

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 fund).

Figure 1 summarizes capital project appropriations for each biennium since 1993.

Figure 1
Long Range Building Program Capital Projects Appropriations
by Fund Type and Biennium

Biennium	LRBP Cash	Other State Funds	State Special	Federal Special	Donations / Grants (2)	Total LRBP Cash Program (HB 5)	G.O. Bonding (all LRBP bond bills)	Total LRBP Program
1993	\$8,382,298	\$1,767,500 (1)	\$14,112,356	\$34,823,332	\$12,451,869	\$71,537,355	\$48,605,085 (3)	\$120,142,440
1995	3,118,536	2,600,000 (4)	18,096,908	6,184,453	13,076,212	43,076,109	6,460,000	49,536,109
1997	6,885,000 (5)		25,984,192	63,333,296	20,273,640	116,476,128	32,865,240	149,341,368
1999	9,159,658		24,058,107	15,092,557	30,013,619	78,323,941	43,319,315	121,643,256
2001	7,515,000	170,000 (1)	22,204,804	39,236,497	46,495,000	115,621,301	33,403,750	149,025,051
2003	5,489,660		20,420,275	15,800,000	39,105,080	80,815,015	25,025,286	105,840,301
2005	3,281,500		24,044,460	11,319,212	41,095,000	79,740,172	0	79,740,172
2007	35,438,075	500,000 (6)	26,945,974 (7)	19,984,000	139,697,500	222,565,549	53,100,000 (8)	275,665,549

(1) General Fund
 (2) Also includes higher education funds and proprietary funds
 (3) The 1993 Legislature reduced the prison expansion approved by the 1991 Legislature by \$12.7 million
 (4) \$2.6 million of general fund replaced cigarette tax revenue diverted for the operation of the veterans' home
 (5) Excludes the HB 5 appropriation of \$3.5 to OPI for state advances and reimbursements for school facilities (this was not a LRBP project)
 (6) Capital Land Grant Funds
 (7) Excludes the HB 5 appropriation of \$133.8 million for Highway 93 construction projects (this is not a LRBP project)
 (8) Excludes the HB 540 bond authorization of \$19.5 million for the St. Mary's Water Project and the Ft. Belknap Water Compact (these are not a LRBP project)

SUMMARY OF LEGISLATIVE ACTION

HB 5, 299, and 540 contain the cash and bonding authorizations for the LRBP. The Fifty-ninth Legislature authorized 95 projects with a total project cost of \$275.7 million. The projects will be funded as follows:

- \$35.4 million long-range building funds
- \$0.5 million capitol land grant funds
- \$26.9 million state special revenue
- \$20.0 million federal special revenue
- \$139.7 million donations, grants, higher education funds, and proprietary funds
- \$53.1 million bond proceeds

Figure 2 shows, by agency, the projects approved by the legislature. These projects were included in HB 5, HB 299, and HB 540. Several projects included in these bills are not included in this section for analysis because the projects are not considered LRBP projects. As a result, the appropriation of the funds will not be seen in the figures in this section and details of the projects will not be discussed. For example, HB 5 contained one Department of Transportation road project, the US Highway 93 Construction, Evarto to Polson, which will not be discussed in this section. HB 540 contained two projects, the St. Mary's Water and the Ft. Belknap Water Compact, which will not be discussed in this section. More information on the US Highway 93 project can be found in Volume 3, Section A (Department of Transportation), of the [Legislative Fiscal Report](#). More information on the St. Mary's water project can be found in Volume 1 of this report. Further information on the Ft. Belknap water compact can be found in Volume 4, Section C (Department of Natural Resources), of this [Legislative Fiscal Report](#).

Figure 2
Long-Range Building Program
Cash and Bond Program Appropriations / Authorizations - 2007 Biennium

Administrative Agency / Project Agency / Project	LRBP Projects in HB 5					Total Cash	HB 299 & HB 540 Total Bonding	Project Total
	LRBP Cash	Other State Funds-CLG	State Special	Fed Special	Donations & Grants			
<u>Department of Administration</u>								
<u>Montana School for the Deaf and Blind</u>								
Facility Improvements	\$398,000					\$398,000		\$398,000
<u>Department of Administration</u>								
Roof Repairs & Replacement	\$3,076,242			\$206,500		3,282,742		3,282,742
Repair/Preserve Building Exteriors	497,500					497,500		497,500
Window Repairs & Replacement	1,268,625					1,268,625		1,268,625
Deferred Maintenance, Montana Law Enforcement Academy	761,175					761,175		761,175
Hazardous Materials Abatement	497,500					497,500		497,500
Code/Deferred Maintenance Projects	1,255,989			90,000		1,345,989		1,345,989
Repair Deteriorated Campus Infrastructure	547,250					547,250		547,250
Major Maintenance and Repairs to State Capitol	497,500					497,500		497,500
Upgrade Fire Alarm Systems	398,000					398,000		398,000
Repair Elevators, Capitol Complex	796,000					796,000		796,000
Upgrade 1100 North Last Chance Gulch	1,201,960					1,201,960		1,201,960
DPHHS Commodity Warehouse Expansion, Helena				2,000,000		2,000,000		2,000,000
Public Restrooms Virginia/Nevada Cities	99,450					99,450		99,450
Montana Historic Society Building, Helena					30,000,000	30,000,000	7,500,000	37,500,000
LRBP Funding Interim Project	8,000					8,000		8,000
Capitol Annex or Alternatives Feasibility Study		500,000				500,000		500,000
<u>Department of Corrections</u>								
Improve Water System, MSP-Deer Lodge	124,375					124,375		124,375
Improve High-Side Kitchen Ventilation, MSP-Deer Lodge	116,714					116,714		116,714
Improve Perimeter Security, MSP-Deer Lodge	1,393,000					1,393,000		1,393,000
<u>Department of Fish, Wildlife, and Parks</u>								
Hatchery Maintenance			575,000	575,000		1,150,000		1,150,000
Rose Creek Hatchery			1,700,000			1,700,000		1,700,000
Fort Peck Storage/Office Space			50,000	150,000		200,000		200,000
<u>Department of Military Affairs</u>								
Public Safety Learning Center, MT Law Enforcement Academy				3,450,000		3,450,000		3,450,000
Federal Spending Authority				2,100,000		2,100,000		2,100,000
Western Montana Veterans' Cemetery, Missoula				3,200,000		3,200,000		3,200,000
Montana State Veterans' Cemetery Columbarium, Ft Harrison				500,000		500,000		500,000
<u>Department of Transportation</u>								
Equipment Storage Buildings, Statewide			635,000			635,000	5,100,000	5,735,000
Chiller/Cooling Towers Replacement, Helena Headquarters			350,000			350,000		350,000
Office Addition, Billings			500,000			500,000		500,000
<u>Department of Public Health and Human Services</u>								
Facility Improvements, Montana State Hospital-Warm Springs	592,523					592,523		592,523
Facility Improvements, MDC-Boulder	218,044					218,044		218,044
Demolish Abandoned Buildings	1,741,250					1,741,250		1,741,250
Stabilize Old Administration Building, MDC, Boulder	179,100					179,100		179,100
	\$15,668,196	\$500,000	\$3,810,000	\$12,271,500	\$30,000,000	\$62,249,696	\$12,600,000	\$74,849,696

Figure 2 (cont.)

Long-Range Building Program
Cash and Bond Program Appropriations / Authorizations - 2007 Biennium

Administrative Agency / Project Agency / Project	LRBP Projects in HB 5					Total Cash	HB 299 & HB 540 Total Bonding	Project Total
	LRBP Cash	Other State Funds-CLG	State Special	Fed Special	Donations & Grants			
Balance Brought Forward:	\$15,668,196	\$500,000	\$3,810,000	\$12,271,500	\$30,000,000	\$62,249,696	\$12,600,000	\$74,849,696
Housing for High-Risk Behaviors	2,529,290					2,529,290		2,529,290
Special Care Unit Renovations, EMVH-Glendive			475,000			475,000		475,000
Facility Renovation and Improvements, MVH-Columbia Falls			465,000			465,000		465,000
Authority to Construct Chapel, MSH-Warm Springs					350,000	350,000		350,000
<u>Department of Natural Resource and Conservation</u>								
Replace Clearwater Unit Fire Cache	248,750					248,750		248,750
<u>Governor's Office</u>								
Historic and Cultural Properties Interium Study	20,000					20,000		20,000
<u>Montana University System - Statewide</u>								
ADA/Code/Deferred Maintenance Projects	1,393,000					1,393,000		1,393,000
Classroom/Laboratory Upgrades	995,000					995,000		995,000
<u>Montana University Systems</u>								
<u>University of Montana</u>								
Upgrade Steam Distribution System, Missoula	5,905,325				3,060,000	8,965,325		8,965,325
Reno. HVAC Systems - Science Complex 3rd & 4th Flrs, Missoula	606,950					606,950		606,950
Mining & Geology Building Mechanical System Renovation, Butte	915,400					915,400		915,400
Upgrade Health Sciences HVAC System - Phase 2, Missoula	965,150					965,150		965,150
Renovate Domestic Water Distribution System, Dillon	182,185					182,185		182,185
Law Building ADA Improv./Reno/Expansion, UM-Missoula	500,000					500,000		500,000
School of Journalism Building, UM-Missoula	500,000					500,000		500,000
Native American Study Center					2,500,000	2,500,000		2,500,000
Research Lab Facility					3,000,000	3,000,000		3,000,000
MBMG/Petroleum Building, UM Tech					5,400,000	5,400,000	9,000,000	14,400,000
New Construction - Consolidate Campus, MCOT					24,500,000	24,500,000		24,500,000
New Gallery Space, Missoula					6,000,000	6,000,000		6,000,000
New Forestry Complex, Missoula					20,000,000	20,000,000		20,000,000
Helena College of Technology, Helena							7,500,000	7,500,000
<u>Montana State University</u>								
Upgrade HVAC Systems - Pershing & Brockman Halls, Northern	521,380					521,380		521,380
Heating Sys Improvs - Academic Cntr & McMullen Halls, Billings	243,775					243,775		243,775
Facility Repairs & Improvements, Billings	542,275					542,275		542,275
Heating Plant Phase 3, Bozeman	945,250					945,250		945,250
Water/Sewer System Repairs and Maintenance, Bozeman	248,750				250,000	498,750		498,750
Upgrade Primary Electrical Distribution, Bozeman	746,250				750,000	1,496,250		1,496,250
Facility Repairs and Improvements, AES	477,600					477,600		477,600
Maintenance projects, MAES	646,750					646,750	500,000	1,146,750
Campus Improvements, Northern	636,800				300,000	936,800		936,800
VisComm Black Box Theater, Bozeman					2,750,000	2,750,000		2,750,000
Animal Bioscience Building	-	-	-	-	7,500,000	7,500,000	-	7,500,000
	\$35,438,075	\$500,000	\$4,750,000	\$12,271,500	\$106,360,000	\$159,319,575	\$29,600,000	\$188,919,575

Figure 2 (cont.)

Long-Range Building Program

Cash and Bond Program Appropriations / Authorizations - 2007 Biennium

Administrative Agency / Project Agency / Project	LRBP Projects in HB 5						HB 299 & HB 540 Total Bonding	Project Total
	LRBP Cash	Other State Funds-CLG	State Special	Fed Special	Donations & Grants	Total Cash		
Balance Brought Forward:	\$35,438,075	\$500,000	\$4,750,000	\$12,271,500	\$106,360,000	\$159,319,575	\$29,600,000	\$188,919,575
Museum of the Rockies					12,000,000	12,000,000		12,000,000
Native American Student Center					8,000,000	8,000,000		8,000,000
Great Falls College of Technology, Great Falls							11,000,000	11,000,000
Billings College of Technology, Billings							9,000,000	9,000,000
Gaines Hall Renovation,							3,500,000	3,500,000
Montana University Systems								
<i>University of Montana</i>								
General Spending Authority, All Campuses					4,000,000	4,000,000		4,000,000
<i>Montana State University</i>								
General Spending Authority, All Campuses					7,000,000	7,000,000		7,000,000
Department of Fish, Wildlife, and Parks								
Big Springs PCB Cleanup			1,696,974	2,375,000		4,071,974		4,071,974
Future Fisheries			1,190,000			1,190,000		1,190,000
FAS Maintenance			350,000			350,000		350,000
FAS Site Protection			800,000			800,000		800,000
Community Fishing Ponds				50,000		50,000		50,000
Boat Washing Stations			25,000	75,000		100,000		100,000
Fish Cleaning Stations				112,500	37,500	150,000		150,000
Upland Game Bird Program			1,220,000			1,220,000		1,220,000
Wildlife Habitat Maintenance			750,000			750,000		750,000
Migratory Bird Stamp Program			625,000			625,000		625,000
Motorboat Recreation			2,305,000		2,000,000	4,305,000		4,305,000
Cultural & Historic Parks			2,245,000		300,000	2,545,000		2,545,000
Grant Programs/Federal Projects			330,000	5,000,000		5,330,000		5,330,000
FAS Acquisition			650,000	100,000		750,000		750,000
Habitat Montana			5,430,000			5,430,000		5,430,000
Repair Dams			264,000			264,000		264,000
Department of Military Affairs								
Admin Facilities Repair, Maintenance & Improvements			800,000			800,000		800,000
Department of Transportation								
Maintenance, Repair and Small Projects, Statewide	-	-	3,515,000	-	-	3,515,000	-	3,515,000
Total	\$35,438,075	\$500,000	\$26,945,974	\$19,984,000	\$139,697,500	\$222,565,549	\$53,100,000	\$275,665,549

Certain projects included in HB 5 and HB 540 are not LRBP projects, and are not included in this table.

CLG - Capitol Land Grant Funds

Those projects include:

HB 5 : U.S. Highway 93 Construction Projects, Evarto to Polson, \$133.8 million, state special revenue.

HB 540: St. Mary Water Project-State Support, \$10.0 million, bond authority.

Fort Belknap Water Compact-State Cost Share, \$9.5 million, bond authority.

EXECUTIVE BUDGET COMPARISON

The legislature appropriated and authorized project funds totaling \$275.7 million for capitol projects in the 2007 biennium compared to the executive recommendation of \$156.1 million, an increase of approximately 76 percent. Two reasons explain the dramatic difference. First, the executive budget did not include many Montana University System projects, which in past biennia were included in the initial budget. These building projects affected both the amount of authorizations in the cash program and bond authorizations in the bond program. Second, the executive budget did not include two large projects, appropriated from federal funds. The projects were developed during the 2007 session. Significant changes from the executive budget are described below.

Figure 3
Long-Range Building Program
Legislative Budget Compared to Executive Budget

Funding Source	Executive Recommendation	Legislative Appropriation	Percent Change
LRBP Capitol Account	\$35,128,040	\$35,438,075	0.88%
Capital Land Grant	0	500,000	
State Special Revenue Accounts	29,664,000	26,945,974	-9.16%
Federal Special Revenue Accounts	11,914,000	19,984,000	67.74%
Other (donations and grants)	74,297,500	139,697,500	88.02%
Bonding	<u>5,100,000</u>	<u>52,600,000</u>	931.37%
Total Funding	<u>\$156,103,540</u>	<u>\$275,165,549</u>	76.27%

University Authorization

The executive recommended authorizations for university facilities of \$71.6 million. The legislature increased authorizations by \$35.4 million to \$107.0 million. The projects for which the increase can be attributed include the Animal Bioscience Building, the Museum of the Rockies, and the Native American Student Center, in the Montana State University system, and the Research Lab Facility, the MBMG/Petroleum Building (UM Tech), and the Native American Study Center, in the University of Montana system. The authorization allows the Universities to raise monies through donations and grants for the future funding of the projects. Design work for the projects will begin in the 2007 biennium.

Bonded Capitol Projects

The executive recommended \$5.1 million in bond authority for Department of Transportation storage facilities, statewide. The legislature increased the amount of bond authorization by \$48.5 million to \$52.6 million for LRBP projects at colleges of technology and the Historical Society. Following the lead of the executive, the legislature chose to invest bond funds in two-year and technical higher education facilities across the state. New and renovated classroom and study space will be added at Helena COT, UM Tech, Billings COT, and Great Falls COT. Additionally, the legislature authorized bond proceeds for renovations at Gaines Hall and projects at agriculture stations across the state. Furthermore, the legislature authorized \$7.5 million, which will be used by the Historical Society to purchase the Capital Hill mall in Helena for a new museum.

Federal Fund Projects

Two federally funded projects that were developed during the 2005 session increased the amount of federal funds appropriated in the cash program. The Department of Public Health and Human Services discovered they would receive federal funds to expand the commodity warehouse in Helena. The Department of Military Affairs also learned of the potential to receive federal funds for the construction of a public safety-learning center at the Montana Law Enforcement Academy. These appropriations were not included in the executive budget.

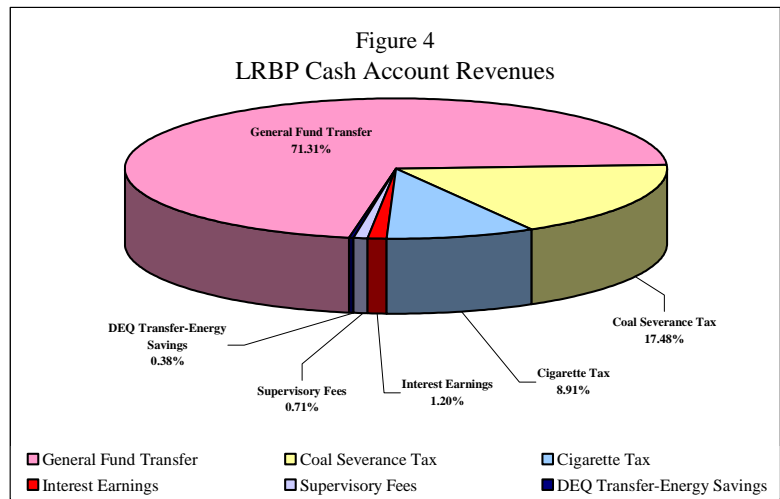
FUNDING

LRBP Cash Program Funding

Funding for the Long-Range Building Program comes from various sources: the LRBP fund, state special revenue funds, federal funds, and other funds (such as university funds, private funds, and capitol land grant funds).

LRBP account revenues include 2.6 percent of cigarette tax revenue and 12.0 percent of coal severance tax revenue. Other income includes LRBP interest earnings, State Building Energy Conservation (SBEC) program savings, and supervisory fees paid to the Architecture and Engineering Division (A&E) of the Department of Administration. In the 2007 biennium, the executive recommended a one-time general fund transfer to the LRBP account of \$30 million. The legislature changed the amount of the transfer in several different actions through the session, but the resulting transfers over the biennium increased by only \$100,000 to \$30.1 million. The proportional contribution of each of the revenue sources to the LRBP cash account is seen in the chart to the right.

The LRBP has experienced years of deterioration to its funding mechanism because the bulk of the program funding comes from declining cigarette tax revenues. While coal tax revenues now make up a bigger proportion of the program funding, those dollars are directed to the payment of debt service obligations from building program bonds issued in the late 1990's. Most are aware that cigarette tax revenues will continue to decline as more and more smokers become actively aware of the harmful effects of smoking. Consequently, revenues to the program cannot sustain the needed upkeep on state buildings.



The 2005 Legislature determined that the time was right to authorize a study to investigate alternative sources of LRBP funding. The legislature recommended that the interim Legislative Finance Committee conduct a study to determine what the annual requirements for maintaining the state's buildings are and determine an adequate source of funding for the program. The committee will then make recommendations to the Sixtieth Legislature.

A portion of LRBP revenues is received from the SEBC program. 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.

Figure 5 shows the projected fund balance for the LRBP account for the 2007 biennium. The LRBP fund will collect \$12.1 million in revenues over the 2007 biennium. The program was given a one-time general fund transfer of \$30.1 million, which will enable the program to make some headway in the backlog of deferred maintenance that currently exists in the state. A&E administration is funded with \$2.6 million for operating expenses, appropriated in HB 2. The debt service for bonds authorized by the 1995 Legislature, \$4.6 million, is also paid through the LRBP cash account. This revised debt service calculation is current as of May 2005, when a refunding issue was sold. The refunding issue, 2005A, refunded portions of two coal severance tax supported bonds, the 1997B issue and the 1999C issue. As observed in Figure 5, portions of these issues were not refunded, and payment of debt service on the two issues will continue through the 2009 biennium. Approximately \$35.4

million is requested for cash projects in HB 5, leaving an estimated fund balance of \$186,561 at the end of the 2007 biennium.

Figure 5
Long-Range Building Program Account (05007)
Fund Balance Projection - 2007 Biennium

Estimated Beginning Fund Balance (July 1, 2005)	\$613,164
Revenues, 2007 Biennium ¹	
Cigarette Tax	\$3,739,979
Coal Severance Tax	7,380,000
Interest Earnings	507,827
Supervisory Fees	301,712
DEQ Transfer-Energy Savings	<u>159,741</u>
Total Revenues	<u>\$12,089,259</u>
2007 Biennium Funds Available	12,702,423
Biennial Expenditures	
Operating Costs-A & E Division	(2,603,840)
Debt Service-2003G ²	(3,730,702)
Debt Service-1997B ³	(542,718)
Debt Service-1999C ³	(853,285)
Debt Service-2005A ⁴	(777,242)
Funding Switch ⁵	<u>1,330,000</u>
Total Appropriated Expenditures-Excluding Capital Projects	<u>(7,177,787)</u>
Funds Available for Capital Projects	5,524,636
One Time General Fund Transfer	<u>30,100,000</u>
Total Available for Capitol Projects	35,624,636
Appropriations LRBP Cash Account	<u>(35,438,075)</u>
June 30, 2007 Projected Ending Fund Balance:	<u><u>\$186,561</u></u>

¹Based on HJR 2 projections
²Refinance of 1996D issue
³Portions of the 1997B and the 1999C that were not refunded
⁴Refinance portions of the 1997B and 1999C issues
⁵Debt Service Funding Switch, 2001 legislative session

Capitol Land Grant Revenue Funding

Capitol land grant revenue, derived from trust lands designated in the Enabling Act for the state capitol complex, has been used in the past as a source of LRBP funding. In recent biennia, the fund has been used with increasing importance as a vehicle to fund the capitol complex maintenance activities of the General Services Division. LRBP project appropriations from the fund are typically provided with a last priority, and project funding often does not materialize.

The Fifty-ninth Legislature appropriated funding for one project, with a last priority for funding, from the capitol land grant revenue fund. The single appropriation, \$500,000 for a study entitled Capitol Annex or Alternatives Feasibility Study, will be funded with capitol land grant revenue, only if funds are sufficient to fund all higher priority appropriations first. If fund are not sufficient, this study could be funded with LRBP fund reversions of the 2007 biennium. Figure 6 shows the capitol land grant account

Figure 6
Capitol Land Grant Account (05008)
Fund Balance Projection - 2007 Biennium

Estimated Beginning Fund Balance (July 1, 2005)	\$320,911
Revenues, 2007 Biennium ¹	
2006 Investment Earnings	939,000
2007 Investment Earnings	<u>943,000</u>
2007 Biennium Revenues	<u>1,882,000</u>
2007 Biennium Funds Available	2,202,911
Biennial Expenditures	
Debt Service-2003G	(856,583)
Debt Service-Justice Building	(154,972)
General Services, Capitol Complex Maintenance	<u>(1,000,000)</u>
Total Appropriated Expenditures-Excluding Capital Projects	<u>(2,011,555)</u>
Funds Available for Capital Projects	191,357
Capitol Annex or Alternatives Feasibility Study-2007 Biennium	(500,000)
June 30, 2007 Projected Ending Fund Balance:	<u><u>(\$308,643)</u></u>

¹Based on HJR 2 projections

beginning the 2007 biennium with an ending fund balance of \$320,911. Revenues to the account are projected to be 1.9 million in the 2007 biennium. Appropriations from the account include two statutory appropriations for debt service, amounting to slightly over \$1.0 million. General Services Division has an appropriation from the account for another million. The fund balance for this account, omitting the capitol annex study is projected to be \$191,357. Because the appropriation for the Capitol Annex or Alternatives Feasibility Study was established contingent on sufficient revenues in the account, the appropriation will have to be funded with reversions.

LRBP Bonded Funding

Several LRBP projects were funded with bond authority in the 2007 biennium. Two bills authorized bonds for LRBP projects, HB 299 and HB 540.

HB 299: One LRBP project was authorized in HB 299. The Montana Department of Transportation (DOT) will use \$5.1 million in bonded funds for the LRBP construction of equipment storage buildings statewide. Although G.O. bonds obligate the full faith and credit of the state general fund, the bonds will be paid with DOT state special revenue funds.

The assumptions used in developing a debt service estimate of the DOT project is as follows:

- The Board of Investments (BOI) will issue bonds in late FY 2006
- The bonds will have a 10-year maturity
- The bonds will have an interest rate of 3.75 percent
- Debt service will average approximately \$611,000 per year
- Debt service will begin in FY 2007, with a payment of \$99,211
- Debt service payment will be made by the Department of Administration with funds transferred from DOT state special revenue
- Debt service payments would continue through FY 2017

HB 540: Nine bonded projects were authorized in HB 540. Of the nine projects, seven were LRBP projects and two were projects authorized for the Department of Natural Resources and Conservation (DNRC). The debt service for all nine projects was estimated to cost the general fund \$625,857 in the 2007 biennium, using the assumptions listed below. For the purpose of this analysis, debt service estimates will be separated between the LRBP projects and the DNRC projects.

The assumptions used in developing a debt service estimate of the LRBP project is as follows:

- The Board of Investments (BOI) will issue \$17.4 million in bonds in FY 2006
- The Board of Investments (BOI) will issue \$22.2 million in bonds in FY 2007
- The Board of Investments (BOI) will issue the remaining \$8.4 million in bonds in FY 2008
- The bonds will have a 20-year maturity
- The bonds will have an interest rate of 4.45 percent
- Debt service will average approximately \$3.6 million per year
- Debt service will begin in FY 2007, with a payment of \$405,075
- Debt service payments would continue through FY 2029

The Figure 7 shows general fund debt service obligations for the outstanding LRBP/IT bond issues plus the new debt service payments resulting from the projects approved in HB 540. Debt service obligations of DOT, from HB 299, and DNRC, from HB 540, are shown but not included in the calculation of estimated LRBP general fund debt service. Debt service of the \$5.1 million bond authority approved in HB 299 will be paid with state special revenue, and as such will not be an obligation of the general fund. The DNRC debt service for the \$19.5 million appropriations is not considered a LRBP obligation. While the debt service is an obligation on the general fund, it is not an obligation related to LRBP, so it is not included in the LRBP total debt service calculation. The debt service obligations of these two projects are included strictly for informative value. Total estimated general fund LRBP debt service for the 2007 biennium is \$405,075 million.

Figure 7
General Fund LRBP Debt Service Obligations
 New G.O. Debt Service - 2007 Biennium

FY	Current GF LRBP Debt Service	New Debt Service Total				Total GF Annual LRBP Debt Service
		LRBP HB 299	Debt Service HB 540	DNRC HB 540	LRBP HB 540	
2006	\$18,247,974	\$0	\$0	\$0	\$0	\$18,247,974
2007	18,341,763	99,211	625,857	220,782	405,075	18,746,838
2008	18,267,732	612,623	2,788,895	952,489	1,836,406	20,104,137
2009	14,017,487	612,310	4,674,030	1,477,760	3,196,270	17,213,756
2010	13,723,089	611,984	5,113,524	1,477,100	3,636,424	17,359,513
2011	11,477,562	611,647	5,111,159	1,476,411	3,634,748	15,112,310
2012	11,494,681	611,297	5,108,688	1,475,690	3,632,998	15,127,678
2013	11,490,566	610,934	5,106,107	1,474,938	3,631,169	15,121,735
2014	11,442,121	610,557	5,103,412	1,474,153	3,629,259	15,071,380
2015	9,667,140	610,166	5,100,596	1,473,331	3,627,265	13,294,404
2016	8,116,313	609,760	5,097,655	1,472,474	3,625,181	11,741,494
2017	8,138,016	609,339	5,094,584	1,471,579	3,623,005	11,761,021
2018	7,887,433		5,091,375	1,470,643	3,620,732	11,508,165
2019	5,103,931		5,088,024	1,469,666	3,618,358	8,722,288
2020	3,883,585		5,084,524	1,468,646	3,615,878	7,499,463
2021	2,551,543		5,080,868	1,467,580	3,613,288	6,164,830
2022	1,705,993		5,077,049	1,466,467	3,610,582	5,316,575
2023	1,711,961		5,073,061	1,465,305	3,607,756	5,319,718
2024	962,293		5,068,895	1,464,090	3,604,805	4,567,097
2025	296,641		5,064,543	1,462,821	3,601,722	3,898,363
2026	122,580		5,059,988	1,461,486	3,598,502	3,721,082
2027			5,055,250	1,460,112	3,595,138	3,595,138
2028			3,036,882	748,403	2,288,479	2,288,479
2029	-	-	628,659	-	628,659	628,659
Total	\$178,650,402	\$6,209,828	\$103,333,625	\$29,851,928	\$73,481,697	\$252,132,099

GF-General Fund

Note: It is important to note that the debt service payments budgeted by the 2005 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 in the fiscal notes of HB 299 and HB 540.

Detailed Project Descriptions

HB 5 – Cash Projects

Appropriations amounting to \$356.3 million for projects were approved in HB 5. Appropriations were made from 28 different capitol project, state special revenue, federal special revenue, and university fund accounts. Of the \$356.3 million, \$222.6 million were authorized for projects in the LRBP. The remaining \$133.7 million was appropriated for highway improvements within the U.S. Highway 90 corridor between Evaro and Polson. A brief description of the long-range building projects included in HB 5 is seen below.

Department of Administration

- o Facility Improvements, MT School for the Deaf and Blind - \$398,000 LRBP Cash Account - This appropriation will fund numerous repairs, upgrades and improvements to the school, including: repairs to gable siding and windows, furnace and energy efficiency upgrades, repair or replacement of flooring, repair or spot replacement of deteriorated portions of campus sidewalks, and campus fire alarm panel upgrades
- o Roof Repairs or Replacements, Statewide - \$3,282,742 Total (\$3,076,242 LRBP Cash Account, \$206,500 Federal Special Revenue) – This appropriation will repair or replace roofs on various state-owned buildings located throughout the state of Montana, including university facilities

- Repair/Preserve Building Exteriors, Statewide - \$497,500 LRBP Cash Account – This appropriation will tuck-point, caulk, and repair and seal exterior envelopes of existing buildings to prevent further deterioration of building components and contents
- Window Repairs & Replacement, Statewide - \$1,268,625 LRBP Cash Account – This appropriation will repair or replace single-pane and failing window systems to save energy and improve occupant comfort
- Deferred Maintenance, Montana Law Enforcement Academy - \$761,175 LRBP Cash Account – This appropriation will address the highest priority deferred maintenance needs throughout the campus including as allowed by appropriated funds: replace heating system boiler, improve heating distribution controls, repair or replace failed building windows and exterior wood members, foundation stabilization, and miscellaneous brick and roadway
- Hazardous Material Abatement - \$497,500 LRBP Cash Account – This appropriation addresses unanticipated abatement and is not meant to augment individual project appropriations where hazardous materials are known or reasonably anticipated to exist. In known cases, abatement is funded with individual project monies
- Code/Deferred Maintenance & Disability Access, Statewide - \$1,345,989 Total (\$1,255,989 LRBP Cash Account, \$90,000 Federal Special Revenue) – This appropriation funds projects located throughout the state that will remedy life-safety, disability access, and code and deferred maintenance deficiencies
- Repair/Replace Deteriorated Campus Infrastructure, Statewide - \$574,250 LRBP Cash Account – This appropriation will repair or replace deteriorated campus infrastructure at various agency campuses throughout the state
- Major Maintenance and Repairs to the State Capitol - \$497,500 LRBP Cash – This appropriation will provide funding for repairs to the exterior envelope of the State Capitol and replace or overlay the north capitol drive
- Upgrade Fire Alarm Systems, Statewide - \$398,000 LRBP Cash Account – This appropriation will fund projects to repair, upgrade, or replace existing fire alarm systems throughout the state, including universities
- Repair Elevators, Capitol Complex - \$796,000 LRBP Cash – This appropriation will fund projects to replace worn components and modify elevators within the Capitol Complex
- Upgrade 1100 North Last Chance Gulch, Helena - \$1,201,960 LRBP Cash Account – This appropriation will fund projects to upgrade mechanical systems, improve ADA accessibility (including installation of an elevator), replace windows, and complete other building improvements
- DPHHS Commodity Warehouse Expansion, Helena - \$2,000,000 Federal Special Revenue – This project authorizes the construct of an addition to the commodity warehouse, should federal funds become available
- Public Restrooms, Virginia and Nevada Cities - \$99,450 LRBP Cash Account – This appropriation will construct public restroom buildings at Virginia and Nevada Cities
- Montana Historic Society Building, Helena - \$30,000,000 Donations – This project provides legislative authority to spend non-state funds for the design and construction of a new Montana historical society building
- LRBP Funding Interim Project, Helena - \$8,000 LRBP Cash Account – This appropriation will fund an interim study to analyze the requirements for and future funding of the Long Range Building Program. A subcommittee of the 2005-2006 interim Finance Committee is expected to conduct the study
- Capitol Annex or Alternatives Feasibility Study - \$500,000 Capital Building Account – This appropriation funds a project for a conceptual study of the legislative, staff, and public space needs of the Capitol building. Contingency language included in HB 5 authorizes the use of Capitol Land Grant (CLG) funds, if available this biennium. If CLG funds are not sufficient for the project, it may be funded using LRBP project reversions made during the 2007 biennium
- Improve Water System, MSP-Deer Lodge (DOC) - \$124,375 LRBP Cash Account – This appropriation will fund repairs and improvements of the potable and non-potable water systems
- Improve High-Side Kitchen Ventilation, MSP-Deer Lodge (DOC) - \$116,714 LRBP Cash Account - This appropriation will fund updates of HVAC cooling equipment, and temperature controls; the appropriation will be augmented with energy funds through the state energy conservation program

- Improve Perimeter Security, MSP-Deer Lodge (DOC) - \$1,393,000 LRBP Cash Account – This appropriation will fund replacement of deteriorating concertina barbed-tape along the secure double-perimeter fence and upgrade the industries compound perimeter security fence
- Hatchery Maintenance, Statewide (FWP) - \$1,150,000 Total (\$575,000 State Special Revenue, \$575,000 Federal Special Revenue) – This project will provide funding for the timely repair and preventive maintenance of the nine state fish hatcheries across the state
- Rose Creek Hatchery, Rose Creek (FWP) - \$1,700,000 State Special Revenue – This appropriation will fund improvements to the hatchery, including new raceways for rearing fish and an effluent and containment system. Specific language within HB 5 allows proceeds from the sale of the Arlee Hatchery to be used for this project
- Fort Peck Storage/Office Space, Ft. Peck (FWP) - \$200,000 Total (\$50,000 State Special Revenue, \$150,000 Federal Special Revenue – This appropriation will fund the construction of storage/office space to provide space for fisheries management/research staff and equipment
- Administrative Facilities Repair, Maintenance, & Improvements, Statewide (DMA) - \$800,000 State Special Revenue – This appropriation funds projects for routine/annual preventive maintenance and small construction projects at sites statewide
- Public Safety Learning Center, MT Law Enforcement Academy (DMA) - \$3,450,000 Federal Special Revenue – This appropriation funds a project to construct a Public Safety Learning Center at the academy, should federal funds become available
- Federal Spending Authority, Statewide (DMA) - \$2,100,000 Federal Special Revenue – This appropriation funds projects for repair and maintenance, minor construction, and facility improvements at various DMA facilities
- Western Montana Veterans' Cemetery, Missoula (DMA) - \$3,200,000 Federal Special Revenue – This appropriation funds a project for the design and construction of a new cemetery
- Montana State Veterans' Cemetery Columbarium, Ft. Harrison (DMA) - \$500,000 Federal Special Revenue – This appropriation will fund a project for the design and construction of a columbarium at the Montana State Veterans' Cemetery
- Equipment Storage Buildings, Statewide (DOT) - \$635,000 Highways SSR – This appropriation will fund the construction of new equipment storage buildings to house road maintenance equipment and personnel at various locations throughout the state. This appropriation augments \$5.1 million in bond authority. Total appropriations for this project are \$5,735,000.
- Chiller/Cooling Towers Replacement, Helena (DOT) - \$350,000 State Special Revenue – This appropriation funds the replacement of the chiller and cooling towers at the DOT headquarters
- Office Addition, Billings (DOT) - \$500,000 State Special Revenue – This appropriation funds the renovation of existing space and construction of additional office space at the DOT administrative site
- Facility Improvements-MSH, Warm Springs (PHHS) - \$592,523 LRBP Cash Account – This appropriation will fund HVAC improvements, seclusion room renovations, and ADA improvements throughout the campus
- Facility Improvements – MDC, Boulder (PHHS) - \$218,044 LRBP Cash Account – This appropriation will fund replacement of flooring and windows, replacement of the gymnasium and stage floors, and provide for various ADA and accessibility improvements throughout the campus
- Demolish Abandoned Buildings-MDC, Boulder (PHHS) - \$1,741,250 LRBP Cash Account – This appropriation will fund demolition of abandoned buildings within the campus
- Stabilize Old Administration Building-MDC, Boulder (PHHS) - \$179,100 LRBP Cash Account – This appropriation will fund the mothballing of the old Administration Building located within the campus
- Housing for High-Risk Behaviors-MDC, Boulder (PHHS) - \$2,529,290 LRBP Cash Account – This appropriation will fund renovations or complete replacement of a building to provide an appropriate, secure and durable living environment for residents with high-risk behaviors
- Special Care Unit Renovations – EMVH, Glendive (PHHS) - \$475,000 State Special Revenue – This appropriation will fund remodeling of the north wing of the home to provide a special care unit and to convert the existing west wing to nursing beds

LONG-RANGE PLANNING

LONG-RANGE BUILDING PROGRAM

- Facility Renovation and Improvements-MVH, Columbia Falls (PHHS) - \$465,000 State Special Revenue - This appropriation funds the repair/renovation of the service building and Superintendent's residence as well as various site improvements within the campus
- Authority to Construct Chapel-MSH, Warm Springs (PHHS) - \$350,000 Donations – This project provides legislative authority to construct a chapel with private funds
- Replace Clearwater Unit Fire Cache, Missoula (DNRC) – \$248,750 LRBP Cash Account – This appropriation will provide funds to construct a new fire cache to replace the existing deteriorated shop and cache
- Historic and Cultural Properties Interim Study, Statewide (GOV) - \$20,000 LRBP Cash Account - This appropriation will fund an interim study, with a goal to propose policy suggestions regarding the preservation of Montana's state-owned historic and culturally significant places. The \$20,000 included in this appropriation consists of LRBP funds and may only be spent on state-owned buildings and properties. To the extent that additional, non-LRBP, funds are raised to augment this appropriation, this project may be expanded to include non-state facilities and properties

Montana University System

- ADA/Code/Deferred Maintenance Projects, Statewide - \$1,393,000 LRBP Cash Account - This appropriation will fund various improvements to correct code, deferred maintenance, and ADA deficiencies at numerous university system facilities statewide
- Classroom/Laboratory Upgrades, Statewide - \$995,000 LRBP Cash Account - This appropriation will provide for repairs and upgrades to classroom and laboratory buildings at various university system campuses statewide

University of Montana

- Upgrade Steam Distribution System, Missoula - \$8,965,325 Total (\$5,905,325 LRBP Cash Account, \$3,060,000 FSR, Donations, Grants, SSR, and/or Higher Education Funds) - The appropriation of \$5,905,325 will fund upgrades to the campus steam distribution system. Spending authority of \$3,060,000 of donations and university funds was authorized for the project
- Renovate HVAC Systems-Science Complex, Missoula - \$606,950 LRBP Cash Account – This appropriation will complete the replacement of HVAC system and temperature controls. Phase 1 is currently underway and this appropriation will complete the project. This appropriation will be augmented with funding from the state building energy conservation program
- Mining & Geology Building Mechanical System Renovation, Butte - \$915,400 LRBP Cash Account – This appropriation will fund the installation of a new heating/ventilation system to replace the existing failed system. This appropriation will be augmented with funding from the state building energy conservation program
- Upgrade Health Sciences HVAC System, Missoula - \$965,150 LRBP Cash Account – This appropriation will fund upgrades of HVAC equipment on the third and fourth floors of the building. The first phase of improvements, which upgrades the systems on the first and second floors, is currently underway and this appropriation will complete the HVAC upgrades at this facility
- Renovate Domestic Water Distribution System, Dillon - \$182,185 LRBP Cash Account – This appropriation will fund installation of a new water service entrance and tie buildings to new mains to improve water pressure and availability
- Law Building ADA Improvements/Renovation/Expansion, Missoula - \$500,000 LRBP Cash Account – This appropriation will fund ADA and other improvements in the renovation and expansion of the existing building. This appropriation augments \$5 million of existing authority to spend non-state funds for this capital improvement
- School of Journalism Building, Missoula - \$500,000 LRBP Cash Account – This appropriation augments \$12 million of existing authority to spend non-state funds for the construction of a new building
- Native American Study Center, Missoula - \$2,500,000 FSR, Donations, Grants, SSR, and/or Higher Education Funds – This project provides legislative authority to spend non-state funds to design and construct a new building

LONG-RANGE PLANNING

LONG-RANGE BUILDING PROGRAM

- Research Lab Facility, Missoula - \$3,000,000 FSR, Donations, Grants, and/or Higher Education Funds – This project provides legislative authority to spend non-state funds to design and construct a new building
- MBMG/Petroleum Building, Butte - \$5,400,000 FSR, Donations, Grants, and/or Higher Education Funds – This project provides legislative authority to design and construct a new building. The authorization augments \$9,000,000 of bond proceeds appropriated in HB 540. Total appropriations and authorizations for the new building in the 2007 biennium are \$14,400,000
- New Construction-Consolidate Campus, Missoula - \$24,500,000 FSR, Donations, Grants, and/or Higher Education Funds – This project provides legislative authority to spend non-state funds to design and construct a new consolidated college of technology at Ft. Missoula
- New Gallery Space, Missoula - \$6,000,000 FSR, Donations, Grants, and/or Higher Education Funds - This project provides legislative authority to spend non-state funds for the construction of a new building
- New Forestry Complex, Missoula - \$20,000,000 FSR, Donations, Grants, and/or Higher Education Funds – This project provides legislative authority to spend non-state funds for the construction of a new building

Montana State University

- Upgrade HVAC Systems-Pershing & Brockman Halls, Northern - \$521,380 LRBP Cash Account – This appropriation will fund the repair and upgrade the HVAC systems. The appropriation will be augmented with energy funds through the state building energy conservation program
- Heating System Improvements-Academic Center & McMullen Halls, Billings - \$243,775 LRBP Cash Account – This appropriation will replace outdated boiler systems. The appropriation will be augmented with energy funds through the state building energy conservation program
- Facility Repairs & Improvements, Billings - \$542,275 LRBP Cash Account – This appropriation will provide funds to correct code deficiencies in elevators, upgrade fire sprinkler systems, and provide for major maintenance, repairs and upgrades to laboratories
- Heating Plant Phase 3, Bozeman - \$945,250 LRBP Cash Account – This appropriation will provide funds to complete the main heating plant upgrades at the campus, including the design and construction of seismic improvements
- Water/Sewer System Repairs and Maintenance, Bozeman - \$498,750 Total (\$248,750 LRBP Cash Account, \$250,000 FSR, Donations, Grants, and/or Higher Education Funds) – The appropriation of \$248,750 will fund the first phase of repairs and replacement of undersized or deteriorated water/sewer system elements. Spending authority of \$250,000 of donations and university funds was also authorized for the project
- Upgrade Primary Electrical Distribution, Bozeman - \$1,496,250 Total (\$746,250 LRBP Cash Account, \$750,000 FSR, Donations, Grants, and/or Higher Education Funds) – The appropriation of \$746,250 will fund the design and installation of additional circuits, a new main feed, and associated switchgear with the intent of improving electrical distribution to correct current deficiencies and accommodate future needs within the central MSU-Bozeman campus. Spending authority of \$750,000 of donations and university funds was also authorized for the project
- Facility Repairs and Improvements-AES, Statewide - \$477,600 LRBP Cash Account – This appropriation will fund facility repairs and improvements at various agriculture experiment stations across the state.
- Maintenance Projects-AES, Statewide - \$646,750 LRBP Cash Account – This appropriation will fund numerous small projects to improve agricultural experiment stations across the state
- Campus Improvements, Northern - \$936,800 Total (\$636,800 LRBP Cash Account, \$300,000 FSR, Donations, Grants, and/or Higher Education Funds) – The appropriation of \$636,800 will fund relocation of parking to reduce vehicular/pedestrian conflicts, improve accessibility and address deferred maintenance issues within the campus. Spending authority of \$300,000 of donations and university funds was also authorized for the project
- VisComm Black Box Theater, Bozeman - \$2,750,000 FSR, Donations, Grants, and/or Higher Education Funds – This project provides legislative authority to spend non-state funds to design and construct a new theater. Upon completion of the replacement facility, the former theater space in the Student Union Building will revert to the student enterprise and will no longer be a state-funded O&M obligation

LONG-RANGE PLANNING

LONG-RANGE BUILDING PROGRAM

- Animal Bioscience Building, Bozeman - \$7,500,000 FSR, Donations, Grants, and/or Higher Education Funds - This project provides legislative authority to spend non-state funds for design and construction of a new building. This new authority augments \$5 million of existing authority
- Museum of the Rockies, Bozeman - \$12,000,000 FSR, Donations, Grants, and/or Higher Education Funds – This project provides legislative authority to spend non-state funds for design and construction of a new building
- Native American Student Center, Bozeman - \$8,000,000 FSR, Donations, Grants, and/or Higher Education Funds – This project provides legislative authority to spend non-state funds for design and construction of a new building

Montana University Systems

- General Spending Authority, All Campuses (UM) - \$4,000,000 FSR, Donations, Grants, SSR, and/or Higher Education Funds – This project will provide spending authority to UM for capital improvements to campus facilities. Projects include deferred maintenance, renovations, ADA/Code compliance upgrades, and equipment purchases and replacements
- General Spending Authority, All Campuses (MSU) - \$7,000,000 FSR, Donations, Grants, SSR, and/or Higher Education Funds – This project will provide spending authority to MSU for capital improvements to campus facilities. Projects include deferred maintenance, renovations, ADA/Code compliance upgrades, and equipment purchases and replacements

Department of Fish, Wildlife, and Parks

- Big Springs PCB Cleanup - \$4,071,974 Total (\$1,696,974 State Special Revenue, \$2,375,000 Federal Special Revenue) - This appropriation funds a project to cleanup PCB contamination at the Big Springs Hatchery and Creek
- Future Fisheries - \$1,190,000 State Special Revenue – This appropriation funds projects for the statewide fish habitat restoration projects
- Fishing Access Sites Maintenance - \$350,000 State Special Revenue – This appropriation funds projects for noxious weed control, latrine pumping, general maintenance activities and stream bank stabilization at fishing access sites
- Fishing Access Site Protection - \$800,000 State Special Revenue – This appropriation funds projects for installation and rehabilitation of basic public use facilities at fishing access sites including latrines, road repairs, and other improvements
- Community Fishing Ponds - \$50,000 Federal Special Revenue – This appropriation funds projects to develop community fishing ponds and promote efforts for family fishing adventures
- Boat Washing Stations - \$100,000 Total (\$25,000 State Special Revenue, \$75,000 Federal Special Revenue) – This appropriation will fund projects for the construction of boat-washing stations to help prevent the spread of aquatic nuisance species to Montana waters from out-of-state boats
- Fish Cleaning Stations - \$150,000 Total (\$112,500 Federal Special Revenue, \$37,500 Donations and Grants) - This appropriation will fund the construction of fish-cleaning stations at various locations throughout the state
- Upland Game Bird Program – \$1,220,000 State Special Revenue – This appropriation provides private landowners with cost-share funding to restore or establish habitat for upland bird species across the state
- Wildlife Habitat Maintenance - \$750,000 State Special Revenue – This appropriation provides funds for the maintenance of wildlife lands, including monitoring for compliance with conservation easements
- Migratory Bird Stamp Program – \$625,000 State Special Revenue – This appropriation provides for the protection and enhancement of wetland habitat
- Motorboat Recreation - \$4,305,000 Total (\$2,305,000 State Special Revenue, \$2,000,000 Donations and Grants) – This authorization will provide funds for needed improvements at motorboat sites, including road and ramp maintenance, and related facilities. Spending authority for grants and donations will provide the opportunity for the construction of a cooperative project with the University of Montana to develop a park site on Flathead Lake
- Cultural & Historical Parks - \$2,545,000 Total (\$2,245,000 State Special Revenue, \$300,000 Donations) – The appropriation of state special revenues will fund rehabilitation of facilities, infrastructure,

interpretive displays, and roads. Spending authority for donations is authorized to provide the opportunity to utilize local funds for the construction of a bridge across Lolo Creek within Traveler's Rest State Park

- Grant Programs / Federal Projects - \$5,330,000 Total (\$330,000 State Special Revenue, \$5,000,000 Federal Special Revenue) – This project includes projects funded through state OHV grants, Federal LWCF and Recreational Trails grants and Federal Wallop-Breaux grants
- Fishing Access Sites Acquisitions - \$750,000 Total (\$650,000 State Special Revenue, \$100,000 Federal Special Revenue) – This appropriation funds projects that enable the department to acquire public interest in lands for angler access to public water ways
- Habitat Montana - \$5,430,000 State Special Revenue – This appropriation provides for the acquisition of wildlife habitat via easement, lease, or fee
- FWP Dam Repair - \$264,000 State Special Revenue – This appropriation funds the repair of FWP-owned dams

Department of Military Affairs

- Admin Facilities Repair, Maintenance & Improvements – \$800,000 State Special Revenue - This appropriation funds projects that provide maintenance, repair, and improvements at FWP facilities statewide

Department of Transportation

- Maintenance, Repair and Small Projects, Statewide – \$3,515,000 State Special Revenue - This appropriation provides funding for routine/annual preventive maintenance and small construction projects

HB 299 – Bonded Projects

Bond authority in the amount of \$5.1 million was authorized for one Department of Transportation project in HB 299. Initially, the single project was the only long-range building program bonded project recommended by the executive. The Fifty-ninth Legislature did not make any changes to HB 299, but they approved additional long-range building program bonded projects in HB 540. The short description of the project included in HB 299 is seen below.

Department of Transportation

- Equipment Storage Buildings, Statewide – \$5,100,000 Bond Proceeds - This appropriation provides funding for the construction of new equipment storage buildings at various locations throughout the state. These buildings will house road maintenance equipment and personnel. The appropriation of bond proceeds augments state special revenue of \$635,000 appropriated in HB 5. Total appropriations for equipment storage buildings in the 2007 biennium are \$5,735,000

HB 540 – Bonded Projects

Bond authority in the amount of \$68 million for projects amounting to \$67.5 million were authorized in HB 540. Of the \$67.5 million, \$48 million was authorized for the long-range building program. The remaining \$19.5 million of bond authority was for construction of the St. Mary's water system, \$10 million that is contingent upon federal authorization and appropriation for the project, and \$9.5 million for the Ft. Belknap water contract. A brief description of the bonded long-range building program projects included in HB 540 is seen below.

Department of Administration

- Montana Historical Society Building, Helena – \$7,500,000 Bond Proceeds - This appropriation provides funding for the design and construction of a new Montana Historical Society building. The appropriation of bond proceeds augments donation-spending authority of \$30,000,000 authorized in HB 5. Total appropriations and authorizations for the new historic building in the 2007 biennium are \$37,500,000
- UM-Helena College of Technology Addition, Helena – \$7,500,000 Bond Proceeds - This appropriation provides funds to design and construct renovations and additions to the existing school

- MBMG/Petroleum Building, Butte - \$9,000,000 Bond Proceeds – This appropriation provides funds to design and construct a new building. The authorization augments \$5,400,000 of legislative authorization in HB 5. Total appropriations and authorizations for the new building in the 2007 biennium are \$14,400,000
- Great Falls College of Technology Renovation/Addition, Great Falls – \$11,000,000 Bond Proceeds - This appropriation provides funds to design and construct renovations and additions to the existing school
- MSU-Billings College of Technology Renovation/Addition, Billings – \$9,000,000 Bond Proceeds - This appropriation provides funds to design and construct renovations and additions to the existing school
- MSU Agricultural Experiment Station Projects, Statewide – \$500,000 Bond Proceeds - This appropriation provides funds to design and construct numerous small projects and make improvements to agricultural experiment stations across the state. The appropriation of bond proceeds augments cash program appropriations of \$1,124,350 in HB 5. Total appropriations for agricultural experiment station projects in the 2007 biennium are \$1,624,350
- Gaines Hall Renovation Phase 1, MSU-Bozeman – \$3,500,000 Bond Proceeds - This appropriation provides funds to design and construct an adaptive renovation of the north wing and to complete the design of the adaptive renovation of the south wing

OTHER LEGISLATION AND VOTER INITIATIVES

Initiative 149

Initiative 149, passed by the voters in November and is effective January 1, 2005, increased the tax on cigarettes. As a result, the distribution percentage to the LRBP fund was reduced to hold the fund harmless. Where the fund had received 4.3 percent of a 70-cent tax, it will now receive 2.6 percent of the \$1.70 tax. The change resulted in a small increase in funding in FYs 2005, 2006, and 2007.

HB 79

HB 79 makes permanent Habitat Montana, the habitat acquisition program that authorizes the FWP Commission to secure, develop, and maintain wildlife habitat. Land acquisition for this program is authorized in the Long-Range Building Program.

HB 643

HB 643 prohibits smoking in all public schools and in all places where the public is free to enter. Bars are excluded from the provisions until September 30, 2009. The prohibition is expected to reduce cigarette consumption and the associated tax revenues by 0.75 percent annually. As a result, LRBP cigarette tax revenues are reduced by \$7,176 in FY 2006 and \$13,845 in FY 2007.

SB 58

SB 58 provides additional flexibility to the long-range building bond program, eliminates obsolete statutory codes, and increases the statutory time allowed for bond anticipation notes. The legislation removes some of the requirements relating to the “character” of bonds, allowing some flexibility in the way bond issues will appear in the future. It also allows the board of examiners to pay the costs of refunding bonds with the proceeds of the bonds or from the general fund, where before this obligation fell on the bond purchaser. The legislation also removes the requirement that all bonds are signed by the board of examiners (with either true or facsimile signatures) under the state seal. Finally, the legislation extends the allowed time that bond anticipation notes may be issued from one year to three years.

STATE BUILDING ENERGY CONSERVATION PROGRAM

PROGRAM DESCRIPTION

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

- Replacing old, inefficient boilers
- Upgrading inefficient lighting
- Increasing ventilation system efficiency
- Insulating buildings
- Providing more effective temperature controls
- Upgrading inefficient water systems

Until FY 2004, the definitions for Title 90, Chapter 4, part 6, MCA, allowed only energy conservation projects to be included in the SBEC program. In 2003, the Fifty-eighth Legislature amended the statute to define energy cost savings as “savings in utility costs to a state agency”. Consequently, water conservation projects can now be funded through the program.

Through the SBEC 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 (LRBP). To date, 61 energy conservation projects have been completed through the SBEC program, and additional projects are in various stages of completion. Since program inception, the state has spent a total of \$4.4 million in oil overcharge funds and \$10 million in G.O. bond proceeds to fund the projects.

Since the SBEC program was started in FY 1994 and continuing through FY 2004, the SBEC program has captured energy savings of \$7.5 million, and the anticipated savings for FY 2005 adds another \$0.9 million to the total. All savings that remain after the DEQ pays interest and principal on the related bond issues are “swept” into the LRBP to fund additional projects. The estimated sweep for the next biennium is \$159,741 but future energy savings sweeps are expected to increase as more initial bonds mature because the project debt service payments will end. Program requirements ensure that conservation measures have a service life of 15 years. However, energy savings are expected through the life of the project.

SUMMARY OF LEGISLATIVE ACTION

Through HB 12, the legislature authorized the state Board of Examiners to issue up to \$3.75 million in G.O. bonds for the SBEC program. The legislature approved a biennial appropriation to DEQ amounting to \$400,000 from the bond proceeds to fund the analysis, design, and program administration. Figure 8 contains a list of projects approved for the 2007 biennium. 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.

Figure 8
State Building Energy Conservation Program
Project Authorizations - 2007 Biennium

Agency / Project Location	Project
University of Montana Petroleum Building-Montana Tech, Butte	Lighting improvements
Department of Administration Mitchell Building, Helena	Building improvements
Museum Building, Helena	Boiler and control improvements
Department of Corrections Men's Prison, Deer Lodge	High-side kitchen ventilation and airconditioning improvements
Women's Prison, Billings	Boiler replacement
Department of Fish Wildlife and Parks Miles City Headquarters Building, Miles City	Lighting and other improvements
Department of Public Health and Human Services MT Mental Health & Nursing Care Center, Lewistown	Phase II boiler upgrade
School for the Deaf and Blind Aspen Hall, Great Falls	Irrigation and upgrades
Montana State University Pershing and Brockman Halls-Northern, Havre	Campus irrigation through well water
McMullen Hall, Billings	Boiler replacement
University of Montana Health Sciences Building, Missoula	Ground water cooling and heating, ventilation, and airconditioning improvements
Western, Dillon	Wood-fired boiler

All of the proposed HB 12 projects have been coordinated with the Long-Range Building Program, as directed in statute.

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 depend on the annual utility savings resulting from the facility improvement.

EXECUTIVE BUDGET COMPARISON

The Fifty-ninth Legislature increased the bond authority from the executive budget recommendation of \$2.5 million to \$3.75 million. This action will allow DEQ to finance a greater number of projects during the 2007 biennium. The legislature agreed that as a result of higher energy prices, agency requests for conservation projects would increase. Additionally, six new energy conservation projects were included in HB 12, bringing the total number of known projects to 11 in the 2007 biennium.

FUNDING

The SBEC program is entirely funded with general obligation bonds. Energy savings realized from the projects are transferred to the DEQ to reimburse the department for bond principle and interest and administrative costs.

The first issuance of bonds for the SBEC occurred in 1993. The 1993 issue of \$1.5 million, a 10-year issue, reached maturity in late FY 2004. Since the first issue in 1993, the Board of Investments has issued five additional bonds to provide SBEC program funding. The second SBEC issue will reach maturity and a seventh bond will be issued in FY 2005. At the beginning of FY 2005, total issuance of bonded debt for the program is \$8.5 million. Figure 9 shows the current annual debt service of bonds that have been issued through FY 2004. Included in Figure 9 are the estimated debt service obligations for the issuance of the \$3.75 million of bonds authorized in the 2005 session. The issuance schedule of the bonds could vary and estimated rates of interest could change.

Figure 9
SBEC Debt Service Obligations
New Debt Service - 2007 Biennium

FY	Current	Total New	Total Annual
	SBEC Debt Service	SBEC Debt Service	SBEC Debt Service
2006	\$700,815	\$0	\$700,815
2007	721,074	225,138	946,212
2008	745,230	450,276	1,195,506
2009	591,824	450,276	1,042,100
2010	596,029	450,276	1,046,305
2011	593,250	450,276	1,043,526
2012	446,691	450,276	896,967
2013	443,155	450,276	893,431
2014	439,337	450,276	889,613
2015	296,850	450,276	747,126
2016	295,800	450,276	746,076
2017	0	225,138	225,138
Total	\$5,870,054	\$4,502,760	\$10,372,814

Assumptions used to derive the debt service schedule above are as follows:

- o \$1,875,000 in bonds will be issued in FY 2006
- o \$1,875,000 in bonds will be issued in FY 2007
- o Bonds will mature in 10 years
- o The interest rate for 10 year bonds will be 3.75 percent
- o The first debt service payment will occur in FY 2007
- o Payments will continue through 2017

Note: It is important to note that these debt service payments are estimates. If interest rates and/or bond issuance timelines change, these payments may change as a result. SBEC debt service payments will be made from the statutory appropriation for debt service.

OTHER LEGISLATION

HB 212

In developing a program similar to the State Building Energy Conservation program, HB 212 allows local governments to enter into energy performance contracts. Qualified providers will develop energy performance contracts that will guarantee conservation-related cost savings. The savings will be used to pay for the conservation measures, including financing charges incurred over the life of the contracts. Contracts will require monitoring energy reductions and cost savings attributable to the conservation measures. Finally, the contracts will require reports to the local government units, documenting the performance of the conservation measures.

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. According to 90-6-702, MCA, the purpose of TSEP is to assist local governments in funding infrastructure projects that will:

- Create jobs for Montana residents
- Promote economic growth in Montana by helping to finance the necessary infrastructure
- Encourage local public facility improvements
- Create a partnership between the state and local governments to make necessary public projects affordable
- Support long-term, stable economic growth in Montana
- Protect future generations from undue fiscal burdens caused by financing necessary public works
- Coordinate and improve infrastructure financing by federal, state, local government, and private sources
- 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 water 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:

- Solve urgent and serious public health or safety problems or that enable local governments to meet state or federal health or safety standards
- Reflect greater need for financial assistance than other project
- Incorporate appropriate, cost-effective technical design and that provide thorough, long-term solutions to community public facility needs
- 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
- Enable local governments to obtain funds from sources other than TSEP
- 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
- Are high local priorities and have strong community support

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

SUMMARY OF LEGISLATIVE ACTION

The 2005 Legislature passed HB 11 providing the funding for the TSEP grants program and the TSEP regional water program. Legislative actions on the two programs are discussed below in detail.

TSEP Grants

The 2005 Legislature appropriated \$16.2 million for 40 infrastructure projects in HB 11 in the 2007 biennium. This represents a slight decrease, 3.6 percent, from the previous biennium and is driven by anticipated interest earnings from the TSEP trust. Figure 10 shows the historic TSEP grant and loan awards since the program inception.

While the legislature appropriated \$16.2 million, actual TSEP grant authorizations were only \$15.96 million. The legislature chose to appropriate total TSEP funds available for grants, instead of directly appropriating the individual grant amounts. This action will allow DOC some flexibility in funding grants below the actual funding line, should any higher ranked projects request termination of their grant. Additionally, this action made clear the total appropriation from the TSEP account for the purpose of calculation of the 2007 biennium spending limitation.

Figure 10
Treasure State Endowment Program
Grant and Loan Awards by Biennium
(in millions)

Biennium	Number of Projects Approved & Funded		Grant Awards	Loan Awards
	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	-
2005	55	0	16.826	-
2007	40	0	15.963	-

Figure 11 on the next page lists the grant awards authorized for the 2007 biennium. HB 11 provides:

“If funds deposited in the treasure state endowment special revenue account during the biennium ended June 30, 2007, are insufficient to fully fund the projects numbered 1 through 40, ...the 61st Legislature is encouraged to give priority to funding to these projects, before funding any new projects.”

The legislature authorized a \$100,000 emergency appropriation from the treasure state endowment special revenue account for any critical infrastructure projects that might arise in the biennium. The legislature also appropriated \$600,000 for pre-engineering grants.

TSEP Loans

The Fifty-ninth Legislature amended section 90-6-703, MCA to eliminate the TSEP loan program. Historically, only eight loans have been authorized by the legislature since the program inception in FY 1994. None of the successful applicants opted to secure a TSEP loan. As a result, TSEP loans will no longer be available for local water, sewer, and bridge projects. In the future, this action will save the program approximately \$50,000 per biennium, the amount appropriated to the Department of Natural Resource and Conservation from TSEP interest earnings for the administration of TSEP loans (refer to funding Figure 10). In the 2007 biennium, the HB 2 appropriation for the loan program was not removed from the budget.

EXECUTIVE BUDGET COMPARISON

The executive budget recommended grant funding at approximately \$16.5 million. The legislature appropriated grant funds of \$16.2 million, a reduction of approximately \$300,000. This comparison overstates the difference between the executive and legislative budgets, because the legislature placed the dollar amount of funds available for appropriation into HB 11. The executive budget did not include a total funding figure in the bill. As a result, all 42 projects originally included in HB 11 were necessarily included in the appropriation calculation of the executive recommendation. However, three of the projects were included for appropriation only in the event that sufficient funds became available. A comparison of executive budget grants 1 through 39 and the 40 grants appropriated by the legislature would show that the legislature added one project grant and increased grant funding by \$600,000. The legislature included language that would allow three additional grants, numbered 41 through 43, to be funded should any of the grant project appropriations numbered 1 through 39 withdraw their grant request.

Figure 11

Treasure State Endowment Program
Grant Authorizations - 2007 Biennium

Rank Order	Applicant	Project Type	Grant Recommended	Grant Authorized	Cumulative Grant Award
1	St. Ignatius	Wastewater	\$500,000	\$500,000	\$500,000
2	Rudyard District	Wastewater	524,503	524,503	1,024,503
3	Carter District	Water	500,000	500,000	1,524,503
4	Cascade	Water	500,000	500,000	2,024,503
5	Madison County	Bridge	179,911	179,911	2,204,414
6	Lewis & Clark County	Wastewater	288,757	288,757	2,493,171
7	Stillwater County	Bridge	399,853	399,853	2,893,024
8	Seeley Lake District	Wastewater	500,000	500,000	3,393,024
9	Dodson	Wastewater	427,500	427,500	3,820,524
10	Conrad	Wastewater	500,000	500,000	4,320,524
11	Sweet Grass County	Bridge	144,989	144,989	4,465,513
12	Havre	Water	500,000	500,000	4,965,513
13	Powell County	Bridge	158,348	158,348	5,123,861
14	Mineral County	Bridge	80,090	80,090	5,203,951
15	Glacier County	Bridge	500,000	500,000	5,703,951
16	Malta	Wastewater	500,000	500,000	6,203,951
17	Crow Tribe	Wastewater	500,000	500,000	6,703,951
18	Libby	Wastewater	500,000	500,000	7,203,951
19	Big Horn County	Bridge	142,500	142,500	7,346,451
20	Custer District	Wastewater	500,000	500,000	7,846,451
21	Hill County	Bridge	450,750	450,750	8,297,201
22	Glasgow	Wastewater	500,000	500,000	8,797,201
23	Valier	Wastewater	500,000	500,000	9,297,201
24	Sheridan	Water	500,000	500,000	9,797,201
25	Beaverhead County	Bridge	84,886	84,886	9,882,087
26	Whitefish	Water	457,500	457,500	10,339,587
27	Richland County	Bridge	453,841	453,841	10,793,428
28	Upper-Lower River Road District	Water/Wastewater	500,000	500,000	11,293,428
29	Laurel	Wastewater	500,000	500,000	11,793,428
30	Ennis	Wastewater	204,894	204,894	11,998,322
31	Choteau	Water	500,000	500,000	12,498,322
32	Missoula County	Bridge	275,172	275,172	12,773,494
33	Miles City	Water	500,000	500,000	13,273,494
34	Yellowstone County	Bridge	187,800	187,800	13,461,294
35	Ranch District	Water	360,000	500,000	13,961,294
36	Hysham	Water	462,359	462,359	14,423,653
37	Carbon County	Bridge	97,100	97,100	14,520,753
38	Spring Meadows District	Water	487,500	487,500	15,008,253
39	Woods Bay District	Water	500,000	500,000	15,508,253
40	Bigfork District	Wastewater	0	460,000	15,968,253
41	Circle	Wastewater	500,000	-	15,968,253
42	Fairfield	Wastewater	126,000	-	15,968,253
43	Sun Prairie District	Water	500,000	-	15,968,253
		Total	\$16,494,253	\$15,968,253	

*Grant awards contingent on availability of TSEP funds.

FUNDING

In July 1993, \$10.0 million was transferred from the coal severance tax permanent trust fund to the treasure state endowment trust fund. In addition, the trust receives 75 percent of coal severance tax revenues deposited into the permanent trust through fiscal 2003. This percentage was reduced to 50 percent starting July 2003 and will continue at that level 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. TSEP investment earnings for the 2007 biennium are projected to total \$17.7 million.

Estimated Beginning Fund Balance (7/01/2005)	\$26,208
Revenue Projections ¹	
2006 Investment Earnings	8,578,934
2007 Investment Earnings	<u>9,071,959</u>
2007 Biennium Revenues	<u>17,650,893</u>
2007 Biennium Funds Available	\$17,677,101
Biennial Expenditures	
Administration - Commerce	(1,033,630)
Administration - DNRC	(56,000)
Emergency Grants	(100,000)
Water/Sewer Pre-engineering - SA	<u>(600,000)</u>
Total Appropriated Expenditures	(1,789,630)
Grants Terminated/Reduced in HB 11 ²	<u>138,184</u>
Balance Available for Grants	\$16,025,655
Grants Authorized in HB 11	<u>15,968,253</u>
June 30, 2007 Projected Ending Fund Balance:	<u>\$57,402</u>
¹ Based on HJR 2 estimates	
² Terminated/reduced grant awards (Chapter 435, Laws of 2001) from Florence County Water and Sewer Dist., \$500,000, and Essex Water and Sewer Dist., \$225,000. Total terminated grants are reduced by amounts required to complete grant appropriations for the 2005 biennium [(\$500,000 + \$125,000) - \$486,816 = \$138,184].	

Figure 12 shows the projected fund balance for the treasure state endowment state special revenue account for the 2007 biennium. Total new revenue and carryover funds in this account are estimated at \$17.7 million for the biennium. After deducting the administrative appropriations, the emergency grants and pre-engineering grants and increasing the balance by the terminated and reduced grant appropriations approved in earlier biennia, \$16 million is available for grants. As such, available grant funds will fund only 40 of the 43 grants authorized by the legislature.

Pay plan increases approved in the 2005 legislative session reduced the amount of funds available for grants from \$16.2 million, as appropriated in HB 11, to \$16 million. Although sufficient funds are available for the grants authorized in HB 11, \$15.97 million, the remaining balance is lower than expected. Consequently, project awards cannot exceed \$16 million unless interest rates generate higher earnings than projected in HJR 2.

TREASURE STATE ENDOWMENT REGIONAL WATER SYSTEM

PROGRAM DESCRIPTION

The 1999 Legislature created the treasure state endowment regional water system fund as a new account within the coal tax permanent trust. The TSEP Regional Water System, established in 90-6-715, MCA, was created to:

“...finance regional drinking water systems that supply water to large geographical areas and serve multiple local governments, such as projects in north central Montana, from the waters of the Tiber reservoir, that will provide water for domestic use, industrial use, and stockwater for communities and rural residences that lie south of the Canadian border, west of Havre, north of Dutton, and east of Cut Bank and in northeastern Montana, from the waters of the Missouri River, that will provide water for domestic use, industrial use, and stockwater for communities and rural residences that lie south of the Canadian border, west of the North Dakota border, north of the Missouri River, and east of range 39.”

Although no state funds have been expended to date, two projects have been authorized from these funds: the Fort Peck Indian Reservation/Dry Prairie Regional Water System (DPRWS) and the Rocky Boy’s Indian Reservation/North Central Montana Regional Water System (NCRMWS). The federal government provides current estimates for the projects. DPRWS is estimated at a total cost of \$220.0 million, which includes a local match of \$18.4 million. The NCRMWS project is expected to cost \$229.0 million, with a local match of \$18.4 million.

SUMMARY OF LEGISLATIVE ACTION

In the 2007 biennium only, construction cost for regional water projects will be funded with bond proceeds authorized in HB 748. This action was taken for several reasons including the ability to have funds available as soon as the federal match is obtainable and reducing state special appropriations in the expenditure limitation calculation. For a further description of this action, see the “Other Legislation” section below.

EXECUTIVE BUDGET COMPARISON

The executive budget did not include an appropriation for the TSEP regional water program.

FUNDING

Since July 1, 1999, 25 percent of the deposits to the coal severance permanent trust have flowed into the TSEP regional water trust account. The interest earned from the fund is deposited into the account authorized in Title 90, Section 6, part 7, MCA, to provide a match for federal and local monies for the purpose of developing large regional water systems. As shown in Figure 13, interest earnings in the 2007 biennium are projected to be \$3.8 million. The 2005 Legislature appropriated \$1,082,966 for administrative expenses in HB 2. In HB 11, the 2005 Legislature changed statutes relating to account usage to allow bonded debt service to be paid from the fund, and funding of the match to federal and local monies will be accomplished with bond proceeds for the 2007 biennium. Debt service for the bonds authorized in HB 748 will be an obligation of the TSEP regional water account. According to the fiscal note calculated for HB 748, the cost of the debt service for the bonds is \$380,125 annually. The first debt service payment is expected in FY 2007. As a result, the July 1, 2007 ending fund balance is estimated at \$4.9 million.

Figure 13	
TSEP Regional Water System Fund (02015)	
Fund Balance Projection - 2007 Biennium	
Estimated TSEPRWS Beginning Fund Balance (7/1/2005)	\$ 2,639,426
Revenue Projections¹	
2006 Investment Earnings	\$1,757,000
2007 Investment Earnings	<u>2,007,000</u>
2007 Biennium Revenues	3,764,000
2007 Biennium Funds Available	6,403,426
Biennial Expenditures²	
Administration - DNRC	(1,082,966)
Debt Service	<u>(380,125)</u>
Total Appropriated Expenditures	(1,463,091)
June 30, 2007 Projected Ending Fund Balance:	<u>\$ 4,940,335</u>

¹Based on HJR 2 Projections
²Appropriated in HB 2 and statute

HB 748 obligates the TSEP regional water program account for the debt service of bonds issued for a match to federal and local dollars to construct regional water projects. Assumptions used to develop the fiscal note for HB 748 do not match the expected bond issuance explained by DNRC. As a result, projected TSEP regional water system account expenditures for the 2007 biennium, as observed in Figure 13 above, exceed anticipated expenditures. Assumptions used to generate the fiscal note for HB 748 included, among other things, an issuance of \$5 million in general obligation bonds, a bond sale in the spring of 2006, an interest rate of 4.45 percent, and a maturity of 20 years. Under these assumptions, the cost of the bond, in interest due, is \$2.6 million, more than half the amount issued. The fiscal impact of this bond issue is likely to differ significantly from the fiscal note, if the department follows through with the plans discussed with the legislature.

DNRC, the administrating agency, stated before the legislature their intent to issue bond anticipation notes to provide the match to federal and local monies for construction projects as the monies become available and construction plans are finalized. Plans further dictate that at the end of the 2007 biennium, a bond will be issued to settle any bond anticipation notes that were issued through the biennium. The department further explained their expectation to sell one single bond issue with a ten-year maturity.

Using the assumptions of the scenario outlined by the department: \$5 million in general obligation bonds, a bond sale in spring of 2007, an interest rate of 3.75 percent, and a maturity of 10 years, annual debt service payments will be approximately \$600,367, approximately 1.7 percent greater than the annual debt service for a 20 year maturity bond. Furthermore, the cost of the bond will be approximately \$1.0 million, less than half the cost interest for a 20-year bond issue. Finally, no debt service would become due until FY 2008.

OTHER LEGISLATION

HB 748

The Fifty-ninth Legislature approved HB 748, which provides bond authority for a match to federal dollars to construct TSEP regional water system building projects. Consequently in the 2007 biennium, interest earnings from the TSEP regional water trust will not be used to fund the federal match for regional water system construction.

This action was taken for several reasons including having the funds available as soon as the federal match is obtainable and reducing state special appropriations in the expenditure limitation calculation. Funds on hand for construction costs in the 2007 biennium were estimated to be \$5.3 million at the time of the Legislative Fiscal Division budget analysis. The interest component of the \$5.3 million is a function of interest earned throughout FY 2006 and FY 2007; the entire earnings would not be accumulated until the end of FY 2007. In authorizing bond authority for construction appropriations, the legislature provided the program with the ability to begin construction as soon as the federal match dollars are given to the state. Without this authority, the state would be forced to wait until sufficient interest was earned off the TSEP water trust for the federal/local match. A second reason for this action was to reduce the total of state special appropriation. By removing the TSEP regional water project appropriation in HB 11, state special appropriations were reduced by \$5.3 million for the expenditure limitation calculation (see Volume 1 of the Legislative Fiscal Report for further information on the expenditure limitation issue). Finally, interest on the unexpended balance of the TSEP regional water account will increase future earnings in the trust account, resulting in a greater amount of funds available for appropriation in future biennia.

This action applies to the 2007 biennium only, and next biennium funds will again be appropriated from the TSEP regional water account for the construction costs of regional water projects.

RENEWABLE RESOURCE GRANT AND LOAN PROGRAM

PROGRAM DESCRIPTION

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 Fiscal Report, Volume 4.

The Renewable Resource Grant and Loan (RRGL) program was created by the 1993 Legislature. This program combines the former Renewable Resource Development Program, established in 1975, and the Water Development Program, established in 1981. As outlined under Title 85, Chapter 1, part 6, MCA, the purpose of the RRGL is to fund projects that “enhance Montana's renewable resources through projects that measurably conserve, develop, manage, or preserve resources.”

The 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:

- Financial feasibility
- Adverse environmental impact
- Technical merit
- Public benefit
- Need
- 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 public and private entities. The legislature has final approval for the awarding of RRGL grants (HB 6) and loans (HB 8).

SUMMARY OF LEGISLATIVE ACTION

The 2005 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 potential fund shortages are eligible to apply for a loan as provided in HB 8.

HB 6 - Grants

Figure 14 on the following page shows the RRGL grants awarded for the 2007 biennium. The 2005 Legislature authorized \$4.6 million to fund a prioritized list of 59 projects. While 59 projects are approved for funding, only the first 47 will be funded with the revenues available. The 2005 Legislature intends that each of the grant projects listed after the City of Livingston (flood damage reduction study) will receive grant funds only if a higher priority project withdraws all or part of their project need.

EXECUTIVE BUDGET COMPARISON

Figure 14 also shows a priority listing of the RRGL grants recommended by the executive for the 2007 biennium. DNRC received a total of 63 applications. HB 6, as introduced, included a list of 59 projects estimated to cost \$5.7 million. The executive recommended \$4 million of funding for the first 40 projects. In addition, the executive

recommendation includes \$100,000 to fund the DNRC emergency grant program and \$300,000 for project planning grants awarded by the department over the biennium.

The Fifty-ninth Legislature made several changes to the executive request. First, the legislature increased the number of grants that could be funded by providing the program with a one-time general fund transfer of \$600,000. This action allowed the legislature to fund six additional projects. Second, the legislature struck one grant request from the priority listing. The Sweet Grass County Conservation District, Middle Glaston Reservoir study was eliminated because individuals stating opposition to the project came forward with credible arguments. Additionally, one project that did not have the needed points to be placed in the listing of priorities was granted a priority listing by the legislature. The Missoula County, Grant Creek restoration and flood mitigation project, was added to the list at number 48. While this project was not given a high enough priority to be guaranteed funding, if any other project is withdraw it could receive funded.

In summary, the legislature increased the number of funded grants by 6 with the addition of a general fund transfer of \$600,000 and replaced one grant request included in the original bill with one that was previously not included.

Figure 14
Renewable Resource Grants
Grant Authorizations - 2007 Biennium

Rnk	Applicant	Project Type	Grant Requested	Grant Authorized	Cumulative
1	Milk River Joint Board of Control Halls Coulee Siphon Repair	Irrigation	\$100,000	\$100,000	\$100,000
2	Spring Meadows County Water District Drinking Water Project	Drinking Water	100,000	100,000	200,000
3	Montana State University Four Corners Surface and Groundwater Study	Water Mgmt	99,618	99,618	299,618
4	Beaverhead CD Spring Creek Restoration	Water Mgmt	100,000	100,000	399,618
5	St. Ignatius, Town of Wastewater Improvement Project	Wastewater	100,000	100,000	499,618
6	DNRC Deadmans Basin Supply Canal Rehab Project	Irrigation	100,000	100,000	599,618
7	Jefferson Valley CD Jefferson River Restoration	Water Mgmt	95,469	95,469	695,087
8	Carter Chouteau County WSD Drinking Water Project	Drinking Water	100,000	100,000	795,087
9	Sheridan, Town of Drinking Water Project	Drinking Water	100,000	100,000	895,087
10	Lower Yellowstone Irrigation District Lower Yellowstone Canal	Irrigation	100,000	100,000	995,087
11	DNRC Frenchman Dam Rehab Study	Dam	100,000	100,000	1,095,087
12	DNRC Martinsdale North Dam Riprap Program	Dam	100,000	100,000	1,195,087
13	Seeley Lake Sewer District Wastewater Improvement Project	Wastewater	100,000	100,000	1,295,087
14	Upper/Lower River Road WSD Drinking Water and Wastewater Project	Drinking/Waste	100,000	100,000	1,395,087
15	Buffalo Rapids Irrigation District Canal Automation	Irrigation	88,955	88,955	1,484,042
16	Choteau, City of Drinking Water Project	Drinking Water	100,000	100,000	1,584,042
17	Dodson, Town of Wastewater System Improvements	Wastewater	100,000	100,000	1,684,042
18	Gallatin County Floodplain Delineation Project	Water Mgmt	100,000	100,000	1,784,042
19	Yellowstone Irrigation District Flow Measurement Project	Irrigation	100,000	100,000	1,884,042
20	Gardiner-Park County WD Water System Improve - Phase II	Drinking Water	100,000	100,000	1,984,042

Figure 14 (cont.)

Renewable Resource Grants
Grant Authorizations - 2007 Biennium

Rnk	Applicant	Project Type	Amount Requested	Grant Authorized	Cumulative
21	Liberty County CD Chester Sprinkler Irrigation Project	Irrigation	100,000	100,000	2,084,042
22	Cascade, Town Water System Improvements	Drinking Water	100,000	100,000	2,184,042
23	Ranch County WSD Water System Improvements	Drinking Water	100,000	100,000	2,284,042
24	Libby, City of Cabinet Heights Wastewater Sys Improvements	Wastewater	100,000	100,000	2,384,042
25	Broadview, Town of Broadview Water Supply Study	Water Mgmt	99,997	99,997	2,484,039
26	DNRC Martinsdale Outlet Canal Drop Structures	Irrigation	100,000	100,000	2,584,039
27	Roosevelt County CD Fort Peck Irrigation Quality/Quantity Phase I	Irrigation	99,995	99,995	2,684,034
28	Buffalo Rapids Irrigation District Improving Efficiency and Quality	Irrigation	100,000	100,000	2,784,034
29	Paradise Valley ID Turnout Replacement Project	Irrigation	100,000	100,000	2,884,034
30	Manhattan, Town of Wastewater Treatment Sys Improv - Phase II	Wastewater	100,000	100,000	2,984,034
31	Woods Bay Homesites County WSD Water System Improvements	Drinking Water	100,000	100,000	3,084,034
32	Custer Area, Yellowstone County WSD Wastewater Improvement Project	Wastewater	100,000	100,000	3,184,034
33	Fort Belknap Irrigation District Sugar Factory Lateral Project Phase II	Irrigation	100,000	100,000	3,284,034
34	Laurel, City of Wastewater Improvement Project	Wastewater	100,000	100,000	3,384,034
35	Yellowstone CD Canyon Creek Restoration	Water Mgmt	100,000	100,000	3,484,034
36	Valier, Town of Wastewater Improvement Project	Wastewater	100,000	100,000	3,584,034
37	Fairfield, Town of Wastewater Improvement Project	Wastewater	100,000	100,000	3,684,034
38	Glasgow Irrigation District Vandalia Dam Improvements Phase III	Dam	100,000	100,000	3,784,034
39	Ennis, Town of Wastewater Improvement Project Phase II	Wastewater	100,000	100,000	3,884,034
40	Bighorn CD Alluvial Aquifers of Northern Bighorn Cnty	Water Mgmt	100,000	100,000	3,984,034
41	Savage Irrigation District Savage Irrigation Rehabilitation Plan	Irrigation	62,814	62,814	4,046,848
42	Butte-Silver Bow Big Hole River Transmission Line Replacement	Drinking Water	100,000	100,000	4,146,848
43	Whitefish, City of Drinking Water Project	Drinking Water	100,000	100,000	4,246,848
44	Circle, Town of Wastewater Improvement Project	Wastewater	100,000	100,000	4,346,848
45	Black Eagle WASD Water System Improvements	Drinking Water	50,000	50,000	4,396,848
46	Lewis and Clark CD Florence Canal Rehabilitation	Irrigation	100,000	100,000	4,496,848
47	Livingston, City of Livingston Flood Damage Reduction Study	Water Mgmt	100,000	100,000	4,596,848
48	Missoula County Grant Creek Restoration and Flood Mitigation	Water Mgmt	-	100,000	4,696,848
49	Liberty County CD Marias Baseline Development Project	Water Mgmt	100,000	100,000	4,796,848

Figure 14 (cont.)
Renewable Resource Grants
Grant Authorizations - 2007 Biennium

Rnk	Applicant	Project Type	Amount		Grant Authorized	Cumulative
			Requested			
50	Hammond Irrigation District Porcupine Creek Siphon Rehab	Irrigation	38,200		38,200	4,835,048
51	Bear Creek, Town of Water System Improvements	Drinking Water	100,000		100,000	4,935,048
52	Ryegate, Town of Wastewater System Improvements	Wastewater	100,000		100,000	5,035,048
53	Sun Prairie Village County WSD Water System Improvements	Drinking Water	100,000		100,000	5,135,048
54	Butte Silver Bow Water Master Plan	Water Mgmt	100,000		100,000	5,235,048
55	DNRC Increasing Montana Water Mngt Capacity	Water Mgmt	99,714		99,714	5,334,762
56	Milk River Joint Board of Control Lake Sherburne Dam Outlet Works Rehab	Dam	100,000		100,000	5,434,762
57	Bigfork County WSD Wastewater System Improvements	Wastewater	100,000		100,000	5,534,762
58	Ruby Valley CD Ruby GroundWater Mngt Plan - Phase I	Water Mgmt	33,694		33,694	5,568,456
59	Cartersville Irrigation District Sand Creek Siphon Rehab Project	Irrigation	100,000		100,000	5,668,456
Total			<u>\$5,568,456</u>		<u>\$5,668,456</u>	

FUNDING

Funding for the RRGL program is established in 85-1-604, MCA, with the creation of the renewable resource grant and loan state special revenue account. Deposits to this account are made from three sources, including:

- o Interest income of the resource indemnity trust fund as provided in and subject to the conditions of 15-38-202, MCA (\$2.0 million each fiscal year for the purpose of making grants)
- o Excess coal severance tax proceeds allocated by 85-1-603, MCA to the renewable resource loan debt service fund (above debt service requirements as provided in and subject to the conditions of 85-1-619, MCA)
- o Fees or charges collected by the department for the servicing of loans, including arrangements for obtaining security interests

As shown in Figure 15, projected revenues for the biennium are \$7,064,409. Account revenues include a one-time general fund transfer of \$600,000 and a transfer of revenue from the reclamation and development grant account of \$400,000.

Appropriations from the account are authorized in 85-1-604, MCA and state that appropriations may be made for grants and administrative expenses, including

Figure 15
Renewable Resource State Special Revenue Account (02272)
Fund Balance Projection - 2007 Biennium

Estimated Beginning Fund Balance-(7/1/2005)	\$382,026
Revenue Projections and Transfers¹	
Resource Indemnity Trust Interest - Grant Allocation	\$4,000,000
Resource Indemnity Trust Interest - MSU Northern	480,000
Resource Indemnity Trust Interest - Additional	1,034,400
Excess coal tax proceeds from debt service and interest	516,009
STIP / Other interest	20,000
Administrative Fees	14,000
One-time general fund transfer	600,000
Transfer from Reclamation and Development Grant account	<u>400,000</u>
2007 Biennium Revenues	<u>\$7,064,409</u>
2007 Biennium Funds Available	\$7,446,435
Biennial Expenditures²	
Grant Administration - DNRC	(458,587)
DNRC Centralized Services	(10,000)
MSU-Northern Statutory Appropriation	(480,000)
Flathead Basin Commission - DNRC	(16,002)
Water Court - Judiciary	<u>(1,533,510)</u>
Total Appropriated Expenditures	<u>(2,498,099)</u>
Balance Available for Grants	\$4,948,336
Other Grants, HB 6	
Emergency Grants	(100,000)
Project Planning Grants	(300,000)
Total Grants	<u>(4,600,000)</u>
Grants Authorized in HB 6	<u>(5,000,000)</u>
June 30, 2007 Projected Ending Fund Balance:	<u>(\$51,664)</u>

¹HJR 2 recommendations
²HB 2 appropriations

salaries and expenses for personnel, equipment, office space, and other expenses necessarily incurred in the administration of the grants program. Expenses may be funded before projects. The MSU-Northern and the Judiciary Water Court appropriations are funded with additional allocations of RIT interest that are deposited into the renewable resource state special revenue account. Total administrative costs appropriated from the account are \$2.5 million. The 2005 Legislature appropriated \$5.0 million for grants in the 2005 biennium, including \$100,000 for emergency grants and \$300,000 for project planning grants. The estimated fund balance for June 30, 2007 is a negative \$51,644. As a result, some appropriation may have to be reduced if unexpected revenues do not become available.

Past legislatures have violated statute, 85-1-604, MCA, by using funds in the renewable resource grant account for purposes other than the administration of the grant program and grants. As knowledge of improper account use came to light in the Fifty-ninth Legislature, actions were taken to remedy the situation.

In years of funding shortages, the legislature began using the funds in the renewable resource grant account for other purposes, and that practice has persisted. The original purpose of the account was to fund the costs of renewable resource grant program. Examples of the misuse are apparent in the Figure 17 above. The appropriation of dollars for MSU-Northern, the Judiciary Water court, and others are not allowed under current permanent statute, which says:

- 3) Appropriations may be made from the renewable resource grant and loan program state special revenue account for:
 - a) Grants for designated projects; and
 - b) Administrative expenses, including salaries and expenses for personnel and equipment, office space, and other expenses necessarily incurred in the administration of the grant and loan program.

The expenses under this subsection (3)(b) may be funded before funding of projects.

Two actions were taken to remedy the situation. First, for the 2007 biennium only, HB 6 included a change to 85-1-604, MCA. The change will allow the account funds to be used for administrative costs of other resource programs. Second, because misuse of account funds occur in many of the RIT interest accounts, the legislature requested in HJ 36 that an interim committee conduct a study of the RIT accounts and make recommendations to the Sixtieth Legislature on ways to remedy the problems. For more information concerning this study refer to the [Legislative Fiscal Report](#), section C.

HB 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 directed by the Montana Constitution.

Figure 16 on the following page lists the loans awarded for the 2007 biennium. Total bond authority in HB 8 is \$7.2 million. Of this amount, \$4.9 million is appropriated for loans and \$.66 million is for loan reserve. HB 8 authorizes three new loans totaling \$185,000 and reauthorizes four loans, previously authorized by the 2003 Legislature, which total \$4.7 million. The funds for three of the seven loans will be used for dam rehabilitation; the four remaining loans will be used for community water and wastewater projects. 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.

Figure 16
Renewable Resource Program Loans
Project Authorizations - 2007 Biennium

Loans-Sponsor/Project	Legislative Appropriation	Cumulative Total
Section 1		
Group A Projects¹ (4.5% or State bond rate, whichever is lower-20 years)		
Montana DNRC		
Deadmans Basin Supply Canal Rehabilitation Project	\$55,000	\$55,000
Montana DNRC		
Martinsdale North Dam Riprap Project	90,000	145,000
Cartersville Irrigation District		
Sand Creek Siphon Rehabilitation Project	40,000	185,000
Section 2		
Group A Projects² (2.0% below long term bond rate for 1st 5 years, market rate for remaining 15 years)		
Lockwood Water and Sewer District		
Wastewater Collection and Treatment Works	3,300,000	3,485,000
Group B (2.25% 1st \$250,000, 0% for anything over \$500,000-20 years)		
Lower Willow Creek Drainage District		
Lower Willow Creek Dam Rehabilitation	295,000	3,780,000
Group C Projects (4.5% or State bond rate, whichever is lower-20 years)		
Mill Creek Irrigation District		
Mill Lake Dam Rehabilitation	572,000	4,352,000
Montana DNRC		
North Fork of the Smith River Dam Rehabilitation	<u>557,000</u>	4,909,000
Total Loan Authorizations:	4,909,000	
Additional Loan Authorizations:	1,669,422	
Loan Reserve ³ :	<u>657,842</u>	
Total	<u>\$7,236,264</u>	

¹ Section 1 projects meet the provisions of 17-5-702, MCA.
² Section 2 projects may not complete the requirements needed to obtain the loan funds prior to June 30, 2005
³ To finance loans in lieu of grants for grants recommended in HB 6
 NOTE: Projects are grouped by differences in interest rates.

FUNDING - LOANS

RRGL program bond authority is provided in 85-1-624, MCA. In the 2003 legislative session, the legislature approved an increase in bonding authority, from \$20 million to \$30 million. Consequently, the department will have continuing ability to fund natural resource projects with bonded debt into the future. Money in the coal severance tax bond fund is pledged for the payment of the principal and interest of the bond issue requested in HB 8, as directed in Title 17, Chapter 5, part 7, MCA.

EXECUTIVE BUDGET COMPARISON

The legislature did not make changes to the executive recommendation.

OTHER LEGISLATION

SB 83

The Fifty-ninth Legislature passed SB 83, which makes alternative energy projects eligible for renewable resource grants and loans. Types of eligible projects are defined in 15-6-225, MCA and include but are not limited to:

- Solar energy
- Wind energy
- Geothermal energy
- Conversion of biomass
- Fuel cells that do not require hydrocarbon fuel

- Small hydroelectric generators producing less than 1 megawatt
- Methane from solid waste

This legislation essentially expands the functional description of the program, allowing new project types, unrelated to water, to be considered for grants and loans.

The renewable resource grant program received 63 grant requests for consideration in the 2007 biennium budget. From those requests, 47 projects were funded. Expansion of the types of projects that may be considered for grants and loans may create additional stresses on an already stretched budget. If the DNRC finds that many project requests are generated as a result of this new legislation, future legislatures may wish to/need to increase funding to the program.

SB 498

The Fifty-ninth Legislature passed SB 498, which temporarily amends 85-1-613, MCA, statutes applicable to the renewable resource grant and loan program, and does the following:

- Increases the limit for a loan to a private person that is not a water users' association or ditch company from \$200,000 to \$400,000 or 80% of the fair market value of the security given for the project
- Increases the allowable loan to a private person that is a water users' association or ditch company from the lesser of \$300,000 to the lesser of \$3 million or an amount representing the annual debt service on the loan that would exceed 80% of the annual net revenue of the system that would be pledged for payment of the loan

The legislation will allow qualified persons to obtain loans greater than had previously been approved in past biennia. The legislation has no effective date, so it will become effective October 1, 2005. The legislation terminates June 30, 2007.

HJ 36

The Fifty-ninth Legislature passed HJ 36 requesting an interim study of the laws and funding related to the RIT. The 2005 Legislature found that there is no centralized legislative oversight of the RIT accounts, which results in the appropriation of often the same funds in as many as three subcommittees. Additionally, the legislature determined that the laws regarding the flow of funding from the trust, taxes, and assessments are confusing and conflicting.

The study will address issues raised by the legislature in the funding of the renewable resource grant and loan program, as well as other RIT funded programs. The study proposes to do the following:

- Propose revisions to laws related to the resource indemnity trust
- Include input from the director of the Office of Budget and Program Planning and the directors of state agencies that would be affected by changes to the resource indemnity trust
- Examine funding priorities
- Examine possible uses of funds related to the resource indemnity trust
- Present the findings or conclusions for review by the Legislative Finance Committee
- Report to the Sixtieth Legislature the final results of the study, including any findings, conclusions, comments, or recommendations

For more information on the funding issues of the renewable resource grant and loan account, refer to the LFD Issue on page F30.

RECLAMATION AND DEVELOPMENT GRANT PROGRAM

PROGRAM DESCRIPTION

Resource indemnity trust (RIT) investment earnings are a major source of revenue for several natural resource agencies and programs, including: 1) the Renewable Resource Grant and Loan Program (RRGL); and 2) the Reclamation and Development Grant Program (RDGP). 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 RIGWA proceeds and RIT interest earnings, see the Department of Natural Resources and Conservation (DNRC) summary in Section C of the LFD Fiscal Report, Volume 4.

The Reclamation and Development Grant Program (RDGP) is designed to fund projects that:

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

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

- Repair, reclaim, and mitigate environmental damage to public resources from non-renewable resource extraction
- 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:

- Public benefit
- Need and urgency
- Appropriateness of technical design
- Financial feasibility
- Project management/organization

DNRC forwards a list of recommendations to the executive, who reviews the list and submits funding recommendations to the legislature for appropriation.

LEGISLATIVE ACTION

Figure 17 on the following page lists the RDGP grants approved by the 2007 Legislature. The legislature appropriated \$4.9 million for approved reclamation and development grants. A total of 17 projects were approved to receive grant funds amounting to \$4.9 million. The legislature increased the funding for one project for DNRC, St. Mary Study and Design, to \$900,000. 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.”

St. Mary’s Project

The St. Mary Facilities, located on the Blackfeet Reservation and owned by the U.S. Bureau of Reclamation (USBR), transfer water from the St. Mary River to the Milk River basin. The facilities have been in operation for over 85 years with only minor repairs since initial construction. Most of the structures have exceeded their design life and are critically in need of major repairs or replacement. Much attention was drawn to the St. Mary situation during the 2005 legislative session and the legislature took numerous steps towards finding a solution to the problem. One step was to increase a grant requested by the DNRC from \$300,000 to \$900,000 in HB 7. These funds will be used as a match in seeking \$3.0 million in federal appropriations to evaluate the St. Mary facilities. The results of the evaluation will be a set of alternatives to upgrade the facilities for another 50 to 100 years of operation. More information on the St. Mary Facilities can be seen in the Legislative Fiscal Report, Volume 1.

Figure 17
Reclamation and Development Grants
Grant Authorizations - 2007 Biennium

Rank	Sponsor/Title	Grant		
		Requested	Grant Authorized	Cumulative
1	Board of Oil and Gas Conservation 2005 Eastern District Orphaned Well Plug & Abandonment & Site Restoration	\$300,000	\$300,000	\$300,000
2	Board of Oil and Gas Conservation 2005 Northern District Orphaned Well Plug & Abandonment & Site Restoration	300,000	300,000	600,000
3	Department of Environmental Quality Bluebird Mine Reclamation	300,000	300,000	900,000
4	Department of Environmental Quality Frohner Mine Reclamation	300,000	300,000	1,200,000
5	Department of Environmental Quality Buckeye Mine & Millsite Reclamation	300,000	300,000	1,500,000
6	Lewistown, City of Reclamation of Brewery Flats on Big Spring Creek	300,000	300,000	1,800,000
7	MT Department of Natural Resources and Conservation St. Mary Studies and Design	300,000	900,000	2,700,000
8	Butte-Silver Bow Local Government Belmont Shaft Failure & Subsidence Mitigation	300,000	300,000	3,000,000
9	Pondera County Oil & Gas Well Plug & Abandon	100,000	100,000	3,100,000
10	Custer County CD Yellowstone River Resource Conservation Project	299,965	299,965	3,399,965
11	Sheridan County Conservation District Yellowstone River Resource Conservation Project	50,000	50,000	3,449,965
12	Teton County 2005 Plugging & Abandonment Aid to Small Independent Oil Operators	300,000	150,000	3,599,965
13	MT Department of Environmental Quality Zortman Mine - Completion of Reclamation Alternative Z6	300,000	300,000	3,899,965
14	Butte-Silver Bow Local Government Excelsior Reclamation	129,800	129,800	4,029,765
15	Powell County Wetland Reclamation and Redevelopment	212,950	240,850	4,270,615
16	MT Department of Environmental Quality MTS Tire Recyclers Cleanup	300,000	300,000	4,570,615
18	Montana Department of Environmental Quality Former Harlem Equity Co-op Bulk Plant	285,572	285,572	4,856,187
	Total	<u>\$4,378,287</u>	<u>\$4,856,187</u>	

FUNDING

Funding for the RDGP is established in 90-2-1104, MCA, with the creation of the reclamation and development grant state special revenue account. Deposits to this account are made from four revenue sources, including:

- Interest income of the resource indemnity trust fund under the provisions of 15-38-202, MCA (\$1.5 million each fiscal year for the purpose of making grants, plus 35% of the interest income remaining after all other statutory allocations)
- Resource indemnity and ground water assessment tax under provisions of 15-38-106, MCA (50% of the remaining proceeds, after appropriations for CIRCLA debt service, and \$366,000 to the groundwater assessment account, for the purpose of making grants)
- Metal mines license tax proceeds as provided in 15-37-117 (1)(d), MCA (7% of total collections each year for the purpose of making grants)
- Oil and gas production tax as provided in 15-36-331, MCA (2.95% of oil and natural gas production taxes remaining after the distributions pursuant to subsections (2) and (3))

LONG-RANGE PLANNING

During the special session of August 2002, the legislature reduced many of the revenue flows into the RDGP account in FY 2003, some of which were carried through FY 2005. The reductions temporarily lowered the amount of money available for grants.

Appropriations from the account are authorized in 90-2-1104, MCA and state that appropriations may be made for grants and administrative expenses, including salaries and expenses for personnel, equipment, office space, and other expenses necessarily incurred in the administration of the grants program. Expenses may be funded before projects. The State Library Operation is funded with an additional appropriation of RIT interest that is deposited in the reclamation and development state special revenue account. Total administrative costs appropriated from the account are \$2.5 million. The 2005 Legislature appropriated \$4.9 million for grants in the 2005 biennium. The estimated fund balance for June 30, 2007 is \$118,064.

RECLAMATION AND DEVELOPMENT GRANT PROGRAM

Figure 18
Reclamation and Development State Special Revenue Account (02458)
Fund Balance Projection - 2007 Biennium

Estimated Beginning Fund Balance-(7/1/2005)	\$1,847,688
Revenue Projections¹	
Resource Indemnity Trust Interest	3,000,000
Resource Indemnity Trust Interest - Additional	1,206,800
Resource Indemnity and Ground Water Assessment Tax	630,000
Metal Mines Tax	1,311,000
Oil and Gas Production Tax	4,147,376
2007 Biennium Revenues	10,295,176
2007 Biennium Funds Available	\$12,142,864
Biennial Expenditures²	
Conservation and Resource Development Div. - DNRC	(2,276,433)
DNRC Centralized Services	(12,000)
Water Resources Division - DNRC	(254,832)
Central Management - DEQ	(88,378)
Enforcement - DEQ	(9,648)
Permitting and Compliance - DEQ	(3,243,521)
State Library Operations - Library Commission (NRIS)	(782,872)
Transfer to Renewable Resource Grant and Loan Program	(400,000)
Transfer to ECA	(57,116)
Total Appropriated Expenditures	(7,124,800)
Balance Available for Grants	\$5,018,064
Grants Authorized in HB 7	4,900,000
June 30, 2007 Projected Ending Fund Balance:	<u>\$118,064</u>

¹HJR 2 recommendations
²HB 2 appropriations

Past legislatures have violated statute, 90-2-1104, MCA, by using funds in the reclamation and development grant account for purposes other than the administration of the grant program and grants. As knowledge of improper account use came to light in the Fifty-ninth Legislature, actions were taken to remedy the situation.

In years of funding shortages, the legislature began using the funds in the reclamation and development grant account for other purposes, and that practice has persisted. The original purpose of the account was to fund the costs of reclamation and development grant program. Examples of the misuse are apparent in Figure 18. The appropriation of dollars for DEQ-Central Management, Library Commission, State Library Operations, DEQ-Remediation, and others are not allowed under current permanent statute, which says:

- 3) Appropriations may be made from the reclamation and development grants account for the following purposes:
- a) grants for designated projects; and
 - b) administrative expenses, including salaries and expenses for personnel, equipment, office space, and other expenses necessarily incurred in the administration of the grants program. These expenses may be funded before funding of projects.

Two actions were taken to remedy the situation. First, for the 2007 biennium only, HB 7 included a change to 90-2-1104, MCA. The change will allow the account funds to be used for administrative costs of other resource programs. Second, because misuse of account funds occur in many of the RIT interest accounts, the legislature requested in HJ 36 that an interim committee conduct a study of the RIT accounts and make recommendations to the Sixtieth Legislature on ways to remedy the problems. For more information concerning this study refer to the Legislative Fiscal Report, section C.

EXECUTIVE BUDGET COMPARISON

The Fifty-ninth Legislature made two changes in HB 7 that increased the executive proposal. First, the legislature increased funding for the DNRC, St. Mary studies and design, project from the recommended \$300,000 funding level to \$900,000. Next, the legislature funded the Montana Department of Environmental Quality, former Harlem Equity co-op bulk plant, project at the requested level of \$285,572. These two actions increased the executive budget by approximately \$900,000.

Other Legislation

HJ 36

The Fifty-ninth Legislature passed HJ 36 requesting an interim study of the laws and funding related to the RIT. The 2005 Legislature found that there is no centralized legislative oversight of the RIT accounts, which results in the appropriation of often the same funds in as many as three subcommittees. Additionally, the legislature determined that the laws regarding the flow of funding from the trust, taxes, and assessments are confusing and conflicting.

The study will address issues raised by the legislature in the funding of the reclamation and development grant program, as well as other RIT funded programs. The study proposes to do the following:

- Propose revisions to laws related to the resource indemnity trust
- Include input from the director of the Office of Budget and Program Planning and the directors of state agencies that would be affected by changes to the resource indemnity trust
- Examine funding priorities
- Examine possible uses of funds related to the resource indemnity trust
- Present the findings or conclusions for review by the Legislative Finance Committee
- Report to the Sixtieth Legislature the final results of the study, including any findings, conclusions, comments, or recommendations

For more information on the funding issues of the reclamation and development grant account, refer to the LFD Issue above.

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. The trust receives 0.63 percent of 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 MAC and eight appointed by the Montana Historical Society (MHS), reviews each application. The committee prioritizes the requests and makes funding recommendations to the legislature as part of the executive budget. Grants require legislative approval according to Title 22, Chapter 2, part 3, MCA.

Figure 19 provides an historic perspective of the Cultural and Aesthetic Grant Program. Funding of the projects is from the C&A interest account and general fund, unless otherwise noted.

SUMMARY OF LEGISLATIVE ACTION

The legislature passed a one-time general fund transfer of \$3,412,500 to the Cultural Trust in HB 9 in the 2007 biennium. This action was taken to replace corpus taken from the purchase of Virginia and Nevada Cities. The legislature approved all but \$500,000 of the original corpus reduction of 1997. Because the trust was not fully reimbursed, interest earnings will not be sufficient to fund the grant program at pre-purchase levels. At the recommendation of the executive, the legislature approved a general fund transfer of \$100,275, appropriated in HB 2, to bolster the funds available for making grants. Because the entire amount of the 1997 corpus reduction was not returned to the trust in the 2007 biennium, continued support of some form will be necessary in future biennia.

As passed by the 2005 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 \$30,000 appropriation to the MHS for the care and conservation of Capitol Complex artwork in accordance with 5-11-115, MCA. The second priority is for 84 C&A grant awards totaling \$792,925. These awards are listed, in priority order, in Figure 22.

The legislature made one minor change in HB 9 that will effect the method previously used to reduce grants on a pro rata basis if actual funds are not sufficient to pay the total grant awards. The language change allows the department to proportionally reduce only those grants greater than \$4,500 when necessary. As a result, smaller grant recipients will not experience hardships resulting from lower than expected funding.

Figure 19
Cultural and Aesthetic Grant Program
Grant Awards by Biennium

Biennium	Funds Appropriated	General Fund Appropriated	Funds Expended	Number of Projects Funded
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	634,939	600,000	1,163,905	76
2003	705,425	532,575 ¹	1,176,602	74
2005	659,000	499,150	1,135,473 Est.	81
2007	1,201,295	100,275 ²	N/A	83

¹ \$198,575 of general fund support replaced with lodging facility tax in fiscal 2003.
² Appropriated in HB 2

Figure 20
Cultural and Aesthetic Grant Program
Grant Authorizations - 2007 Biennium

Grant No.	Organization Name	Grant Authorized	Cumulative Total	Grant No.	Organization Name	Grant Authorized	Cumulative Total
Special Project < \$4500				Operational Support			
1105	Miles City Speakers Bureau	\$4,500	\$4,500	1163	Montana Agricultural Center & Museum	17,000	370,895
1108	Preservation Cascade, Inc	3,000	7,500	1162	Missoula Children's Theatre, Inc.	30,000	400,895
1102	Council for the Arts, Lincoln	2,500	10,000	1149	Carbon County Historical Society	15,500	416,395
1107	Montana Storytelling Roundup	4,500	14,500	1183	Writer's Voice (Billings YMCA)	17,600	433,995
1101	Butte Citizens for Pres & Revitalization	4,500	19,000	1155	Great Falls Symphony Assoc	14,100	448,095
1109	Signatures from Big Sky	4,500	23,500	1142	Art Mobile of Montana	10,600	458,695
1103	Fort Wm H Harrison Museum Fdn	3,000	26,500	1159	Holter Museum of Art	21,200	479,895
1104	Metropolitan Opera National Council	1,000	27,500	1145	Billings Symphony Society	13,400	493,295
1106	Montana Mandolin Society	2,000	29,500	1140	Alberta Bair Theater	17,600	510,895
1110	Wibaux County Visioning Committee	3,550	33,050	1176	Schoolhouse History & Art Center	10,600	521,495
Special Project > \$4500				1181	Western Heritage Center	14,100	535,595
1126	Montana Committee for the Humanities	31,798	64,848	1143	Big Horn Arts and Crafts Assoc	10,600	546,195
1129	Montana Preservation Alliance	17,600	82,448	1182	Whitefish Theatre Company	10,600	556,795
1117	Emerson Cultural Center	10,600	93,048	1157	Helena Symphony Orchestra and Chorale	14,100	570,895
1133	Prairie County Museum/Montana Hist. Society	16,700	109,748	1141	Archie Bray Foundation	14,100	584,995
1123	Missoula Art Museum	14,100	123,848	1146	Butte Center for the Performing Arts	17,600	602,595
1132	Pondera Arts Council	13,400	137,248	1154	Grandstreet Theatre	10,600	613,195
1112	Bozeman Symphony Society	9,900	147,148	1173	Myrna Loy Center	14,100	627,295
1134	Rimrock Opera Company	7,100	154,248	1184	Yellowstone Art Museum	18,300	645,595
1124	Missoula Symphony Association	4,500	158,748	1171	Montana Repertory Theatre	10,600	656,195
1135	Southwest Montana Arts Council	6,300	165,048	1168	Montana Ballet Company	8,500	664,695
1127	Montana Historical Society	14,100	179,148	1158	Hockaday Museum of Art	8,500	673,195
1137	VIAs, Inc	12,000	191,148	1165	Montana Artists Refuge	4,500	677,695
1120	International Choral Festival	3,500	194,648	1172	Museum of the Rockies	7,100	684,795
1121	KUFM-TV, Montana PBS	10,600	205,248	1175	Rocky Mountain Ballet Theater	7,100	691,895
1138	World Museum of Mining	1,447	206,695	1180	VSA arts of Montana	7,100	698,995
1122	Mission Valley Friends of the Arts	4,000	210,695	1185	Young Audiences of Western MT	5,600	704,595
1111	Artisan Dance Theatre	14,100	224,795	1179	Vigilante Theatre Company	6,300	710,895
1136	St Vincent Health Care Foundation	4,500	229,295	1147	Butte Symphony Association	7,100	717,995
1125	Montana Alliance for Arts Ed	4,500	233,795	1160	Intermountain Opera	8,500	726,495
1128	Montana Museum of Art & Culture	3,500	237,295	1151	District 7 HRDC Growth Thru Art	10,600	737,095
1115	Children's Museum of Montana	6,200	243,495	1156	Hamilton Players, Inc	7,100	744,195
1114	Chantilly Players	5,600	249,095	1148	Carbon County Arts Guild & Depot	6,400	750,595
1130	Nat'l Museum of Forest Service History	2,500	251,595	1174	Northwest Montana Historical Society	4,500	755,095
1113	Browning Community Development Corp	9,000	260,595	1161	Miles City Preservation Comm	3,000	758,095
Operational Support				1178	Sunburst Community Foundation	5,300	763,395
1164	Montana Art Gallery Director's Assoc	14,100	274,695	1144	Billings Cultural Partners	2,000	765,395
1170	Montana Performing Arts Consortium	17,600	292,295	Capital Expenditure			
1167	Montana Assoc of Symphony Orchestras	6,300	298,595	1188	Liberty Village Arts Center & Gallery	12,300	777,695
1166	Montana Arts	10,600	309,195	1189	Meagher County Historical Association	4,500	782,195
1169	Montana Dance Arts Association	4,500	313,695	1190	St Labre Indian School & Museum	3,730	785,925
1177	Shakespeare in the Parks	17,600	331,295	1186	Friends of the Madison Valley Library	4,500	790,425
1150	Custer County Art Center	22,600	353,895	1187	Lewistown Art Center	2,500	792,925
Total						\$792,925	

EXECUTIVE BUDGET COMPARISON

The executive recommended funding 85 projects at a total cost of \$770,553, plus \$30,000 for Capitol Mural Restoration. Program administration costs of \$333,680 are appropriated in HB 2 to the Montana Arts Council. The legislature increased the funding level of 9 projects, added new funding for one project, and removed the funding of two projects, when compared to the executive recommendation. The two projects removed from the list had voluntarily requested removal of their grant request. In the event that C&A trust fund interest revenue falls short of the 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 projects with funding greater than \$4,500 will be made on a pro rata basis.”

FUNDING

Prior to the 1997 legislative session, the C&A Grant Program was funded entirely with interest earnings from the cultural trust fund. However, the 1997 Legislature appropriated \$3.9 million, approximately half of the trust corpus, to help fund the purchase of Virginia City and Nevada City properties.

To compensate for the lost interest earnings resulting from the reduced corpus, the 1997 Legislature allocated 0.87 percent of coal severance tax revenue to the C&A project account for the 1999 biennium only, an increase of 0.24 percent from the previous allocation of 0.63 percent. Beginning in FY 2000, 15-35-108, MCA, provides that 0.63 percent of coal severance tax income will again flow into the trust. The remaining 0.24 percent of coal severance taxes allocated to the C&A project account for the 1999 biennium, was previously part of the flow into the general fund. Beginning in FY 2000, this amount was once again statutorily allocated to the general fund. Since, the only funding for the C&A grants program provided for in statute is the interest income from the cultural trust.

In fiscal 2002, two actions were taken to increase revenues to the general fund. First, the C&A project grants were reduced by \$25,000. Next, the distribution from the coal severance tax was diverted out of the Cultural Trust and into the general fund. The elimination of the flow caused a reduction in interest available for fiscal 2003 by approximately \$6,000. Additionally, during the special session of August 2002, general fund support of \$198,575 in the fiscal 2003 was replaced with lodging facility use tax revenue. The aggregate effect of these actions was a shortfall in revenues to support the C&A grants.

Figure 21 shows the estimated funding for the Cultural & Aesthetic project account for the 2007 biennium. The beginning fund balance is estimated to be zero because revenues are projected to be less than total appropriations in the 2005 biennium. Interest income from the coal tax-funded Cultural Trust is projected to be \$1,053,404 for the 2007 biennium. In the 2007 biennium, interest earnings of the trust were again supplemented with a general fund one-time transfer of \$100,275. The initial recommendation included in the executive budget was a supplement of \$40,000, but was increased to \$100,275 when the legislature agreed to a reduction of the corpus reimbursement.

Projected expenditures are from HB 2, general appropriations act, and the C&A grants. As previously

Estimated Beginning Fund Balance-(7/1/2005)	\$0
Revenue Projections ¹	
2006 Investment Earnings	515,075
2007 Investment Earnings	538,329
General Fund Transfer ²	<u>100,275</u>
2007 Biennium Funds Available	1,153,679
Biennial Expenditures	
Administration and Folklife	(378,370)
Capitol Complex Works of Art	<u>(30,000)</u>
Total Appropriated Expenditures	<u>(408,370)</u>
Balance Available for Grants	745,309
Grants Authorized in HB 9	<u>(792,925)</u>
June 30, 2007 Projected Ending Fund Balance:	<u>(47,616)</u>

¹ Includes interest earned on the one-time general fund transfer of \$3,412,500
² Appropriated in HB 2 to augment administrative program costs

noted, the first priority in HB 9 is the \$30,000 appropriation to the MHS for the care and conservation of the Capitol Complex artwork. Figure 23 above also shows expenditures from the C&A project account of \$378,370 for Administration and Folklife. This appropriation is made to MAC in HB 2, and the amount is based on the estimated costs that Montana Arts Counsel incurs to administer the C&A Grant Program and the Montana Folklife Program.

Funding changes and pay plan increases in the final days of the 2005 legislative session resulted in a negative projected ending fund balance of \$47,616 for the cultural and aesthetic grant account. Consequently, grant awards greater than \$4,500 will experience pro-rata reductions unless interest rates are greater than projected in HJR 2.