

LONG-RANGE PLANNING OVERVIEW

Executive Summary

The executive proposal for Long-Range Planning (LRP) programs would provide a mix of cash and bond funding. Total LRP appropriations proposed by the executive are \$440.3 million, including \$44.7 million in capital project funds, \$72.2 million from state special revenue funds, \$48.0 million from federal special revenue funds, \$160.0 million from the proceeds of general obligation bonds, and bond proceeds from \$48.2 million of coal severance tax bond issues. Additionally, the executive proposal includes \$62.4 million of non-state dollars (authority/donations) and \$4.8 million of funding from state proprietary programs.

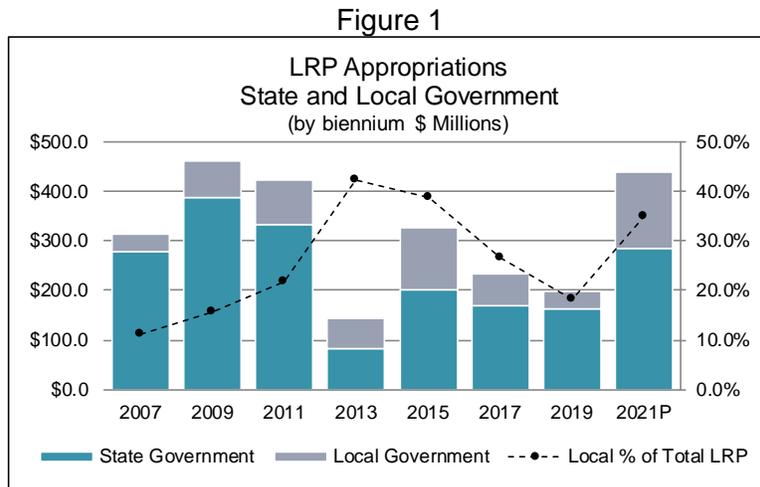
The executive proposes to transfer \$17.6 million from the general fund to two LRP programs and \$17.3 million from one LRP program to the general fund. Transfers to and from the general fund result in a net cost of \$281,366 to the general fund. The executive budget increases LRP budgets by \$160.0 million of general obligation (GO) bond proceeds. Overall, the executive proposal would be a total increase of \$241.3 million or a \$121.3% change from the appropriations of the 2019 biennium budgets.

The executive proposal includes several major changes from the 2019 biennium LRP budgets, which were exclusively funded with dedicated program revenues. Significant changes include a \$48.2 million proposal of coal severance tax bonds (CST) in the Renewable Resource Loans Program and \$160.0 million in project funding from the proceeds of general obligation (GO) bonds. The bond proceeds are dedicated to four of the LRP programs and one new local government grant program.

State and Local Infrastructure Projects

Long-Range Planning (LRP) programs are devoted to the creation and upkeep of major infrastructure. That said, LRP programs do not include the state roads and highway construction and maintenance programs, which are appropriated in HB 2.

LRP budgets may be broadly classified as either state government or local government capital (infrastructure projects) programs. Figure 1 shows the level of biennial appropriations provided by category over time. Between the 2007 and the 2013 biennia, appropriations to the local government grants programs increased as a proportion of total LRP appropriations.



In the 2009, 2011, and 2015 biennia, the legislatures increased local government grant awards by increasing program funding through general fund transfers. Since that time, the proportion of local government project funding in LRP budgets has ticked down. In the 2021 biennium, the executive proposal would fund an expansion of existing local government grants programs and a new Delivering Local Assistance Grant Program (DLA) with the proceeds from bonds.

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Long-Range Planning Description

The LRP budget analysis typically focuses on eight programs, which include:

- Long-Range Building Program (LRBP) – acquisition, construction, and major maintenance of state owned lands and buildings, administered by Department of Administration
- State Building Energy Conservation Program (SBCEP) – energy efficiency improvements to state owned buildings, administered by Department of Environmental Quality
- Long-Range Information Technology Program (LRITP) – major information technology builds and upgrades, administered by Department of Administration
- Treasure State Endowment Program (TSEP) – water, wastewater, and bridge infrastructure grants to local governments, administered by the Department of Commerce
- Treasure State Endowment Regional Water Program (TSEPRW) – matching funds for major regional water projects, administered by the Department of Natural Resources and Conservation
- Renewable Resource Grant and Loan Program (RRGL) – water conservation grants and loans to local governments, administered by the Department of Natural Resources and Conservation
- Reclamation and Development Grant Program (RDGP) – grants for the reclamation of lands degraded by mineral exploration and mining activities, administered by the Department of Natural Resources and Conservation
- Cultural and Aesthetic Grant Program (C&A) – arts and cultural grants, administered by the Montana Arts Council

In the 2021 biennium, one new program is included in the LRP budget proposal, which is:

- Delivering Local Assistance Grant Program (DLA) – Grants for local and tribal governments that have been impacted by either the growth or decline of energy development and grants for broadband expansions to rural areas, with rural defined as areas with populations of less than 20,000. The program would be administered by the Department of Commerce.

Long-Range Planning Comparison

Figure 2 compares the proposed 2021 biennium executive budget to the levels of appropriation provided by the 2017 Legislature by program and source of funding. The executive proposes total LRP budgets of \$440.3 million. This is \$241.3 million more than the LRP budget appropriations in the 2019 biennium.

Significant aspects of this budget include:

- Increased loan funding in the Renewable Resource Grant and Loan Program (RRGL)
- Funding for a new Delivering Local Assistance Grant Program (DLA)
- Funding for construction of the Montana Heritage Center, the Romney Hall renovation, and additional funding for the Southwestern Veterans' Home (LRBP)
- Nine major information technology projects (LRITP)
- Increased grant funding in the TSEP, RRGL, and RDGP

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Figure 2

Long-Range Planning Budget Comparison (\$ millions)				
Budget Item / Funding Source	Appropriations FY 18-19	Proposed FY 20-21	Biennium Change	Biennium % Change
Long-Range Building Program (LRBP)	\$159.0	\$237.6	\$78.5	49.4%
State Building Energy Conservation Program (SBECP)	3.7	3.6	(0.1)	-2.7%
Long-Range Information Technology Program (LRITP)	0.0	46.4	46.4	-
Treasure State Endowment Program (TSEP)	20.7	35.9	15.2	73.8%
Delivering Local Assistance Grant Program (DLA)	0.0	44.2	44.2	-
Treasure State Regional Water Program (TSEPRW)	4.9	6.9	1.9	38.8%
Renewable Resource Grant and Loan Program (RRGL)	4.8	59.3	54.5	1139.1%
Reclamation and Development Grant Program (RDGP)	5.4	6.1	0.7	13.7%
Cultural and Aesthetic Grant Program (C&A)	0.5	0.4	(0.0)	-9.4%
Total Costs	\$199.0	\$440.3	\$241.3	121.3%
Capital Projects Fund (Capital)	\$27.6	\$44.7	\$17.1	61.9%
General Fund (GF)	\$0.0	0.0	0.0	-
State Special (SS)	71.8	72.2	0.4	0.5%
Federal Special (FS)	22.8	48.0	25.2	110.8%
Total Bonds (Bonds)	0.0	208.2	208.2	-
<i>General Obligation Bonds Subtotal</i>	<i>0.0</i>	<i>160.0</i>	<i>160.0</i>	<i>-</i>
<i>Coal Severance Tax Bonds Subtotal</i>	<i>0.0</i>	<i>48.2</i>	<i>48.2</i>	<i>-</i>
Proprietary Fund (Prop)	0.0	4.8	4.8	-
Subtotal State Funds	122.2	377.9	255.7	209.3%
Authorization (Author)	76.8	62.4	(14.4)	-18.7%
Total Funds	\$199.0	\$440.3	\$241.3	121.3%

LRP Description

LRP projects are administered by various state agencies, but the provision of services has historically been similar in each of the programs:

- Project requests are received by the program either from state agencies, local governments, or private entities
- Project requests are reviewed by the agency, board, or council and ranked, or prioritized, based on program specifications
- The Governor reviews the list of requests, determines the level of funding available for projects, and presents a list of funded project recommendations to the legislature in the form of separate funding bills
- If the legislature agrees to appropriate funds and authorize the various projects, money is distributed through the recipient to private contractors, generally through a competitive bid process

The legislature's work with the LRP budget differs in several ways from the work of other joint subcommittees, which include:

- 1) LRP programs do not have a "base" budget. In LRP budget negotiations, the legislature does not consider matters of fixed costs, FTE and pay plan issues, or changes from the base. LRP budgets are functionally viewed and appropriated as zero-based budgets.
- 2) LRP projects are primarily one-time-only appropriations, but the budget authority does not end in two-years, as is the case in HB 2 appropriations, but is continued until project completion either through statutory re-appropriation language or by the accounting accrual process.
- 3) LRP programs might be thought of as one-time-only appropriations. When funding is requested for any specific project, the capital funding needs do not continue once completed. For projects resulting in new construction or additions, there may be increased need for operations and maintenance dollars in the future, but the capital funding for the project itself is finished.
- 4) The LRP budget is presented to the subcommittee as a set of project recommendations. While the HB 2 budget subcommittees work with agency base budgets and decision packages (DP's)

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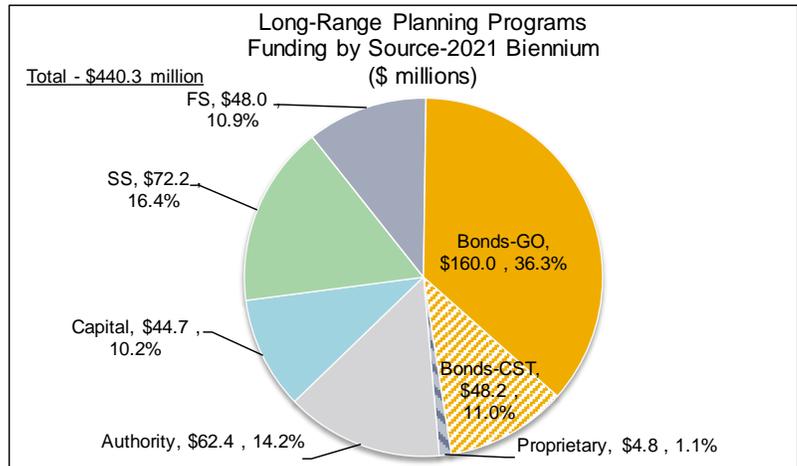
for legislative consideration, the LRP budget does not have such DP's. In fact, the entire budget is essentially a set of DP's for one-time-only project spending as provided in individual bills.

Funding

Historically, LRP programs are fully financed with statutorily dedicated allocations of funds. Generally, the program/project budget is strictly based on the amount of revenue estimated to be available for the program. The revenues come from a variety of sources including various tax allocations and in several cases interest earnings from dedicated trusts.

Figure 3 shows the funding of the LRP budget for the 2021 biennium. Total biennial funding proposed for the LRP budgets is \$440.3 million. Normally, the LRP budgets are funded primarily from state special revenue funds. However, in the 2021 biennium \$208.2 million or 47.3% of total budget funding, is proposed from bond proceeds (GO and CST). Capital project fund proposals are \$44.7 million, state special revenue funds provide \$72.2 million, and federal special revenue funds provide \$48.0 million. Authorizations, consisting of \$62.4 million in university funds and \$4.8 million of funding from state proprietary programs, are not appropriations and exist in the LRPB because legislative approval is required to expend non-state resources (and other types of funds that do not require appropriation) on major building projects with costs more than \$150,000. More detail on the funding and appropriations of the LRP programs is found in the program sections of this report.

Figure 3



As mentioned above, most of the LRP programs are funded with dedicated revenues. In the 2019 biennium, \$199.0 million of appropriations were made from dedicated revenues, agency funds, and non-state authority. In the 2021 biennium executive proposal the amount of appropriations from all sources would be increased by \$241.4 million, or a change of 121.3%. In the 2021 LRP budget proposal, \$17.6 million will be transferred from the general fund to two LRP programs, \$2.5 million to the LRPB and \$15.1 million to the LRITP. The transfers from the general fund of \$17.6 million are offset by a transfer of \$17.3 million from the TSEP program to the general fund. Transfers to and from the general fund result in a net cost of \$231,366 to the general fund.

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Infrastructure in Montana Proposal

The executive has featured most of the LRP budgets in what is titled the "Infrastructure in Montana" proposal. The executive's proposal incorporates all the LRP programs except the C&A program and adds the new DLA program.

The executive's proposal is expected to be contained in the "normal LRP bills"; HB 5, HB 6, HB 7, HB 8, and HB 11; and the request for general obligation bonds will be in HB 14. The Infrastructure in Montana proposal totals \$434.8 million and makes up 98.8% of the total LRP program funding.

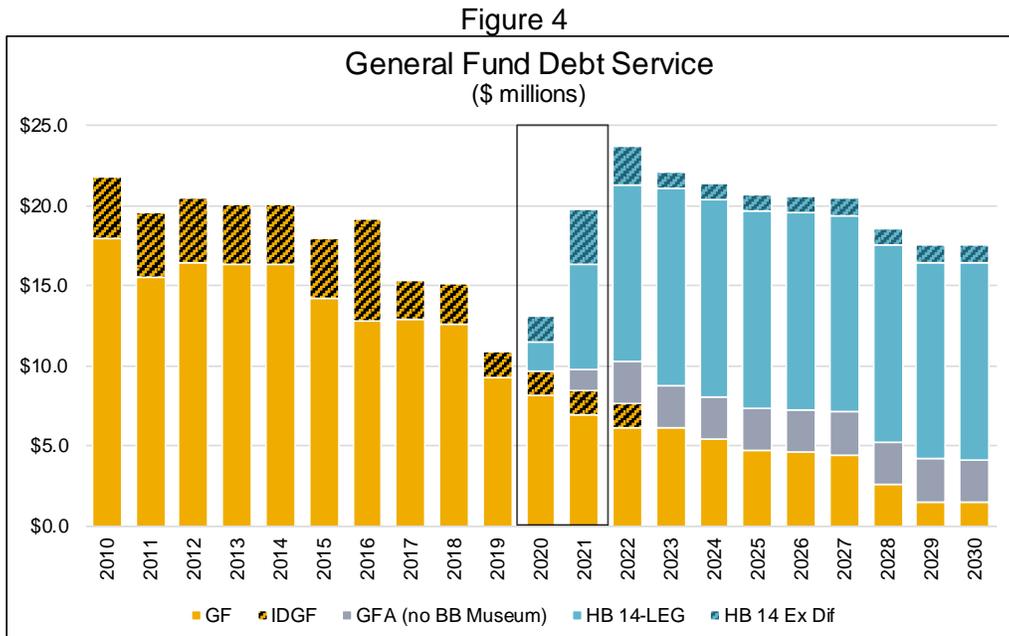
GO Bond Issue Debt Service

The Infrastructure in Montana Act, as proposed in HB 14, is funded with \$160.0 million of general obligation bond proceeds (36.3% of the total LRP funding proposed). The costs of the bonds would be incurred by the general fund, including issuance costs and debt service. There is limited certainty about

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when the bonds will be issued, since the types of projects and grants included in the legislation vary widely. Most of the projects are long-term endeavors that take years to complete, but some of the grants disperse funds more quickly.

Figure 4 provides a graphic overview of general fund debt service, including the debt service for the proposed HB 14 bonds under two sets of assumptions, one as used by the executive in the calculations for the executive balance sheet and one using LFD assumptions.



Included in Figure 5 are:

- Gold GF – General obligation (GO) bonds paid by the general fund. The bond issues related to this debt service primarily funded the construction of state government buildings (\$15.0 million in the 2021 biennium)
- Gold Hatched IDGF – This category includes GO bonds and special revenue bonds that are paid indirectly through the general fund. The related bond issues include state building energy conservation bonds and revenue bonds for one of the state’s hospitals. Debt service on these bonds is paid by funds that would otherwise flow into the general fund (\$3.1 million in the 2021 biennium)
- Grey GO/GFA – This category includes the projections for debt services costs on authorized but unissued bonds (\$42.2 million of authority). This category includes bonds authorized for the costs of two tribal compacts, and the St. Mary’s diversion structure repairs (\$1.3 million in the 2021 biennium). In this analysis, the remaining authority for the Montana Heritage Center (Betty Babcock Museum) is included in the debt service for HB 14, since it is assumed the authority would be issued along with the HB 14 bond authority
- Blue HB 14-LFD – This category illustrates the debt service costs of the Infrastructure in Montana executive proposal for the 2021 biennium (HB 14) using the assumptions of the LFD.¹ This estimate includes an assumption that the \$160.0 million of GO bonds and the previously authorized but unissued authority for the Betty Babcock Museum (\$6.7 million), which would be issued over three years with debt service costs beginning in the second-half of FY 2020 (\$8.4 million in the 2021 biennium)

¹ The LFD analysis includes a bond issuance schedule provided by the bond proceeds user agencies as provided to the executive’s office. Debt service is calculated by Piper Jaffray & Co., the state’s financial advisors.

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- Blue Hatched HB 14-Ex Dif – This category illustrates the debt service costs of the HB 14 as shown on the executive balance sheet. Like the LFD projections, the executive projection includes the authority recommended in the executive proposal along with the remaining authority for the Betty Babcock Museum. The blue hatched line demonstrates the difference between the LFD and executive (Ex) assumptions. The executive projection includes bond issuance over the same three-year period, however the executive projection uses higher interest rates and the associated greater debt service payment schedule for the bonds (total \$13.4 million in the 2021 biennium)

In the 2021 biennium, the debt service paid directly and indirectly through the general fund for existing bond issues is expected to average \$9.1 million per year. The debt service for executive proposal for HB 14 as calculated by the LFD is projected to have a general fund debt service cost of \$1.8 million in FY 2020 and \$6.6 million in FY 2021. The executive calculation provides a more aggressive bond issuance schedule, leading to a cost estimate that is \$5.0 million higher than LFD estimates in the 2021 biennium. Once all bonds are issued, the projected annual cost HB 14 debt service as calculated by the LFD would be \$12.3 million per year while the projected debt service as calculated by the executive would be \$13.4 million.

LFD COMMENT

The authority provided for the issuance of bonds continues until the bonds have been issued. For example, the authority shown in the grey bars in Figure 4 was approved in the 2005 Legislative Session (14 years ago). Over long periods of time, many of the conditions associated with projects funded with bond proceeds change; project costs increase, interest rates change, and the need for the project may change.

HB 14 includes a total of \$160.0 million of bond issue authority. From the total authority, \$74.9 million or 46.8% would provide funding for state building projects. There is a high level of certainty that the bonds for the state building projects will be issued, especially since none of the projects would require the agencies to raise donations for the project.

However, for the \$85.1 million dedicated to local government grant funding there is uncertainty of exactly how much funding would be required for the projects or when the funding would be needed. For the grant projects included in HB 14, there are times when these local government projects do not move forward and withdraw their request for funding. In a typical program biennium, it is not unusual for the programs to revert unneeded authority. For projects funded with the proceeds of bond issues, there may be portions of the bond authority that would not be issued. However, the bond issue authority would remain on the books.

The Section F subcommittee might consider recommending an expiration date on the authority for the bond proceeds. The addition of an expiration or termination date on the bond authority would provide certainty that any unused authority would cease to exist.

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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, as established in Title 17, Chapter 7, part 2, MCA, was developed in order to present a single, comprehensive, and prioritized plan for allocating state resources for the purpose of capital construction and repair of state-owned facilities. The program is administered by the Architecture and Engineering Division (A&E) of the Department of Administration (DOA). 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 LRBP capital project funds.

LFD COMMENT

The LRBP appropriations are “continuing” and unspent funds do not revert at the end of the biennium as do appropriations for the operations of state agencies. As defined in 17-7-212, MCA: “The remaining balances on capital projects previously approved by the legislature are reappropriated for the purposes of the original appropriation until the projects are completed.”

This statute created the current process where the full cost of a project is appropriated in a single budget year, and assuming the project appropriation is sufficient to fund the entire project, there is no need to make subsequent appropriations in future years.

Program Budget Comparison

Figure 5 summarizes the proposed executive budget for the program by biennium, type of expenditure, and source of funding.

Figure 5

Program Comparison - Long-Range Building Program				
Budget Item	Budget 2019 Biennium	Budget 2021 Biennium	Biennium Change	Biennium % Change
	Appropriated / Authorized	Proposed		
LRBP Project Costs	\$159,035,350	\$237,557,373	\$78,522,023	49.37%
SBECP Project Costs	3,700,000	3,600,000	(100,000)	-2.70%
Total Costs	\$162,735,350	\$241,157,373	\$78,422,023	48.19%
Capital Projects	\$27,600,000	\$29,580,973	\$1,980,973	7.18%
State Special	35,541,650	34,393,400	(1,148,250)	-3.23%
Federal Special	22,772,450	35,114,000	12,341,550	54.20%
Proprietary ¹	0	4,750,000	4,750,000	-
Authorization ¹	76,821,250	62,449,000	(14,372,250)	-18.71%
Bond Issue/Loans	0	74,870,000	74,870,000	-
Total Funds	\$162,735,350	\$241,157,373	\$78,422,023	48.19%

¹ Does not require appropriation but requires approval of the legislature

Program Discussion

As seen in Figure 5, the executive proposes a total LRBP budget of \$241.2 million for the 2021 biennium. This is \$78.4 million or 48.2% greater than the LRBP budget in the 2019 biennium. Under the executive proposal, the LRBP projects would be appropriated in two bills, HB 5 and HB 14. The total appropriations of the LRBP include the cash program (HB 5), 166.3 million, and the bond program (HB 14), \$74.9 million. HB 5 also includes an appropriation of \$3.6 million for State Building Energy Conservation Program (SBECP), which is described beginning on page F-12.

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The HB 5 proposal includes \$37.7 million of appropriations directly to or for the benefit of Fish, Wildlife, and Parks (FWP), of which \$28.8 million of capital projects are appropriated directly to the agency. Funding in the FWP capital project program is used for improvements to parks and fishing access sites, land acquisition, and other FWP capital projects.

The LRBP also includes \$67.2 million of projects funded with non-state fund spending authority, \$4.8 million from state proprietary programs and \$62.4 million from university funds. The use of “authority” in the LRBP section is a reference to funds for major construction projects that do not require appropriation, but due to the sizable cost of the project and the potential of future costs to the state, must be authorized by the legislature. The request for university authorizations would be a \$14.4 million reduction when compared to the authorizations provided by the 2017 legislature.

The funding breakdown as seen in Figure 5 shows that a total of \$74.9 million of the project costs would be funded with the proceeds of bond issues included in HB 14. The HB 14 proposal would provide funding for the construction of one new building and two greenhouse labs, one building addition, one major building renovation, and one deferred maintenance project.

A full list of the projects contained in the executive LRBP proposal, including appropriations by fund type, is found in item A-1 of the Section F Appendix. Detailed project descriptions are provided in the Vol. 3 of the Governor’s Budget.

Project Highlights

Some LRBP project highlights and legislative considerations include:

- The Montana Heritage Center project is again included in the LRBP proposal, requesting \$32.1 million of state funds from the sale of GO bonds, augmenting previous appropriations and authorizations. The project, originally approved by the 2005 Legislature, included \$7.5 million of bond authority and the authorization to use up to \$30.0 million of donated funds to construct the building. The projected cost of the building has increased over time by \$11.3 million, or 30.1%, to a total cost estimate of \$48.8 million. Under the 2021 biennium proposal, \$10 million would be funded through donations and \$39.6 million from state funds (\$7.5 million from the 2005 session and \$32.1 million proposed for the 2021 biennium). Since the 2005 project approval, \$785,000 of the initial bond authority has been issued to fund the preliminary design work on the facility. In a related action, the 2009 Legislature approved an amendment to the original legislation that designated the building location to be at the corner of 6th Avenue and Roberts St. in Helena.
- An increase of \$5.0 million in funding from the LRBP capital projects fund is requested for the Southwest Montana Veterans’ Home in HB 5. The project was originally appropriated by the 2011 Legislature, and the federal government approved the project in the summer of 2018. Since the original appropriations were made, the project cost has increased from approximately \$13.8 million to \$18.8 million due to construction inflation, an increase of 36.2%. The proposal for the funding increase will provide sufficient funding to construct the full 60-bed facility.
- The Romney Hall renovation, located on the Montana State University campus in Bozeman, would be funded with \$32.0 million of state funds derived through GO bond proceeds. The project will be a comprehensive adaptive reuse and renovation of the building and upgrade all major building systems. Romney Hall renovation will provide 18 classrooms to the campus inventory of instructional space. Included in the proposal is the construction of new space for the relocation of current Romney Hall occupants.
- FWP long-range requests amount to \$37.7 million of HB 5 appropriations, funded with state and federal special revenues. The FWP capital budget includes \$7.0 million of facility construction and

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upgrades, including a new headquarters shop and meeting room in Glasgow and an area office in Lewistown. The budget also includes \$8.7 million in land acquisition appropriations.

- **NEW:** Lease Request – For the first time since the adoption of 2-17-101 (5), a law that requires that leases with more than a 20-year term or an occupancy of 40,000 square feet to be included in the LRBP and approved by the legislature, the executive is requesting approval of leased space. The space has been leased for 16 years and the lease would expire pending the approval of the 2019 Legislature. The space request is approximately 130,000 square feet and is occupied by the Departments of Commerce, Labor, Health & Human Services, DOA Banking Division, and the MT Supreme Court.

LFD COMMENT

Construction of new buildings included in the LRBP budget proposal will result in the addition of new square footage to the state's building inventory. New space is often accompanied by additional operational and maintenance costs in future years. Additionally, some of the projects may result in new program and staffing costs. With this in mind, the Section F subcommittee might consider requesting the subcommittees that work with agency budgets where future costs are projected to attend the project hearings so they might gain an awareness of the projects and the future agency costs.

Funding

Long-Range Building Program Capital Projects Fund

As shown in Figure 6, the LRBP fund will start the 2021 biennium with a fund balance of a negative \$4.1 million. Revenues deposited into the fund include a 2.6% distribution of cigarette tax revenue, a biennial \$3.0 million, and a 12.0% distribution of coal severance tax revenue, a biennial \$13.6 million. Other income includes interest earnings on LRBP fund balances and supervisory fees paid to the A&E Division. Additionally, the executive proposes a transfer of \$2.5 million from the general fund and an increase of \$1.8 million in cigarette tax revenues resulting from LC 1373. Total revenues, fees, tax increases, and transfers for the 2021 biennium are projected to be \$22.6 million.

Figure 6

Long-Range Building Program Fund (05007)					
Fund Balance Projection FY 2018-FY 2021					
	FY 2018 Actual	FY 2019 Projected ³	FY 2020 Projected	FY 2021 Projected	2021 Bien. Projected
Beginning Fund Balance	\$23,011,594	\$19,709,102	(\$4,057,932)	(\$10,062,536)	(\$4,057,932)
Revenues ¹					
Cigarette Tax	\$1,600,086	\$1,574,596	\$1,538,473	\$1,502,206	\$3,040,678
Coal Severance Tax	7,512,992	6,685,119	6,782,215	6,794,627	13,576,842
Cigarette Tax Increase: LC #1373	0	0	792,000	961,000	1,753,000
Interest Earnings	297,699	333,279	356,308	90,914	447,222
Supervisory Fees	624,797	381,899	465,973	465,973	931,946
Energy Savings Transfer	250,000	200,000	200,000	200,000	400,000
Department of Justice Transfer	6,630,000	0	0	0	0
General Fund Transfers	<u>(5,000,000)</u>	<u>0</u>	<u>2,500,000</u>	<u>0</u>	<u>2,500,000</u>
Total Revenues	\$11,915,574	\$9,174,893	\$12,634,968	\$10,014,720	\$22,649,688
Expenditures / Appropriations					
Operating Costs-A & E Division ²	1,930,524	\$2,240,000	\$2,258,599	\$2,255,334	\$4,513,933
Debt Service-2015A	1,095,269	657,086	0	0	0
Funding Switch	(665,000)	(657,086)	0	0	0
Prior Biennia Projects	10,530,810	14,100,528	0	0	0
2019 Biennium Projects	2,328,601	16,601,399	0	0	0
2021 Biennium Executive Proposal	<u>0</u>	<u>0</u>	<u>16,380,973</u>	<u>0</u>	<u>16,380,973</u>
Total Expenditures / Appropriations	\$15,220,203	\$32,941,927	\$18,639,572	\$2,255,334	\$20,894,906
Estimated Ending Fund Balance	\$19,706,965	(\$4,057,932)	(\$10,062,536)	(\$2,303,150)	(\$2,303,150)
¹ HJ2 Projections ² HB 2 ³ Assumes all appropriation authority is expended in FY 2019					

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The executive budget request includes administrative costs for the A&E Division of \$4.5 million in HB 2. The funding for the administrative costs is transferred from the LRBP fund to a state special revenue account. The LRBP capital projects fund has historically been responsible for the payment of debt service authorized initially in the mid and late 1990's, and that cost to the fund will end in FY 2019.

The total executive proposal for the LRBP capital projects fund is \$16.4 million in the 2021 biennium. The estimated ending fund balance for the LRBP fund is projected to be a negative \$2.3 million at the end of the 2021 biennium.

LFD COMMENT

During the November 2017 Special Session, the legislature approved a transfer of \$5.0 million from the LRBP capital project fund to the general fund. The legislature did not reduce a like amount of appropriation authority in the fund. As a result, the LRBP is projected to finish the 2019 biennium with a negative balance of \$4.1 million. The negative balance indicates that the current appropriations to the fund, which consists of unexpended authority provided over as much as a ten-year period, exceeds the projection of revenues to the fund. Improvements in actual revenues in FY 2018 and projections for FY 2019 have mitigated the full impact of the transfer of funds by approximately \$900,000.

The executive budget recommends a transfer of \$2.5 million from the general fund to the capital projects fund, which serves to reduce the impact of the Special Session transfer to the general fund, but does not fully address the shortfall. The LRBP capital projects fund is expected to finish the 2021 biennium with a negative balance of \$2.3 million. In the 2021 biennium budget there are several ways to address the shortfall, which include:

- Reduce LRBP appropriations by an amount of \$2.3 million
- Increase the transfer from the general fund to \$4.8 million
- Transfer \$2.3 million of available funds from other state special funds
- Fund additional LRBP capital project fund projects in HB 14, the bond bill

LFD COMMENT

Funding for the executive LRBP budget includes revenues from a proposal to increase the cigarette tax, amounting to \$1.8 million. The increase included in LC 1373 has not been passed and approved. The Section F subcommittee will need to watch the progression of the legislation and be prepared to make recommendations for project reductions or funding increases should the legislation fail to be passed.

LONG-RANGE BUILDING PROGRAM

Capitol Land Grant Capital Projects Fund

Capitol land grant (CLG) revenues, derived from trust lands designated in the Enabling Act for the state capitol complex, are again being used as source of LRBP funding for capital projects, following a hiatus of nearly ten years. When last used for capital projects, the fund provided for a portion of the costs of the Helena Data Center (appropriated in FY 2007). Note: Funding from this source must only be used for projects on the Montana Capitol Complex (interpreted in 2-17-811, MCA as a 10-mile radius from the Capital building).

Figure 7

Capitol Land Grant Fund (05008)					
Fund Balance Projection FY 2018-FY 2021					
	FY 2018 Actual	FY 2019 Projected ²	FY 2020 Projected	FY 2021 Projected	2021 Bien. Projected
Beginning Fund Balance	\$5,178,302	\$4,144,330	\$3,687,834	(\$4,034,200)	\$3,687,834
Revenues ¹					
Land Grant Interest & Earnings	2,496,466	1,914,077	1,877,966	1,908,842	3,786,808
Total Revenues	2,496,466	1,914,077	1,877,966	1,908,842	3,786,808
Expenditures / Appropriations					
Prior Biennia Projects	1,113,468	1,287,542	0	0	0
2019 Biennium Projects	2,416,970	1,083,030	0	0	0
2021 Biennium Projects	0	0	9,600,000	0	9,600,000
Total Expenditures / Appropriations	3,530,439	2,370,572	9,600,000	0	9,600,000
Estimated Ending Fund Balance	\$4,144,330	\$3,687,834	(\$4,034,200)	(\$2,125,358)	(\$2,125,358)

¹HJ 2
²Assumes all appropriation authority is expended in FY 2019

Figure 7 provides the fund balance projection for the CLG. The fund is estimated to begin the 2021 biennium with a balance of \$3.7 million. The fund is projected to receive \$3.8 million of revenues in the 2021 biennium. The executive proposal includes appropriations for four projects in the amount of \$9.6 million in HB 5. At the end of the 2021 biennium the CLG is projected to have a balance of negative \$2.1 million.

LFD
ISSUE

Appropriations Exceed Anticipated Revenues

The LRBP proposal includes four projects on the capitol complex that would be funded with CLG revenues. Projections for the fund indicate that the CLG would be over-appropriated by \$2.1 million. LRBP projects are funded from a variety of sources. As a result, there are several ways to address the shortfall, which include:

- Reduce CLG appropriations by an amount of \$2.1 million
- Transfer \$2.1 million of available funds from the general fund or other state special funds
- Fund additional CLG projects in HB 14, the bond bill

STATE-BUILDING ENERGY CONSERVATION PROGRAM

Program Description

The State Building Energy Conservation Program (SBECP), administered by the Department of Environmental Quality (DEQ), was established by the 1989 Legislature to reduce operating costs of state facilities by identifying and funding cost-effective energy efficiency improvement projects. Statutory authority is found in Title 90, Chapter 4, part 6, MCA. Energy efficiency improvements include projects such as:

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

SBECP projects are designed so that the estimated savings of energy costs are used to reimburse the project costs and finance operational costs. In the past projects were funded through a bonded program. Beginning in FY 2008, bond proceeds were no longer used to fund the program. The 2007 Legislature funded SBECP projects with an appropriation of general fund and the 2009 Legislature funded projects with appropriations of general fund and federal special funds (ARRA funds). With those funding changes, the program was modified into a revolving loan program. Project reimbursements, plus 3% interest on the outstanding loan balance of the project, are expected to support future projects and administrative costs. Program recommendations encourage conservation measures which have a service life of at least 15 years. However, energy savings are expected to continue throughout the life of the improvement.

Projects come to the SBECP either directly because of the energy saving benefits or in conjunction with projects planned under the Long-Range Building Program. DEQ offers state agencies assistance in evaluating energy use and identifying energy conservation projects. Program engineers evaluate all projects proposed for the LRBP to assess the energy savings potential on proposed remodeling and renovation projects. Projects with the potential for energy savings are funded through the SBECP and are often jointly funded with the LRBP deferred maintenance funds.

Program Budget Comparison

Figure 8 summarizes the proposed executive budget for the program by biennium, type of expenditure, and source of funding.

Figure 8

Program Comparison - State Building Energy Conservation Program				
Budget Item	Budget 2019 Biennium	Budget 2021 Biennium	Biennium Change	Biennium % Change
	<u>Appropriated</u>	<u>Proposed</u>		
Projects Costs	\$3,700,000	\$3,600,000	(\$100,000)	-2.70%
Total Costs	\$3,700,000	\$3,600,000	(\$100,000)	-2.70%
Capital Project Fund	3,700,000	3,600,000	(100,000)	-2.70%
Total Funds	\$3,700,000	\$3,600,000	(\$100,000)	-2.70%

Program Discussion

The executive proposal for the SBECP is \$3.6 million, \$0.1 million less than the appropriated in the 2019 biennium. The program appropriation is found in section 3 of HB 5. A list of SBECP projects, costs, anticipated energy savings and years of expected repayments is seen in Figure 9. Detailed project descriptions are provided in Vol. 3 of the Governor's Budget.

STATE-BUILDING ENERGY CONSERVATION PROGRAM

Figure 9

State Building Energy Conservation Program Executive Recommendation - 2021 Biennium				
Dept.	Project Title	Project Investment	Est. Annual Savings	Simple Payback/Yrs
<u>Fish, Wildlife, and Parks</u>				
	Region 5 Bluewater Hatchery Hydroelectric	\$250,000	\$20,943	15
	Giant Springs Hatchery Energy Upgrade	100,000	8,377	15
	Miles City Hatchery Energy Upgrade	100,000	8,377	15
	Makoshika State Park Lighting Upgrade	10,000	1,000	12
<u>Corrections</u>				
	Men's Prison Hot Water System Upgrade	95,000	7,958	15
<u>Public Health and Human Services</u>				
	Warm Springs Greenhouse Improvements	50,000	4,188	15
	Eastern Veteran's Home Lighting Upgrade	135,000	13,560	12
<u>Labor and Industry</u>				
	Glendive Job Service Lighting Upgrade	10,000	1,000	12
<u>Montana University System</u>				
	MSU Northern Brockman HVAC Upgrade	100,000	8,377	15
	MSU Northern Mackenzie Dorm Boiler Upgrade	100,000	8,377	15
	MSU Northern Irrigation Project	100,000	8,377	15
	MT Tech Steam Line Repair	100,000	8,377	15
	MT Tech S&E Building HVAC Upgrade	200,000	16,754	15
<u>State-wide Energy Improvements</u>				
	Energy Portions of A&E Projects	950,000	79,580	15
	Lighting Upgrade Projects in State Facilities	1,300,000	130,550	12
Total Funding / Savings		\$3,600,000	\$325,795	

Funding

The SBCEP is a revolving loan program. Agencies borrow from the program for the costs of the project, and then reimburse the program for those costs with the savings realized through the projects. In addition to the project costs, agencies also pay an interest rate equal to 3.0% on the unpaid balance of the loan, which funds the administrative costs of the program. In the HB 2 budgets, SBCEP loan repayments are scheduled to generate an average of \$2.3 million per year in the 2021 biennium.

Figure 10

2021 Biennium SBCEP Accounts Available Funding Projection					
Item	Total Funds				
	FY 2018 Actual	FY 2019 Projected ¹	FY 2020 Projected	FY 2021 Projected	2021 Bien.
Available Balances	\$8,021,680	\$8,071,899	\$5,608,524	\$4,268,014	\$5,608,524
Adjustment to Balance	0	77,911	0	0	0
Total Available Balance	8,021,680	8,149,809	5,608,524	4,268,014	5,608,524
Loan Repayment & Interest Revenue	2,503,053	1,899,389	2,259,491	2,331,540	4,591,030
Expenditures / Appropriations					
Administrative Costs - HB 2	438,553	521,157	544,592	543,487	1,088,079
SBCEP Prior Biennia	1,525,506	258,293			0
SBCEP 2019 Biennium HB 5	38,776	3,661,224			0
SBCEP 2021 Biennium HB 5	0	0	3,600,000		3,600,000
Transfer to General Fund	450,000	0	0	0	0
Total Expenditures / Appropriations	2,452,835	4,440,674	3,600,000	0	3,600,000
Ending Balance	\$8,071,899	\$5,608,524	\$4,268,014	\$6,599,554	\$6,599,554

¹Assumes all appropriation authority is expended in FY 2019

Figure 10 provides an available funds balance projection for the SBCEP. This analysis differs from many of the LRP funds analyses because DEQ manages the SBCEP out of four funds. The program uses two state special funds for the collection of revenues and the payment of administrative costs, appropriated

STATE-BUILDING ENERGY CONSERVATION PROGRAM

in HB 2. The program also has two capital project funds from which the HB 5 appropriations are funded. The reason for the unusual number of funds can be traced back to the federal provision of ARRA funds to the SBCEP. Under an agreement between DEQ and the federal government, the funding supplied by ARRA could be used in a revolving loan program if the projects funded with the original funds and any reimbursements of those funds met the federal conditions for state energy improvements. For this analysis and to provide an easier assessment for the legislature, the actions within all the funds are combined into one analysis.

The SBCEP is projected to begin the 2019 biennium with an available funds balance of \$5.6 million. Loan repayment revenue is expected to be \$4.6 million in the 2021 biennium. The executive requests a total of \$1.1 million for SBCEP administrative costs in the biennium. After the appropriation of \$3.6 million appropriated in HB 5, the program is projected to have a balance of \$6.6 million at the end of the 2021 biennium.

LFD COMMENT

The large balance apparent in the SBCEP available fund analysis is significantly (approximately 90%) held in the federal ARRA program funds. Consequently, the balance shown is not available for any other purpose except energy conservation projects in state government buildings. Use of these funds for other purposes would place DEQ in non-compliance with the agreement entered into by the agency and the federal government.

LONG-RANGE INFORMATION TECHNOLOGY PROGRAM

Program Description

The Long-Range Information Technology Program (LRITP) is a program developed to fund large information technology (IT) projects. The LRITP consolidates large IT investments in one appropriation bill and defines major IT enterprises as capital projects. All projects included in the LRITP bill are overseen by the state chief information officer (CIO) within the Department of Administration (DOA).

The consolidation of major IT projects is intended to achieve several goals. First, IT projects are complex and require significant and time intensive planning, design, and management efforts, and by designating the projects as “capital projects”, the appropriation continues until completion of the project, as statutorily authorized in 2-17-560, MCA. Second, centralized project oversight is intended to enhance project management and foster stronger partnerships between agencies and the state CIO. Finally, having all the major projects in one piece of legislation facilitates a broad vision of the state IT program and related investments.

LFD COMMENT

Like the capital projects in the LRBP, LRITP appropriations are “continuing” and unspent funds do not revert at the end of the biennium as do appropriations for the operations of state agencies. As defined in 2-17-560, MCA: “The remaining balances for long-range information technology capital projects previously approved by the legislature and identified as long-range information technology capital projects in an appropriation act are reappropriated for the purposes of the original appropriation until the projects are completed.”

LFD COMMENT

The LRITP legislation appropriates money for information technology capital projects. As defined in the bill: "Information technology capital project" means a group of interrelated information technology activities that are planned and executed in a structured sequence to create a unique product or service. Included in certain LRITP projects in the 2021 biennium HB 10 proposal are personal services appropriations. The legislature may consider having the agency explain in more detail the elements of projects that include personal services funding to understand whether such funds are OTO or ongoing, and to gain an understanding of the underlying reasons for appropriating those funds in HB 10 as opposed to including those personal services costs in HB 2.

Program Budget Comparison

Figure 11 summarizes the proposed executive budget for the program by biennium, type of expenditure, and source of funding.

Figure 11

Program Comparison - Long-Range Information Technology Program				
Budget Item	Budget 2019 Biennium	Budget 2021 Biennium	Biennium Change	Biennium % Change
	<u>Appropriated</u>	<u>Proposed</u>		
Projects Cost	\$0	\$46,395,285	\$46,395,285	-
Total Costs	\$0	\$46,395,285	\$46,395,285	-
Capital Project Fund ¹	0	15,113,366	15,113,366	-
State Special	0	18,392,531	18,392,531	-
Federal Special	0	12,889,388	12,889,388	-
Total Funds	\$0	\$46,395,285	\$46,395,285	-

¹The capital project fund consists of transfers from the general fund

LONG-RANGE INFORMATION TECHNOLOGY PROGRAM

Program Discussion

As seen in Figure 11, the executive proposes \$46.4 million in appropriations for the 2021 biennium in the LRITP. The proposal will be presented in HB 10 is a 100% increase from the 2019 biennium, given that there were no program appropriations during the 2017 Session. The proposal includes a transfer of \$15.1 million from the general fund to the LRITP fund to support major IT projects.

Figure 12

Long-Range Information Technology Program (LRITP) Executive Recommendation - 2021 Biennium				
Agency / Project	LRITP Capital			Total
	Projects Funds	State Special	Federal Special	
Administration / SITSD				
MT Cybersecurity Enhancement Project	\$7,800,000			\$7,800,000
Fish, Wildlife, and Parks				
Automated Licensing System Replacement		2,500,000	7,500,000	10,000,000
Department of Justice (DOJ)				
DOJ Mainframe Transition		4,034,822		4,034,822
Department of Livestock				
Livestock Interface Systems Upgrade		1,300,000		1,300,000
Department of Natural Resources and Conservation				
Water Rights Information System (WRIS)	2,395,197	1,000,000		3,395,197
Trust Lands Management System II (TLMSII)		2,000,000		2,000,000
Department of Public Health and Human Services				
Montana Family Safety Information System (MFSIS)	2,722,619		2,722,619	5,445,238
Mainframe Transition - CAPS and SEARCHES	2,195,550	557,709	2,666,769	5,420,028
Transportation				
Federal Billing System		7,000,000		7,000,000
Total Projects	\$15,113,366	\$18,392,531	\$12,889,388	\$46,395,285

Project Highlights

Some LRITP project highlights and legislative considerations include:

- Montana Cybersecurity Enhancement Project – This project consists of multiple initiatives to enhance the State’s cybersecurity posture through investments in the people, processes, and technology protecting the State’s information assets
- Automated Licensing System Replacement – This project would provide a complete replacement or reconstruction of the automated licensing system to meet core business functions
- DOJ Mainframe Transition – This project would allow DOJ to take over ownership of mainframe operations, enabling the MVD to retain driver licensing and driver history records
- Livestock Interface Systems Upgrade - This project would allow the department to replace a legacy Oracle database and the current Laboratory Information Management System
- Water Rights Information System (WRIS) – This project would replace the current legacy system for water rights information for the Montana Water Court
- Trust Lands Management System II (TLMS II) - This project would provide for the first of three phases of a rebuild of the Trust Lands Management System IT system
- Montana Family Safety Information System (MFSIS) - This project would replace the business functions of the CAPS mainframe child welfare management system (Phases 3 and 4)
- Mainframe Transition CAPS and SEARCHES – This project would transition DPHHS to the new mainframe

LONG-RANGE INFORMATION TECHNOLOGY PROGRAM

- Federal Billing System – This project would bring MDT into compliance with the FHWA federal statutes and regulations to ensure federal fund obligations and expenditures are adhered to throughout the duration of an obligation (project)

Legislative Audit Findings

LFD COMMENT

The Legislative Audit Division conducted a performance audit of the Department of Administration, State Information Technology Services Program in February 2018. The report titled, *Governance Practices for Information Technology Investments* included four recommendations that are related to the functions of the LRITP program.

The Legislative Auditor recommends the department:

1. Work with the Information Technology Board to:
 - A. Define and document the responsibilities of the Information Technology Board relating to overseeing the IT investment management process, and
 - B. Include responsibilities within the selection and reporting of IT investments in accordance with statute.
2.
 - A. Include all required IT investments and investment information within the Governor's Budget and requests for long-range funding,
 - B. Define the procedures, templates, and responsibilities for approving allocation of long-range funds to ensure the state CIO signs required documents, and
 - C. Coordinate with the Information Technology Board and Office of Budget and Program Planning to define and document criteria for a "major" project to be used throughout the IT investment life cycle.
3. Improve information technology investment selection and funding processes by:
 - A. Ensuring agency IT plans align with overall agency objectives,
 - B. Establishing a process that includes business benefits of and risks to an investment throughout the IT investment management process,
 - C. Establishing a comprehensive set of investment data to be used throughout all selection and funding processes, and
 - D. Establishing a scoring process for selecting high-priority investments.
4. Improve IT Investment reporting processes by:
 - A. Defining and documenting periodic reviews after investment approval,
 - B. Defining and documenting final evaluation based on characteristics that align with overall reporting framework,
 - C. Expanding periodic review of investments to more than development projects through implementation, and
 - D. Defining and documenting the criteria and corrective action process for underperforming investments.

Additional information on the audit can be found at: <https://leg.mt.gov/content/Publications/Audit/Report/17DP-02.pdf>

Funding

Unlike other Long-Range Planning programs, the LRITP does not have a dedicated source of funding for major IT projects. Instead, state agencies support their project costs through agency administered state and federal special revenue funds. For agencies primarily supported by general fund, transfers are made from the general fund to the LRITP capital projects fund in support of the agency requests. In the 2021 biennium, the executive proposes a transfer of \$15.1 million to the LRITP capital projects fund.

TREASURE STATE ENDOWMENT PROGRAM

Program Description

The Treasure State Endowment Program (TSEP), administered by the Department of Commerce (DOC), is a state infrastructure finance program approved by Montana voters with the passage of Legislative Referendum 110 in June 1992. Grant funding for the program is derived from the interest earnings of the Treasure State Endowment trust. 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 sewer systems, solid waste disposal and separation systems, and bridges. The maximum grant award is \$750,000. Bridge projects are limited in the program to awards of up to 20% of the interest earnings from the TSEP trust in 90-6-710, MCA. As a result, the TSEP projects will be provided in two sections, one for bridge projects and another for infrastructure projects.

Eligible applicants include cities, towns, counties, tribal governments, consolidated local governments, county or multi-county water, sewer or solid waste districts, and other authorities as defined in 75-6-304, MCA. TSEP applications are submitted to the DOC on a biennial basis where they are evaluated according to seven statutory priorities. 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 projects
- Incorporate appropriate, cost-effective technical design and 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

Program Budget Comparison

Figure 12 summarizes the proposed executive budget for the program by biennium, type of expenditure, and source of funding.

TREASURE STATE ENDOWMENT PROGRAM

Figure 12

Program Comparison - Treasure State Endowment Program				
Budget Item	Budget 2019 Biennium	Budget 2020 Biennium	Biennium Change	Biennium % Change
Trust Balance (End of Biennium)	268,044,102	268,044,102	\$0	0.0%
Trust Earnings*	18,890,773	19,456,505	565,732	3.0%
Budget Item	<u>Appropriated</u>	<u>Proposed¹</u>	<u>Change</u>	<u>% Change</u>
Number of Grants Funded (infrastructure) ¹	26	40	14	53.8%
Number of Grants Funded (bridge) ¹	9	11	2	22.2%
Infrastructure Grants Cost	\$15,925,000	\$22,285,929	\$6,360,929	39.9%
Bridge Grants Cost	3,747,151	4,962,316	1,215,165	32.4%
Other Grants Cost	1,000,000	8,471,390	7,471,390	747.1%
Total Costs	\$20,672,151	\$35,719,635	\$15,047,484	72.8%
State Special	20,672,151	1,000,000	(19,672,151)	-95.2%
Bond Proceeds	0	34,719,635	34,719,635	-
Total Funds	\$20,672,151	\$35,719,635	\$15,047,484	72.8%
*2017 Biennium Trust Earnings are actual FY 2016 earnings and projected FY 2017 earnings				
¹ Number of grants proposed in the 2019 biennium are as authorized in the 2017 session and in the 2021 biennium does not include grants proposed to be authorized again in the 2021 biennium				

Program Discussion

The executive proposal for TSEP would transfer \$17.3 million of TSEP funds to the general fund and replace and increase infrastructure and bridge grant funding with bond proceeds.

Figure 12 shows the executive proposal for appropriations of \$35.7 million for the 2021 biennium TSEP grants program. For the 2021 biennium, the TSEP program is requested in HB 14. The program funding is requested as follows:

- TSEP emergency grants appropriation of \$100,000 - TSEP funds
- TSEP project planning grants appropriation of \$900,000 - TSEP funds
- 2019 biennium TSEP grants-new approval and appropriation of \$7.4 million – bond proceeds
- TSEP infrastructure project grant appropriation of \$22.3 million – bond proceeds
- TSEP bridge grants appropriation of \$5.0 million – bond proceeds

A complete list of the requested TSEP bridge and infrastructure projects; including the total project cost, and the recommended grant amount may be seen in item A-2 in the Section F appendix. The details behind the grants requested for the 2021 biennium TSEP along with a status of grants awarded in the 2019 biennium are presented in Vol. 4 of the Governor’s Executive Budget.

Funding

The TSEP administrative costs and grant appropriations are funded with the interest earnings from a coal severance tax endowment trust. The TSEP trust is a “sub-trust” of the permanent coal severance tax trust. The corpus of the sub-trust has grown since its formation in 1992. The trust has accumulated 25% of the coal tax revenues since its inception; however beginning in FY 2017, the trust no longer receives new revenues and the trust balance is now capped. As of the end of FY 2018, the balance was \$268.0 million. The interest earned from the trust is transferred into the state special revenue fund authorized in 90-6-701, MCA.

TREASURE STATE ENDOWMENT PROGRAM

Figure 13

TSEP Fund Balance Analysis FY 2018-FY 2021 (09044 and 02270)					
	FY 2018 Actuals	FY 2019 Projected ³	FY 2020 Projected	FY 2021 Projected	2021 Bien.
Fund Balance	\$19,761,966	\$10,313,570	(\$6,892,097)	(\$8,896,994)	(\$6,892,097)
2019 Bien. Unfunded Grants Approp. Reversion	0	0	<u>7,471,390</u>	0	<u>7,471,390</u>
Available Fund Balance	\$19,761,966	\$10,313,570	\$579,293	(\$8,896,994)	\$579,293
Revenues - Interest and Earnings ¹	9,487,688	9,408,119	9,640,478	9,816,027	19,456,505
Expenditures / Appropriations					
HB 2 TSEP Administration ²	574,305	657,920	684,765	689,169	1,373,934
DLA Grants Admin.		0	100,000	100,000	200,000
Emergency Grants	0	100,000	100,000		100,000
Project Planning Grants		900,000	900,000		900,000
Prior Biennia Grants Accrued	9,363,443	6,783,274	0		0
2019 Bien. Grants	1,499,558	18,172,593	0		0
2021 Bien. Grants	0	0	0		0
Transfer to General Fund	<u>7,500,000</u>	<u>0</u>	<u>17,332,000</u>	<u>0</u>	<u>17,332,000</u>
Total Expenditures / Appropriations	18,937,306	26,613,786	19,116,765	789,169	19,905,934
Projected Ending Fund Balance	\$10,312,348	(\$6,892,097)	(\$8,896,994)	\$129,864	\$129,864
¹ HJ2 Projections					
² HB 2					
³ Assumes all appropriation authority is expended in FY 2019					

Figure 13 shows the projected ending fund balance of the treasure state endowment state special revenue account for the 2021 biennium. The TSEP account is projected to begin the 2021 biennium with a beginning fund balance of negative \$6.9 million. The negative balance results from a transfer of \$7.5 million from the TSEP fund to the general fund, occurring in the actions of the November 2017 Special Session. While the legislature approved a transfer of program funds, it did not reduce the level of appropriations for projects. The program had 15 infrastructure and bridge projects that were unfunded in the 2019 biennium, and would ultimately revert the associated amount of appropriation authority in the FY 2019 year-end closing actions under the provisions of the executive budget proposal.

TSEP interest and earnings are projected to be \$19.5 million in the 2021 biennium. The executive budget proposal recommends several appropriations from the TSEP state special fund. First, there is a recommendation for appropriations of \$1.4 million for the administrative costs of the program in HB 2. Appropriations from the TSEP fund that are requested in HB 14 include \$100,000 for the emergency grants program, \$900,000 for project planning grants, and \$200,000 for the Delivering Local Assistance (DLA) administrative costs. The fund is estimated to have a balance of \$129,864 at the end of the 2021 biennium.

In addition to the appropriations in HB 14, the executive proposes to transfer \$17.3 million of the TSEP interest earnings in the fund to the general fund. The transfer is a component of HB 14, the Infrastructure in Montana proposal.

DELIVERING LOCAL ASSISTANCE GRANT PROGRAM

Program Description

The executive budget includes a proposal that would provide funding for the new program, Delivering Local Assistance Grant Program (DLA). The program would be administered by the Department of Commerce (DOC). DLA would be available to two types of local governments: 1) the program would provide grants for community planning and water, wastewater, and public safety infrastructure projects for local governments impacted by the growth or decline of coal, oil, or gas development and 2) the program would provide grants for broadband installation infrastructure projects in rural local governments, defined as having a population of less than 20,000. The program is proposed in HB 14, Sections 3 - 8.

With the grant requirements provided in HB 14, the DLA program is intended to provide quickly implemented grant funding for local governments. The legislation provides that the local governments meet the same rules and conditions as those found in the TSEP Project Administration Manual, but those rules would be changed to apply to the ranking needed on a variety of project types.

Program Discussion

For the DLA program HB 14 makes the following appropriations:

- \$44.2 million for grants in the DLA program
- \$200,000 for administrative costs in the DLA from the TSEP fund

Additional provisions of DLA in HB 14 include:

- Local or tribal governments impacted by the growth or decline of coal, oil, or gas development may apply to DOC for community planning, infrastructure, or public safety grants and rural governments may apply for broadband infrastructure grants
- All grant applicants must submit grant requests and materials to DOC by September 30, 2019
- Project funding is provided as long there are sufficient funds and would be made in the order that grant recipients satisfy the start-up conditions
- The grant recipient must complete all the required project start-up conditions by September 30, 2020 or the grant will be terminated
- Projects submitted for approval to TSEP in the 2021 biennium may apply for grants not to exceed the funding recommendation of TSEP (note-all TSEP grants are funded in HB 14)
- Except for grant funding to TSEP projects, no funding match is required to receive a grant
- Maximum funding allowed per project is \$1.0 million
- Maximum grant funding allowed within the boundaries of any single county is \$2.0 million

LFD ISSUE

Coal, Oil, and Gas Impacted Local Governments

The executive proposal for DLA does not explain what is meant by a coal, oil, or gas impacted local government. To ensure that grant funding is provided as expected by the legislature, the Section F subcommittee may want to develop and recommend parameters for the determination of what constitutes "impacted".

LFD ISSUE

Delegation of Authority

The Legislature would be delegating authority to the DOC (or the executive) under the DLA provisions. Unlike TSEP, the Legislature would have no role in determining to whom the funds would be going. This program would allow the DOC to use its judgment in determining to whom grants would be provided with no legislative approval. With uncertainties about precisely how much of the \$44.2 million appropriation would be awarded, to whom the grants will be awarded, or for what purpose the grants would be awarded, the Section F Subcommittee may consider recommending language to HB 14 requiring that DOC provide reports to the Legislative Finance Interim Committee on the use of the \$44.2 million appropriation.

DELIVERING LOCAL ASSISTANCE GRANT PROGRAM

LFD COMMENT

HB 14 gives DOC rule making authority for the DLA program. In this case, the legislature would not have the opportunity to review the administrative rules prior to the kickoff of the program. The Section F subcommittee may wish to request that DOC provide the administrative rules that would be put in place for the new program during the DLA program hearings.

LFD ISSUE

Appropriation of Administrative Costs in a Capital Projects Bill

The executive proposal for the TSEP program includes using \$200,000 for the administrative costs of the new Delivering Local Assistance grant program. LRP bills are for the appropriation of specific capital projects. Making administrative appropriations in a LRP bill is not usual. The legislature has a vehicle for making administrative appropriations, HB 2.

The Section F subcommittee might consider correcting this issue by removing the administrative appropriation from HB 14 and requesting that it be placed in HB 2.

TREASURE STATE REGIONAL WATER PROGRAM

Program Description

The 1999 Legislature created the treasure state endowment regional water system fund as a new sub-trust within the coal tax permanent trust. The program is administered by the Department of Natural Resources and Conservation (DNRC). The Treasure State Endowment Program Regional Water System (TSEPRW), 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 stock water 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 stock water 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.”

Two projects that have received federal authorization and now qualify for federal funding are the Fort Peck Indian Reservation/Dry Prairie Regional Water System (Fort Peck/Dry Prairie) and the Rocky Boy’s Indian Reservation/North Central Montana Regional Water System (Rocky Boy’s/NC Montana). The state’s share of the financial obligation for these projects was met in full with the appropriations provided by the 2015 Legislature.

A third project, the Dry-Redwater Regional Water System, would bring water to portions of Garfield, McCone, Richland, Prairie, and Dawson counties. The Dry-Redwater Regional Water Authority was established in FY 2006, and a project feasibility study was completed in FY 2007. A fourth project, the Musselshell-Judith Regional Water System (Central Montana Regional Water Authority), has not yet qualified for federal funding. Both systems have received approval from the state. These systems are progressing through planning phases specified by the Department of Interior and are seeking federal authorization.

The Regional Water Authorities prioritize the construction projects. Each system prioritizes projects based on several criteria, but the top three are:

- Need (Is there a boil order in the town or an urgent need for the construction?)
- Feasibility (Can the project move forward this biennium given the Regional Water System infrastructure already in place?)
- Cost & Funding (Is the project affordable, dependent on federal and state funds, and is the community prepared to pay their share?)

Program Budget Comparison

Figure 14 summarizes the proposed executive budget for the program by biennium, type of expenditure, and source of funding.

Figure 14

Program Comparison - Treasure State Endowment Regional Water Program				
Budget Item	Budget 2019 Biennium	Budget 2021 Biennium	Biennium Change	Biennium % Change
Trust Balance (End of Biennium)	\$94,862,174	\$94,862,174	\$0	0.00%
Trust Earnings*	6,547,409	6,828,231	280,822	4.36%
	<u>Appropriated</u>	<u>Proposed</u>	<u>Change</u>	<u>% Change</u>
Projects Funding	\$4,943,389	\$6,863,000	\$1,919,611	38.83%
Total Costs	\$4,943,389	\$6,863,000	\$1,919,611	38.83%
State Special	4,943,389	6,863,000	\$1,919,611	38.83%
Total Funds	\$4,943,389	\$6,863,000	\$1,919,611	38.83%

TREASURE STATE REGIONAL WATER PROGRAM

Program Discussion

As seen in Figure 14, the executive requests \$6.9 million of appropriations for the TSEPRW program that will be included in HB 11. Unlike the other LRP local government grant program, the TSEPRW funding does is not provided for specific grant requests, but instead is made available for projects that will result in a single large project which will provide water to large rural areas. The conditions for the disbursement of funding are listed in HB 11 and include:

- The execution of an agreement with DNRC
- Having an approved project management plan
- Having an acceptable accounting system
- Having a detailed preliminary engineering report

Funding

The TSEPRW trust is a “sub-trust” of the permanent coal severance tax trust. The corpus of the sub-trust has grown since its formation in 1999 with distributions of 25% of the coal severance tax deposited into the coal tax trust (12.5% of the total coal severance tax). In FY 2017, the trust balance was capped, and the growth stopped. As of the end of FY 2018, the balance was \$94.9 million. The interest earned from the trust is transferred into the state special revenue fund authorized in Title 90, Section 6, part 7, MCA, to provide a match for the development of large “regional” water systems.

Figure 15

TSEPRW Fund Balance Analysis FY 2018-FY 2021 (09047 and 02015)					
	FY 2018 Actual	FY 2019 Projected ³	FY 2020 Projected	FY 2021 Projected	2021 Bien.
Estimated Beginning Fund Balance	\$2,438,187	\$3,717,993	\$235,643	(\$4,253,870)	\$235,643
Revenue Projections ¹					
Total Revenues	3,245,620	3,301,789	3,382,425	3,445,806	6,828,231
Expenditures					
Administration - DNRC ²	101,675	242,938	292,938	292,938	585,876
Regional Water Authority Admin. Grants ²	716,000	716,000	716,000	716,000	1,432,000
Prior Biennia Authority Accrued	1,148,139	881,812	0		0
2019 Bien. Funding	0	4,943,389	0		0
2021 Bien. Funding	0	0	<u>6,863,000</u>	0	<u>6,863,000</u>
Total Expenditures	1,965,814	6,784,139	7,871,938	1,008,938	8,880,876
Estimated Ending Fund Balance	\$3,717,993	\$235,643	(\$4,253,870)	(\$1,817,002)	(\$1,817,002)
¹ HJ2 Projections ² HB 2 ³ Assumes all appropriation authority is expended in FY 2019					

Figure 15 shows the projected fund balance of the TSEPRW fund for the 2021 biennium. The beginning fund balance is projected to be \$235,643 at the beginning of the 2021 biennium, assuming all appropriation authority is expended in FY 2019. The trust earnings are expected to be \$6.8 million in the biennium, as estimated in HJ 2. Statutorily, the interest earnings of the trust may be used to fund the administrative expenses for the program, and the executive proposes 2021 biennium appropriations of \$585,876 for DNRC administration and \$1.4 million for the administrative costs of the four regional water authorities, which would be appropriated in the general appropriation act, HB 2. The executive proposal for the TSEPRW appropriation is \$6.9 million and is projected to result in a fund balance of negative \$1.8 million at the end of the 2021 biennium.

TREASURE STATE REGIONAL WATER PROGRAM

LFD ISSUE

Appropriations Exceed Anticipated Revenue

While the TSEPRW fund will never go negative, Figure 15 demonstrates that the executive's plan for appropriations in the TSEPRW fund will exceed the expected interest earnings of the TSEPRW trust. The Section F subcommittee might consider recommending the following options:

- Reduce the administrative appropriations in HB 2
- Reduce the TSEPRW appropriation in HB 11
- Transfer \$2.0 million of available funds from the general fund or other state special funds

LFD COMMENT

The administrative costs of the TSEPRW and the TSEPRW appropriation in HB 11 appear to be more than needed when compared to the actual expenditures of FY 2018 shown in Figure 15. With the level of appropriation greater than the projected fund revenues, the Section F subcommittee might consider discussing the situation with DNRC and possibly request a reduction in the HB 2 administrative appropriations to a level that more closely resembles the actual expenditures of FY 2018.

RENEWABLE RESOURCE GRANT AND LOAN PROGRAM

Program Description

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 Department of Natural Resources and Conservation (DNRC) administers the RRGL program, 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
- Renewable resource benefit

The RRGL program consists of two individual programs, a grant program and a loan program, that will be detailed individually in this report.

Program Budget Comparison

Figure 16 summarizes the proposed executive budget for the program by biennium, type of expenditure, and source of funding.

Figure 16

Program Comparison - Renewable Resource Grant and Loan Program				
Budget Item	Budget 2019 Biennium	Budget 2021 Biennium	Biennium Change	Biennium % Change
Number of Grants Funded ¹	26	72	46	192.3%
	<u>Appropriated</u>	<u>Proposed</u>		
Grants Cost	\$3,231,640	\$8,940,000	5,708,360	176.6%
Other Grants	1,550,000	2,075,000	525,000	33.9%
Loan Program	0	48,235,000	48,235,000	-
Total Costs	\$4,781,640	\$59,250,000	\$54,468,360	1139.1%
State Special	4,781,640	6,040,000	1,258,360	26.3%
CST Bond Proceeds	0	48,235,000	48,235,000	-
GO Bond Proceeds	0	4,975,000	4,975,000	-
Total Funds	\$4,781,640	\$59,250,000	\$54,468,360	1139.1%

¹Number of grants in the 2019 biennium are as authorized in the 2017 session and in the 2021 biennium does not include the proposed to reauthorize prior biennia grants

Program Discussion

Figure 16 shows the executive proposal for appropriations of \$59.3 million for the RRGL programs in the 2021 biennium, as requested in HB 6, HB 8, and HB 14. Each of the bills contains a piece of the 2021 RRGL Program:

- HB 6 contains RRGL project planning grants, emergency grants, other types of natural resources grants, and \$3.9 million of RRGL project grant requests
- HB 14 contains \$5.0 million of RRGL project grant requests
- HB 8 contains \$48.2 million of RRGL project loan requests

More information on the loan program, HB 8 coal severance tax (CST) bonds, will follow the RRGL grant program report.

RENEWABLE RESOURCE GRANT AND LOAN PROGRAM

Grant Program Description

The RRGL grant program received 76 applications requesting project grants of \$9.4 million. Four of the projects were authorized in the 2017 Session, but were unfunded in the 2019 biennium due to a transfer of \$2.1 million of funds from the natural resource projects account to the general fund, as authorized in the actions of the November 2017 Special Session. The executive recommends funding all the individual project requests with a combination of \$4.5 million in cash and \$5.0 million in bond proceeds.

Appropriations in HB 6 include \$2.1 million of appropriations for other grants as shown in the figure below.

RRGL Other Grants Appropriations Requests	
New Approval for 2019 Biennium Grants	
Broadwater Conservation District	\$125,000
Big Springs Ditch Water Conservation, Phase 2	
Malta Irrigation District	125,000
Exeter Siphon Replacement	
Sidney Water Sewer Irrigation District	125,000
Main Canal Pipeline Conversion	
Buffalo Rapids Irrigation District 2	<u>125,000</u>
Shirley Main Canal Rehabilitation	
Total New Approval for 2019 Grants	\$500,000
Emergency Grants	100,000
Project Planning Grants	800,000
Irrigation Grants	300,000
Watershed Mgt. Grants	300,000
Private Grants	75,000
Total	\$2,075,000

Included in the 2021 version of HB 6 are four grants that were unfunded in the 2019 biennium following the transfer of \$2.1 million mentioned above. The level of appropriation was not changed as the funds were transferred. The funding authority for these grants would be reverted to the fund at the end of the FY 2019 and a new appropriation would be established in HB 6 under the provisions of the executive budget proposal.

A complete list of the requested RRGL projects and the recommended grant amounts, may be seen in A-2 in the Section F appendix. The details behind the grants requested for the 2021 biennium RRGL, along with a status of grants awarded in the 2019 biennium, are presented in Vol. 5 of the Governor's Executive Budget.

Loan Program Description

The second element of the RRGL program is the loan program. The loan program, proposed in HB 8, would authorize the issuance of coal severance tax bonds to finance RRGL project loans. Proceeds from the issuance of bonds are used to finance the loans and the repayment of the loans pay the associated debt service. Loans have differing interest rates based on the years of the loan and the state's bond rate. The interest payments on some of the bonds may be subsidized with earnings from the coal severance tax bond fund. Because money from the coal severance tax bond fund is pledged for debt service payments on the bonds, HB 8 requires a three-fourths vote of the members of each house, as directed by the Montana Constitution.

The loan projects included in the RRGL loan program are seen in Figure 17. Loans would include the reauthorization of three loans, two of which were authorized by previous legislatures. DNRC requests \$8.0 million of bond proceeds to refinance higher interest debt for water and sewer facilities and two loans would support irrigation projects. The total request for bond authority and appropriation is \$48.2 million, including \$4.4 million to establish a reserve for the bonds.

RENEWABLE RESOURCE GRANT AND LOAN PROGRAM

**LFD
COMMENT**

The term “reauthorized” as used in HB 8 refers to the authorization of the RRGL financial team, as opposed to the 2019 Legislature. The 2019 Legislature did not approve HB 8 and consequently did not authorize any loans that might be reauthorized.

Figure 17

Renewable Resource Loans Executive Proposal 2021 Biennium		
Loans-Sponsor/Project	Proposal	Cumulative Total
<u>Loans with interest rates of 3.0% or state bond rate, whichever is lower-20 years</u>		
DNRC-Conservation and Resource Development Division (CARDD) Refinance Existing Debt or Rehabilitation of Water and Sewer Facilities	\$8,000,000	\$8,000,000
Central Montana Regional Water System Local Share	3,000,000	11,000,000
Dry Red Regional Water System Local Share	3,000,000	14,000,000
<u>Loans with interest rates of 3.0% or state bond rate, whichever is lower-30 years</u>		
Canyon Creek Irrigation System Irrigation System Construction	250,000	14,250,000
<u>Loan Reauthorization with interest rates of 3.0% or state bond rate, whichever is lower-30 years</u>		
Dry Praire Regional Water System Local Share	6,000,000	20,250,000
North Central Regional Water System Local Share	10,000,000	30,250,000
Huntley Irrigation District Tunnel 2 and Canal System	13,600,000	43,850,000
Total Loan Authorizations:	\$43,850,000	
Loan Reserve:	<u>4,385,000</u>	
Total Bond Request	<u>\$48,235,000</u>	

NOTE: Projects are grouped by differences in loan circumstances and interest rates.

Funding

The funding for the RRGL grant program is provided through the “natural resource projects” state special revenue fund. To view the full natural resource projects fund balance analysis, see page F-30.

The RRGL loan program is financed with coal severance tax bond issues. The Board of Examiners will be authorized to issue coal severance tax bonds in the amount of \$48.2 million, which would be appropriated to the DNRC for financing the projects identified in the bill.

RECLAMATION AND DEVELOPMENT GRANTS PROGRAM

Program Description

The Reclamation and Development Grants 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 in 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 applications on a biennial basis. The program is required to prioritize \$800,000 of funding to any government entity for abandoned mine reclamation projects. RDGP grants are limited to \$500,000. Public entities 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

Program Budget Comparison

Figure 18 summarizes the proposed executive budget for the program by biennium, type of expenditure, and source of funding.

Figure 18

Program Comparison - Reclamation and Development Grants Program				
Budget Item	Budget 2019 Biennium	Budget 2021 Biennium	Biennium Change	Biennium % Change
Number of Grants	10	11	1	10.0%
	<u>Appropriated</u>	<u>Proposed</u>		
Grants Cost	\$4,079,129	\$3,969,000	(\$110,129)	-2.7%
Other Grants Cost	1,300,000	2,144,778	844,778	65.0%
Total Costs	\$5,379,129	\$6,113,778	\$734,649	13.7%
State Special	5,379,129	4,866,778	(512,351)	-9.5%
GO Bond Proceeds	0	1,247,000	\$1,247,000	-
Total Funds	\$5,379,129	\$6,113,778	\$734,649	13.7%

Program Discussion

Figure 18 shows the executive proposal for appropriations of \$6.1 million for the RDGP program in the 2021 biennium, as requested in HB 7 and HB 14. Each of those bills contains a piece of the 2021 RDGP program:

- HB 7 contains RDGP planning, AIS grants, 2019 biennium grant approval, and \$2.7 million of RDGP project grant requests
- HB 14 contains a RDGP project grant appropriation of \$1.2 million

The RDGP grant program received 13 applications requesting \$5.2 million in grants. Two of the projects were authorized in the 2017 Session, but were unfunded in the 2019 biennium due to a transfer of \$2.1 million of funds from the natural resource projects account to the general fund in the actions of the

RECLAMATION AND DEVELOPMENT GRANTS PROGRAM

November 2017 Special Session. The executive recommends funding all the individual projects with a combination of \$3.6 million in cash and \$1.2 million in bond proceeds.

Appropriations in HB 7 include \$2.1 million of appropriations for other grants as shown in the figure below.

RDGP Other Grants Appropriations Requests	
New Approval for 2019 Biennium Grants	
Lincoln Conservation District	\$451,193
Tobacco River Restoration Project	
Richland County Conservation District	493,585
Mitigating Impacts to the Fox Hill/Hell Creek Aquifer	
Total New Approval for 2019 Grants	\$944,778
Project Planning Grants	800,000
Aquatic Invasive Speicies Grants	400,000
Total Other Grant Appropriations	\$2,144,778

A complete listing of the RDGP grants may be seen in figure A-4 in the Section F appendix. The details behind the grants requested for the 2021 biennium RDGP, along with a status of grants awarded in the 2019 biennium, are presented in Vol. 6 of the Governor's Executive Budget.

LFD COMMENT

HB 6 and HB 7 have historically contained the full list of project grants. Traditionally, language in the bills allows DNRC to provide grants to lower ranked grants if the higher ranked grant receipts withdraw their grant requests. In the current version of the bills, only those grants that would be funded with natural resource projects funds are included in the bill. All lower ranked grants are included in HB 14 and are funded with bond proceeds.

The Section F subcommittee might consider placing the entire list of projects in HB 6 and HB 7. In doing so, the normal functioning of the program could be preserved while at the same time potentially reducing the amount of bond proceeds that would be needed.

Funding

The natural resource projects account funds appropriations for natural resource grants and projects authorized by the legislature. Primary programs funded through the account are the RRGL and the RDGP programs. The account receives the income from the following sources:

- Interest income of the resource indemnity trust (RIT) fund as provided in and subject to the conditions of 15-38-202, MCA (\$3.5 million, when interest earnings are sufficient, each fiscal year for the purpose of making grants)
- Resource indemnity and ground water assessment tax (RIGWA) 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)
- Oil and gas production tax as provided in 15-36-331, MCA (2.16% of oil and natural gas production taxes remaining after the distributions pursuant to subsections (2) and (3))
- Excess coal severance tax proceeds allocated by 85-1-603 (Bond Pool Transfer), 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)

Figure 19 provides the projected balance for the natural resource project fund. The fund is projected to have a beginning fund balance of negative \$210,001 in the 2021 biennium. The negative balance results from a transfer of \$2.1 million from the natural resource projects fund to the general fund, occurring in the actions of the November 2017 Special Session. While the legislature approved a transfer of program funds, it did not reduce the level of appropriations for projects. The program had six RRGL and RDGP projects that were unfunded in the 2019 biennium and reapplied for funding in the 2021 biennium. The programs plan to revert the associated appropriation authority of \$1.4 million in the FY 2019 year-end closing actions under the provisions of the executive budget proposal.

RECLAMATION AND DEVELOPMENT GRANTS PROGRAM

Figure 19

Natural Resource Project Account Fund Balance Analysis FY 2018-FY 2021 (02577)					
	FY 2018 Actuals	FY 2019 Projected ²	FY 2020 Projected	FY 2021 Projected	2021 Bien.
Available Balance	\$8,423,490	\$7,365,441	(\$210,001)	(\$4,738,978)	(\$210,001)
Grants Withdrawn or Under Budget			550,000		550,000
2019 Bien. Unfunded Grants Approp. Reversion	<u>0</u>	<u>0</u>	<u>1,444,778</u>	<u>0</u>	<u>1,444,778</u>
Available Fund Balance	8,423,490	7,365,441	1,784,777	(4,738,978)	1,784,777
Revenue Projections ¹					
RIT Interest Earnings	2,386,503	2,684,457	2,049,638	2,772,630	4,822,267
2.7 milli	935,756	952,566	941,904	1,037,993	1,979,896
Oil and Gas Tax	1,298,645	1,437,811	1,356,482	1,270,524	2,627,006
Bond Pool Transfer	64,393	10,000	10,000	0	10,000
Administrative Fees	<u>19,665</u>	<u>500</u>	<u>25,000</u>	<u>0</u>	<u>25,000</u>
Total Revenues	4,704,961	5,085,334	4,383,023	5,081,146	9,464,169
RRGL Expenditures / Appropriations - HB 6					
Emergency Grants	47,193	52,807	100,000		100,000
Project Planning Grants	312,601	487,399	800,000		800,000
Irrigation Development Grants	14,850	285,150	300,000		300,000
Watershed Grants	29,871	270,129	300,000		300,000
Private Grants	7,799	42,201	75,000		75,000
2019 Bien Reauthorized RRGL Grants	0	0	500,000		500,000
Prior Biennia	1,925,141	1,025,082	0		0
2019 Bien. RRGL Grants	193,671	3,037,969	0		0
2021 Bien. RRGL Grants	<u>0</u>	<u>0</u>	<u>3,965,000</u>	<u>0</u>	<u>3,965,000</u>
Total RRGL Expenditures	2,531,126	5,200,737	6,040,000	0	6,040,000
RDGP Expenditures / Appropriations - HB 7					
Project Planning	24,060	775,940	800,000		800,000
Aquatic Invasive Species Control	103,939	396,061	400,000		400,000
2019 Bien Reauthorized RDGP Grants	0	0	944,778		944,778
Prior Biennia	1,018,451	2,244,343	0		0
2019 Bien. RDGP Grants	35,434	4,043,695	0		0
2021 Bien. RDGP Grants	<u>0</u>	<u>0</u>	<u>2,722,000</u>	<u>0</u>	<u>2,722,000</u>
Total RDGP Expenditures/Appropriations	1,181,884	7,460,039	4,866,778	0	4,866,778
Total Expenditures	3,713,010	12,660,776	10,906,778	0	10,906,778
Transfer to General Fund	2,050,000	0	0	0	0
Total Expend., Transfers, Appropriations	5,763,010	12,660,776	10,906,778	0	10,906,778
Projected Ending Fund Balance	\$7,365,441	(\$210,001)	(\$4,738,978)	\$342,168	\$342,168

¹HJ2 Projections

²Assumes all appropriation authority is expended in FY 2019

Revenues for the 2021 biennium, as provided in the HJ 2 estimates and by DNRC for agency funds, are projected to be \$9.5 million. Appropriations from the natural resource projects account are authorized in Title 15, Chapter 38, MCA, which states, "Appropriations may be made from the natural resources projects state special revenue account for grants and loans for designated projects and the activities authorized in 85-1-602 and 90-2-1102", the RRGL and RDGP programs. In the 2021 biennium, the executive budget recommends total appropriations of \$6.0 million for the RRGL program and \$4.9 million for the RDGP program from the natural resource projects fund. The ending fund balance at the end of the 2021 biennium is projected to be \$342,168.

CULTURAL AND AESTHETIC GRANT PROGRAM

Program Description

The Cultural and Aesthetic Grant Program (C&A), as provided in Title 22, Chapter 2, part 3, MCA, is administered by the Montana Arts Council (MAC). Interest earnings from a statutory trust, which receives coal severance tax revenues, fund the grant program. By statute, the interest from the cultural trust is to be appropriated for the protection of works of art in the State Capitol and other cultural and aesthetic (C&A) projects, 15-35-108, MCA.

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 tribal governments. A 16-member Cultural and Aesthetic Projects Advisory Committee, with eight members appointed by the Montana Arts Council and eight appointed by the Montana Historical Society, reviews each application. The committee prioritizes the requests and makes funding recommendations to the legislature as part of the executive budget. All grants require legislative approval in accordance with 22-2-306 through 309, MCA.

Program Budget Comparison

Figure 20 summarizes the proposed executive budget for the program by biennium, type of expenditure, and source of funding.

Figure 20

Program Comparison - Cultural and Aesthetic Trust				
Budget Item	Budget 2019 Biennium	Budget 2021 Biennium	Biennium Change	Biennium % Change
Trust Balance (End of Biennium)	\$14,072,921	\$14,227,721	\$154,800	1.1%
Trust Earnings	936,863	980,114	43,252	4.6%
Number of Grants	80	72	(8)	-10.0%
	<u>Appropriated</u>	<u>Proposed</u>		
Grants Cost	\$440,000	\$395,881	(\$44,119)	-10.0%
Capitol Complex Works of Art	30,000	30,000	0	0.0%
Total Costs	\$470,000	\$425,881	(\$44,119)	-9.4%
State Special	470,000	425,881	(44,119)	-9.4%
Total Funds	\$470,000	\$425,881	(\$44,119)	-9.4%

Program Narrative

The executive recommendation for C&A grants is contained in HB 9. The first C&A priority recommended for funding is a \$30,000 appropriation to the Montana Historical Society for the care and conservation of capitol complex artwork, in accordance with 2-17-805, MCA. The second priority is 72 C&A grant awards totaling \$395,881. The recommended awards are prioritized within four categories, which include Special Projects costing \$4,500 or less, Special Projects greater than \$4,500, Operational Support Projects, and Capital Expenditure Projects. In the 2021 biennium, appropriations for the C&A program would be 9.4% less than the amount appropriated in the 2019 biennium.

A complete listing of the C&A grants may be seen in figure A-5 in the Section F Appendix. The details behind the grants requested for the 2021 biennium C&A, along with a status of grants awarded in the 2021 biennium, are presented in Vol. 7 of the Governor's Executive Budget.

Funding

Funding for the C&A program comes from the interest earnings from the cultural trust. The trust receives a statutorily dedicated 0.63% of coal severance tax revenues. At the end of the 2019 biennium, the

CULTURAL AND AESTHETIC GRANT PROGRAM

cultural trust is projected to have a balance of approximately \$14.1 million, and the balance is expected to grow by approximately \$154,800 during the 2021 biennium.

Figure 21 shows the projected balance of the C&A state special fund for the 2021 biennium. The fund is expected to begin the 2021 biennium with a fund balance of \$24,865. This is due to slightly higher revenues than were projected in the 2017 Session.

Figure 21

Cultural & Aesthetic Grant Fund Balance Analysis FY 2018-FY 2021 (02009)					
	FY 2018 Actual	FY 2019 Projected ³	FY 2020 Projected	FY 2021 Projected	2021 Bien.
Estimated Beginning Fund Balance	\$157,025	\$25,108	\$24,865	(\$159,518)	\$24,865
Revenue Projections ¹					
Total Revenues	470,142	466,721	482,784	497,330	980,114
Expenditures					
MAC Administration and Folklife ²	230,126	236,194	241,286	240,903	482,189
Capitol Cmplx Works of Art	155	29,845	30,000	0	30,000
Prior Biennia Grants Accrued	132,703	0	0	0	0
2019 Bien. Grants	239,075	200,925	0	0	0
2021 Bien. Grants	<u>0</u>	<u>0</u>	<u>395,881</u>	<u>0</u>	<u>395,881</u>
Total Expenditures	602,059	466,964	667,167	240,903	908,070
Ending Fund Balance	\$25,108	\$24,865	(\$159,518)	\$96,909	\$96,909
¹ HJ2 Projections ² HB 2 ³ Assumes all appropriation authority is expended in FY 2019					

Revenues in the 2021 biennium are expected to be higher than the 2019 biennium. The projection for total revenue is \$980,114 in the biennium, a 4.6% increase over the projections for the 2019 biennium. Expenditures for the C&A program, which include both administration costs and grants, are limited by the amount of interest earned from the trust investments. The executive budget proposal includes appropriations of \$482,189 for administrative expenses and the Folklife program (as appropriated in HB 2). In the 2021 biennium, HB 2 appropriations are 49.2% of the total program revenues. HB 9 appropriations include \$30,000 for a statutorily required appropriation for capitol complex works of art, and grant funding proposals of \$395,881, which are expected to result in an ending fund balance in FY 2021 of \$96,909.

**LFD
COMMENT**

In past biennia, the C&A grant program has experienced interest earnings that have not kept pace with legislative appropriations. When revenue shortfalls occur, language contained in HB 9 has provided for a reduction of grants on a pro-rata basis. The language makes it possible for the program to provide all the approved grants with smaller amounts instead of needing to cancel grant awards.

Appendix Item A-1
 Long-Range Building Program
 Executive Recommendation - 2021 Biennium

Approp Agency / Project Agency / Project	LRBP Capital Projects Funds	Other Capital Projects Funds	State Special	Fed Special	Authorization Proprietary	Authorization Univ./Donations	Bonds	Total	% Total
HB 5									
Sec. 2 - Department of Administration Appropriations									
Department of Administration, A&E Appropriations									
Statewide Life Safety & Deferred Maintenance	4,550,000							4,550,000	
Life Safety & Deferred Maintenance, Capitol Complex		5,000,000						5,000,000	
Capitol Building Improvements		2,450,000						2,450,000	
Update Capitol Complex Master Plan / Space Analysis		250,000						250,000	
Renovate Executive Residence (Effective 1/1/2021)		1,900,000						1,900,000	
Department of Corrections									
AO: Food Factory Expansion					3,000,000			3,000,000	
MSP Treatment Center Fence	1,310,873							1,310,873	
Department of Fish, Wildlife, and Parks									
Hatchery Maintenance			1,500,000			400,000		1,900,000	
Missoula Headquarters Upgrade			1,350,000					1,350,000	
Construct Glasgow Headquarters Shop & Meeting Room			1,700,000					1,700,000	
Construct Lewistown Area Office			1,500,000					1,500,000	
Admin Facilities Major Maintenance			2,400,000					2,400,000	
Department of Justice									
Glendive MHP Office & Storage Building			2,795,000					2,795,000	
Department of Livestock									
Veterinary Diagnostics Lab - Planning Only			100,000					100,000	
Department of Military Affairs									
Indoor Firing Range Repurposing	970,100				970,100			1,940,200	
PT/Rec Center Addition & Alteration					2,000,000			2,000,000	
Military Cemetery Ft. Harrison & Missoula					4,000,000			4,000,000	
FMS #3 Female Latrines & Remodel					702,900			702,900	
Department of Public Health and Human Services									
SWM Veterans' Home Additional Funding	5,000,000							5,000,000	
Department of Transportation									
Equipment/Office Buildings			2,630,000					2,630,000	
Remodel Headquarters Office, Wolf Point			770,000					770,000	
Remodel / Expand Yellowstone Airport Terminal					13,500,000	1,200,000		14,700,000	
Montana University System									
MUS Statewide Deferred Maintenance	4,550,000							4,550,000	
AO: Construct American Indian Hall, MSU (increase)						12,000,000		12,000,000	
AO: Rmdl Harrison Hall, Hospitality Mngt., Gallatin College - MSU						3,000,000		3,000,000	
AO: Facilities Yard Relocation - MSU						9,000,000		9,000,000	
AO: Visual Communications Bldg. Addition - MSU						12,000,000		12,000,000	
AO: Renovate Renne Library - MSU (Flrs 2-4)						1,500,000		1,500,000	
AO: Upgrade Donaldson Hall - MSU Northern						6,000,000		6,000,000	
AO: Upgrade Mackenzie Hall Systems - MSU Northern						2,000,000		2,000,000	
Teachers Retirement System									
AO: Renovate TRS Building					550,000			550,000	
Total Sec. 2 Appropriations	\$16,380,973	\$9,600,000	\$14,745,000	\$21,173,000	\$4,750,000	\$45,900,000	\$0	\$112,548,973	46.7%
Sec. 3 - Agency Appropriations									
Department of Environmental Quality (SBECP)									
Energy Improvements		3,600,000						3,600,000	
Subtotal Department of Environmental Quality Projects	\$0	\$3,600,000	\$0	\$0	\$0	\$0	\$0	\$3,600,000	1.5%

**Long-Range Building Program
Executive Recommendation - 2021 Biennium**

Approp Agency / Project Agency / Project	LRBP Capital Projects Funds	Other Capital Projects Funds	State Special	Fed Special	Authorization Proprietary	Authorization Univ./Donations	Bonds	Total	% Total
Department of Fish, Wildlife, and Parks									
Future Fisheries			1,250,000					1,250,000	
FAS Site Protection			1,790,000					1,790,000	
Community Fishing Ponds			100,000					100,000	
Fish Passage Construction				1,291,000		549,000		1,840,000	
Wildlife Habitat Maintenance			1,000,000	150,000				1,150,000	
Forest Management			400,000					400,000	
Migratory Bird Program			650,000					650,000	
Home to Hunt Access			220,000					220,000	
Upland Game Bird Enhancement Program			954,000					954,000	
Smith River Corridor			200,000					200,000	
Grant Programs			304,400	5,000,000				5,304,400	
Parks Major Maintenance			2,000,000					2,000,000	
FAS NRD Yellowstone Pipeline Settlement				500,000				500,000	
Wildlife Habitat Improvement Program				4,000,000				4,000,000	
Subtotal Department of Fish, Wildlife, and Parks	\$0	\$0	\$8,868,400	\$10,941,000	\$0	\$549,000	\$0	\$20,358,400	8.4%
Department of Military Affairs									
Federal Spending Authority				3,000,000				3,000,000	
Subtotal Department of Military Affairs Projects	\$0	\$0	\$0	\$3,000,000	\$0	\$0	\$0	\$3,000,000	1.2%
Department of Transportation									
Maintenance, Repair & Small Projects			2,300,000					2,300,000	
Subtotal Department of Transportation Projects	\$0	\$0	\$2,300,000	\$0	\$0	\$0	\$0	\$2,300,000	1.0%
Montana University System									
AUTHORITY ONLY-General Spending Authority MUS						16,000,000		16,000,000	
Subtotal Montana University System Projects	\$0	\$0	\$0	\$0	\$0	\$16,000,000	\$0	\$16,000,000	6.6%
Total Sec. 3 - Agency Appropriations	\$0	\$3,600,000	\$11,168,400	\$13,941,000	\$0	\$16,549,000	\$0	\$45,258,400	18.8%
Sec. 4 - Land Acquisition									
Department of Fish, Wildlife, and Parks - Land Acquisition									
Habitat Montana			8,000,000					8,000,000	
FAS Aquisition			260,000					260,000	
Big Horn Sheep Habitat			220,000					220,000	
Total Sec. 4 - Land Acquisition Appropriations	\$0		\$8,480,000	\$0	\$0	\$0	\$0	\$8,480,000	3.5%
Subtotal HB 5	\$16,380,973	\$13,200,000	\$34,393,400	\$35,114,000	\$4,750,000	\$62,449,000	\$0	\$166,287,373	69.0%
HB 14									
A&E Appropriations									
Department of Public Health and Human Services									
MSH Repair Wastewater Treatment							4,500,000	4,500,000	
Montana Historical Society									
New Montana Heritage Center / Babcock Museum							32,120,000	32,120,000	
Montana University System									
Romney Hall - MSU Bozeman							32,000,000	32,000,000	
New Dental Clinic, Assisting & Hygiene Lab-MSUGF							4,250,000	4,250,000	
Green House Laboratories-MAES							2,000,000	2,000,000	
Subtotal HB 14	\$0	\$0	\$0	\$0	\$0	\$0	\$74,870,000	\$74,870,000	31.0%
Total Long-Range Building Program	\$16,380,973	\$13,200,000	\$34,393,400	\$35,114,000	\$4,750,000	\$62,449,000	\$74,870,000	\$241,157,373	

AO - Authority only - for amounts that do not require appropriation

**Treasure State Endowment Program (TSEP)
Executive Recommendation - 2021 Biennium**

Rank	Applicant	County	Type of Project	Total Project Cost	Grant Recommended	Cumulative Total
<u>2019 Biennium - Grant Reauthorizations</u>						
1	Stanford, Town of	Judith Basin	Water		\$211,362	\$211,362
2	Hot Springs, Town of	Sanders	Water		478,632	689,994
3	Sheridan, Town of	Madison	Water		625,000	1,314,994
4	Simms County Sewer District	Cascade	Wastewater		750,000	2,064,994
5	Circle, Town of	McCone	Water		625,000	2,689,994
6	Lockwood WSD	Yellowstone	Water		625,000	3,314,994
7	Harlowton, City of	Wheatland	Water		750,000	4,064,994
8	Cascade, Town of	Cascade	Wastewater		500,000	4,564,994
9	Shelby, City of	Toole	Water		750,000	5,314,994
10	Dutton, Town of	Teton	Water		500,000	5,814,994
12	Butte-Silver Bow	Silver Bow	Wastewater		349,286	6,164,280
13	Lewis & Clark County	Lewis & Clark	Bridge		309,985	6,474,265
14	Judith Basin County	Judith Basin	Bridge		247,125	6,721,390
15	Powell County	Powell	Bridge		750,000	7,471,390
Total 2019 Reauthorizations				\$0	\$7,471,390	
<u>Bridge Program</u>						
1	Musselshell County	Musselshell	Bridge	\$1,187,365	\$589,138	\$589,138
2	Lewis & Clark County	Lewis & Clark	Bridge	1,117,612	558,806	1,147,944
3	Beaverhead County	Beaverhead	Bridge	1,041,482	500,000	1,647,944
4	Custer County	Custer	Bridge	715,638	357,819	2,005,763
5	Madison County	Madison	Bridge	1,183,536	591,768	2,597,531
6	Chouteau County	Chouteau	Bridge	559,526	279,753	2,877,284
7	Fergus County	Fergus	Bridge	526,177	262,839	3,140,123
8	Sweet Grass County	Sweet Grass	Bridge	1,183,952	591,976	3,732,099
9	Jefferson County	Jefferson	Bridge	415,806	207,903	3,940,002
10	Big Horn County	Big Horn	Bridge	544,637	272,314	4,212,316
11	Gallatin County	Gallatin	Bridge	1,670,102	750,000	4,962,316
Total TSEP Bridge Projects				\$10,145,833	\$4,962,316	
TSEP Bridge Project Leverage Ratio		\$1:\$2.0				
<u>Water Infrastructure Program</u>						
1	Libby, City of*	Lincoln	Water	\$1,515,000	\$750,000	\$750,000
2	Clancy WSD*	Jefferson	Water	2,911,358	750,000	1,500,000
3	Wibaux, Town of*	Wibaux	Wastewater	2,196,000	750,000	2,250,000
4	Lockwood WSD*	Yellowstone	Water	6,670,000	500,000	2,750,000
5	Geraldine, Town of*	Chouteau	Wastewater	1,964,000	500,000	3,250,000
6	Dodson, Town of	Phillips	Wastewater	724,300	362,150	3,612,150
7	Hysham, Town of*	Treasure	Wastewater	754,000	375,000	3,987,150
8	Wilsall Water District*	Park	Water	1,177,000	500,000	4,487,150
9	Whitehall, Town of*	Jefferson	Water	2,055,930	625,000	5,112,150
10	Power- Teton County WSD*	Teton	Water	2,627,000	625,000	5,737,150
11	Plains, Town of*	Sanders	Wastewater	1,109,000	500,000	6,237,150
12	Broadview, Town of	Yellowstone	Water	2,065,500	500,000	6,737,150
13	Thompson Falls, City of*	Sanders	Wastewater	6,680,000	750,000	7,487,150
14	Coram County WSD	Flathead	Water	1,091,000	500,000	7,987,150
15	Chinook, City of*	Blaine	Water	2,399,100	500,000	8,487,150
16	Cut Bank, City of*	Glacier	Water	2,379,000	750,000	9,237,150
17	Roundup, City of*	Musselshell	Water	2,443,000	750,000	9,987,150
18	Darby, Town of	Ravalli	Wastewater	1,091,489	500,000	10,487,150
19	Scobey, City of*	Daniels	Water	4,880,000	500,000	10,987,150
20	Circle, Town of*	McCone	Water	1,416,600	500,000	11,487,150
21	Seeley Lake Sewer District*	Missoula	Wastewater	6,528,500	750,000	12,237,150
22	Polson, City of*	Lake	Wastewater	1,500,000	750,000	12,987,150
23	Black Eagle-Cascade County WSD*	Cascade	Water/Wastewater	1,686,450	645,000	13,632,150
24	Hardin, City of*	Big Horn	Wastewater	11,300,236	625,000	14,257,150
25	Harlowton, City of*	Wheatland	Wastewater	1,395,011	625,000	14,882,150
26	Dillon, City of*	Beaverhead	Water	3,994,225	500,000	15,382,150
27	Bigfork County WSD*	Flathead	Wastewater	2,767,800	500,000	15,882,150

Rank	Applicant	County	Type of Project	Total Project Cost	Grant Recommended	Cumulative Total
28	Vaughn Cascade County WSD*	Cascade	Water	1,465,960	625,000	16,507,150
29	East Helena, City of*	Lewis & Clark	Water	5,586,503	500,000	17,007,150
30	Whitefish, City of*	Flathead	Wastewater	18,253,609	625,000	17,632,150
31	Red Lodge, City of	Carbon	Storm Water	2,602,888	500,000	18,132,150
32	Cascade, Town of*	Cascade	Water	1,274,828	500,000	18,632,150
33	Plentywood, City of*	Sheridan	Wastewater	5,902,500	750,000	19,382,150
34	Sun Prairie Village County WSD	Cascade	Wastewater	2,376,800	500,000	19,882,150
35	North Havre County Water District*	Hill	Water	865,817	430,000	20,312,150
36	Conrad, City of	Pondera	Water	797,558	398,779	20,710,929
37	Sun Prairie County Water District	Cascade	Water	550,000	275,000	20,985,929
38	Winnett, Town of*	Petroleum	Wastewater	1,341,000	500,000	21,485,929
39	Baker, City of*	Fallon	Water	6,170,639	600,000	22,085,929
40	White Sulphur Springs, City of	Meagher	Water	400,000	200,000	22,285,929
Total TSEP Infrastructure Projects				\$124,909,601	\$22,285,929	
TSEP Infra. Project Leverage Ratio		\$1.0:\$5.6				
Total 2021 Biennium TSEP Program				\$135,055,434	\$27,248,245	

*These projects are also funded in the RRGL Program

Appendix Item A-3

Renewable Resource Grants (RRGL) Executive Recommendation - 2021 Biennium			
Rank	Applicant / Project Title	Grant Recommended	Cumulative Project Funding
<u>HB 6 Projects</u>			
1	Seeley Lake - Missoula County SD Seeley Lake Sewer District Wastewater Improvements, Phase 2	\$125,000	\$125,000
2	Granite County Flint Creek Dam Rehabilitation	125,000	250,000
3	Whitefish, City of Whitefish Wastewater Treatment System Improvements	125,000	375,000
4	Missoula, City of Parks & Recreation Rattlesnake Dam Removal	125,000	500,000
5	DNRC-Water Resources Division State Water Projects Bureau Douglas Canal Rehabilitation	125,000	625,000
6	Flathead Conserv. Dist. Trumbull Creek Restoration and Aquifer Protection	125,000	750,000
7	Canyon Creek ID Canyon Lake Dam Rehabilitation	125,000	875,000
8	Harlowton, City of Harlowton Roundhouse Wetland Restoration	125,000	1,000,000
9	Thompson Falls, City of Thompson Falls Wastewater System Improvements	125,000	1,125,000
10	DNRC-Water Resources Division State Water Projects Bureau Broadwater Missouri Canal System Master Plan	125,000	1,250,000
11	Winnett, Town of Winnett Wastewater System Retrofit	125,000	1,375,000
12	Bitter Root ID Como Dam Water Resource Enhancement	125,000	1,500,000
13	Harlowton, City of Harlowton Wastewater Improvements	125,000	1,625,000
14	Milk River Joint Board of Control St. Mary Canal Drop 2 Replacement	125,000	1,750,000
15	Whitehall, Town of Whitehall Water Treatment Plant Improvements	125,000	1,875,000
16	Lewis and Clark Conserv. Dist. Willow Creek Feeder Canal Rehabilitation	125,000	2,000,000
17	Fort Belknap Indian Community Fort Belknap Threemile Creek Pump Station Rehabilitation	125,000	2,125,000
19	Roundup, City of Roundup Water System Improvements	125,000	2,250,000
20	Glasgow ID Glasgow V-63 Lateral Conversion	125,000	2,375,000
22	Pondera County Conserv. Dist. Pondera Swift Dam Rehabilitation	125,000	2,500,000
23	Simms County SD Simms County Sewer District Wastewater System Improvements, Phase 2	125,000	2,625,000
24	Malta ID Malta ID Costin Lateral Pipeline Conversion	125,000	2,750,000
25	Power-Teton County WSD Power-Teton County Water and Sewer District Water System Improvements	125,000	2,875,000
26	Scobey, City of Scobey Water System Improvement, Phase 2	125,000	3,000,000
27	Bigfork County WSD Bigfork County Water and Sewer District Wastewater System Improvements	125,000	3,125,000

Rank	Applicant / Project Title	Grant Recommended	Cumulative Project Funding
28	Buffalo Rapids Irrigation Project District 2 BRIP 2 - Lateral 1.6 Pipeline Conversion	125,000	3,250,000
30	Hill County Beaver Creek Dam Spillway Improvements	100,000	3,350,000
31	Sidney Water Users ID SWUID District 3 Main Canal Pipeline Conversion, Phase 2	125,000	3,475,000
32	Flathead Conserv. Dist. Krause Creek Restoration	125,000	3,600,000
33	Alfalfa Valley ID Alfalfa Valley ID East Flynn Canal Rehabilitation	125,000	3,725,000
34	Lower Musselshell County Conserv. Dist. Delphi Melstone Water Users Association Irrigation Efficiency & Water Measurement	117,050	3,842,050
36	Columbia Falls, City of Columbia Falls Water System Improvements	122,950	3,965,000
Total HB 6 Projects		\$3,965,000	
<u>HB 14 Projects</u>			
37	Buffalo Rapids Irrigation Project District 1 Buffalo Rapids Irrigation Project 1 - Lateral 1.7 Pipeline Conversion	125,000	4,090,000
38	Hardin, City of Hardin Wastewater Treatment Plant improvements	125,000	4,215,000
39	Dillon, City of Dillon Water Transmission and Distribution Main Replacement	125,000	4,340,000
40	Helena Valley ID Helena Valley Irrigation District Lateral 14.8 Headgate Rehabilitation, Phase 2	125,000	4,465,000
41	Polson, City of Polson Wastewater System Improvement, Phase 2	125,000	4,590,000
42	Carbon County Conserv. Dist. Golden Ditch Company Clark Fork Diversion Rehabilitation	125,000	4,715,000
43	Savage ID Savage Irrigation District Infrastructure Rehabilitation	125,000	4,840,000
44	Petroleum County Conserv. Dist. Horse Creek Coulee Water Storage	125,000	4,965,000
45	Wibaux, Town of Wibaux Wastewater Treatment System Improvements	125,000	5,090,000
42	Alberton, Town of Alberton Water System Improvements	125,000	5,215,000
47	Geraldine, Town Of Geraldine Wastewater System Improvements	125,000	5,340,000
48	Missoula, City of Caras Park Outfall Storm Water Treatment Retrofit, Phase 2	125,000	5,465,000
49	Black Eagle-Cascade County WSD Black Eagle-Cascade County Water & Sewer District Water & Sewer System Improvements	125,000	5,590,000
50	East Helena, City of East Helena Water System Improvements	125,000	5,715,000
51	Plentywood, City of Plentywood Wastewater Collection Improvement, Phase 2	125,000	5,840,000
52	Missoula County Lewis & Clark Subdivision Wastewater Improvements	125,000	5,965,000
53	Wilsall WD Wilsall Water District Water System Improvements	125,000	6,090,000
54	Lower Yellowstone Irrigation Project Lower Yellowstone Irrigation Project Crane Wasteway & Pump Station Rehabilitation	125,000	6,215,000
55	Missoula County Conserv. Dist. Grass Valley French Ditch Clark Fork Diversion Rehabilitation	125,000	6,340,000

Rank	Applicant / Project Title	Grant Recommended	Cumulative Project Funding
56	Montana Bureau of Mines and Geology Reducing Mobilization of Oil-Brine Salt to Streams	125,000	6,465,000
57	Winifred, Town of Winifred Water System Improvements	125,000	6,590,000
58	Hysham, Town of Hysham Wastewater System Rehabilitation, Phase 1	125,000	6,715,000
59	Vaughn Cascade County WSD Vaughn Cascade County Water and Sewer District Water Improvements	125,000	6,840,000
60	Stillwater Conserv. Dist. Yanzick/Brey,Riddle Ditches Irrigation System Improvements, Phase 2	125,000	6,965,000
61	Lockwood WSD Lockwood WSD Drinking Water System Improvements	125,000	7,090,000
62	Circle, Town of Circle Water System Improvements	125,000	7,215,000
63	Yellowstone County DES Billings Bench Water Users Association Main Canal Rehabilitation, Phase 1	125,000	7,340,000
64	Hysham ID Re-Lift Canal Improvement	125,000	7,465,000
65	Clyde Park, Town of Clyde Park Water System Improvements	125,000	7,590,000
66	Libby, City of Libby Water System Improvements	125,000	7,715,000
67	Chinook, City of Chinook Water System Improvements	125,000	7,840,000
68	Cut Bank, City of Cut Bank Water System Improvements	125,000	7,965,000
69	North Havre County WD North Havre County Water District Water System Improvements	125,000	8,090,000
70	Plains, Town of Plains Wastewater System Protection	125,000	8,215,000
71	Montana Bureau of Mines and Geology Measuring Groundwater Recharge in Flood to Pivot Irrigation Conversions	125,000	8,340,000
72	Cascade, Town of Cascade Water System Improvements	125,000	8,465,000
73	Fallon County Baker Lake Restoration	100,000	8,565,000
74	Pondera County Conserv. Dist. Kingsbury Turnout Automation	125,000	8,690,000
75	Tin Cup County WSD Tin Cup County Water and Sewer District Water Conservation	125,000	8,815,000
76	Clancy WSD Clancy Water and Sewer District Water Improvements	125,000	8,940,000
Total HB 14 Projects		4,975,000	
Total RRGL Grant Projects		8,940,000	

Appendix Item A-4

Reclamation and Development Grants (RDGP) Executive Recommendation - 2021 Biennium			
Rank	Sponsor/Title	Grant Recommended	Cumulative Project Funding
<u>HB 7 Projects</u>			
1	Musselshell County Bair- Collins Mine (Meathouse Road) Reclamation and Musselshell River Restoration	\$500,000	\$500,000
2	Missoula County Community and Planning Services Ninemile Creek Mine Reclamation	437,000	937,000
3	Harlowton, City of Removal of Contaminated Soils and Free Product at the Harlowton Roundhouse in Harlowton, MT, Phase 3	500,000	1,437,000
4	Granite Conservation District Silver King Mine Reclamation	285,000	1,722,000
5	Powell County Milwaukee Roundhouse Area Remediation	500,000	2,222,000
6	DEQ Upper Blackfoot Mining Complex Wetland Contamination Removal	500,000	2,722,000
Total HB 7 Projects		\$2,722,000	
<u>HB 14 Projects</u>			
7	DEQ Cottonwood #2 Acid Mine Drainage Diversion Project	300,000	3,022,000
8	Deer Lodge, City of Milwaukee Roundhouse CECRA Site Passenger Refueling Area VCRA Program Remediation	297,000	3,319,000
9	DEQ Basin Creek Mine - Phase 2 Site Stability Project	300,000	3,619,000
10	Ryegate, Town of Former Ryegate Conoco Groundwater Remediation	50,000	3,669,000
11	DEQ Upper Blackfoot Mining Complex Water Treatment Plant Bridge and Infrastructure Protection	300,000	3,969,000
Total HB 14 Projects		1,247,000	
Total RRGL Grant Projects		\$3,969,000	

Appendix Item A-5

Cultural and Aesthetic Grants (C&A) 2021 Biennium				
Rank	Grant Number	Applicant	Grant Recommended	Cummulative Total
Special Project < \$4500				
1	2005	Mai Wah Society Museum	4,000	4,000
2	2003	Council for the Arts, Lincoln	3,000	7,000
3	2002	Billings Cultural Partners	3,000	10,000
4	2007	Signatures from Big Sky	2,000	12,000
5	2006	Montana Flute Association	2,000	14,000
Projects below this line are not recommended for funding				
6	2,001	Arts & Above	0	14,000
7	2,004	Free Voice Media	0	14,000
Total Special Projects < \$4500			14,000	
Special Project >= \$4500				
1	2021	Upper Swan Valley Historical Society, Inc.	4,500	18,500
2	2015	Montana Preservation Alliance	10,000	28,500
3	2014	Montana Historical Society	5,400	33,900
4	2016	Mountain Time Arts	2,500	36,400
5	2018	Preservation Cascade, Inc.	2,000	38,400
6	2009	Butte-Silver Bow Public Archives	5,000	43,400
7	2013	International Choral Festival	2,000	45,400
8	2019	SPARK! Arts Ignite Learning	2,000	47,400
9	2022	Zootown Arts Community Center	9,000	56,400
10	2010	Emerson Center for the Arts & Culture	8,000	64,400
11	2017	Museum of the Rockies	7,000	71,400
12	2008	Bozeman Symphony Society	4,500	75,900
Projects below this line are not recommended for funding				
13	2012	Hockaday Museum of Art	0	75,900
14	2011	Helena Symphony	0	75,900
15	2020	Support Local Artists and Musicians (S.L.A.M.)	0	75,900
Total Special Projects > = \$4500			61,900	
Operational Support				
1	2027	Art Mobile of Montana	10,000	85,900
2	2062	Montana Shakespeare in the Parks	10,000	95,900
3	2053	MCT, Inc.	10,000	105,900
4	2024	Alpine Artisans, Inc.	3,000	108,900
5	2031	Billings Symphony Society	7,500	116,400
6	2046	Humanities Montana	10,000	126,400
7	2033	Butte Symphony Association	3,000	129,400
8	2030	Billings Preservation Society	7,500	136,900
9	2023	Alberta Bair Theater	10,000	146,900
10	2040	Glacier Symphony and Chorale	5,000	151,900
11	2070	Schoolhouse History & Art Center	5,000	156,900
12	2061	Montana Repertory Theatre	10,000	166,900
13	2073	Sunburst Foundation	2,500	169,400
14	2049	Irwin & Florence Rosten Foundation	5,000	174,400
15	2079	Yellowstone Art Museum	10,000	184,400
16	2037	Cohesion Dance Project	5,000	189,400
17	2076	Western Heritage Center	10,000	199,400
18	2042	Great Falls Symphony	5,000	204,400
19	2065	Northwest Montana Historical Society	5,000	209,400

Rank	Grant Number	Applicant	Grant Recommended	Cummulative Total
20	2041	Grandstreet Broadwater Productions, Inc.	9,000	218,400
21	2056	MonDak Heritage Center	9,000	227,400
22	2045	Holter Museum of Art	9,000	236,400
23	2054	Missoula Art Museum	9,000	245,400
24	2044	Helena Presents/Myrna Loy Center	9,000	254,400
25	2026	Archie Bray Foundation	9,000	263,400
26	2048	International Wildlife Film Festival	8,000	271,400
27	2063	Museums Association of Montana	5,000	276,400
28	2057	Montana Association of Symphony Orchestras	5,000	281,400
29	2075	Verge Theater	5,000	286,400
30	2038	Daly Mansion Preservation Trust	5,000	291,400
31	2029	Big Horn Arts and Craft Association	2,000	293,400
32	2060	Montana Performing Arts Consortium	5,000	298,400
33	2051	MAGDA	5,000	303,400
34	2059	Montana Dance Arts Association	5,000	308,400
35	2072	Stillwater Historical Society	4,500	312,900
36	2034	C.M. Russell Museum	7,000	319,900
37	2025	Alpine Theatre Project	5,000	324,900
38	2077	Whitefish Theatre Co	5,000	329,900
39	2035	Carbon County Arts Guild & Depot Gallery	4,500	334,400
40	2068	Ravalli County Museum	4,500	338,900
41	2055	Missoula Writing Collaborative	2,000	340,900
42	2028	Arts Missoula (Formerly Missoula Cultural Council)	4,500	345,400
43	2050	Little Shell Tribe	4,500	349,900
44	2074	The Extreme History Project	2,000	351,900
45	2039	Friends of Big Sky Education DBA Warren Miller P,	4,500	356,400
46	2078	World Museum of Mining	4,500	360,900
47	2066	Pondera Arts Council	4,500	365,400
48	2069	Rocky Mountain Ballet Theatre	3,500	368,900
49	2043	Hamilton Players, Inc	3,500	372,400
50	2058	Montana Ballet Company	3,500	375,900
51	2047	Intermountain Opera Association	3,500	379,400
52	2071	Southwest Montana Arts Council	2,000	381,400
53	2067	Pondera History Association (PHA)	2,000	383,400
Projects below this line are not recommended for funding				
54	2036	Carbon County Historical Society	0	383,400
55	2032	Bozeman Art Museum	0	383,400
56	2064	North Valley Music School	0	383,400
57	2052	Main Street Uptown Butte	0	383,400
Total Operational Support			307,500	
Capital Expenditure				
1	2080	Fort Peck Fine Arts Council, Inc.	10,000	393,400
2	2081	Friends of the Historical Museum at Fort Missoula	2,481	395,881
Total Capital Expenditure			12,481	
Total C&A Grants Requested/Recommended			\$395,881	