

SENATE BILL NO. 367

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A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FUNDING AND AUTHORIZATION FOR CAPITAL AND
 INFRASTRUCTURE PROJECTS STATEWIDE; CREATING THE STATE TO COMMUNITY BOND ACCOUNT
 FOR GRANTS AND STATE AND LOCAL INFRASTRUCTURE ACCOUNTS; PROVIDING ADDITIONAL
 FUNDING FOR PROJECTS LISTED IN HOUSE BILLS 6, 7, AND 11; AUTHORIZING CAPITAL PROJECTS AND
 THE CONSTRUCTION OF THE STATE VETERANS' HOME IN SOUTHWESTERN MONTANA; AUTHORIZING
 THE DEPARTMENT OF COMMERCE TO PROVIDE GRANTS TO STATE AND LOCAL ENTITIES FOR
 PROJECTS AND IMPROVEMENTS; PRIORITIZING PROJECT GRANTS AND ESTABLISHING CONDITIONS
 FOR GRANTS; REQUIRING LOCAL GOVERNMENTS AND SCHOOL DISTRICTS TO PROVIDE MATCHING
 FUNDS FOR PROJECTS BASED ON A FORMULA; PROVIDING FOR OTHER MATTERS RELATING TO THE
 AUTHORIZATIONS; AUTHORIZING THE CREATION OF STATE DEBT THROUGH THE ISSUANCE OF
 GENERAL OBLIGATION BONDS; REDUCING BOND AUTHORIZATION BASED ON ACTUAL GENERAL FUND
 REVENUES; CREATING A GRANT APPLICATION FEE FOR SCHOOL DISTRICTS; AMENDING SECTION 5,
 CHAPTER 324, LAWS OF 2011; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. Section 1. Definitions. For the purposes of [sections 1 through 19], unless otherwise
 provided, the following definitions apply:

(1) "Authority only" means approval provided by the legislature to expend money that does not require
 an appropriation, including grants, donations, auxiliary funds, proprietary funds, and university funds.

(2) "Capital project" means improvements or the planning, capital construction, environmental cleanup,
 renovation, or major repair projects authorized in [sections 10 through 13].

(3) "CPA" means the capital projects account provided for in 17-5-803 and 17-5-804.

(4) "Infrastructure projects" means:

- 1 (a) drinking water systems;
- 2 (b) wastewater treatment;
- 3 (c) sanitary sewer or storm sewer systems;
- 4 (d) solid waste disposal and separation systems, including site acquisition, preparation, and monitoring;
- 5 (e) bridges;
- 6 (f) school districts' projects;
- 7 (g) irrigation systems; or
- 8 (h) conservation districts.

9 (5) "Local government" means an incorporated city or town, a county, a consolidated local government,
 10 a tribal government, a county or multicounty water, sewer, irrigation, solid waste, school, or conservation district,
 11 or an authority as defined in 75-6-304.

12
 13 **NEW SECTION. Section 2. Local infrastructure accounts -- use.** (1) There is a state to community
 14 bond account in the state special revenue fund to provide grant funding to local governments for local
 15 infrastructure projects. The department of commerce shall administer the account.

16 (2) There is a state and local infrastructure account in the state special revenue fund to provide grants
 17 as authorized in House Bills 6 and 7. The department of natural resources and conservation shall administer the
 18 account.

19 (3) There is a state and local infrastructure account in the state special revenue fund to provide grants
 20 as authorized in House Bill 11 and in [section 16]. The department of commerce shall administer the account.

21
 22 **NEW SECTION. Section 3. Authorization for local infrastructure project grants -- matching funds**
 23 **requirement.** (1) The department of commerce is authorized to make up to \$5 million in grants to local
 24 governments for infrastructure projects. A project that is listed in House Bills 6, 7, or 11 or in [section 16] is not
 25 eligible for a grant under this section. The grants authorized in this section are subject to the conditions set forth
 26 in [section 6].

27 (2) A local government shall provide one-to-one matching funds up to the first \$750,000 of grant funding
 28 sought. For a grant request exceeding \$750,000, the relative participation ratio for the local government as
 29 calculated pursuant to [section 5] is applied to the amount of the grant exceeding \$750,000.

30 (3) Funding for projects may be provided only as long as there are sufficient funds available from the

1 amount that was deposited or transferred into the state to community bond account for grants established in
2 [section 2(1)]. Funding for these projects must be made available in the order that the grant recipients satisfy the
3 conditions described in [section 6(1)].

4 (4) If a grant recipient does not complete all of the conditions described in [section 6(1)] by September
5 30, 2018, any obligation to the grant recipient is extinguished.

6 (5) For a local government that is not a county, the county in which the local government is located must
7 also contribute its match rate as determined in [section 5].

8 (6) Each quarter, the department of commerce shall submit a written report to the legislative finance
9 committee identifying grant recipients and amounts disbursed under this section. The report must be provided
10 in an electronic format.

11
12 **NEW SECTION. Section 4. Eligibility -- submission deadline -- priority -- rulemaking authority.**

13 (1) A local government may apply to the department of commerce for local infrastructure grants under [section
14 3].

15 (2) All local governments shall submit grant requests and materials to the department by July 1, 2017,
16 in order to be eligible for funding under [section 3].

17 (3) For projects having equal ranking, the department shall give higher consideration to projects that
18 present a higher percentage of matching funds.

19
20 **NEW SECTION. Section 5. Formula for tribal or local government match rate based on relative**

21 **participation ratio.** (1) The match rate for a tribal or local government is calculated based on its relative
22 participation ratio.

23 (2) (a) The relative participation ratio for a county is equal to the county's income to mill ratio divided by
24 the median income to mill ratio of all counties in Montana.

25 (b) The relative participation ratio for an incorporated city or town is equal to its income to mill ratio
26 divided by the median income to mill ratio of all incorporated cities and towns in Montana.

27 (c) The relative participation ratio for any other tribal or local government applicant is the same as for
28 the county in which it is located.

29 (3) For a tribal or local government with a relative participation ratio of 1.0 to 1.5, the match rate is 12.5%.
30 For a tribal or local government with a relative participation ratio greater than 1.5, the match rate is 25%. For a

1 tribal or local government with a relative participation ratio of less than 1.0, there is no required match. For a tribal
2 or local government that is not a county, the county in which the tribal or local government is located shall also
3 contribute its match rate as determined above.

4

5 **NEW SECTION. Section 6. Conditions of grants.** (1) The disbursement of grant funds for the projects
6 chosen by the department of commerce pursuant to [section 3] is subject to completion of the following
7 conditions:

8 (a) The grant recipient shall document that other matching funds required for completion of the project
9 are firmly committed.

10 (b) The grant recipient must have a project management plan that is approved by the department.

11 (c) The grant recipient must be in compliance with the auditing and reporting requirements provided in
12 2-7-503 and have established a financial accounting system that the department can reasonably ensure conforms
13 to generally accepted accounting principles. Tribal governments shall comply with auditing and reporting
14 requirements provided for in office of management and budget circular A-133.

15 (d) The grant recipient shall execute a grant agreement with the department of commerce.

16 (e) When applicable, the grant recipient shall satisfactorily comply with any conditions described in the
17 application (project) summaries section of the treasure state endowment program or the quality schools program
18 2019 biennium reports to the 65th legislature.

19 (f) The grant recipient shall satisfy other specific requirements considered necessary by the department
20 of commerce to accomplish the purpose of the project as evidenced by the application to the department.

21 (2) With the exception of bridges, all projects must adhere to the design standards required by the
22 department of environmental quality. Recipients of grants under [section 3] that are not subject to the department
23 of environmental quality design standards shall adhere to generally accepted industry standards, such as
24 Recommended Standards for Wastewater Facilities or Recommended Standards for Water Works, published by
25 the Great Lakes-Upper Mississippi River board of state and provincial public health and environmental managers,
26 latest edition.

27 (3) When applicable, recipients of grants under [section 3] are subject to the requirements of the
28 department of commerce as described in the most recent edition of the Treasure State Endowment Program
29 Project Administration Manual adopted by the department by administrative rule.

30

1
2 **NEW SECTION. Section 12. Capital projects -- contingent funds.** (1) Except as provided in
3 subsection (2), if a capital project is financed in whole or in part with appropriations contingent on the receipt of
4 funding from another funding source, the department of administration may not let the project go to bid until the
5 agency receiving funding has submitted a financial plan for approval by the director of the department of
6 administration.

7 (2) A financial plan may not be approved by the director if:

8 (a) the level of funding provided under the financial plan deviates substantially from the funding level
9 provided in [section 10] for that project; or

10 (b) the scope of the project is substantially altered or revised from the preliminary plans presented for
11 that project in the 2019 biennium long-range building program and as presented to the 65th legislature.

12
13 **NEW SECTION. Section 13. Review by department of environmental quality.** The department of
14 environmental quality shall review capital projects authorized in [section 10] for potential inclusion in the state
15 building energy conservation program under Title 90, chapter 4, part 6. When a review shows that a capital
16 project will result in energy improvements, the project must be submitted to the energy conservation program for
17 funding consideration. Funding provided under the energy conservation program guidelines must be used to
18 offset or add to the authorized funding for the project, with the amount dependent on the annual utility savings
19 resulting from the facility improvement. Agencies must be notified of potential funding after the review.

20
21 **NEW SECTION. Section 14. Authorization of bonds -- reduction in bonding if revenues exceed**
22 **estimates -- conditions.** (1) The board of examiners is authorized to issue and sell general obligation bonds in
23 one or more series and from time to time for the purposes described in subsection (3) in addition to the amount
24 of general obligation bonds outstanding on January 1, 2017.

25 (2) The bonds under this section must be issued in accordance with the terms and in the manner
26 required by Title 17, chapter 5, part 8. The authority granted to the board of examiners by this section is in
27 addition to any other authorization to the board of examiners to issue and sell general obligation bonds.

28 (3) On [the effective date of this act], the board of examiners is authorized to issue and sell up to \$88.8
29 million in general obligation bonds and deposit the proceeds as follows:

30 (a) \$35.4 million of the proceeds from the bonds sold under this section must be deposited in the capital

1 projects account provided for in 17-5-803 and 17-5-804;

2 (b) \$5 million of the proceeds from the bonds sold under this section must be deposited in the state to
3 community bond account for grants provided for in [section 2(1)];

4 (c) \$9.6 million of the proceeds from the bonds sold under this section must be deposited in the state
5 and local infrastructure account provided for in [section 2(2)] and \$8.2 amount is authorized from the account,
6 for the biennium beginning July 1, 2017, to the department of natural resources and conservation for projects
7 listed in House Bill 6 and \$1.4 amount is authorized from the account, for the biennium beginning July 1, 2017,
8 to the department of natural resources and conservation for projects listed in House Bill 7; and

9 (d) \$38.8 million of the proceeds from the bonds sold under this section must be deposited in the state
10 and local infrastructure account provided for in [section 2(3)]. A total of \$8.8 million is authorized, for the biennium
11 beginning July 1, 2017, from the account to the department of commerce for projects listed in House Bill 11, and
12 \$30 million is authorized from the account, for the biennium beginning July 1, 2017, to the department of
13 commerce for projects listed in [section 16].

14 (4) If actual general fund revenues exceed the revenue estimate established pursuant to 5-5-227 for the
15 biennium beginning July 1, 2017, for every \$10 million in excess revenues over \$30 million, the amount of
16 bonding authorized in subsection (3) is reduced by \$5 million and the state treasurer shall transfer, by August 15
17 following the end of a fiscal year in the biennium where actual revenues exceed the revenue estimate by \$40
18 million or more, \$5 million from the general fund to the account listed in subsection (3) into which the bond
19 proceeds were to be deposited.

20 (5) Except for the authorization to bond the capital projects listed in subsection (3)(a), any outstanding
21 authorization to bond in subsection (3) expires June 30, 2020.

22

23 **NEW SECTION. Section 15. Authorization of bonds -- state veterans' home in southwestern**
24 **Montana.** (1) Upon passage and approval of [this act], in addition to the amount of general obligation bonds
25 outstanding on January 1, 2017, and authorized under [section 14(3)], the board of examiners is authorized to
26 issue and sell up to \$10 million in general obligation bonds in one or more series in accordance with Title 17,
27 chapter 5, part 8, for the purpose of funding the construction and associated costs of the state veterans' home
28 in southwestern Montana.

29 (2) The proceeds of the bonds authorized in subsection (1) must be deposited into the capital projects
30 account and authorized to the department of administration to be used for the construction of the state veterans'

1 home in southwestern Montana.

2 (3) If federal grant funds for the construction of the veterans' home are received prior to the bonds being
 3 issued, the authority to issue bonds as provided for in subsection (1) is extinguished in an amount equal to the
 4 federal grants received.

5 (4) If federal grant funds for the construction of the veterans' home are received after the bonds are
 6 issued, the federal grant funds must be deposited and applied to debt service obligations associated with the
 7 construction of the state veterans' home in southwestern Montana.

8
 9 **NEW SECTION. Section 16. Authorization for quality schools facility grant program.** (1) The
 10 department of commerce is authorized to make up to \$30 million in quality schools facility program grants from
 11 the state and local infrastructure account established in [section 2(2)] as authorized by this section.

12 (2) The funds in subsection (1) must be used by the department of commerce to make grants to the
 13 public school districts listed in subsection (3) for the described purposes and in amounts not to exceed the
 14 amounts set out in subsection (3). The authorization is subject to the conditions set forth in 90-6-812 and
 15 described in the quality schools facility grant program 2019 biennium report to the 65th legislature. The
 16 department shall commit funds to projects listed in subsection (3), up to the amounts authorized, based on the
 17 manner of disbursement set forth in subsections (4) and (5), until the funds authorized to finance grants in
 18 subsection (1) are expended.

19 (3) The following applicants and projects are authorized for grants and are listed in the order of their
 20 priority:

21 Applicant/Project	Grant Amount
22 1. St. Ignatius K-12 (building repair)	\$680,511
23 2. Grass Range ELE (asbestos abatement)	\$55,631
24 3. Miles City ELE (fire system upgrades)	\$352,834
25 4. Libby K-12 (heating and ventilation repair)	\$1,075,000
26 5. Custer County HS (drainage and roof upgrades)	\$953,576
27 6. Grass Range HS (fire system upgrades)	\$77,183
28 7. Wolf Point HS (storm drain system upgrades)	\$918,600
29 8. Polson ELE (replace boiler and system)	\$1,224,679
30 9. Geraldine K-12 (replace unsafe seating)	\$75,000

1	10. Arlee ELE (replace boiler)	\$694,157
2	11. Livingston ELE (energy and infrastructure improvement)	\$665,000
3	12. Rosebud K-12 (water system improvements)	\$174,300
4	13. Park City ELE (replace roof)	\$562,396
5	14. Cascade ELE (heating system repairs)	\$421,120
6	15. Noxon ELE (heating and ventilation replacement and deferred maintenance)	\$490,011
7	16. Ashland ELE (replace roof)	\$1,013,000
8	17. Troy ELE (heating and ventilation upgrades)	\$395,000
9	18. Troy HS (heating and ventilation upgrades)	\$395,000
10	19. Lodge Grass HS (electrical system improvements)	\$459,000
11	20. Billings HS (heating, ventilation, and lighting repairs and replacement)	\$1,558,988
12	21. Trout Creek ELE (foundation and flooring repairs)	\$102,600
13	22. Superior K-12 (heating and ventilation upgrades)	\$526,851
14	23. Lockwood ELE (repair and replace roofing)	\$542,003
15	24. Centerville ELE (security upgrades)	\$770,603
16	25. Kalispell ELE (infrastructure and energy upgrades)	\$483,680
17	26. Shields Valley ELE (replace boiler)	\$458,311
18	27. Lavina K-12 (replace boiler)	\$365,126
19	28. Belt ELE (ventilation system upgrades)	\$531,550
20	29. St. Regis K-12 (safety and security improvements)	\$538,196
21	30. Stevensville ELE (replace boilers and system upgrades)	\$879,801
22	31. Havre HS (ventilation system upgrades)	\$525,000
23	32. Anaconda HS (replace boilers and system upgrades)	\$1,800,738
24	33. Forsyth HS (heating and ventilation upgrades)	\$263,073
25	34. Stevensville HS (replace boilers and system upgrades)	\$1,064,057
26	35. Sun River Valley (Simms HS) (addition and remodel)	\$898,262
27	36. Kalispell HS (infrastructure and energy upgrades)	\$1,574,235
28	37. Drummond HS (retaining wall improvements)	\$193,600
29	38. Rocky Boy HS (replace air handler)	\$763,620
30	39. Frenchtown K-12 (window replacement and improvements)	\$426,408

1	40. Laurel ELE (heating and ventilation upgrades)	\$632,000
2	41. Stanford K-12 (ventilation system upgrades)	\$413,040
3	42. Hamilton K-12 (building envelope improvements)	\$833,216
4	43. Hays Lodge Pole K-12 (life safety, health compliance, electrical, and mechanical improvements)	
5		\$4,025,500
6	44. Roundup HS (replace boiler)	\$503,500
7	45. Wibaux K-12 (demolish and construct new building)	\$3,729,823
8	46. Power HS (kitchen and cafeteria remodel)	\$600,650
9	47. Butte ELE (ventilation system upgrades)	\$374,751
10	48. Fort Benton HS (technology upgrades)	\$67,472
11	49. Clinton ELE (energy conservation improvements)	\$313,784
12	50. Terry K-12 (deferred maintenance and improvements to schools)	\$120,000

13 (4) The maximum amount of a grant for a project under this section is \$1.25 million.

14 (5) In order to receive a grant for a project, a school must provide matching funds for the project. The
 15 amount of matching funds required is based on the number of points awarded by the department of commerce
 16 to the project application in the quality schools facility grant program 2019 biennium report to the 65th legislature
 17 as follows:

18 (a) for an application awarded 350 points or more, the match rate is 10%;

19 (b) for an application awarded 300 points but no more than 350 points, the match rate is 15%; and

20 (c) for an application awarded less than 300 points the match rate is 20%.

21 (6) A grant recipient's entitlement to receive funds is dependent on the grant recipient's compliance with
 22 the conditions set forth in 90-6-812, on the provision of matching funds pursuant to subsection (5), and on the
 23 availability of funds.

24 ~~(7) If a grant recipient listed in subsection (3) has not completed all of the conditions described in~~
 25 ~~subsection (6) by September 30, 2018, the grant must be reviewed by the legislature to determine if the~~
 26 ~~authorized grant should be withdrawn.~~

27 (7) IF A GRANT RECIPIENT HAS NOT COMPLETED THE CONDITIONS DESCRIBED IN SUBSECTION (6) BY SEPTEMBER
 28 30, 2017, OR HAS NOTIFIED THE DEPARTMENT OF COMMERCE IN WRITING THAT IT WILL NOT BE ABLE TO COMPLETE THE
 29 CONDITIONS BY THAT DATE, THE DEPARTMENT SHALL WITHDRAW THE GRANT FROM THAT RECIPIENT AND USE THOSE
 30 FUNDS TO AWARD GRANTS AS PROVIDED IN SUBSECTION (8).

1 (8) (A) A SCHOOL DISTRICT THAT HAS NOT RECEIVED FUNDING UNDER SUBSECTION (3) MAY APPLY TO THE
 2 DEPARTMENT FOR A QUALITY SCHOOLS FACILITY GRANT.

3 (B) IN ORDER TO BE ELIGIBLE FOR FUNDING UNDER THIS SUBSECTION, THE APPLICANT MUST:

4 (I) SUBMIT AN APPLICATION TO THE DEPARTMENT NO LATER THAN JULY 1, 2017;

5 (II) PROVIDE 20% IN MATCHING FUNDS; AND

6 (III) CONFIRM THAT IT WILL BE ABLE TO COMPLETE THE CONDITIONS DESCRIBED IN SUBSECTION (6) BY SEPTEMBER
 7 30, 2018.

8
 9 NEW SECTION. Section 17. Approval of grants. The legislature, pursuant to 90-6-809 and 90-6-810,
 10 approves the quality schools facility grants listed in [section 16].

11
 12 NEW SECTION. Section 18. Condition of grants -- disbursement of funds. The disbursement of
 13 grant funds for the projects specified in [section 16(3)] is subject to the conditions set forth in 90-6-812.

14
 15 NEW SECTION. Section 19. Grant application fee. A school district who receives funding under
 16 [section 16] must pay to the department of commerce a \$5 administrative fee at the time it notifies the department
 17 that it has complied with the conditions set forth in 90-6-812.

18
 19 **Section 20.** Section 5, Chapter 324, Laws of 2011, is amended to read:

20 **"Section 5. Capital project appropriations.** (1) There is appropriated ~~\$4,812,500~~ up to \$5,293,750 from
 21 state special revenue account established in section 2, Chapter 461, Laws of 2009, to the department of
 22 administration for the southwestern Montana veterans' home project.

23 (2) There is appropriated ~~\$8,937,500~~ \$10,000,000 from the federal special revenue fund to the
 24 department of administration for the southwestern Montana veterans' home project.

25 (3) The department of administration is authorized to transfer the appropriations in subsections (1) and
 26 (2) among the necessary fund types for this project."

27
 28 NEW SECTION. Section 21. Notification to tribal governments. The secretary of state shall send
 29 a copy of [this act] to each tribal government located on the seven Montana reservations and to the Little Shell
 30 Chippewa tribe.

1

2 COORDINATION SECTION. Section 22. Coordination instruction. (1) If [this act] is passed and
3 approved and Senate Bill 261 is not passed and approved, then [section 14(4) of this act] must be replaced with
4 the following language:

5 "(4) If actual general fund revenues exceed the revenue estimate established pursuant to 5-5-227 for
6 the biennium beginning July 1, 2017, all excess revenues over the revenue estimate are transferred, by August
7 15 following the end of a fiscal year in the biennium where actual revenues exceed the revenue estimate, from
8 the general fund to the account listed in subsection (3) into which the bond proceeds were to be deposited and
9 the amount of bonding authorized in subsection (3) is reduced by the amount of the transfer effective on the date
10 of the transfer."

11 (2) If House Bill 6 is not passed and approved, then the total amount of bonding authorized in [section
12 14(3) of this act] is reduced by \$8.2 million and [section 14(3)(b) of this act] must be replaced with the following
13 language:

14 "(b) \$1.4 million of the proceeds from the bonds sold under this section must be deposited in the state
15 and local infrastructure account provided for in [section 2(2)] and this amount is authorized from the account, for
16 the biennium beginning July 1, 2017, to the department of natural resources and conservation for projects listed
17 in House Bill 7."

18 (3) If House Bill 7 is not passed and approved, then the total amount of bonding authorized in [section
19 14(3) of this act] is reduced by \$1.4 million and [section 14(3)(b) of this act] must be replaced with the following
20 language:

21 "(b) \$8.2 million of the proceeds from the bonds sold under this section must be deposited in the state
22 and local infrastructure account provided for in [section 2(2)] and this amount is authorized from the account, for
23 the biennium beginning July 1, 2017, to the department of natural resources and conservation for projects listed
24 in House Bill 6."

25 (4) If neither House Bill 6 nor House Bill 7 is passed and approved, then the total amount of bonding
26 authorized in [section 14(3) of this act] is reduced by \$9.6 million and [section 14(3)(b) of this act] must be
27 stricken.

28 (5) If House Bill 11 is not passed and approved, the total amount of bonding authorized in [section 14(3)
29 of this act] is reduced by \$8.8 million and [section 14(3)(c) of this act] must be replaced with the following
30 language:

