debt Service	412,530	410,089
Capitol Land Acquisition		400,000
General Services	933,055	933,055
FWP	150,000	
Total Project Expenditures	<u>1,581,099</u>	<u>1,828,615</u>
Projected Ending Fund Balance	<u>\$1,087,380</u>	<u>\$18,765</u>

The total annual cost of the debt service will not impact the general fund until fiscal year 2005. By this time all projects will be fully designed and construction will be underway and the bonds for all the projects will have been sold. The total annual estimated debt service starting fiscal year 2005 is \$2.1 million for the projects, plus the additional \$0.7 million for the debt service shift from the LRBP account, for a total annual general fund debt service of \$2.8 million.

Table 5 shows general fund debt service obligations for outstanding LRBP/IT bond issues plus the new debt service payments resulting from the projects approved in HB 14. Total estimated general fund debt service for the 2003 biennium is \$39.9 million.

It is important to note that the debt service payments budgeted by the 2001 legislature are estimates. If interest rates and/or bond issuance timelines change, these payments may change as a result. General fund payments will be made from the statutory appropriation for debt service. The timing of payments due is based on information provided by the executive.

Detailed Project Descriptions

House Bill 5 – Cash Projects

Department of Administration

- ?? Life Safety Projects, Statewide - \$400,000 LRBP Cash – Statewide projects addressing code and safety issues.
- ?? Hazardous Material Mitigation Fund - \$350,000 LRBP Cash – Abate asbestos and other hazardous materials encountered in projects that pose a threat to the environment and people.
- ?? Roof Replacement or Repair – Statewide - \$499,000 LRBP Cash – Repairs and replace roofs on various buildings other than University system buildings statewide.
- ?? Project Litigation Fund - \$475,000 LRBP Cash – This will provide funding for legal fees and other costs associated with litigation on building projects.
- ?? Capitol Complex Land Acquisition - \$400,000 Land Grant Cash - This will provide funds for acquisition of property in and around the capitol complex as it comes on the market.

School for Deaf and Blind

- ?? Facility Improvements - \$315,160 LRBP Cash – Install automatic fire suppression system in two buildings, reroof the classroom building, and recarpet a portion of the Academic Building.

Department of Fish, Wildlife and Parks

- ?? Fishing Access Site Maintenance - \$275,000 Fishing Access Site Maintenance Fund SSR - This project will provide funds for noxious weed control, general maintenance activities, and streambank stabilization at fishing access sites.
- ?? Fishing Access Sites Protection - \$700,000 Total (\$600,000 General License Account SSR, \$100,000 Federal Walter Breaux Account) - This project will provide for the installation and rehabilitation of basic public use facilities at fishing accesses sites, including latrines, road repairs, etc.
- ?? Fishing Access Sites Acquisitions - \$600,000 Fishing Access Acquisition Fund SSR. – This program provides funding that enables the department to acquire public interest in lands for angler access to public water ways.
- ?? Hatchery Maintenance - \$ 575,000 General License Account SSR – Project will provide funding for the timely repair and preventive maintenance of the nine state fish hatcheries across the state.

Fiscal Year	-- New Debt Service --		
	Current Debt Service	LRBP HB 14	Total
2001	\$18.909	\$0.000	\$18.909
2002	19.133	0.665	19.798
2003	18.573	1.530	20.103
2004	17.265	2.252	19.517
2005	16.231	2.777	19.008
2006	17.015	2.777	19.792
2007	16.958	2.777	19.735
2008	16.888	2.777	19.665
2009	12.806	2.777	15.583
2010	12.421	2.777	15.198
2011	10.090	2.777	12.867
2012	10.089	2.777	12.866
2013	10.089	2.777	12.866
2014	8.439	2.777	11.216
2015	8.298	2.777	11.075
2016	6.811	2.777	9.588
2017	6.830	2.777	9.607
2018	6.571	2.777	9.348
2019	3.787	2.777	6.564
2020	2.509	2.112	4.621
2021	1.197	2.112	3.309
2022	0.000	2.112	2.112
2023	0.000	1.248	1.248
2024	0.000	0.525	0.525
Total	<u>\$240.909</u>	<u>\$54.211</u>	<u>\$295.120</u>

- ?? Park/Bearpaw Lakes Dam Repair - \$210,000 General License Account SSR – This project will provide repairs to two high-hazard dams owned by the department.
- ?? Future Fisheries - \$2,010,000 Total (\$260,000 River Restoration Account SSR, \$1,000,000 RIT Funds SSR, \$750,000 General License Account SSR) – Provide funding for the statewide fish habitat restoration projects.
- ?? Valier Boat Ramp - \$150,000 Federal Wallop-Breaux Account – This project will provide for a low-water ramp via a cooperative, community-based project at Lake Francis (Valier, Mt).
- ?? Wildlife Habitat Maintenance - \$750,000 Wildlife Maintenance SSR – This program provides for maintenance of department wildlife lands, including monitoring compliance with conservation easements.
- ?? Habitat Montana - \$4,800,000 Wildlife Acquisition Account SSR - Program provides for the acquisition of wildlife habitat via easement, lease or fee.
- ?? Waterfowl Stamp Program – \$342,950 Waterfowl License Account SSR – Provides for the protection and enhancement of wetland habitat.
- ?? Upland Game Bird Program – \$1,200,000 Upland Game Bird License Account SSR – This program provides private landowners with funding to restore or establish habitat for upland species across the state.
- ?? Big Horn Sheep Program – \$25,000 Bighorn Sheep License Account SSR - Provides for the protection and enhancement of bighorn sheep habitat.
- ?? Cultural & Historical Parks - \$1,210,000 Total (\$200,000 Parks Account SSR, \$860,000 Highways SSR, \$150,000 Federal Land, Water & Conservation Fund) – This project will rehabilitate facilities, infrastructure, roads, interpretive displays, and provide for acquisition of park in-holdings. In additional statutorily appropriated bed tax of \$500,000 and non-budgeted private funds of \$45,000 will be used for this project.
- ?? Motorboat Recreation - \$1,544,650 Total (\$730,000 Boat in Lieu of Tax account SSR, \$69,650 Boat Decal Fund SSR, \$240,000 Highways SSR, \$505,000 Federal Wallop-Breaux Funds) – This project will provide needed improvements at motorboat sites, including road and ramp maintenance, and related facilities.
- ?? Federal WB - \$745,000 Federal Wallop-Breaux Funds – Federal WB funding is available to the Department for qualifying motorboat sites via the established program.
- ?? State Park Roads - \$400,000 Highway Fuel Tax SSR – This project will provide for the maintenance and upgrade to existing access and interior roads at the cultural/historic and water-based sites.
- ?? Capitol Complex Grounds Improvements - \$150,000 Revolving Funds – This project will rehabilitate the irrigation systems and provide plant replacements to the state Capitol building, complex, and grounds.
- ?? Land & Water Conservation Fund - \$2,250,000 Federal Land, Water and Conservation Federal Funds – This project will provide federal funding for the acquisition and development of public outdoor recreation facility and infrastructure projects of local communities as well as FWP park sites.
- ?? Federal Trails Grants - \$1,900,000 Federal, Water and Conservation Federal Fund – This project distributes federal trail grant funds to eligible and selected projects statewide.
- ?? Off Highway Vehicle (OHV) Trails – \$425,000 OHV Fuel Tax SSR - This project will provide funds for the OHV grant program statewide. Grants include weed control, maintenance, and education efforts.
- ?? Administrative Facilities Repair and Maintenance - \$764,000 General License Account SSR – Ongoing maintenance and repair at sites statewide as required to keep up the condition of facilities and protect them from deterioration.

Department of Justice

- ?? Upgrade Foundations & Boiler - \$200,000 LRBP Cash - Deferred maintenance at the Montana Law Enforcement Academy in Helena.

Department of Military Affairs

- ?? Federal Spending Authority – \$1,500,000 Federal – This appropriation allows for federal funds to be used for repair and maintenance and facility improvements.
- ?? Construct New Dillon Armory - \$3,800,000 Federal – Replacement facility for an armory in Dillon that is an antiquated building.
- ?? Construct Kalispell Armory - \$3,700,000 Federal - Construct a new building in Kalispell.

Department of Natural Resources and Conservation

- ?? Expand Unit Office in Libby - \$94,000 Revolving – Construct a 25 x 20 foot office addition to the Libby unit.

Department of Public Health and Human Services

- ?? Licensure Compliance - \$524,000 LRBP Cash – Provide refrigeration component for air handlers at Montana Mental Health Nursing Care Center.
- ?? Montana Veteran's Home Improvements - \$165,875 SSR - Provide for improvements including repaving and reroofing.
- ?? Eastern MT Veteran's Home Improvements - \$177,800 Cigarette Tax SSR – Provide improvements including construction of a dining addition, outside activity area, paving and walk improvements.

Department of Transportation

- ?? Maintenance, Repair & Small Projects - \$2,300,000 Highway Motor Fuels SSR - Provide routine/annual preventative maintenance to ensure that the facilities are maintained, as well as provide for small improvement projects.
- ?? Construct Equipment Buildings, Statewide - \$2,700,000 Highway Motor Fuels SSR – Construct new buildings at various locations throughout the state. These buildings will house road maintenance equipment and personnel.

Montana University System Statewide

- ?? Roof Replacement or Repair - \$426,000 LRBP Cash - For Montana University System (all campuses), this project will replace roofs so that continued damage to building interiors and structures are avoided.
- ?? Master Plan Campuses - \$250,000 Total (\$100,000 LRBP Cash, \$150,000 Federal/Private and/or Grants) – Master planning for determining how to maximize use of all buildings on campus.

University of Montana

- ?? Replace Primary Power Distribution System - \$222,125 Total (\$162,750 LRBP Cash, \$59,375 Auxiliary) - The project consists of selected replacements of the primary power network, switchgear and buried cable on the UM-Dillon campus.
- ?? Heating Plant Steam Distribution, UM-Tech - \$675,000 Total (438,750 LRBP Cash, \$236,250 Auxiliary) - Upgrade the boilers and the steam distribution system at UM Tech Phase II. Evaluate electrical distribution and the Mining & Geology HVAC.
- ?? Grants Projects, All Campuses - \$1,500,000 Federal, Donations and/or Grants – These are requests for spending authority to be granted to the University of Montana to construct a variety of projects.
- ?? ADA Code/Deferred Maintenance - \$1,000,000 Federal, Donations, and/or Grants – This is a request for spending authority to be granted to the University System of Montana for a variety of projects.
- ?? Multi-media Center, Yellow Bay - \$1,350,000 Federal, Donations, Grants, Nonstate Funds and/or Plant Funds – Spending authority to construct a multi-media center at Yellow Bay that will be 7,000 gross square footage.
- ?? Law Building Renovation/Expansion - \$5,000,000 Federal, Donations, Grants, Nonstate Funds and/or Plant Funds – Spending authority to construct the addition. When complete all operating and maintenance expense are to be paid by the University of Montana.
- ?? School of Journalism Building - \$12,000,000 Federal, Donations, Grants, Nonstate Funds and/or Plant Funds – Provide spending authority for the School of Journalism building project.
- ?? Renovate Chemistry Building - \$3,200,000 Federal, Donations, Grants, Nonstate Funds and/or Plant Funds - To construct an addition on the Chemistry building that will contain lab space. One of these new labs will be used to provide space for lab work of students as each one of the labs are pulled out of commission to be remodeled.

Montana State University

- ?? Animal & Range Science Facility - \$5,000,000 Higher Education Funds, Federal, Donations, Grants, Nonstate Funds and/or Plant Funds – MSU Bozeman authority only to construct a new facility to include classrooms/research/teaching labs and a biosafety containment area.

- ?? Construct Applied Technology Center - \$3,000,000 Federal, Donations, Grants, Nonstate Funds and/or Plant Funds – To construct new building for the Applied Technology Center and renovate portions of existing Brockman Center and Auto Diagnostics. These funds will be supplemented with \$2,000,000 of bond proceeds from HB 14.
- ?? Gaines Hall Renovation - \$2,000,000 Federal, Donations, Grants, Nonstate Funds and/or Plant Funds – To renovate the Gaines Hall building and upgrade the lab space.
- ?? Install Public Broadcast System Digital Conversion - \$3,095,455 Federal, Donations, Grants, Nonstate Funds and/or Plant Funds - To convert the PBS from analog to digital by 2003 as required by the Federal Communications Commission. These funds are supplemented with \$1,892,286 of bond proceeds from HB 14.
- ?? Agriculture Station Rehabilitation - \$1,000,000 Federal, Donations, Grants, Nonstate Funds and/or Plant Funds - To complete rehabilitation of agricultural experiment station facilities around the state. These funds are supplemented with \$1,000,000 of bond proceeds from HB 14.
- ?? Develop a design for COT-MSU Billings - \$50,000 LRBP cash – To develop initial draft design for renovation of their building as a basis for proposal to the 2003 legislature.

Expanded Program

Initially this program was to be funded by an increase in the cigarette tax. The 2001 legislature instead chose to fund a portion of the executive request with LRBP funds freed up by shifting \$1,330,000 of debt service fund by LRBP to be funded in the future by the general fund beginning with the 2003 biennium.

Department of Administration

- ?? Life Safety Projects, Statewide - \$300,000 LRBP Cash – Statewide projects addressing code and safety issues. These funds are in addition to the \$400,000 noted above for this purpose.
- ?? Hazardous Material Mitigation Fund - \$ 90,000 LRBP Cash – Abate asbestos and other hazardous materials encountered in projects that pose a threat to the environment and people. These funds are in addition to the \$350,000 noted above for this purpose.
- ?? Roof Replacement or Repair – Statewide - \$150,000 LRBP Cash – Repair and replace roofs on various buildings other than University System buildings statewide. These funds are in addition to the \$499,000 noted above for this purpose.

Montana University Statewide

- ?? Code Compliance/Deferred Maintenance \$550,000 LRBP Cash – This project is to fund various building code violations at all campuses.

University of Montana

- ?? Develop Design to Expand COT-UM Helena - \$240,000 LRBP Cash – This project is to fund the development of a complete detailed design to expand the COT in Helena. The project is to be ready to go out for bid if the 2005 Legislature approves the construction of the expansion. These funds are supplemented by \$125,000 in additional funds listed under the University of Montana. Total funding for this project is \$365,000.

House Bill 14 – Bonded Projects

Department of Corrections

- ?? Construct Central Reception Unit - \$5,000,000 G.O. Bonds (and \$1,000,000 federal funds in HB 5) - Addition of a Central Reception Unit at Montana State Prison in Deer Lodge.

Department of Military Affairs

- ?? Construct a new armory in Dillon - \$1,940,000 G.O Bonds (and \$3,800,000 federal funds in HB 5) - Construct a replacement facility for the armory in Dillon that is an antiquated building.

University of Montana

- ?? Renovate Chemistry Building - \$6,350,000 G.O. Bonds – Renovation of existing Chemistry Building.

Montana State University

- ?? Liberal Arts Code, Life Safety and Deferred Maintenance - \$3,220,000 G.O. Bonds – Replace elevators, chiller(s), and roofing; install fire sprinkler system; and increase ventilation in the Liberal Arts Building.
- ?? Linfield and Montana Halls deferred maintenance - \$1,450,000 G.O. Bonds – Replace existing windows in Linfield and Montana Halls, stabilize masonry foundation walls and base at Linfield.
- ?? Upgrade HVAC Systems in Cowen Hall - \$2,173,000 G.O. Bonds – MSU- Northern - Renovate to accommodate teaching/offices, replace mechanical and electrical systems, and correct deferred maintenance and code deficiencies.
- ?? Construct Applied Technology Center - \$2,000,000 G.O. Bonds (and \$3,000,000 Nonstate Funds, Plant Funds in HB 5) – MSU-Northern - Construct new building for Applied Technology Center and renovate portions of the existing Brockman Center and Auto Diagnostics.
- ?? Install PBS Digital Conversion - \$1,892,286 G.O. Bonds (and \$3,059,455 in Federal, Donations, Grants, Nonstate Funds and/or Plant Funds in HB 5) – To convert the PBS system from analog to digital service by 2003 as required by the FCC. Both analog and digital service will be provided until the FCC determines analog service is no longer required.
- ?? Agriculture Experiment Station - \$1,000,000 G.O Bonds (and \$1,000,000 in Federal, Donations, Grants, Nonstate Funds and/or Plant Funds in HB 5) - To complete rehabilitation of agricultural experiment station facilities around the state.

TREASURE STATE ENDOWMENT

PROGRAM DESCRIPTION

The Treasure State Endowment Program (TSEP) is a state infrastructure-financing program approved by Montana voters with the passage of Legislative Referendum 110 in June 1992. Grant funding for the program is derived from investment earnings on coal severance tax funds. TSEP loans are funded with proceeds from bonds backed by coal severance tax collections. According to 90-6-702, MCA, the purpose of TSEP 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.

Infrastructure projects include drinking water systems, wastewater treatment facilities, sanitary sewer or storm sewer systems, solid waste disposal and separation systems, and bridges.

Eligible applicants include cities, towns, counties, and tribal governments, or county or multi-county water, sewer or solid waste districts. TSEP applications are submitted to the Department of Commerce on a biennial basis where they are evaluated according to a two-step process and are ranked according to: 1) seven statutory priorities, and 2) relative financial need. The seven statutory priorities focus on projects that:

1. solve urgent and serious public health or safety problems or that enable local governments to meet state or federal health or safety standards;
2. reflect greater need for financial assistance than other projects;
3. incorporate appropriate, cost-effective technical design and that provide thorough, long-term solutions to community public facility needs;
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;
5. enable local governments to obtain funds from sources other than TSEP;
6. provide long-term, full-time job opportunities for Montanans, provide public facilities necessary for the expansion of a business that has a high potential for financial success, or maintain the tax base or encourage expansion of the tax base; and
7. are high local priorities and have strong community support.

The Department of Commerce (DOC) administers TSEP and makes recommendations for grant and loan awards to the Governor. The Governor makes funding recommendations to the legislature. The legislature makes the final decisions on the award of TSEP funds.

SUMMARY OF LEGISLATIVE ACTION

TSEP

The 2001 legislature authorized 34 infrastructure projects for a total of \$15.2 million but \$13.7 million is available for grants in HB 11. This is a significant increase from the previous biennia and is driven by increased allocation of coal severance tax fund allocations to the Treasure State Trust Fund as a result of SB 220 of the 1999 legislature. With the increase in deposits to the trust fund, an estimated \$1.8

Table 6
Treasure State Endowment Program
Grant and Loan Awards by Biennium
(in millions)

Biennium	Number of Projects		Grant Awards	Loan Awards
	Approved Grants	Loans		
1995	20	4	\$3.966	\$0.168
1997	15	0	4.991	-
1999	22	4	9.111	1.905
2001	21	0	12.596	-
2003	34	0	15.172	-

million in additional funds were available for TSEP grants during the 2003 biennium. Table 6 shows the historical TSEP grant awards since the program inception.

Table 7 lists the grant awards authorized for the 2003 biennium. HB 11 provides:

“if funds deposited in the treasure state endowment special revenue account during the biennium ended June 30, 2003, are insufficient to fully fund the projects numbered 1 through 31, ...these projects will be funded from deposits into the treasure state endowment special revenue account made during the 2005 biennium before projects authorized by the 2003 legislature receive any funding from the account.”

Rank Order	Applicant	Utility	Proposed Grant Award	Cumulative Grant Award
1	Lewis & Clark County	Bridge	\$500,000	\$500,000
2	Alder Water & Sewer District	Wastewater	500,000	1,000,000
3	Town of Hot Springs	Water	500,000	1,500,000
4	Whitewater Water & Sewer District	Wastewater	500,000	2,000,000
5	Town of Virginia City	Wastewater	500,000	2,500,000
6	Town of Froid	Wastewater	390,600	2,890,600
7	Town of Nashua	Wastewater	500,000	3,390,600
8	Richland County	Bridge	296,500	3,687,100
9	Town of Lavina	Wastewater	483,000	4,170,100
10	Gardiner-Park County Water & Sewer District	Water	398,500	4,568,600
11	Park City Water & Sewer District	Wastewater	500,000	5,068,600
12	Town of Stanford	Wastewater	500,000	5,568,600
13	Florence County Water & Sewer District	Wastewater	500,000	6,068,600
14	Ashland County Water & Sewer District	Wastewater	500,000	6,568,600
15	Town of Geraldine	Water	167,460	6,736,060
16	Town of Manhattan	Wastewater	500,000	7,236,060
17	Lambert County Water & Sewer District	Water	403,000	7,639,060
18	Town of Browning	Water	500,000	8,139,060
19	Town of Kevin	Wastewater	385,000	8,524,060
20	Power-Teton County Water & Sewer District	Water	425,000	8,949,060
21	Blackfeet Tribe	Water	500,000	9,449,060
22	City of Whitefish	Wastewater	500,000	9,949,060
23	City of Choteau	Wastewater	500,000	10,449,060
24	Lockwood Water & Sewer District	Wastewater	500,000	10,949,060
25	Town of Eureka	Water	369,000	11,318,060
26	City of Shelby	Water	500,000	11,818,060
27	Charlo-Lake County Sewer District	Wastewater	500,000	12,318,060
28	Essex County Water & Sewer District	Water	225,000	12,543,060
29	City of Helena	Stormdrain	500,000	13,043,060
30	Hinsdale Water & Sewer District	Wastewater	329,000	13,372,060
31	City of Havre	Water	500,000	13,872,060
32	Town of Fairfield *	Wastewater	500,000	14,372,060
33	Yellowstone County *	Bridge	300,000	14,672,060
34	Town of Jordan *	Water/Wastewater	500,000	15,172,060
Total			<u>\$15,172,060</u>	

* These applicants are recommended for grant awards contingent upon TSEP funds being available.

It is expected that funds will be sufficient for the first 31 projects.

HB 11 also provides for the 2003 legislature to review projects 1 through 31 that have not completed certain conditions (in Section 3 of the bill) and determine if the grant(s) should be withdrawn. The 2003 legislature could make the funds from the withdrawn grant(s) available to projects 32 through 34.

HB 11 provides for Yellowstone County to be reimbursed for engineering and construction related costs incurred on a Yellowstone County bridge since submitting its application in May 2000.

The legislature authorized the creation of an appropriation from the treasure state endowment special revenue account for emergencies that arise.

“The projects eligible for emergency grants must be necessary to remedy conditions that if allowed to continue until legislative approval could be obtained would endanger the public health or safety and expose the applicant to substantial financial risk” and “the department may not make an emergency grant if it determines that through the implementation or reasonable management practices, the applicant can forestall the risks to health or safety until the legislative approval can be obtained.”

The legislature also authorized a one time emergency grant for \$100,000 to the city of Conrad. The grant will be used to help pay for the cost to move the pumping station for their drinking water system.

TSEP Loans

Section 90-6-703, MCA also provides for loans to eligible applicants as well as grants. Only eight loans have been authorized by the legislature since the program’s inception in fiscal 1994. To date, none of the successful applicants have opted to secure a TSEP loan. The 2003 biennium Executive Budget did not include any TSEP loan requests.

EXECUTIVE BUDGET COMPARISON

The legislature reduced the amount available for grants by \$200,000 by approving funding for two specific items: 1) funding for emergency grants for infrastructure projects in the amount of \$100,000 for the biennium and 2) an emergency grant to the City of Conrad in the amount of \$100,000 that must be used for the city’s drinking water system in order to move the pumping station.

Other Legislation

House Bill 610

HB 610 reinstates the coal severance tax distributions to the allocation percentages that were in place prior to the passage of SB 220 by the 1999 legislative session. SB 220 increased the allocation of coal severance tax to the Treasure State Endowment Trust Fund due to the license increase in coal severance license tax that was adopted in HB 260 during the 1999 legislative session. Effective July 1, 2003, HB 610 passed by the 2001 legislative session will reduce the coal severance tax bond fund distribution to the treasure state endowment fund from 75% to 50%. The remaining 25% will be allocated to the coal severance tax permanent fund.

Funding

In July 1993, \$10.0 million was transferred from the coal severance tax permanent trust fund to the Treasure State Endowment Trust Fund (TSEF). In addition, the trust receives 75 percent of coal severance tax revenues deposited into the permanent trust through fiscal 2003. This percentage is reduced to 50 percent starting July 1, 2003 as a result of HB 610 and will continue to be deposited into the fund until June 30, 2013. Funding for TSEP grants comes from the investment earnings on the Treasure State Endowment Trust, which is deposited into a TSEP state special revenue account. TSEF investment earnings for the 2003 biennium are projected to total \$15 million.

Estimated Beginning Fund Balance	\$0	
Revenue Projections *		
Fiscal 2002 Interest	7,088,000	
Fiscal 2003 Interest	<u>7,952,000</u>	
Total Funds Available		15,040,000
Proposed Expenditures		
Administration - Commerce	687,264	
Administration - DNRC	52,000	
Emergency Grants	100,000	
Conrad emergency grant	100,000	
Water/Sewer Pre-engineering - SA	<u>425,000</u>	
Total Expenditures		<u>1,364,264</u>
Funds Available for Grants		13,675,736
Proposed Grants		<u>13,672,060</u>
Excess Available for Further Grants		<u>\$3,676</u>
*Based on HJR 2 revenue estimates		

In order to provide “start-up” funds for TSEP, the 1993 legislature authorized the Department of Commerce to borrow money from the Board of Investments (BOI), resulting in a \$4.1 million loan, which will be completely repaid by fiscal year end 2001. Because these loan payments are made from the investment earnings, once the loan is retired, these funds will be available for grant awards. Loan payments during the 2001 biennium total \$2.4 million. No loan payments are required for the 2003 biennium.

Table 8 shows the projected fund balance for the treasure state endowment state special revenue account for the 2003 biennium. Total new revenue and carryover funds in this account are estimated at \$15 million for the biennium and administrative costs are approximately \$0.7 million. An amount of \$14.3 million is estimated as available for grants.

TREASURE STATE ENDOWMENT REGIONAL WATER SYSTEM FUND

SB 220 (1999 session) created a new account within the coal tax permanent trust fund for funding regional water systems. The new account is called the treasure state endowment regional water system trust fund. SB 220 allocated 25 percent of the deposits to the coal severance permanent trust to this new account effective July 1, 1999 through June 30, 2013. Earnings from this new trust fund would be transferred monthly to the treasure state endowment regional water system special revenue account, to cover the obligations of the state as authorized by the legislature. Unobligated earnings would remain in the trust fund.

The moneys in the special revenue account may be used to provide matching funds to plan and construct regional water systems in Montana. Each state dollar must be matched by an equal local match. The funds in this account are restricted to use for regional drinking water systems that supply water to large geographical areas and serve multiple local governments. The Department of Commerce is responsible for administering these funds and ensuring that the water authorities meet certain conditions.

SUMMARY OF LEGISLATIVE ACTION

The 2001 legislature appropriated \$2.4 million for the 2003 biennium to provide the state’s share for two water authorities in the State of Montana. They are the dry prairie rural water authority and the north central Montana regional water authority.

The legislature also clarified in HB 11 the definition of the entities entitled to receive funds from the treasure state endowment regional water system fund to be those regional water systems:

“that supply water to large geographical areas and serve multiple local governments”

EXECUTIVE BUDGET COMPARISON

The legislative authorization for funding for the regional water system is \$641,942 less than the executive recommendation of \$3 million due to a lower estimate of interest earnings than originally estimated by the executive. The lower funding level had no impact on the regional water systems because the financial package for any of the projects will not be complete until the 2003 biennium.

Funding

SB 220 (1999 session) created a new account within the coal tax permanent trust fund for funding regional water systems. The fund receives 25 percent of coal severance tax revenues deposited into the permanent trust through fiscal 2013. Funding for Treasure state regional water system state special revenue account comes from the investment earnings of the trust fund. Investment earnings for the 2003 biennium are projected to total \$1.9 million. In addition, \$.5 million of interest earnings is carried over from the 2001 biennium that will be available to the 2003 Biennium. This provides an estimated total of \$2.4 million available for regional water system grants in the 2003 biennium.

OIL OVERCHARGE PROGRAM

PROGRAM DESCRIPTION

Oil overcharge funds are allocated to the state by the federal Department of Energy (DOE) as a result of federal court action requiring certain oil producers to pay restitution for violation of federal price and allocation controls that occurred between 1973 and 1981. These funds cannot be used to replace state funds and may only be used for programs authorized by federal law. The state uses the oil overcharge money to supplement state and federal programs administered by the state, in a manner consistent with federal court orders (section 90-4-210, MCA).

Each biennium, agencies submit proposals to the Office of Budget and Program Planning (OBPP) for energy conservation projects and programs. These proposals are reviewed by a committee of state and local government officials, who make recommendations to the Governor. The Governor's recommendations are then presented in HB 10. The legislature ultimately determines the distribution of oil overcharge funds by the appropriations provided for in HB 10.

The director of each agency receiving oil overcharge funds is responsible for ensuring that expenditures and tracking of the funds are consistent with legislative intent and the court settlement agreements. The state Department of Environmental Quality (DEQ) is responsible for administering the distribution of oil overcharge funds to state agencies and for producing an annual report on the allocation and expenditures of these funds.

SUMMARY OF LEGISLATIVE ACTION

Appropriations of oil overcharge funds for the 2003 biennium are primarily targeted toward energy conservation projects and low-income assistance programs. HB10 appropriates oil overcharge funds to 6 programs ranked in priority order as shown in Table 9. A detailed description of the projects authorized in HB 10 is presented below.

It is important to note that HB 12 reappropriates \$100,000 of oil overcharge funds to DEQ to help fund administrative costs for the State Building Energy Conservation Program. Oil overcharge funds authorized in HB 12 for this energy conservation effort have a higher priority than any other oil overcharge appropriation for the 2003 biennium (see *State Building Energy Conservation Program* in this section for more information on that program).

Rank	Agency	Project	Amount
1	DPHHS	Food Bank Network Transportation	\$15,000
2	DEQ	Ethanol Cooperative	3,000
3	DPHHS	Transportation for Seniors to Nutrition Sites	11,000
4	DEQ	Promotion of Soil Moisture Monitors	5,000
5	DPHHS	Low-Income Home Weatherization	229,000
6	DPHHS	Weatherization/Energy Share, Inc. Grant	<u>300,000</u>
		Total Projects	563,000
		Reappropriation - HB 10	<u>90,000</u>
		Total	<u>\$653,000</u>

EXECUTIVE BUDGET COMPARISON

The legislative action funded HB 10 as recommended by the Executive.

Funding

New oil overcharge program recommendations total \$563,000. All of the funding for these projects is from oil stripper well funds. According to a fund balance analysis for the oil overcharge account (based primarily upon information provided by the Department of Environmental Quality), the beginning fund balance for the 2003 biennium is projected to be \$230,730. The department indicates that revenue projections for the 2003 biennium are unknown. There is a reappropriation of \$20,000 from the oil stripper well payments and \$70,000 from diamond shamrock payments to fund the state energy program administered by DEQ. This program is a 50/50 match program with schools and hospitals for energy retro-fit studies. While the department can only speculate on what revenues might be during the 2003 biennium

(as the courts consider some of these cases), it states that only the fund balance is certain at this time. The department is confident that revenues will occur and states that over the past several years, it has only had to reduce appropriations once.

Estimated Beginning Fund Balance	\$230,730
Revenue Projections	
Interest Earnings (unknown)	-
Settlements (unknown)	-
Total Funds Available	230,730
Proposed New Expenditures	<u>563,000</u>
Estimated Ending Fund Balance	<u>(\$332,270)</u>

Table 10 provides a fund balance projection for the 2003 biennium for the oil overcharge funds to be used to fund new proposals. Revenue projections do not include any new settlement monies being received by the state during the 2003 biennium.

As shown in Table 10, projected revenues are not sufficient for all of the new projects contained in HB 10. HB 10 provides the grant allocation reduction procedures to be applied in the event of a revenue shortfall. Section 12(2) states:

“If stripper well payments are insufficient to fully fund the appropriations..., allocations to the lowest ranking program must be reduced until the deficiency is eliminated. If the deficiency is in

excess of the appropriation to the lowest ranking program, the next lowest ranking program must have its appropriation reduced until the deficiency is eliminated and so forth as the programs are prioritized. These priorities must be applied to one-half of the total amount appropriated ... for fiscal year 2002 and to the remaining appropriation for fiscal year 2003.”

PROJECT DESCRIPTIONS

The following is a brief description of each of the projects recommended to receive funding.

- ?? Food Bank Network Transportation - \$15,000. The Department of Public Health and Human Services (DPHHS) requests biennial funding for use in assisting the Montana Food Bank Network with coordinated energy efficient transportation of food to drop sites and local food banks statewide. Funds will be used to pay costs associated with distributing food to approximately 50 agencies. By having the food bank network trucks deliver food from their Missoula and Miles City warehouses directly to local agencies, local agencies no longer have to drive long distances in individual pickups to secure food. The request indicates that overall savings in fuel costs will be approximately \$17,880 per year.
- ?? Ethanol Cooperative - \$3,000. Funding would support research and travel related to ethanol development by the Ethanol Producers and Consumers (EPAC).
- ?? Transportation for Seniors to Nutrition Sites - \$11,000. Funding would be appropriated to DPHHS for grants to the area agencies on aging to provide transportation for senior to nutrition sites. The area agencies on aging shall apply to the DPHHS for these funds.
- ?? Promotion of Soil Moisture Monitors - \$5,000. Soil moisture monitoring for more efficient irrigation as a water and energy conservation practice is the concept behind this proposal. Funding would provide for promotion of this relatively new technology. This project is submitted by the National Center for Appropriate Technology, located in Butte.
- ?? Low-Income Home Weatherization - \$229,000. This program provides services in the form of energy conservation measures such as 1) heating system replacement and repairs; 2) water heater, attic, wall, and floor insulation; 3) blockage of air infiltration; and 4) installation of storm windows. Further, this funding would allow the state to provide a match for the federally funded weatherization program and to perform asbestos abatement for occurrences of asbestos in attic insulation.

?? Weatherization/Energy Share, Inc. Grant - \$300,000. Oil overcharge funds in the amount of \$150,000 would be appropriated each year of the biennium to the Department of Public Health and Human Services (DPHHS). These funds would be granted to *Energy Share of Montana*, a non-profit organization who provides assistance to low-income families in addressing home heating emergencies. *Energy Share* proposes to combine the oil overcharge monies with private funds and universal system benefit (USB) contributions to be spent on households at or below 150% of poverty. Households are eligible for these funds only if they are not eligible for federal low-income energy assistance or have not received federal low-income energy assistance in the current program year. None of the oil overcharge funds appropriated for energy assistance are to be used to fund administrative costs. HB 10 includes a provision whereas, if during either year of the biennium the combination of oil overcharge funds and USB contributions designated for *Energy Share* exceed a total of \$400,000 for the fiscal year, the excess shall be subtracted from the oil overcharge appropriation and added to the appropriation for low-income home weatherization (see above).

STATE BUILDING ENERGY CONSERVATION

PROGRAM DESCRIPTION

The State Building Energy Conservation Program (SBECP), operated by the Department of Environmental Quality (DEQ), was established by the 1989 legislature to reduce operating costs in-state facilities by identifying and funding cost-effective energy efficiency improvement projects. Energy efficiency improvements include:

- ?? replacing old, inefficient boilers;
- ?? upgrading inefficient lighting;
- ?? increasing ventilation system efficiency;
- ?? insulating buildings; and
- ?? providing more effective temperature controls.

Through this program, the state issues general obligation (G.O.) bonds, uses the bond proceeds to pay for energy efficiency improvements, then uses the resulting energy cost savings to pay the debt service on the bonds. The projects are designed so that the cost savings exceed the bond debt service payments. Excess savings are transferred to the Long-Range Building Program. As of the beginning of the 2001 session, 45 energy conservation projects have been completed through the SBECP, and an additional 14 projects are in various stages of completion. Since the program's inception, the state had spent a total of \$3.7 million in oil overcharge funds and \$5.6 million in G.O. bond proceeds to fund the projects.

SUMMARY OF LEGISLATIVE ACTION

HB 12 authorized the state Board of Examiners to issue up to \$3.0 million in G.O. bonds for the SBECP, thus requiring a two-thirds vote of each house. In HB 12, DEQ is granted a biennial appropriation of \$450,000 from the bond proceeds to fund the analysis, design, and program administration. HB 12 also contains a \$100,000 reappropriation to DEQ for oil overcharge (stripper-well) funds to be used for administrative purposes. The bill states that this reappropriation of funds has a higher priority than any other appropriation of stripper-well payments during the 2003 biennium (refer to the oil overcharge narrative for more information). Following is a list of projects identified by the executive for the SBECP for fiscal 2002 and 2003. Cost estimates for these projects were not provided to the legislature, although the legislature was assured that all projects are confirmed to provide adequate savings in energy costs to fully fund the debt service of the bonds required to provide the funding for each project.

?? Projects in Design or Construction:

University of Montana
Heating Plant, Butte
Science Complex, Missoula

Montana State University
Renne Library, Bozeman
Cowan Hall, Havre

Department of Fish, Wildlife and Parks
FWP Headquarters, Bozeman

?? Projects in Development

Department of Military Affairs
Operational Maintenance Shop, Helena

Department of Administration
Justice Building, Helena

Montana State University
College of Technology, Great Falls

?? Preliminary LRBP Projects

Montana State University
Liberal Arts Building, Billings

Department of Justice
MT Law Enforcement Academy, Helena

Dept of Public Health and Human Services
MT Mental Health Nursing Care Center, Lewistown

In addition to the projects listed above, HB 12 affords DEQ the option of expending funds during the biennium “to respond to energy saving opportunities”. In other words, should energy efficiency projects arise during the interim that would become unfeasible or uneconomical if not pursued until the next legislature, DEQ has the authority to move forward as long as funding is available.

HB 5 contains language that requires DEQ to review capital projects for potential inclusion in the state energy conservation program. If a project is found to result in energy improvements, it must be submitted to the energy conservation program for co-funding consideration. Co-funding provided under the energy conservation program must be used to offset or add to the authorized funding for the project, and the amount will be dependent upon the annual utility savings resulting from the facility improvement.

RESOURCE INDEMNITY TRUST GRANT AND LOAN PROGRAM

Resource indemnity trust (RIT) funds are a major source of revenue for several natural resource agencies and programs, including the Renewable Resource Grant and Loan Program (RRGL) and the Reclamation and Development Grant Program (RDGP). The RIT receives income from two sources: 1) the resource indemnity and ground water assessment tax (RIGWAT); and 2) an allocation of oil and gas tax revenues. The Board of Investments invests funds deposited in the RIT and some of the investment earnings are used to fund the RRGL and RDGP. For more detailed information on the allocation and expenditure of other RIT proceeds and RIT interest earnings, see the Department of Natural Resources and Conservation (DNRC) summary in Section C of the LFD Budget Analysis, Volume 2.

Renewable Resource Grant and Loan Program

In accordance with 15-38-202, MCA, a total of \$2.0 million in RIT interest earnings is allocated to the Renewable Resource Grant and Loan (RRGL) account each year for the purpose of making grants. Created by the 1993 legislature, the RRGL program combines the former Renewable Resource Development Program, established in 1975, and the Water Development Program, established in 1981. As outlined under Title 85, Chapter 1, Part 6, MCA, the purpose of the RRGL is to fund projects that “enhance Montana's renewable resources through projects that measurably conserve, develop, manage, or preserve resources.” The \$2.0 million statutorily allocated each year to the RRGL is deposited into the renewable resource grant and loan program state special revenue account which provides \$4.0 million in funds for grants during the biennium.

The Department of Natural Resources (DNRC) administers the RRGL, which involves a biennial application process. DNRC and a technical review team initially evaluate each application for economic and technical feasibility, as well as to ensure that proposed projects are located in Montana. Qualifying applications are then examined according to six criteria:

1. financial feasibility;
2. adverse environmental impact;
3. technical merit;
4. public benefit;
5. need; and
6. urgency.

DNRC submits a list of funding recommendations to the Governor, who reviews the list and submits recommendations to the legislature. Funding for projects comes in the form of grants and/or loans made to both public and private entities. The legislature has final approval for the awarding of RRGL grants (HB 6) and loans (HB 8).

LEGISLATIVE ACTION

The 2001 legislature passed two appropriation bills for the RRGL Program. HB 6 contains appropriations for renewable resource grants and HB 8 contains appropriations for renewable resource loans. HB 6 grant applications that are authorized by the legislature but will not receive funding due to a shortage of funds are eligible to apply for a loan as provided in HB 8.

House Bill 6 - Grants

Table 11 shows the RRGL grants awarded for the 2003 biennium. The 2001 legislature granted a total of \$4.8 million for the following purposes:

- ?? \$125,000 to DNRC to be used for emergency projects
- ?? \$100,000 to DNRC to be used for private grants
- ?? \$4,600,741 to DNRC for distribution to political subdivisions and local government as renewable resource grants, further allocated as follows:

- \$300,000 for planning grants to be awarded over the course of the biennium
- \$4,300,741 prioritized among 62 projects listed in section 1(3) of HB 6. While 62 projects are approved for funding, only the first 46 will be funded with the revenues available. The 2001 legislature intends that each of the grant projects listed after the Charlo Water District (new water well project) will not receive grant funds unless a higher priority project withdraws all or part of their project need or if additional revenues becomes available.

In addition to the \$4.0 million that is statutorily allocated to this program, an additional \$600,741 was appropriated from the Reclamation and Development Account to fund addition renewable resource projects in HB 6.

House Bill 8 – Loans

HB 8 authorizes the issuance of coal severance tax bonds to provide for RRGL projects. Proceeds from the issuance of bonds are used to fund the loans, with loan repayments used to pay the debt service. Because these are general obligation bonds, they constitute a state debt that required a two-thirds vote of the members of each house. Moreover, because money from the coal severance tax bond fund is pledged for debt service payments on the bonds, HB 8 also required a three-fourths vote of the members of each house, as required by the Montana constitution.

HB 8 authorized 6 new loans for \$6.9 million. In addition, six loans, previously authorized by the 1999 legislature, are reauthorized in HB 8 for a total of \$9.0 million. The majority of the loans in HB 8 are for community water and wastewater projects, with one new loan authorized for an irrigation district. Interest rates on the loans are subsidized at rates based on the borrowers' affordability. According to DNRC, approximately \$0.6 million of annual coal severance tax revenue is used to fund these subsidies.

Other Legislation

RIT is anticipated to pass the \$100 million balance during fiscal 2002. As a result, an estimated \$1.1 million is available to be appropriated by the legislature for the 2003 biennium.

SB 326 (the weed bill) provides for a one-time distribution to the weed districts of \$500,000 to be distributed from the first deposits to RIT that result in the trust exceeding \$100 million. The distribution is to take place in fiscal 2003.

HB 2 provides \$540,000 for one-time purchase of zero coupon bonds to fund the perpetual pumping of water at the Zortman mine EPA waste dumpsite. The Department of Environmental Quality (DEQ) is administering the reclamation of this closed mine.

Table 11
Renewable Resource Grant and Loan Program
HB 6 & 8 - 2003 Biennium

Rank	Applicant	Project	HB 6 Grants Authorized	HB 8 Loans Authorized	HB 8 Loan Interest rate
In HB 6:					
	Section 1	Emergency Projects	\$125,000		
	Section 1	Private Grants	100,000		
	Section 2	Project Planning Grants	300,000		
1	MT Dept. of Nat. Resources and Conserv.	Bair Dam Rehabilitation Proposal	100,000	988,772	4.5% 1st 250,000, 2.25% up to next 250,00, 0% next amount over 500,000 for 20-year bond
2	MT Dept. of Nat. Resources and Conserv.	Nevada Creek Dam Rehabilitation	100,000	494,041	2.25% for 20-year bond
3	MT Dept. of Corrections	Rehabilitation of Prison Ranch Dams	94,300		
4	Canyon Creek Irrigation District	Wyant Lake Dam Rehabilitation	100,000		
5	Canyon Creek Irrigation District	Canyon Lake Dam Rehabilitation	100,000		
6	Alder Water and Sewer District	Wastewater Collection and Treatment System	100,000		
7	Flathead Basin Commission	Implementation of the Flathead Basin Voluntary Nutrient Reduction	99,697		
8	Cascade County Conservation District	Sun River Valley Ditch Company Water Conservation and Quality Improvement	99,230		
9	Virginia City, Town of	Wastewater Treatment System	100,000		
10	Whitefish County Water and Sewer District	Revisit to the Limnology of Whitefish Lake	75,000		
11	Florence County Water and Sewer District	Wastewater System Improvements	100,000		
12	Bitterroot Irrigation District	BRID-Water Use and Water Quality Improvement Project - Phase II	100,000		
13	Manhattan, Town of	Wastewater System Improvements	100,000		
14	Glen Lake Irrigation District	Therriault Creek Point of Diversion Infrastructure and Fish Habitat Improvement	94,500		
15	Whitefish, City of	Wastewater Aeration System Improvements and Lagoon Solids Removal Project	100,000		
16	Ruby Valley Conservation District	Lower Ruby Valley Groundwater Mgmt Plan	73,764		
17	Charlo Sewer District	Wastewater System Improvements	100,000		
18	Whitewater Water and Sewer District	Wastewater System Improvements	100,000		
19	Glasgow Irrigation District	Vandalia Diversion Dam Rehabilitation Phase II North Bridge Pier	100,000		
20	Geraldine, Town of	Water System Improvements Phase I	100,000		
21	Ashland Water and Sewer District	Water System Improvements Phase I	100,000		
22	Milk River Project Joint Board of Control	Saint Mary River Siphon Repair Phase II	100,000		
23	Stanford, Town of	Wastewater System Improvements	100,000		
24	LaCasa Grande Water and Sewer District	Water Supply and Distribution System	100,000		
25	Clyde Park, Town of	Water Systems Improvements Project	100,000		
26	Nashua, Town of	Wastewater System Improvements	100,000		
27	Park City/County Water and Sewer District	Wastewater System Improvements	100,000		
28	Lower Willow Creek Drainage District	Lower Willow Creek Dam Rehabilitation	100,000	1,350,000	4.5% 1st 250,000, 2.25% up to next 250,00, 0% next amount over 500,000 for 20-year bond
29	Deer Lodge, City of	Clark Fork River Water Quality Protection	100,000		
30	Lewis & Clark Conservation District	Willow Creek Erosion / Water Quality	98,636		
31	Hot Springs, Town of	Water System Improvements	100,000		
32	Wisdom Sewer District	Water System Improvements	100,000		
33	Teton County	Burton Bench Aquifer Evaluation	74,261		
34	Elk Meadows Ranch. Cnty Water District	Water Systems Improvements	100,000		
35	Carbon Conservation District	Whitehorse Ditch Reorganization	57,200		
36	Choteau, City of	Water System Improvements	100,000		

(Continued on next page)

Table 11 (continued)
Renewable Resource Grant and Loan Program
HB 6 & 8 - 2003 Biennium

Rank	Applicant	Project	HB 6 Grants Authorized	HB 8 Loans Authorized	HB 8 Loan Interest rate
37	Beaverhead County	Big Hole Watershed Management Project	75,000		
38	Hobson, Town of	Water Exploration	50,000		
39	Circle, Town of	Well Repair	60,000		
40	Stillwater County Commissioners	Improving Soil Productivity and Water Quality in South Central Montana through Land-Use Changes	74,153		
41	Missoula, City of	Rattlesnake Stream Restoration and Flood Control Project	100,000		
42	Helena Valley Irrigation District	Fixed Wheel Gate and Hydraulic Cylinder Repair	100,000	188,400	Lower of 4.5% or state's 20-year bond rate
43	Hill County	Beaver Creek Dam Rehabilitation	75,000		
44	Hinsdale Water and Sewer District	Wastewater System Improvements	100,000		
45	Richey, Town of	Water System Improvements	100,000		
46	Charlo Water District	New Water Well	100,000		
47	Laurel, City of	City of Laurel Ground-Water and Salinity Management Feasibility Project	100,000		
48	Malta Irrigation District	Replacement and Modification of Check Structures	68,290		
49	Glen Lake Irrigation District	Costich Drop Improvements Project	100,000		
50	Montana State University	Married Student Housing Irrigation Project	100,000		
51	Scobey, City of	Wellfield Rehabilitation Study	50,704		
52	Power-Teton Cnty Water/Sewer District	Water System Improvements	100,000		
53	Butte-Silver Bow	Elimination of Combined Sewers	27,919		
54	Great Falls, City of	Yard Waste Management Facility	100,000		
55	Lambert County Sewer and Water District	Water System Improvement Project	100,000		
56	Park Conservation District	Wildlife Assessment: Governor's Upper Yellowstone River Task Force Cumulative Effects Investigation	75,000		
57	Troy, City of	Water System Improvements	99,970		
58	Butte-Silver Bow Local Government	Basin Creek Dam #1 and #2 Site Improvements Projects	100,000		
59	Whitefish, City of	Whitefish City Beach	58,650		
60	Lockwood Water and Sewer District	Wastewater Collection System	100,000		
61	MT Dept. of Nat. Resources and Conserv.	Seepage Monitoring Program (DNRC)	75,000		
62	MT Dept. of Nat. Resources and Conserv.	Seepage Monitoring Program (FWP)	75,000		
In HB 8:					
	Yellowstone County	Shiloh Road Bridge Replacement		620,000	State's 20-year bond rate
	Lockwood Water and Sewer District	Wastewater Collection and Treatment Works		3,300,000	2% below state's 20-year bond rate 1st 5 years that shifts up to state bond rate for up to 15 yrs
	Daly Ditches Irrigation district	Republican Canal Diversion Dam Replacement		730,691	State's 20-year bond rate
	Hebgen Basin/W Yellowstone Refuse Dist.	Composting Facility for Municipal Solid Waste		2,080,000	State's 20-year bond rate
	Hill County Water District	Water Treatment Plant		400,000	2% below state's 20-year bond rate 1st 5 yrs that shifts up to state bond rate for up to 15 yrs.
	Huntley Project Irrigation District	Irrigation System Improvements		3,200,440	lower of 3.5% or state bond rate
	Malta Irrigation District	Repair and Modification of Dodson Diversion Dam		2,274,950	4.5% 1st 250,000, 2.25% up to next 250,00, 0% next amount over 500,000 for 20-year bond
	Canyon Creek Irrigation District	Canyon Lake Dam & Wyant Lake Dam Restoration		<u>300,000</u>	lower of 4.5% or state bond rate
		Total Grants Approved thru rank 46	<u>\$4,825,741</u>		
		Total Loans Approved		<u>\$15,927,294</u>	

Reclamation and Development Grant Program

Resource indemnity trust interest earnings in the amount of \$3.0 million are to be deposited into the reclamation and development grant account each biennium for the purpose of making grants (15-38-202, MCA). The Reclamation and Development Grant Program (RDGP) is designed to fund projects that:

“..indemnify the people of the state for the effects of mineral development on public resources and that meet other crucial state needs serving the public interest and the total environment of the citizens of Montana” (90-2-1102, MCA).”

As provided in statute, projects approved under the RDGP are intended to:

1. repair, reclaim, and mitigate environmental damage to public resources from non-renewable resource extraction; and
2. develop and ensure the quality of public resources for the benefit of all Montana citizens.

The RDGP is administered by DNRC, which solicits, evaluates, and ranks each application on a biennial basis. Those eligible to apply for grants include state and local governments, political subdivisions, and tribal governments. Applications are evaluated according to specific criteria related to:

1. public benefit;
2. need and urgency;
3. appropriateness of technical design;
4. financial feasibility; and
5. project management/organization.

No grant may exceed \$300,000. DNRC forwards a list of recommendations to the Governor, who reviews the list and submits funding recommendations to the legislature. The legislature gives the final approval on grant requests.

LEGISLATIVE ACTION

Table 12 lists the RDGP grants approved by the 2001 legislature. A total of \$4.0 million for the first 18 awards was granted for the 2003 biennium. HB 7 provides that:

“Funds not accepted by grantees or funds not used by higher-ranked projects and activities must be provided for projects and activities lower on the priority list that otherwise would not receive funding.”

Two Montana Board of Oil and Gas Conservation projects top the list because, in accordance with 90-2-1113, MCA, the Board receives a priority for \$600,000 in RDGP grants.

Table 13 lists \$900,000 of grants authorized by the 1999 legislature, that were withdrawn by the 2001 legislature, that had been made to the Department of Environmental Quality. This with added revenues of \$200,000 provided an additional \$1.1 million in appropriations that make up the balance of the \$4.0 million funding request.

Table 12
HB 7 - Reclamation and Development Grants
2003 Biennium

Rank	Applicant	Project Name	HB 7 Grant
1	Board of Oil and Gas Conservation	2001 Eastern District Orphaned Well Plug/ Abandonment-Site Recovery	\$300,000
2	Board of Oil and Gas Conservation	2001 Northern District Orphaned Well Plug/Abandonment-Site	300,000
3	Department of Environmental Quality	Development-Trust Fund long term water treatment-Zortman-	300,000
4	Powell County	Ontario Wet Tailings Reclamation	300,000
5	City of Lewistown	Reclamation of Brewery Flats on Big Spring Creek	297,740
6	Department of Environmental Quality	CMC Pony Mill site Reclamation Project (completion phase)	291,191
7	Broadwater County Conservation District	Big Belt Mine Reclamation Projects	145,380
8	City of Deer Lodge	Former Chicago Milwaukee Railroad Fueling Area, Deer Lodge	140,000
9	Butte-Silver Bow County	Upper Clark Fork Basin; Superfund Technical Assistance	49,272
10	Board of Oil and Gas Conservation	2001 Southern District Orphaned Well Plug/Abandonment-Site	250,000
11	Custer County Conservation District	Yellowstone River Resource Conservation Project	299,977
12	Cascade County / Weed and Mosquito	Fort Shaw Weed Shop Soil Contamination Remediation	218,466
13	Department of Environmental Quality	Zortman and Landusky Mines - Organic Soil Amendments	300,000
14	Department of Environmental Quality	Zortman Mine - Ruby Gulch Tailings Removal	300,000
15	Department of Natural Resources and	Coal-Bed Methane EIS	250,000
16	Glacier County	2000 Glacier County Plugging and Abandonment	150,000
17	Pondera County	Pondera County Oil & Gas Well Plug and Abandon Project	100,000
18	Liberty, Hill, Blaine, and Chouteau Counties	Abandonment Aid Program for Small Independent Operators	50,000
19	Department of Environmental Quality	Gregory Mine Reclamation Project	300,000
20	Sheridan County Conservation District	Protecting Natural Resources by Reclaiming Oilfield Brine-Contaminated Soils	299,950
21	Department of Natural Resources and	DNRC Environmental Hazard Sites on State Land	272,250
22	Flathead and Missoula Counties	Assessment of Aggregate Resources for long-term planning	<u>167,821</u>
Total Grants			<u>\$5,082,047</u>

Table 13
HB 7 Reclamation and Development Grants
2003 Biennium

Sponsor/Title	Authority Withdrawn
<i>Appropriations cut that had been approved by the 56th Legislature</i>	
Department of Environmental Quality Toston Smelter reclamation	\$300,000
Department of Environmental Quality Frohner Mine Reclamation	300,000
Department of Environmental Quality Great Republic Smelter Reclamation	<u>300,000</u>
Total Grant Funds Withdrawn	<u>\$900,000</u>

EXECUTIVE BUDGET COMPARISON

The 2001 legislature identified the three grants from the 1999 outstanding grants that would be withdrawn to provide \$900,000 of increased funding. The list of grants approved during the 2001 legislature identified three specific 1999

projects to be eliminated, thus providing adequate funding for the approved grants of the 2001 legislature. Funding levels of some grants were adjusted to direct an increase of \$100,000 towards the efforts of plugging abandoned oil well sites.

Funding

These funds consist of \$3 million statutorily appropriated, \$900,000 from grants withdrawn that had been granted by the 1999 session, and \$200,000 of additional revenues available in the reclamation and development account that were in excess of original revenue estimates.

CULTURAL AND AESTHETIC GRANT PROGRAM

PROGRAM DESCRIPTION

The Cultural and Aesthetic Grant Program, administered by the Montana Arts Council (MAC), is funded by investment earnings from a statutory trust, which receives coal severance tax revenues. By statute, the interest from the cultural trust is to be appropriated for protection of works of art in the State Capitol and other cultural and aesthetic (C&A) projects (15-35-108, MCA). Legislation passed by the Fifty-fifth Legislature resulted in a number of changes to the amount and use of the revenue the C&A project account receives. A discussion of these changes is provided below under "Funding."

Grant applications for cultural and aesthetic projects are submitted to the MAC on a biennial basis. Eligible applicants include the state of Montana and regional, county, city, town, or Indian tribal governments. A 16-member Cultural and Aesthetic Projects Advisory Committee, with eight members appointed by the Montana Arts Council and eight appointed by the Montana Historical Society, reviews each application. The committee prioritizes the requests and makes funding recommendations to the legislature as part of the Executive Budget. All grants require legislative approval in accordance with Title 22, Chapter 2, Part 3, MCA.

Table 14 provides an historic perspective of the Cultural and Aesthetic Grant Program. In the table, funding of the projects is from the C&A account unless otherwise noted.

Actual expenditures for the 1995 biennium were considerably lower than the amount appropriated due to revenue shortfalls. The decline in interest income was the reason for the large decrease in appropriations that occurred between the 1995 and 1997 biennia.

SUMMARY OF LEGISLATIVE ACTION

As passed by the 2001 legislature, HB 9 appropriates Cultural Trust interest earnings deposited into the C&A project account for two specific purposes. The first priority funding is a \$15,000 appropriation to the Montana Historical Society for the care and conservation of capitol complex artwork in accordance with 5-11-115, MCA. The second priority is for 71 C&A grant awards totaling \$916,130. These awards are listed in Table 15 on the following page in priority order.

Similar to the previous legislature, general fund was included as a source of funding for the C&A grants because the 1997 Legislature used approximately one-half of the Cultural Trust corpus to purchase Virginia and Nevada City properties. The 2001 legislature appropriated \$523,575 of general fund for this purpose. The short-term effect of that action was to reduce the ability of the Cultural Trust to earn interest that is transferred to the C&A project account.

EXECUTIVE BUDGET COMPARISON

The Executive recommended funding 73 projects at a total cost of \$944,755, plus \$15,000 for Capitol Mural Restoration and \$278,245 in HB2 for administration of the Montana Arts Council. Because the C&A project account revenues were projected to be substantially less due to the use of one-half the corpus to purchase Virginia and Nevada City the executive budget, included a \$600,000 general fund appropriation. As the result of the added general fund and a \$10,000 grant being dropped by the executive, there was surplus funding of \$57,800 that was not committed to any projects. In the

Biennium	Funds		Number of Projects
	Appropriated	Funds Expended	
1979	\$50,000	\$50,000	1
1981	140,000	140,000	3
1983	641,680	602,042	15
1985	823,479	810,704	39
1987	1,476,511	1,414,114	63
1989	1,211,817	1,099,290	53
1991	1,298,788	1,184,661	65
1993	1,551,323	1,531,239	88
1995	1,706,735	1,267,952	93
1997	857,926	852,003	77
1999	1,489,453	1,416,787	79
2001	1,234,939 *	1,203,939 Est.	76
2003	1,209,375 **	N/A	71

* Includes a \$600,000 general fund appropriation.
** Includes \$523,575 general fund appropriation

event that Cultural and Aesthetic Trust fund interest revenues fall short of estimates, HB 9 provides a process for reducing grant amounts:

“if money in the cultural and aesthetic projects account is insufficient to fund projects at the appropriation levels ... reductions to all projects will be made on a pro rata basis.”

The legislature reduced the number of projects funded from 73 to 71 and made net reductions to individual grants in the amount of \$18,625. The legislature then reduced the general fund appropriated in HB 9 by a total of \$76,425, leaving a general fund appropriation of \$523,575 in HB 9. The reduction in general fund was a result of cutting surplus grant funding of \$57,800 plus \$18,625 that was cut from projects as a result of legislative action.

Rank	Organization	Amount Authorized	Cumulative Total	Rank	Organization	Amount Authorized	Cumulative Total
Special Projects <\$4,500							
1	Montana Storytelling Roundup	\$4,500	\$4,500	7	Shakespeare in the Parks	18,000	441,800
2	Council for the Arts, Lincoln	2,500	7,000	8	Billings Symphony Society	20,000	461,800
3	Miles City Preservation Commission	4,000	11,000	9	Alberta Bair Theater	18,000	479,800
5	Montana Oral History Association	4,000	15,000	10	Montana Dance Arts Association	5,000	484,800
6	All Nations Pishkun Association	3,000	18,000	11	Great Falls Symphony Assoc	12,000	496,800
7	Swan Ecosystem Center	2,800	20,800	12	Butte Center for the Performing Arts	20,000	516,800
8	Garden City Ballet of Montana	0	20,800	13	Fort Peck Community College	15,000	531,800
9	Fort Wm H Harrison Museum	0	20,800	14	Schoolhouse History and Art Center	20,000	551,800
				15	Young Audiences of Western Montana	10,000	561,800
Special Projects >\$4,500				16	Holter Museum of Art	10,000	571,800
1	MT Committee for the Humanities	32,000	52,800	17	Montana Agricultural Center & Museum	12,000	583,800
2	V I A S, Inc	22,000	74,800	18	Archie Bray Foundation	15,000	598,800
3	Glacier Orchestra & Chorale	22,000	96,800	19	Butte Symphony Association	15,000	613,800
4	Missoula Children's Theatre	10,000	106,800	20	Growth Thru Art Inc	20,000	633,800
5	KUFM-TV	11,000	117,800	21	Vigilante Theatre Company	18,000	651,800
6	Bozeman Symphony	10,000	127,800	22	Helena Symphony Society	12,000	663,800
7	Hockaday Museum of Art	15,000	142,800	23	Big Horn Arts/Crafts Assoc/Jailhouse Gall.	10,000	673,800
8	Miles Community College	6,000	148,800	24	MT Association of Symphony Orchestras	15,000	688,800
9	Valley County Coalition	12,000	160,800	25	Montana Transport Company	12,000	700,800
10	Montana Repertory Theatre	20,000	180,800	26	Yellowstone Art Museum	20,000	720,800
11	Missoula Symphony Association	5,000	185,800	27	Whitefish Theatre Company	10,000	730,800
12	Montana Arts	20,000	205,800	28	Montana Ballet Company	10,000	740,800
13	Montana Historical Society	20,000	225,800	29	Livingston Depot Foundation	15,000	755,800
14	Montana Performing Arts Consortium	20,000	245,800	30	Yellowstone Ballet Company	6,000	761,800
15	Rocky Mountain Ballet Theater	7,000	252,800	31	The Artist Group	1,600	763,400
16	Lewistown Art Center	8,000	260,800				
17	Museum of the Rockies	10,000	270,800	Capital Expenditures			
19	Montana Alliance for Arts Ed	10,000	280,800	1	Cascade Co Historical Society	\$20,000	\$783,400
20	Very Special Arts of Montana	7,000	287,800	2	Billings Preservation Society	20,000	803,400
22	Madison Valley Cultural Corp	4,000	291,800	3	Butte-Silver Bow Public Archives	20,000	823,400
23	Artslink, College of Arts & Arch., MSU	5,000	296,800	4	Belt Public Library	16,500	839,900
24	Mineral Museum	5,000	301,800	5	Arlee Historical Society	1,655	841,555
				6	Fort Peck Fine Arts Council	16,000	857,555
Operational Support				7	Daly Mansion	20,000	877,555
1	Western Heritage Center	14,000	315,800	8	Paris Gibson Square	5,000	882,555
2	Montana Art Gallery Dir Assoc	25,000	340,800	9	Liberty Village Arts Center	2,775	885,330
3	Writer's Voice (Billings YMCA)	25,000	365,800	10	Tobacco Valley Imprvmt. Assoc. Bd of Art	18,000	903,330
4	Custer County Art Center	22,000	387,800	11	Bitterroot Community Band	6,000	909,330
5	Carbon County Historical Society	16,000	403,800	12	Great Falls Civic Center	<u>6,800</u>	916,130
6	Art Museum of Missoula	20,000	423,800				
					Total Authorized	\$916,130	

Funding

Table 16 shows the projected funding for the Cultural & Aesthetic project account for the 2003 biennium. The beginning fund balance is estimated to be zero because revenues are projected to be less than total appropriations in the 2001 biennium. Interest income from the coal tax-funded Cultural Trust is projected to be \$648,000 for the 2003 biennium.

Projected expenditures from the Cultural & Aesthetic grants and the HB 2 general appropriations act are shown. As previously noted, the first priority in HB 9 is the \$15,000 appropriation to the Montana Historical Society for the care and conservation of the capitol complex artwork. HB 9 provides for the review of this appropriation in fiscal year 2003 to determine if it should continue in future biennia. In addition, Table 16 shows expenditures from the C&A project account of \$278,245 for Administration and Folklife. This appropriation is made to MAC in HB 2, and the amount is based on the estimated costs that MAC incurs to administer the C&A grant program and the Montana Folklife program.

Table 16 Cultural & Aesthetic Grant Program Fund Balance Projection, 2003 Biennium	
Estimated Beginning Fund Balance	\$0
Revenue Projections *	
Fiscal 2002 Interest	317,000
Fiscal 2003 Interest	331,000
DOR Accounting Adjustment	<u>37,800</u>
Total Funds Available	685,800
Proposed Expenditures	
Administration and Folklife	(278,245)
Capitol Mural Restoration	(15,000)
Grants	<u>(916,130)</u>
Total Expenditures	(1,209,375)
Projected Ending Fund Balance	(523,575)
General Fund Appropriation (HB 9)	<u>523,575</u>
Projected Ending Fund Balance if General Fund Revenue is Appropriated	<u>\$0</u>
* Based on HJR 2 revenue estimates	

INFORMATION TECHNOLOGY BONDS

House Bill 188 in the 1997 legislative session established a new vehicle for the funding of large information technology (IT) projects. By defining information technology projects as infrastructure and as an asset, it allowed for bonding for large information technology projects. The 1997 legislature authorized \$43.0 million in general obligation bonds and the 1999 legislature authorized \$18.8 million. The majority of the costs funded through this mechanism thus far have been for the replacement of many of the state's primary legacy systems currently used to manage information regarding state personnel, accounting, budgeting, revenue collection, and tax administration.

SUMMARY OF LEGISLATIVE ACTION

There were 2 projects recommended by the Executive in HB 15 that were IT bonding proposals:

- ?? \$800,000 in G.O. funding for the Department of Justice to purchase 592 automated accounting and reporting system data collection units. Debt service payments are to be made from the gambling state special revenue account.
- ?? \$2.5 million of G.O. bonding for PBS digital conversion, from which the proceeds must be used to meet FCC mandated requirements. Bond proceeds, along with private contributions, may be used to match the national telecommunications information grant for digital conversion. Debt service payment would be made from the general fund.

The 57th legislature tabled HB 15 and transferred the projects to other bills. The Department of Justice project was the basis for a committee bill (HB 577) requested by the Long Range Planning Committee and approved by House Appropriations. The PBS digital conversion was amended into HB 5 and HB 14 in action by the Long Range Planning Committee and approved by House Appropriations. Each of these bills is discussed further below.

House Bill 577

For a video gaming accounting system, the Department of Justice is authorized to borrow up to \$1.1 million for a term not to exceed 7 years for the acquisition of a video gaming accounting system. HB 2 provides \$380,000 per year to support the general fund commitment to the video gaming accounting system. These funds will be used to pay for direct costs associated with this system and to pay the debt service that will accrue if the Department of Justice elects to borrow funds from the Board of Investments through the Board of Investments' INTERCAP¹ program.

For a motor vehicle titling system, the Department of Justice is authorized to borrow up to \$4.5 million over a term not to exceed 10 years for a motor vehicle titling system. This loan would be made under the Board of Investments INTERCAP program. The bond proceeds will be deposited in the capital projects fund for the Department of Justice for the motor vehicle titling system. The debt service on this loan will be paid from the vehicle information technology system account.

House Bills 5 and 14

In order to provide for the conversion of the PBS from analog service to digital service as required by the FCC. HB 5 authorizes authority to MSU-Bozeman to utilize \$3.1 million of funds collected from or available in Federal funds, donations, nonstate funds or plant funds. In addition, for further funding, HB 14 authorizes the sale of \$1.9 million of general obligation bonds for a term not to exceed 10 years. For further information regarding this project, refer to the Long-Range Building portion of this section.

¹ INTERCAP Program – The Board of Investments is authorized to make loans to all local governments and the university system under the INTERCAP program. The board sells tax-exempt bonds and lends the proceeds to eligible government units as well as state agencies that are specifically authorized to borrow by state law.

Funding*House Bill 2*

House Bill 2 provides \$380,000 per year to support the general fund commitment to the Automated Accounting and Reporting System provided for in HB 577.

House Bill 577

Approximately 157,324 liens were filed during fiscal 2000 generating general fund revenues of \$629,294. HB 577 provides that the lien filing increases from \$4 to \$8 with \$4 of the fee distributed to the general fund and \$4 to the motor vehicle information technology system account, effective January 1, 2002. This would generate approximately \$319,000 in fiscal 2002 and approximately \$648,313 in fiscal 2003, for an estimated total of \$967,000 during the 2003 biennium. This projection is based on lien filing of 157,324 liens in fiscal 2000 and assumes a 1.5% annual growth continues. This \$4 increase in the filing fee on any security interest or other lien will terminate June 30, 2008.

House Bills 5 & 14

HB 5 funding for the PBS digital conversion is provided from non-general fund sources and the debt service of the general obligation bonds of \$1,892,286 will be funded by the general fund.

CULTURAL HERITAGE INITIATIVE

In HB 16, with a stated goal to preserve Montana history and promote economic development through heritage tourism, the Executive Budget proposed a loan from the coal tax trust for funding history preservation and preparing for the upcoming Lewis and Clark Bicentennial. Grants would have been made available to Montana communities to prepare for the bicentennial.

As requested by the executive, this proposal would have been funded from a \$40.0 million loan from the coal tax trust, borrowed in incremental amounts over a 10-year period. The executive request indicated that \$22.3 million would be spent in the 2003 biennium with lesser increments apparently borrowed during the following four biennia. The pay back would occur over a 40-year period.

SUMMARY OF LEGISLATIVE ACTION

The Long Range Planning Committee tabled HB 16.