

LONG-RANGE PLANNING PROGRAMS OVERVIEW

Budget Comparison

Figure 1 compares the 2017 biennium appropriated budget to the 2019 biennium appropriated budget by type of expenditure and source of funding.

Figure 1

Long-Range Planning Budget Comparison (\$ millions)				
Budget Item / Funding Source	Budget FY 16-17	Budget FY 18-19	Biennium Change	Biennium % Change
Long-Range Building Program (HB 5)	\$132.8	\$159.0	\$26.2	19.7%
State Building Energy Conservation Program (HB 5)	2.5	3.7	\$1.2	48.0%
Long-Range Information Technology Program (-)	35.4	0.0	(\$35.4)	-
Treasure State Endowment Program (HB 11)	18.9	20.7	\$1.7	9.2%
Treasure State Regional Water Program (HB 11)	4.3	4.9	\$0.7	-
Renewable Resource Grant and Loan Program (HB 6 & HB 8)	33.1	4.8	(\$28.3)	-85.5%
Reclamation and Development Grant Program (HB 7)	5.3	5.4	\$0.1	1.8%
Cultural and Aesthetic Grant Program (HB 9)	0.4	0.5	\$0.1	13.3%
Quality Schools Grant Program (-)	0.0	0.0	\$0.0	-
Total Costs	\$232.7	\$199.0	(\$33.7)	-14.5%
Capital Projects Fund (Capital)	\$26.2	\$27.6	\$1.4	5.4%
General Fund (GF) ¹	0.0	\$0.0	0.0	-
State Special (SS)	71.8	71.8	(0.0)	-0.1%
Federal Special (FS)	35.7	22.8	(12.9)	-36.2%
Total Bonds (Bonds)	27.5	0.0	(27.5)	-100.0%
<i>General Obligation Bonds Subtotal</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>-</i>
<i>Coal Severance Tax Bonds Subtotal</i>	<i>27.5</i>	<i>0.0</i>	<i>(27.5)</i>	<i>-100.0%</i>
Proprietary Fund (Prop)	0.0	0.0	0.0	-
Subtotal State Funds	161.2	122.2	(39.0)	-24.2%
Authorization (Author)	71.5	76.8	5.4	7.5%
Total Funds and Authorizations	\$232.7	\$199.0	(\$33.7)	-14.5%
<small>¹General Funds are transfers to the Long-Range Information Technology Capital Project Funds</small>				

Long-Range Planning Discussion

Long-Range Planning (LRP) programs are devoted to the creation and upkeep of major state and local infrastructure (not including state roads and highway construction and maintenance programs). Most of the projects that come through LRP programs require more than one biennium to complete and have significant costs. The LRP budget is typically focused on nine programs including:

- 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 (SBECP) – energy efficiency improvements to state owned buildings, administered by Department of Environmental Quality
- Long-Range Information Technology Program (LRITP) – major information technology build and upgrade, administered by Department of Administration
- Treasure State Endowment Program (TSEP) – water, wastewater, solid waste, 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) – grants to local governments for projects that measurably conserve, develop, manage, or preserve resources, administered by the Department of Natural Resources and Conservation

- Reclamation and Development Grant Program (RDGP) – grants for the reclamation of lands degraded by resource severance activities, administered by the Department of Natural Resources and Conservation
- Cultural and Aesthetic Grant Program (C&A) – arts, cultural, and historical grants, administered by the Montana Arts Council
- Quality School Facility Grants Program (Quality Schools) – grants for major maintenance of K-12 school facilities, administered by the Department of Commerce (eliminated as of the 2019 biennium)

Summary of Legislative Action

Figure 1 shows a summary of the appropriations made by the Sixty-fifth Legislature for each of the LRP programs. Total legislative appropriations and authorizations for the LRP budgets are \$199.0 million. This is 14.5% less than the LRP budgets in the 2017 biennium. Of the \$199.0 million, \$76.8 million is in the form of donations and university funds (non-state funding), which must be authorized for capital projects in the Long-Range Building Program due to future state obligations associated with new building space. Total state funding appropriated is \$122.2 million. This represents a reduction of \$39.0 million, or 24.2%, from the state funds appropriations of the 2017 biennium.

While the executive budget proposal would have transferred significant amounts of the dedicated revenues from LRP programs to the general fund in exchange for bond proceed funding, the legislature chose a different course of action. Instead, the legislature retained the funding in the programs for their statutory purposes. While discussed at length during the 2017 session, the legislature chose not to increase the LRP budgets with the proceeds of bond issues.

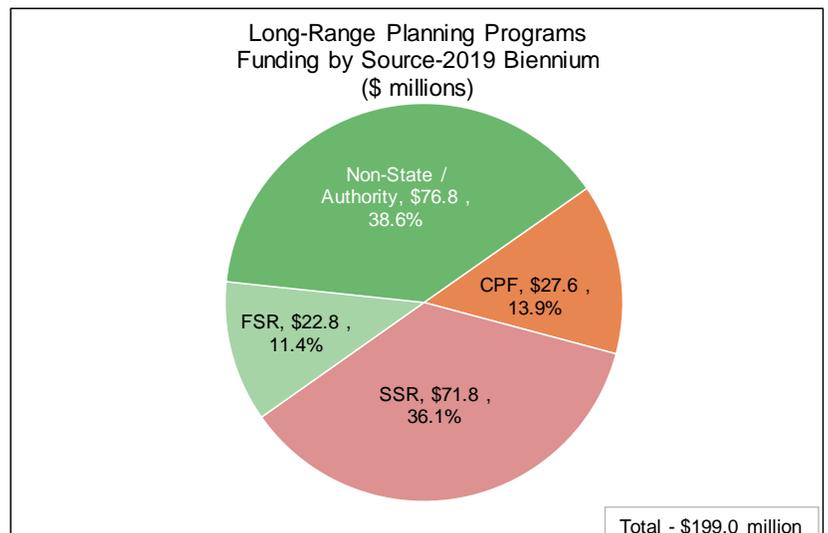
The LRP budgets are principally dedicated to state and local infrastructure projects. The state projects are made up primarily of the construction and major maintenance of state agency space while the local infrastructure projects consist of grants to local governments for infrastructure purposes. In the 2019 biennium, the LRP budgets are composed of 82% of state infrastructure projects, which includes those projects funded with non-state funds, and 18% of local government grants.

Funding

In large part, LRP programs are 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 costs. Other revenues come from a variety of sources including tax allocations and in several cases interest earnings from dedicated trusts. The only exception from earmarked program revenue is seen in the LRITP which has no designated source of funding (projects are funded either through agency revenues or general fund, transferred into the LRITP capital projects fund).

Figure 2 shows the funding of the LRP budget as reflected in the appropriations and authorizations provided by the legislature. The budgets include appropriations from capital project funds (CPF – which are funds which account for financial resources to be used for the acquisition or construction of major capital facilities), 13.9% of the LRP

Figure 2



budgets. Over 36% of the appropriations are funded with state special revenue (SSR). Federal special (FSR) appropriations account for 11.4% of the budget. Authorizations (Non-State / Authority), 38.6% of total funding and are not technically appropriations.

Executive Budget Comparison

The Sixty-fifth Legislature approved a LRP budget that was lower than the executive budget request by \$82.1 million, or 29.2%. The reductions were principally the result of the legislative decision not to fund infrastructure projects with bond proceeds. In making this decision, the legislature eliminated some of the executive proposals for projects that would have constructed or renovated certain state space and a new local government grants program called the Montana Community Grants and Loans program. Furthermore, the executive had proposed transferring the dedicated revenue funds from most of the programs and backfilling those funds with bond proceeds. Those proposals were not included in the legislative budget. Finally, the legislature did not provide appropriations for the Quality Schools Grant Program, for which the only source of funding would have been bond proceeds in the 2019 biennium.

Figure 3

Executive Budget Comparison (\$ millions)				
Budget Item / Funding Source	EX Proposal	LEG Approps.	Change	% Change
	FY 18-19	FY 18-19		
Long-Range Building Program (HB 5)	\$147.1	\$159.0	\$12.0	8.1%
State Building Energy Conservation Program (HB 5)	3.7	3.7	\$0.0	0.0%
Long-Range Information Technology Program (-)	0.0	0.0	\$0.0	-
Treasure State Endowment Program (HB 11)	17.8	20.7	\$2.9	16.4%
Montana Community Grants and Loans (-)	47.0	0.0	(\$47.0)	-100.0%
Integrated Test Center Participation (-)	3.0	0.0	(\$3.0)	-100.0%
Treasure State Regional Water Program (HB 11)	0.0	4.9	\$4.9	-
Renewable Resource Grant and Loan Program (HB 6 & HB 8)	52.5	4.8	(\$47.7)	-90.9%
Reclamation and Development Grant Program (HB 7)	4.2	5.4	\$1.1	27.2%
Cultural and Aesthetic Grant Program (HB 9)	0.5	0.5	\$0.0	0.0%
Quality Schools Grant Program (-)	5.4	0.0	(\$5.4)	-
Total Costs	\$281.1	\$199.0	(\$82.1)	-29.2%
Capital Projects Fund (Capital)	\$7.2	\$27.6	\$20.4	283.3%
General Fund (GF) ¹	0.0	\$0.0	0.0	-
State Special (SS)	37.1	71.8	34.7	93.6%
Federal Special (FS)	21.9	22.8	0.9	4.1%
Total Bonds (Bonds)	205.3	0.0	(205.3)	-100.0%
<i>General Obligation Bonds Subtotal</i>	<i>157.4</i>	<i>0.0</i>	<i>(157.4)</i>	<i>-100.0%</i>
<i>Coal Severance Tax Bonds Subtotal</i>	<i>47.9</i>	<i>0.0</i>	<i>(47.9)</i>	<i>-100.0%</i>
Proprietary Fund (Prop)	0.0	0.0	0.0	-
Subtotal State Funds	271.5	122.2	(149.3)	-55.0%
Authorization (Author)	9.6	76.8	67.2	696.9%
Total Funds and Authorizations	\$281.1	\$199.0	(\$82.1)	-29.2%

Other Legislation

The Sixty-fifth Legislature passed several pieces of legislation that impact various LRP programs. These pieces of legislation are discussed in the impacted program.

LONG-RANGE BUILDING PROGRAM

Program Budget Comparison

Figure 4 compares the 2017 biennium appropriated budget to the 2019 biennium appropriated budget by type of expenditure and source of funding.

Figure 4

Program Budget Comparison				
Budget Item	Budget 2017 Biennium	Budget 2019 Biennium	Biennium Change	Biennium % Change
	<u>Appropriated / Authorized</u>	<u>Appropriated / Authorized</u>		
Long-Range Building Program (LRBP) Project Costs	\$132,842,500	\$159,035,350	\$26,192,850	19.72%
Total Costs	\$135,342,500	\$159,035,350	\$23,692,850	17.51%
Capital Projects	\$16,886,500	\$23,900,000	\$7,013,500	41.53%
State Special	33,651,000	35,541,650	\$1,890,650	5.62%
Federal Special	13,350,000	22,772,450	\$9,422,450	70.58%
Authorization ¹	71,455,000	76,821,250	\$5,366,250	7.51%
Bond Issue/Loans	0	0	\$0	-
Total Funds	\$135,342,500	\$159,035,350	\$23,692,850	17.51%

¹ Does not require appropriation but requires approval of the legislature

Program Discussion

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

Summary of Legislative Action

The Sixty-fifth Legislature authorized a LRBP consisting of 46 projects with total costs of \$159 million in HB 5. The legislature chose not to fund projects with bond proceeds, as initially recommended by the executive. The legislature focused efforts in LRBP towards facility repairs and deferred maintenance projects for the 2019 biennium.

The greatest level of appropriation/authorization was provided to the Montana University System (MUS) in eleven projects at a total cost of \$69.4 million (\$66.4 million in authorizations¹). Additionally, the department of Fish, Wildlife, and Parks (FWP) was provided 19 appropriations that total \$33.2 million, including \$14.4 million for various forms of land acquisition.

Figure 5 shows by agency the projects approved by the legislature for all the capital projects included in HB 5. The detailed project descriptions follow the figure. Note, not all of the projects included in HB 5 are considered LRBP projects, and the figure includes the appropriation of \$3.7 million that was included in HB 5 for the State Building Energy Conservation Program (SBCEP). The SBCEP is discussed in detail on page F-14.

¹ 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 operations and maintenance costs to the state, they must be authorized by the legislature. These funds are typically not “state funds” and include donations and various types of university funds.

Figure 5

Long-Range Building Program - HB 5						
Legislative Appropriation and Authorization - 2019 Biennium						
Approp Agency / Project Agency / Project	LRBP Capital Project Fund	Other Capital Project Funds	State Special	Fed Special	Authorization	Total
Sec. 2 - Appropriations						
Department of Administration, A&E Appropriations						
Life Safety & Deferred Maintenance, Capitol Complex		\$3,500,000				\$3,500,000
Life Safety & Deferred Maintenance, Statewide	5,500,000					5,500,000
Utility Rebate Funds, Statewide			2,000,000			2,000,000
Department of Fish, Wildlife, and Parks						
L&C Caverns State Park - Electrical Upgrades			2,200,000			2,200,000
Admin Facilities Major Maintenance			2,737,000	262,500		2,999,500
Department of Natural Resources and Conservation						
Forestry Division Mechanic Shop, Missoula			300,000			300,000
Department of Public Health and Human Services						
MMHNCC Boiler Replacement and Heating System Upgr	2,500,000					2,500,000
Southwest Veteran's Home - Revised Authority			481,250	893,750	9,831,250	11,206,250
Department of Justice						
Montana Law Enforcement Academy	8,100,000					8,100,000
Montana University System						
Deferred Maintenance, MUS	3,000,000					3,000,000
Liberal Arts Building Renovation, UM					6,000,000	6,000,000
Clinical Psychology Addition, UM					4,000,000	4,000,000
Neural Injury Center, UM					7,000,000	7,000,000
Education Building Expansion, UM					20,000,000	20,000,000
MAES Livestock Complex, MSU					10,000,000	10,000,000
Living Learning Center, MT Tech					8,500,000	8,500,000
Natural Resources Research Center Addition, MT Tech					350,000	350,000
Barnard Hall Renovation, MSU Bozeman					1,500,000	1,500,000
Department of Military Affairs						
UTES/CSMS Wash Facility				2,000,000		2,000,000
Fort Harrison & Miles City Cemetery Improvements				4,000,000		4,000,000
Replace Malta Readiness Center				3,015,000		3,015,000
Female Latrines	200,000			200,000		400,000
Roof Replacements, Statewide	1,100,000			2,200,000		3,300,000
Total Sec. 2 Appropriations	\$20,400,000	\$3,500,000	\$7,718,250	\$12,571,250	\$67,181,250	\$111,370,750
Sec. 3 - Agency Appropriations						
*Department of Environmental Quality (SBECP)						
Energy Improvements		3,700,000				3,700,000
Department of Fish, Wildlife, and Parks						
Parks Program Maintenance			2,000,000			2,000,000
Upland Game Bird Enhancement Program			1,164,000			1,164,000
Wildlife Habitat Maintenance			500,000			500,000
Forest Management			100,000			100,000
Migratory Bird Program			880,000			880,000
Cultural Preservation, Bannack State Park			1,650,000			1,650,000
Makoshika State Park - Road Infrastructure			2,100,000			2,100,000
Grant Programs			222,400	4,900,000		5,122,400
Future Fisheries			1,177,000			1,177,000
FAS Site Protection			500,000	1,743,200		2,243,200
Hatchery Maintenance			550,000		175,000	725,000
Dam Maintenance			60,000			60,000
Community Fishing Ponds			25,000			25,000
Fish Passage Construction, Statewide			183,000	372,000	165,000	720,000
Hatchery Raceways, Murray Springs					300,000	300,000
Department of Military Affairs						
Federal Spending Authority				3,000,000		3,000,000
Department of Transportation						
Maintenance, Repair & Small Projects			2,500,000			2,500,000
Montana University System						
General Spending Authority, UM					6,000,000	6,000,000
General Spending Authority, MSU					3,000,000	3,000,000
Total Sec. 3 - Agency Appropriations	\$0	\$3,700,000	\$13,611,400	\$10,015,200	\$9,640,000	\$36,966,600
Sec. 4 - Land Acquisition						
Department of Fish, Wildlife, and Parks - Land Acquisition						
Habitat Montana			13,324,000			13,324,000
Big Horn Sheep Habitat			370,000			370,000
Home to Hunt Access			220,000			220,000
FAS Acquisition			298,000	186,000		484,000
Total Sec. 4 - Land Acquisition Appropriations	\$0	\$0	\$14,212,000	\$186,000	\$0	\$14,398,000
Total HB 5	\$20,400,000	\$7,200,000	\$35,541,650	\$22,772,450	\$76,821,250	\$162,735,350
*Appropriations to DEQ for the State Building Energy Program						

Project Descriptions

LRBP appropriations and authorizations amounting to \$159.0 million for capital projects are approved in HB 5 from numerous different capital project, state special revenue, federal special revenue, and higher education funds. A brief description of the LRBP projects included in HB 5 is provided below. Some of the acronyms used frequently in this section include:

- HVAC – heating, ventilation, air conditioning
- Sq/ft – square feet
- SSR – state special revenue
- FSR – federal special revenue
- SW – statewide
- Authorization - grants/donations/auxiliary funds/university funds/local government funds not requiring appropriation; provides the legislative consent to use non-state funds

*Projects by Agency*Department of Administration (DOA)

- Life Safety & Deferred Maintenance, Capitol Complex - \$3,500,000 Capital Land Grant Account (05008) appropriated to DOA. This project provides funding for deferred maintenance projects on the capitol complex. Note: According to the Office of Budget and Program Planning, this appropriation replaces general fund rent for the common areas of the capitol complex
- Life Safety & Deferred Maintenance, Statewide - \$5,500,000 LRBP Capital Projects Funds (05007) appropriated to DOA. This project provides funding to address and correct life safety, code compliance, deferred maintenance, accessibility, hazardous material remediation, and energy related deficiencies in agency facilities, statewide
- Utility Rebate Funds, Statewide - \$2,000,000 Non-State SSR (02226) appropriated to DOA. This project will make use of utility company energy conservation funds to reduce state energy use by implementing energy retrofit projects to state facilities

Department of Environmental Quality (DEQ)

- Energy Improvements, Statewide - \$900,000 Energy Cons. Repayment Acct. (05), \$2,800,000 Energy Cons. SSR Acct. (05) appropriated to DEQ. This project will provide improvements to state facilities that reduce energy costs. This appropriation is for State Building Energy Conservation Program (SBCEP) projects. For more information about this program, see the SBCEP section on page F-14 of this report

Department of Justice

- Montana Law Enforcement Academy (MLEA) - \$8,100,000 LRBP Capital Project Funds (05007) appropriated to DOA. This project will provide repairs and improvements to five dormitories and the cafeteria at the MLEA. Note: HB 650 includes a transfer of \$6.63 million to the Long-Range Building Program capital projects fund for the MLEA project. There is no legislatively provided transfer for the remaining \$1.47 million of funding needed for this project. The Department of Justice will need to transfer the remaining project monies to make use of the full project appropriation

Department of Military Affairs (DMA)

- Female Latrines - \$200,000 LRBP Capital Project Funds (05007) and \$200,000 Long-Range Building FSR (03244) appropriated to DOA. This project would add showers and latrine facilities to readiness centers that were constructed with minimal facilities for females
- Roof Replacements, Statewide - \$1,100,000 LRBP Capital Project Funds (05007) and \$2,200,000 Long-Range Building FSR (03244) appropriated to DOA. This project will provide

- for roof replacements statewide, including top priority projects at both the Billings and Helena Armed Forces Reserve Centers
- UTES/CSMS Wash Facility - \$2,000,000 Long-Range Building FSR (03244) appropriated to DMA. This project will provide for upgrades in the wash facility and will provide compliance with environmental impacts from vehicles being washed as they exit the range
 - Fort Harrison & Miles City Cemetery Improvements - \$4,000,000 Long-Range Building FSR (03244) appropriated to DMA. This project will provide for the construction of an Information Center and “memorial wall” and will enhance roads and grounds at the cemeteries
 - Replace Malta Readiness Center - \$3,015,000 Military Capital Construction Fund (03056) appropriated to DMA. The Malta Readiness Center construction was originally intended to start in 2016. It has been delayed until 2019. This project was proposed and approved during the 63rd Legislative Session including an appropriation of \$15,000,000. The new authority increases the previous appropriation due to the increases in construction costs
 - Federal Spending Authority - \$3,000,000 National Guard FSR (03132) appropriated to DMA. This project will provide funding for the repair and maintenance, minor construction, and facility improvements statewide

Department of Fish, Wildlife, and Parks (FWP)

- L&C Caverns State Park – Electrical Upgrades - \$1,164,706 FWP Accommodations Tax (02274), \$443,697 Coal Tax Trust Account (02408), and \$591,597 State Parks Miscellaneous SSR (02411) appropriated to DOA. This project will upgrade aging electrical and lighting infrastructure in the park
- Admin Facilities Repair & Maintenance - \$2,020,000 FWP General License Acct. (02049), \$717,000 Real Estate Trust Earnings SSR (02410), and \$262,500 Federal (W/B) and Wildlife (P/R) (03097) appropriated to DOA. This project will address ongoing maintenance and repair at administrative sites to protect them from deterioration
- Parks Program Maintenance - \$2,000,000 of SSR funding through a combination of FWP Accommodations Tax (02274), Coal Tax Trust (02408), and State Parks Miscellaneous (02411) appropriated to FWP. This project will rehabilitate existing facilities, infrastructure, and park sites with a priority placed on projects that improve sanitation and safety in the parks
- Upland Game Bird Enhancement Program - \$950,000 Upland Game Bird Habitat SSR (02113) and \$214,000 Upland Game Bird Planting SSR (02687) appropriated to FWP. This project will provide landowners with funding to restore/establish habitat and also implement the mandatory pheasant release program
- Wildlife Habitat Maintenance - \$500,000 Habitat Trust Interest SSR (02469) appropriated to FWP. This project will provide funding for the maintenance of wildlife management areas in accordance with state requirements
- Forest Management Project - \$100,000 Fish & Wildlife Forest Mgt. SSR (02084) appropriated to FWP. This project will implement forest management practices on FWP lands
- Migratory Bird Program - \$880,000 Migratory Bird Fund (02085) appropriated to FWP. This project will provide for the protection, conservation, and enhancement of wetland habitat
- Cultural Preservation, Bannack State Park – \$873,529 FWP Accommodations Tax (02274), \$332,773 Coal Tax Trust Account (02408), and \$443,698 State Parks Miscellaneous SSR (02411) appropriated to FWP. This project will provide funding for roof replacements, sill log replacements, building envelope maintenance, windows, and related specialized maintenance at Bannack, including the installation of a fire alarm system
- Makoshika State Park - Road Infrastructure – \$1,111,765 FWP Accommodations Tax (02274), \$443,529 Coal Tax Trust Account (02408), and \$564,706 State Parks Miscellaneous SSR (02411) appropriated to FWP. This project involves the removal of existing asphalt surfaces, installation of a new sub-base, and repaving of the primary access route in the park. Additional work on pedestrian bridges and stair structures is also a part of the project
- Grant Programs - \$5,400 OHV Noxious Weeds SSR (02057), \$65,000 Off Hwy Vehicle Gas Tax SSR (02213), \$152,000 Off Hwy Vehicle SSR (02239), \$3,500,000 Parks FSR (03098), and

- \$1,400,000 Land & Water Conservation Fund Pass-through Account (03406) appropriated to FWP. This project distributes the off-highway vehicle grants, recreational trails program grants, and land & water conservation fund grants
- Future Fisheries - \$927,000 RIT Bull/Cutthroat Trout Enhancement Fund (02022) and \$250,000 River Restoration Account (02149) appropriated to FWP. This project will provide funding for statewide fish habitat restoration projects
 - Fishing Access Site Protection - \$50,000 Motorboat Fees SSR, \$1,000,000 FWP General License Acct. (02049), and \$800,000 Federal (W/B) and Wildlife (P/R) (03097) appropriated to FWP. This project will install and rehabilitate basic facilities at fishing access sites (FAS)
 - Hatchery Maintenance - \$550,000 FWP General License Acct. (02049) and \$175,000 Donations (08410) appropriated to FWP. This project will provide repairs and preventive maintenance at ten state fish hatcheries across Montana
 - Dam Maintenance - \$60,000 FWP General License Acct. (02049) appropriated to FWP. This project will fund repairs to FWP-owned dams
 - Community Fishing Ponds - \$50,000 FWP General License Acct. (02049) appropriated to FWP. This project will develop community fishing ponds to promote family fishing activities
 - Fish Passage Construction, Statewide - \$73,000 Native MT Fish Species Enhancement SSR (02022), \$110,000 FWP General License Acct. (02049), \$372,000 Miscellaneous Federal Funds (03403), and \$165,000 Donations (08103) appropriated to FWP. This project provides for the construction of fish passages, barriers, screens, or migration blocking structures to prevent hybridization or competition from other fish species
 - Hatchery Raceways, Murray Springs - \$300,000 Donations (08041) authorized for FWP. This project is for construction of concrete raceways at the Murray Springs hatchery

FWP – Land Acquisition

- Habitat Montana - \$13,280,000 Wildlife Habitat SSR (02114), \$5,000 Mule Deer Auction SSR (02559), and \$39,000 Elk Auction SSR (02560) appropriated to FWP. This project secures wildlife habitats through conservation easement, fee title acquisition, or long-term lease
- Bighorn Sheep Habitat - \$370,000 Mountain Sheep Account (02086) appropriated to FWP. This project will protect mountain sheep habitat through acquisition of interest in land either by easement, lease, or fee title
- Home to Hunt Access - \$220,000 Hunting Access SSR (02459) appropriated to FWP. This project provides funding for access to public lands through private lands by easements, leases, or fee title
- Fishing Access Site Acquisition - \$298,000 Fishing Access Site Acquisition SSR (02415) and \$186,000 Federal (W/B) and Wildlife (P/R) (03097) appropriated to FWP. This project will enable FWP to acquire interest in lands for angler access to public waterways

Department of Natural Resource and Conservation

- Forestry Division Mechanic Shop, Missoula - \$300,000 SSR (02) appropriated to DOA. This project will construct a new mechanic shop at the DNRC Missoula campus for Southwest Land Office and Nursery. The project will allow mechanics to provide automotive maintenance on over 100 pieces of rolling stock, including fire trucks, passenger vehicles, and agricultural equipment

Department of Public Health and Human Services

- Montana Mental Health Nursing Care Center (MMHNCC) Boiler Replacement and Heating System Upgrades, Lewistown - \$2,500,000 LRBP Capital Project Funds (05007) appropriated to DOA. This project will provide for the replacement of the boiler heating system and domestic hot water system with a new high-efficiency system
- Southwest Veterans' Home - \$481,250 SW Vets Home SSR, \$893,750 FSR, \$9.8 million authority appropriated to DOA. This appropriation increases previous appropriations for the

current estimate for the construction of the veterans' home and provides the authorization to use donated funds for the project costs if federal funding does not materialize and donations become available

Department of Transportation (MDT)

- Statewide Maintenance, Repair & Small Projects - \$2,500,000 Restricted Highway SSR (02422) appropriated to MDT. This project provides for routine/annual preventive maintenance to existing facilities, and funds small construction projects statewide

Montana University System (MUS)

- Deferred Maintenance, MUS - \$3,000,000 LRBP Capital Projects Funds (05007) appropriated to DOA. This project provides funding to correct building and infrastructure safety and deficiencies at MUS facilities
- Liberal Arts Building Renovation, UM - \$6,000,000 Authorization to DOA. This project will replace windows, install fire sprinklers, upgrade life safety, and renovate the HVAC system to include air conditioning in the Liberal Arts building
- Clinical Psychology Addition, UM - \$4,000,000 Authorization to DOA. This project will expand Clinical Psychology Center on the Missoula campus
- Neural Injury Center, UM - \$7,000,000 Authorization to DOA. This project will construct a new addition at the Neural Injury Center on the Missoula campus
- Education Building Expansion, UM - \$20,000,000 Authorization to DOA. This project will construct a new building addition for the Phyllis J. Washington College of Education
- MAES Livestock Complex, MSU - \$10,000,000 Authorization to DOA. This project will construct space for equine science, equitation, livestock judging, rodeo classes, practice, and practicums
- Living Learning Center, MT Tech - \$8,500,000 Authorization to DOA. This project will be combined with \$14.0 million of Board of Regents' revenue-producing facility approval for the construction of two floors for student housing and a third floor for a combined academic support and student center
- Natural Resources Research Center Addition, MT Tech - \$350,000 Authorization to DOA. This project provides authority for the completion of the Nanotechnology Laboratory in the Natural Resources Research Center Addition, initiated in the 2011 biennium
- Barnard Hall Renovation, MSU Bozeman - \$1,500,000 Authorization to DOA. This project will provide for the renovation of Barnard Hall, including updating electrical systems, lighting, mechanical systems adjustments, communication networks, and furnishings for student study and work needs
- General Spending Authority, UM - \$6,000,000 Authorization to UM. This project will fund various projects exceeding \$150,000 that do not result in an increase of state O&M at University of Montana campuses across the state
- General Spending Authority, MSU - \$3,000,000 Authorization to MSU. This project will fund various projects exceeding \$150,000 that do not result in an increase in state O&M at Montana State University campuses across the state

Future Operations and Maintenance Costs

When approving the construction of new buildings and space, the legislature considers the budgetary impacts of the future costs of operations and maintenance (O&M). For new space requested by the university system (MUS), the Office of Budget and Program Planning (OBPP) analyzes the uses of the proposed buildings to determine what portion of the future O&M costs are associated with academic or academic support functions and therefore should fall to the responsibility of the state. The state portion of the future costs of the university projects are negotiated between OBPP and MUS and are presented as part of the project hearings to foster legislative understanding of future budget impacts. Figure 6 shows the future cost projections for new space projects appropriated and authorized by the Sixty-fifth Legislature.

Figure 6

Future Operations and Maintenance (O&M) Costs New Space Projects Approved by the 65th Legislature			
Project	Occupancy Date	2019 Biennium	2021 Biennium
Clinical Psychology Addition	March 2019	\$0	\$118,132
Neural Injury Center, UM Missoula	March 2019	0	188,583
Educational Building Expansion, UM Missoula	January 2019	0	593,623
MAES Ag Livestock Complex, MSU Bozeman	January 2021	0	264,062
Total Future O&M Costs		\$0	\$1,164,400

Figure 6 includes the projected occupation date and the state O&M costs that occur with the legislative approval of new space. By agreement with OBPP, the universities have agreed not to charge the state for new space O&M costs in the 2019 biennium. For the O&M costs projected in the 2021 biennium, the cost projections for the 2019 biennium are increased by 1.5%.

Funding

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

Long-Range Building Program Capital Projects Fund:

While not the largest source of funding for capital projects, the LRBP capital projects fund is the primary source of funding for major maintenance in the state building program.

As shown in Figure 7, the LRBP capital projects fund will begin the 2019 biennium with an projected balance of a negative \$1.5 million. The negative balance is due to over-appropriation in the 2017 budget and lower than expected revenues throughout the 2017 biennium. LRBP account revenues include 2.6% of cigarette tax revenue and 12.0% of coal severance tax revenue. Other income includes LRBP interest earnings, supervisory fees paid to A&E, and energy saving transfers from the State Building Energy Conservation Program. These sources are expected to provide \$19.4 million in program revenues, fees, and earnings. Additionally, the Department of Justice will transfer \$8.1 million to the account in support of improvements at the Montana Law Enforcement Academy.

Figure 7

Long-Range Building Program Fund (05007) Fund Balance Projection 2019 Biennium			
	FY 2018 Projected	FY 2019 Projected	2019 Biennium Projected
Estimated Beginning Fund Balance	(\$1,506,841)	(\$6,790,296)	(\$1,506,841)
Revenues¹			
Cigarette Tax	\$1,770,880	\$1,759,970	\$3,530,850
Coal Severance Tax	6,801,731	7,023,261	13,824,991
Interest Earnings	429,593	429,593	859,186
Supervisory Fees	381,899	381,899	763,798
Energy Savings Transfer	225,000	225,000	450,000
Department of Justice Transfer	<u>8,100,000</u>	<u>0</u>	<u>8,100,000</u>
Total Revenues	\$17,709,103	\$9,819,723	\$27,528,825
Expenditures			
Operating Costs-A & E Division ²	\$2,162,289	\$2,169,386	\$4,331,675
Debt Service-2015A	1,095,269	657,086	1,752,355
Funding Switch	(665,000)	(657,086)	(1,322,086)
LRBP Program - HB 5	<u>20,400,000</u>	<u>0</u>	<u>20,400,000</u>
Total Expenditures	\$22,992,558	\$2,169,386	25,161,944
Estimated Ending Fund Balance	(\$6,790,296)	\$860,041	\$860,041
¹ HJ 2			
² HB 2 Authority			
Assumes all outstanding project appropriations are expended in FY 2017			

Non-project appropriations allocated to the LRBP fund include A&E administrative costs and debt service costs. The A&E administrative cost is \$4.3 million and is appropriated in HB 2 from the LRBP state special revenue fund (after transfer from the LRBP capital projects fund). After consideration of a \$1.3 million funding switch established by the 2001 Legislature, the LRBP is responsible for \$430,269

of debt service for bonds authorized by the 1995 Legislature. The 2019 biennium marks the end of the debt service obligation for the LRBP capital projects account. Finally, the legislature appropriated \$20.4 million for LRBP projects from the capital projects fund. As a result, the balance by the end of the 2019 biennium is estimated to be \$860,041.

Capital Land Grant Capital Projects Fund: Capitol land grant (CLG) revenues, derived from trust lands designated in the Enabling Act for the state capitol complex, were at one time used as a source of LRBP funding for capital projects. Additionally, the fund has paid debt service on LRBP bonds issued in in the mid-1990's. In FY 2017, the final payment of debt service from the fund will be paid. More recently, the fund was appropriated for the new Helena Data Center and upgrades to the facility. Note: Funding from this source must only be used for projects on the Montana Capitol Complex (10 mile radius from the Capital building per the requirements of the Enabling Act).

Figure 8

Capitol Land Grant Fund (05008) Fund Balance Projection 2019 Biennium			
	FY 2018 Projected	FY 2019 Projected	2019 Biennium Projected
Estimated Beginning Fund Balance	\$3,975,856	\$1,647,119	\$3,975,856
Revenues ¹			
Land Grant Interest & Earnings	1,171,262	1,393,336	2,564,598
Total Revenues	1,171,262	1,393,336	2,564,598
Expenditures			
HB 5 - Life Safety/Deferred Maint.	3,500,000	0	3,500,000
Total Expenditures	\$3,500,000	\$0	3,500,000
Estimated Ending Fund Balance	\$1,647,119	\$3,040,455	\$3,040,455
¹ HJ 2 Assumes all outstanding project appropriations are expended in FY 2017			

Figure 8 provides the fund balance projection for the CLG. The fund is projected to begin the 2019 biennium with a balance of \$4.0 million. The beginning fund balance takes into consideration all existing appropriation authority in the fund. As noted earlier, the fund had been supporting the debt service payments of LRBP bonds, which will reach maturity in FY 2017. As a result, there are no more debt service payments expected for the fund. The fund is projected to receive \$2.6 million of revenues in the 2019 biennium. Taking into account the expenditures associated with the proposed HB 5 appropriation for capitol campus life safety/deferred maintenance projects of \$3.5 million, at the end of the 2019 biennium the CLG is projected to have a balance of \$3.0 million.

Executive Budget Comparison

Figure 9 provides the legislative changes from the executive budget proposal.

Figure 9

Executive Budget Comparison				
Budget Item	Executive 2019 Biennium Proposed	Legislative 2019 Biennium Appropriated	Change	% Change
LRBP Project Costs	\$147,076,100	\$159,035,350	\$11,959,250	8.13%
Total Costs	\$147,076,100	\$159,035,350	\$11,959,250	8.13%
Capital Projects	\$3,500,000	\$23,900,000	\$20,400,000	582.86%
State Special	32,760,400	35,541,650	2,781,250	8.49%
Federal Special	21,878,700	22,772,450	893,750	4.09%
Authorization ¹	9,640,000	76,821,250	67,181,250	696.90%
Bond Issue/Loans	79,297,000	0	(79,297,000)	-
Total Funds	\$147,076,100	\$159,035,350	\$11,959,250	8.13%
¹ Does not require appropriation but requires approval of the legislature				

The changes from the executive budget request net to an increase of \$12 million or 8.1%. Significant changes included the elimination of three large building projects that were to be funded with the

proceeds from bond issues, elimination of the proposed transfer of LRBP capital project funds to the general fund, and a significant increase in authority to spend non-state funds for LRBP projects. After adjusting (reducing) for the use of non-state funds, the legislative LRBP budget was reduced by \$55.2 million or 40.2% from the executive proposal. Specifics of the changes are:

Significant reductions including:

- Montana Heritage Center project – \$27.7 million of bond proceeds
- Romney Hall renovation project – \$25 million of bond proceeds and \$3 million in authority
- Southwestern Veterans' Home project – \$16.8 million of bond proceeds

Significant increases including:

- Montana Law Enforcement Academy - \$8.1 million of capital project funds
- Parks program maintenance - \$2.0 million of state special revenue
- New forestry division mechanic shop - \$300,000 of state special revenue

Additions of Authority (non-state funded) projects including:

- Liberal Arts Building Renovation, UM - \$6.0 million
- Clinical Psychology Addition, UM - \$4.0 million
- Neural Injury Center, UM – \$7.0 million
- Education Building Expansion, UM - \$20.0 million
- MAES Livestock Complex, MSU - \$10.0 million
- Living Learning Center, MT Tech - \$8.5 million
- Natural Resources Research Center Addition, MT Tech - \$350,000
- Barnard Hall Renovation, MSU Bozeman – \$1.5 million
- General Spending Authority, MSU - \$3.0 million
- Southwest Veterans' Home Authority - \$9.8 million

Other Legislation

SB 43 - The Sixty-fifth Legislature passed this legislation that will require DOA to compile a full inventory of state owned buildings and complete a facility condition assessment (FCA) on all LRBP eligible buildings with a replacement value of more than \$150,000. The FCA for each building is intended to be updated on a recurring cycle. The legislation allows DOA to compile any FCA information prepared by agencies for tracking their maintenance needs. This approach is intended to provide a full understanding of the condition of state owned buildings to help guide future appropriations and expenditures.

STATE BUILDING ENERGY CONSERVATION PROGRAM

Program Budget Comparison

Figure 10 compares the 2017 biennium appropriated budget to the 2019 biennium appropriated budget by type of expenditure and source of funding.

Figure 10

Program Budget Comparison				
Budget Item	Budget 2017 Biennium	Budget 2019 Biennium	Biennium Change	Biennium % Change
	<u>Appropriated</u>	<u>Appropriated</u>		
Projects Costs	\$2,500,000	\$3,700,000	\$1,200,000	48.00%
Total Costs	\$2,500,000	\$3,700,000	\$1,200,000	48.00%
Capital Project Funds	\$2,500,000	\$3,700,000	\$1,200,000	48.00%
Total Funds	\$2,500,000	\$3,700,000	\$1,200,000	48.00%

Program Discussion

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

Projects with the potential for energy savings are funded through the SBECP, and are often jointly funded with the Long-Range Building Program deferred maintenance funds.

Summary of Legislative Action

The Sixty-fifth Legislature provided \$3.7 million of appropriations for the SBECP in the 2019 biennium. Figure 11 shows the projects appropriated in HB 5 and includes the anticipated annual energy savings associated with the projects and the total years to repay project costs.

Figure 11

State Building Energy Conservation Program (SBECP)				
Department	Project Title	Project Costs	Est. Annual Savings	Simple Payback/Yrs
Department of Fish, Wildlife, and Parks	Fort Peck Hatchery Design and Development	\$100,000	\$8,377	15
	Region 3 Bozeman Necropsy Lab	50,000	4,188	15
Department of Corrections	Women's Prison Tower Energy Improvements	300,000	25,130	15
Department of Public Health and Human Services	Montana Mental Health Nursing Care Center	500,000	41,883	15
	Warm Springs Greenhouse Improvements	50,000	4,188	15
Department of Labor and Industry	Hamilton Job Service Center	50,000	4,188	15
Montana University System	MSU Northern Brockman Retro-Cx	90,000	7,539	15
	Campus Lighting Projects using LED technology	500,000	41,883	15
State-wide Energy Improvements	Photovoltaic Solar Install with Roof Replacements	1,200,000	80,659	20
	Lighting Upgrade Projects in State Facilities	860,000	72,039	15
Total Funding / Savings		\$3,700,000	\$290,074	

FUNDING

The SBECP has been fashioned to operate as a “revolving loan program”. Agencies in effect 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, SBECP “loan” repayments are scheduled to generate an average of \$1.7 million per year in the 2019 biennium.

In addition to providing energy conservation construction dollars, the SBECP funding would also supports \$1.0 million in administrative costs in the biennium. Incoming loan repayments that were financed with the proceeds of bond issues are used to pay the debt service on general obligation bonds, that were initially used to fund the program costs. That practice stopped when in the 2009 Legislative Session the program received significant federal funding through the stimulus plan and converted SBECP to a revolving loan program. In the 2019 biennium, the program has just one bond issue outstanding that was issued in 2006. In the 2019 biennium, the associated debt service will cost the program \$682,455. The final payment of the debt service is scheduled to occur in FY 2022.

Executive Budget Comparison

The Sixty-fifth Legislature made no changes from the executive request for the SBECP.

Other Legislation

The Sixty-fifth Legislature did not enact any other legislation that would directly impact the SBECP program.

LONG-RANGE INFORMATION TECHNOLOGY PROGRAM

Program Budget Comparison

Figure 12 compares the 2017 biennium appropriated budget to the 2019 biennium appropriated budget by type of expenditure and source of funding.

Figure 12

Program Budget Comparison				
Budget Item	Budget 2017 Biennium	Budget 2019 Biennium	Biennium Change	Biennium % Change
Projects Cost	\$35,300,000	\$0	(\$35,300,000)	-100.0%
Other Costs	\$75,000	0	(75,000)	-100.0%
Total Costs	\$35,375,000	\$0	(\$35,375,000)	-100.0%
Capital Project Fund ¹	\$9,300,000	\$0	(\$9,300,000)	-100.0%
General Fund ²	7,500	0	(7,500)	-100.0%
State Special	3,717,500	0	(3,717,500)	-100.0%
Federal Special	22,350,000	0	(22,350,000)	-100.0%
Other/Proprietary	0	0	0	-
Total Funds	\$35,375,000	\$0	(\$35,375,000)	-100.0%
¹ General fund is a transfer to the capital project fund				
² Non-Project Appropriation				

Program Discussion

The Long-Range Information Technology Program (LRITP) provides an alternative method of funding large information technology (IT) investments. The LRITP consolidates all major IT projects in one appropriation bill and defines major IT enterprises as capital projects. All of the executive branch projects included in the LRITP program will be overseen by the state chief information officer (CIO) within the Department of Administration (DOA).

Summary of Legislative Action

The Sixty-fifth Legislature did not provide appropriations for the LRITP for the 2019 biennium.

Funding

Funding for LRITP capital projects is made through the LRITP capital projects fund. The LRITP fund does not have a dedicated revenue source, but instead relies on fund transfers and agency funds to pay the costs of major IT projects.

Executive Budget Comparison

The Sixty-fifth Legislature agreed with the executive proposal to provide no appropriations for LRITP.

Other Legislation

HB 2 - The Sixty-fifth Legislature directed the Legislative Finance Committee (for the interim beginning in June, 2017) to include a study of enterprise, data storage, and network services as a part of its 2019 interim work plan.

TREASURE STATE ENDOWMENT PROGRAM

Program Budget Comparison

Figure 13 compares the 2017 biennium appropriated budget to the 2019 biennium appropriated budget by type of expenditure and source of funding.

Figure 13

Program Budget Comparison				
Budget Item	Budget 2017 Biennium	Budget 2019 Biennium	Biennium Change	Biennium % Change
Number of Grants Funded (infrastructure)	24	26	2	8.3%
Number of Grants Funded (bridge)	9	9	0	0.0%
Infrastructure Grants Cost	\$13,941,000	\$15,925,000	\$1,984,000	-
Bridge Grants Cost	3,988,000	3,747,151	(240,849)	-
Other Grants Cost	1,000,000	1,000,000	0	0.0%
Total Costs	\$18,929,000	\$20,672,151	\$1,743,151	5.0%
State Special	\$18,929,000	\$20,672,151	\$1,743,151	9.2%
Total Funds	\$18,929,000	\$20,672,151	\$1,743,151	5.0%

Program Discussion

The Treasure State Endowment Program (TSEP) is a local government infrastructure-financing program approved by Montana voters with the passage of Legislative Referendum 110 in June 1992. Grant funding for the program is derived from investment earnings on coal severance tax funds. According to 90-6-702, MCA, the purpose of TSEP is to assist local governments in funding infrastructure projects. Eligible applicants include cities, towns, counties, and tribal governments, county or multi-county water, sewer, or solid waste districts. The TSEP is administered by the Department of Commerce (DOC). The TSEP administrators recommend and the legislature authorizes grants through a procedure that ranks the projects according to seven statutory priorities and relative financial need. Projects are generally funded in priority order, given the amount of interest earnings anticipated in the biennium.

Summary of Legislative Action

The 2017 Legislature appropriated \$20.7 million for TSEP in HB 11 for the 2019 biennium. The TSEP budget was \$1.7 million, or 5.0% greater than the levels of appropriation in the 2017 biennium. From the total appropriations, \$3.7 million funds 9 bridge grants and \$15.9 million funds the highest ranked 26 infrastructure grants. Language included in the bill allows infrastructure projects ranked 27 through 29 to be funded if any of the higher ranked projects withdraw their request. Other appropriations in the bill would provide \$100,000 for emergency grants, and \$900,000 for project planning grants. The 2011 Legislature made changes to the TSEP program, requiring bridge projects to be ranked separately from infrastructure projects and limiting the funding for bridge projects to up to 20% of the interest earnings of the Treasure State Endowment trust, which in the 2019 biennium would equal \$3.6 million after the revised amount of interest earnings provided in HJ 2.

A complete list of the TSEP projects authorized by the Sixty-fifth legislature is seen Figure 14 on the following page. Given the legislature's intent to assess bridges separately, the bridge projects and infrastructure projects are shown by category.

Figure 14

Treasure State Endowment Program (TSEP) 2019 Biennium					
Rank	Applicant	Type of Project	Total Project Cost	Grant Recommended	Cumulative Total
<u>Bridge Program</u>					
1	Missoula County	Bridge	\$1,124,732	\$500,000	\$500,000
2	Park County	Bridge	215,914	107,957	607,957
3	Madison County	Bridge	474,568	237,284	845,241
4	Prairie County	Bridge	1,472,148	160,000	1,005,241
5	Gallatin County	Bridge	1,421,041	684,800	1,690,041
6	Carbon County	Bridge	1,658,739	750,000	2,440,041
7	Lewis & Clark County	Bridge	619,970	309,985	2,750,026
8	Judith Basin County	Bridge	503,444	247,125	2,997,151
9	Powell County	Bridge	1,594,104	750,000	3,747,151
Total TSEP Bridge Projects			\$9,084,660	\$3,747,151	
<u>Infrastructure Program</u>					
1	Sanders Co. Sewer District at Paradise	Wastewater	3,244,000	\$750,000	\$750,000
2	Beaverhead Co. Jackson W&S District	Water	588,000	294,000	1,044,000
3	Denton, Town of	Wastewater	2,536,000	625,000	1,669,000
4	Helena, City of	Wastewater	2,827,840	750,000	2,419,000
5	Absarokee W&S District	Water	3,723,828	500,000	2,919,000
6	Medicine Lake, Town of	Wastewater	2,730,600	625,000	3,544,000
7	Froid, Town of	Wastewater	3,313,550	750,000	4,294,000
8	Cut Bank, City of	Water	2,231,000	750,000	5,044,000
9	Eureka, Town of	Wastewater	1,310,000	555,000	5,599,000
10	Nine Mile W&S District	Water	4,823,270	750,000	6,349,000
11	South Wind W&S District	W&WW	1,558,500	750,000	7,099,000
12	Livingston, City of	Wastewater	15,996,231	625,000	7,724,000
13	Townsend, City of	Wastewater	5,072,725	625,000	8,349,000
14	Scobey, City of	Water	3,724,500	500,000	8,849,000
15	Manhattan, Town of	Wastewater	1,223,621	611,800	9,460,800
16	Stanford, Town of	Water	1,229,576	500,000	9,960,800
17	Hot Springs, Town of	Water	1,087,632	478,632	10,439,432
18	Sheridan, Town of	Water	1,388,000	625,000	11,064,432
19	Simms County Sewer District	Wastewater	1,682,900	750,000	11,814,432
20	Circle, Town of	Water	1,250,000	625,000	12,439,432
21	Lockwood W&S District	Water	3,180,000	625,000	13,064,432
22	Harlowton, City of	Water	1,533,000	750,000	13,814,432
23	Cascade, Town of	Wastewater	1,043,001	500,000	14,314,432
24	Shelby, City of	Water	1,757,833	750,000	15,064,432
25	Dutton, Town of	Water	1,160,000	500,000	15,564,432
26	Butte-Silver Bow	Wastewater	698,573	349,286	15,913,718
Projects below this line are funded if higher ranked projects terminate their request					
27	Winifred, Town of	Water	1,390,500	500,000	16,413,718
28	Ryegate, Town of	Wastewater	1,922,000	500,000	16,913,718
29	Whitefish, City of	Wastewater	17,366,666	750,000	17,663,718
Total TSEP Infrastructure Projects			\$91,593,346	\$17,663,718	
Total TSEP Program			\$100,678,006	\$21,410,869	

Funding

Figure 15 shows the projected ending fund balance of the TSEP state special revenue fund for the 2019 biennium. The TSEP fund is estimated to begin the biennium with a fund balance of \$2.3 million following adjustments from projects authorized in prior biennia. TSEP interest earnings are expected to be \$18.1 million for the 2019 biennium.

The legislature made several appropriations from the TSEP state special fund. First, \$1.3 million was appropriated for the administrative costs of the program in HB 2. Other appropriations in the TSEP bill are \$1.0 million for planning and emergency grants. Finally, the legislature provided appropriations of

\$3.7 million for TSEP bridge grants and \$15.9 million for TSEP infrastructure grants. By the end of the 2019 biennium, the TSEP state special fund is expected to have an ending fund balance of negative \$1.6 million.

Figure 15

Treasure State Endowment Fund (02270) Fund Balance Projection - 2019 Biennium			
	FY 2018 Projected	FY 2019 Projected	Projected 2019 Biennium
Total Beginning Fund Balance ³	2,269,043	(9,898,159)	2,269,043
Revenue Projections ¹			
Interest/Investment Earnings	<u>9,152,242</u>	<u>8,968,435</u>	<u>18,120,677</u>
Total Revenue	9,152,242	8,968,435	18,120,677
Expenditures			
Administration - Commerce ²	647,293	648,346	1,295,639
Emergency Grants	100,000		100,000
Planning Grants	900,000		900,000
Bridge Grants	3,747,151		3,747,151
Infrastructure Grants	<u>15,925,000</u>	<u>0</u>	<u>15,925,000</u>
Total Expenditures	21,319,444	648,346	21,967,790
Estimated Ending Fund Balance	(\$9,898,159)	(\$1,578,071)	(\$1,578,071)
¹ HJ2			
² HB 2			
³ Assumes all outstanding authority is expended			

Note: The TSEP program was budgeted anticipating a higher level of interest and earnings derived from the Treasure State Endowment trust. The projections for interest and earnings were changed in the April adjustments to HJ 2, the legislative revenue estimates. The negative balance does not mean the agency will expend to an actual negative balance, but that appropriations provided for the account exceed anticipated revenues. As a result, the agency will need to manage available funds across the project costs.

Executive Budget Comparison

As shown in Figure 16, the legislature appropriated the TSEP budget that was \$2.9 million, or 8.1% higher than the executive proposal. The executive had recommended transferring the dedicated

Figure 16

Executive Budget Comparison				
Budget Item	Executive 2019 Biennium	Legislative 2019 Biennium	Change	% Change
Budget Item	<u>Proposed</u>	<u>Appropriated</u>		
Number of Grants Funded (infrastructure)	24	26	2	8.3%
Number of Grants Funded (bridge)	5	9	4	80.0%
Infrastructure Grants Cost	\$0	\$15,925,000	\$15,925,000	-
Bridge Grants Cost	0	3,747,151	3,747,151	-
Other Grants Cost	1,000,000	1,000,000	0	0.0%
Bond Proceeds Grants Cost	16,754,473		(16,754,473)	-100.0%
Total Costs	\$17,754,473	\$20,672,151	\$2,917,678	8.1%
State Special	\$1,000,000	\$20,672,151	\$19,672,151	1967.2%
Bond Proceeds	16,754,473		(16,754,473)	-
Total Funds	\$17,754,473	\$20,672,151	\$2,917,678	8.1%

revenues from the TSEP program and funding \$16.8 million of bond proceeds for 5 bridge and 24 infrastructure projects. The legislature appropriated \$19.7 million of cash funding for 9 bridge grants and 26 infrastructure grants from the interest earnings of the TSEP trust, with no project funding from bond proceeds.

Other Legislation

The Sixty-fifth Legislature did not enact any other legislation that would directly impact the TSEP program.

TREASURE STATE ENDOWMENT REGIONAL WATER PROGRAM

Program Budget Comparison

Figure 17 compares the 2017 biennium appropriated budget to the 2019 biennium appropriated budget by type of expenditure and source of funding.

Figure 17

Program Budget Comparison				
Budget Item	Budget 2017 Biennium	Budget 2019 Biennium	Biennium Change	Biennium % Change
Projects Funding	\$4,259,761	\$4,943,389	683,628	16.05%
Total Costs	\$4,259,761	\$4,943,389	\$683,628	16.05%
State Special	\$4,259,761	\$4,943,389	683,628	16.05%
Total Funds	\$4,259,761	\$4,943,389	\$683,628	16.05%

Program Discussion

The 1999 Legislature created the treasure state endowment regional water system fund as a new sub-trust within the coal tax permanent trust. The Treasure State Endowment Program Regional Water System (TSEPRW), established in 90-6-715, MCA, was created to provide a state match for the receipt of federal funds for large regional water projects. The program is administered by the Department of Natural Resources and Conservation (DNRC). Interest from the trust can be distributed as a match to federal and local funds to the regional water authorities that have met certain conditions including:

- An executed agreement with DNRC
- A DNRC approved management plan
- A financial accounting system that conforms to GAAP principles
- A detailed preliminary engineering report

The interest from the trust is also used to pay administrative costs to the DNRC and the four regional water authorities:

- Dry Prairie Regional Water Authority (federally authorized)
- North Central Montana Regional Water Authority (federally authorized)
- Dry-Redwater Regional Water Authority
- Musselshell-Judith Regional Water Authority

Summary of Legislative Action

The legislature provided appropriations of \$4.9 million for the TSEPRW program for the 2019 biennium in HB 11. The funding is expected to be used for preliminary construction projects in the Dry-Redwater and Musselshell-Judith regional water authority systems.

Funding

Figure 18 on the following page shows the estimate for the TSEPRW fund balance. The TSEPRW fund is expected to begin the 2019 biennium with a \$0 balance. Interest and earnings in the 2019 biennium are projected to be \$6.1 million. The legislature appropriated regional water funds in HB 2, which included \$485,876 for the administrative costs of DNRC and \$1.4 million for administrative grants that fund the activities of the four regional water authorities.

After the \$4.9 million appropriation for the state match for regional water projects, the fund is expected to have a fund balance of negative \$733,121 at the end of the 2019 biennium.

Figure 18

TSEP Regional Water System Fund (02015) Fund Balance Projection - 2019 Biennium			
	FY 2018 Projected	FY 2019 Projected	Projected 2019 Biennium
Estimated Beginning Fund Balance	\$0	(\$2,807,434)	\$0
Revenue Projections ¹			
Total Revenues	3,094,893	3,033,251	6,128,144
Expenditures			
Administration - DNRC ²	242,938	242,938	485,876
Regional Water Authority Admin. Grants ²	716,000	716,000	1,432,000
Grant Appropriation ³	<u>4,943,389</u>	<u>0</u>	<u>4,943,389</u>
Total Expenditures	5,902,327	958,938	6,861,265
Estimated Ending Fund Balance	(\$2,807,434)	(\$733,121)	(\$733,121)
¹ HJ 2			
² HB 2			

Note: The TSEPRW program was budgeted anticipating a higher level of interest and earnings derived from the Treasure State Endowment Regional Water trust. The projections for interest and earnings were changed in the April adjustments to HJ 2, the revenue estimate. The negative balance does not mean the agency will expend to an actual negative balance, but that appropriations provided for the account exceed the anticipated revenues. As a result, the agency will need to manage available funds across the project costs.

Executive Budget Comparison

As seen in Figure 19, the executive proposed transferring the dedicated interest earnings from the TSEPRW fund to the general fund and did not include a budget proposal for TSEPRW. The legislature chose instead to retain the earnings in the TSEPRW fund and provide an appropriation of \$4.9 million for the program.

Figure 19

Executive Budget Comparison				
Budget Item	Executive 2019 Biennium Proposed	Legislative 2019 Biennium Appropriated	Change	% Change
Projects Funding	\$0	\$4,943,389	4,943,389	-
Total Costs	\$0	\$4,943,389	\$4,943,389	-
State Special	\$0	\$4,943,389	4,943,389	-
Total Funds	\$0	\$4,943,389	\$4,943,389	-

Other Legislation

The Sixty-fifth Legislature did not enact any other legislation that would directly impact the TSEPRW program.

RENEWABLE RESOURCE GRANT AND LOAN PROGRAM

Program Budget Comparison

Figure 20 compares the 2017 biennium appropriated budget to the 2019 biennium appropriated budget by type of expenditure and source of funding.

Figure 20

Program Budget Comparison				
Budget Item	Budget 2017 Biennium	Budget 2019 Biennium	Biennium Change	Biennium % Change
Number of Grants Funded	33	26	(7)	-21.2%
Grants Cost	\$4,172,615	\$3,231,640	(\$940,975)	-22.6%
Other Grants	1,400,000	1,550,000	150,000	10.7%
Loan Program	27,482,374	0	(27,482,374)	-100.0%
Total Costs	\$33,054,989	\$4,781,640	(\$28,273,349)	-85.5%
State Special	\$5,572,615	\$4,781,640	(790,975)	-14.2%
CST Bond Proceeds	27,482,374	0	(27,482,374)	-100.0%
Total Funds	\$33,054,989	\$4,781,640	(\$28,273,349)	-85.5%

Program Discussion – (RRGL grants)

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. The RRGL program is appropriated in two bills, HB 6 (grants) and HB 8 (loans), which are presented separately in this report.

Summary of Legislative Action

HB 6 (Grants)

The Sixty-fifth Legislature passed HB 6 appropriating \$4.8 million from the revenues of the natural resource projects state special fund for the various projects in HB 6. The appropriations of HB 6, the grant program, are \$790,975, or 14.2%, less than appropriations from the 2017 biennium. The RRGL program was provided an appropriation of \$3.2 million that will fully fund 26 RRGL project grants. The legislature also appropriated \$100,000 for RRGL emergency grants and \$800,000 for project planning grants. Beyond the normal RRGL program costs, the legislature appropriated funds for other natural resource projects, which include:

- \$300,000 - Irrigation Development Grants: Provides grants of up to \$15,000 to foster development of new irrigation projects and production of high value crops
- \$300,000 - Watershed Grants: Provides grants of up to \$20,000 for costs associated with collaborative water planning and coordination as recommended in Montana’s State Water Plan
- \$50,000 - Private Grants: Provides grants of up to \$5,000 to individuals, associations, for-profit corporations, or not-for-profit corporations for water-related projects that would have quantifiable renewable resource benefits and where benefits would exceed cost and provide public benefits. The grants cannot exceed 25% of the project cost

A complete list of the RRGL grant projects authorized by the Sixty-fifth legislature is seen in Figure 21 on the following pages.

Figure 21

Renewable Resource Grants (RRGL) - 2019 Biennium							
2019 Biennium							
Rank	Applicant / Project Title	Grant Recommended	Cumulative Total	Rank	Applicant / Project Title	Grant Recommended	Cumulative Total
1	Helena Valley Irrigation District Gate Automation	\$125,000	\$125,000	23	Malta Irrigation District Exeter Siphon Replacement	125,000	2,856,640
2	Granite County Flint Creek Dam Resource Enhancement	125,000	250,000	24	Sidney Water User Irrigation District Main Canal Pipeline Conversion	125,000	2,981,640
3	Bozeman, City of Sunset Hills Cemetery and Lindley Park Water Conservation	125,000	375,000	25	Buffalo Rapids Irrigation District 2 Shirley Main Canal Rehabilitation	125,000	3,106,640
4	Medicine Lake, Town of Wastewater System Improvements	125,000	500,000	26	Fort Shaw Irrigation District D-System Water Conservation	125,000	3,231,640
5	Ward Irrigation District Canal Intake Improvements	125,000	625,000	Projects below this line are recommended only when higher ranked projects withdraw			
6	Sweet Grass County CD Boe-Engle Ditch Diversion Infrastructure Improvements	106,640	731,640	27	Cascade, Town of Wastewater System Improvements	125,000	3,356,640
7	Beaverhead Conservation District Poindexter Slough Fishery Enhancement, Phase 3	125,000	856,640	28	Helena, City of Westside Wastewater System Improvements	125,000	3,481,640
8	Crow Tribe of Indians Wastewater Collection System Improvement, Phase 3	125,000	981,640	29	Eureka, Town of Wastewater Expansion and Improvement, Phase 1B	100,000	3,581,640
9	Stillwater CD Yanzick/Brey-Riddle Ditches Irrigation System Improvements	125,000	1,106,640	30	Whitefish, City of Wastewater System Improvements	125,000	3,706,640
10	Lewis and Clark County SD Wastewater System Improvements	125,000	1,231,640	31	Black Eagle - Cascade County WSD Sewer Main Slip Lining	125,000	3,831,640
11	Froid, Town of Wastewater System Improvements	125,000	1,356,640	32	Thompson Falls, City of Water System Improvements	125,000	3,956,640
12	Townsend, City of Wastewater System Improvements	125,000	1,481,640	33	Dutton, Town of Water System Improvements	125,000	4,081,640
13	South Wind WSD Water and Wastewater System Improvements, Phase 3	125,000	1,606,640	34	Fallon County Baker Lake Restoration	100,000	4,181,640
14	Poplar, City of Wastewater System Improvements	125,000	1,731,640	35	Madison County Big Hole Streambank Rehabilitation	125,000	4,306,640
15	Lower Yellowstone Irrigation Project Lateral O Check and Terminal Wasteway Rehabilitation	125,000	1,856,640	36	Glen Lake Irrigation District Costich Drop Rehabilitation , Phase 1	125,000	4,431,640
16	Stillwater County - Absarokee Sewer RSID Wastewater System Improvements	125,000	1,981,640	37	Harlowton, City of Water System Improvements, Phase 4	125,000	4,556,640
17	Ryegate, Town of Wastewater System Improvements	125,000	2,106,640	38	Alberton, Town of Water System Improvements	125,000	4,681,640
18	Huntley Project Irrigation District Lower Main Canal Lining, Phase 2	125,000	2,231,640	39	Buffalo Rapids Irrigation District 1 Lateral 20.6 Pipeline Conversion, Phase 2	125,000	4,806,640
19	Helena Valley Irrigation District Lateral 14.8 Rehabilitation, Phase 1	125,000	2,356,640	40	Chouteau County CD Ranching for Rivers: Cost Share to Landowners	125,000	4,931,640
20	Broadwater CD Big Springs Ditch Water Conservation, Phase 2	125,000	2,481,640	41	Judith Gap, Town of Wastewater System Improvements, Phase 2	125,000	5,056,640
21	Thompson Falls, City of Wastewater System Improvements	125,000	2,606,640	42	Flathead CD Krause Creek Restoration	116,000	5,172,640
22	Pondera County CD Pondera Cnty Canal & Reservoir Company KB2 Canal Rehabilitation, Phase 2	125,000	2,731,640	43	Sanders County Sewer District at Paradise Wastewater System Improvements	125,000	5,297,640
				44	Jefferson County Jefferson Slough Eurasian Watermilfoil Control	96,530	5,394,170

LONG-RANGE PLANNING

RENEWABLE RESOURCE GRANT AND LOAN PROGRAM

Rank	Applicant / Project Title	Grant Recommended	Cumulative Total	Rank	Applicant / Project Title	Grant Recommended	Cumulative Total
45	Huntley Project Irrigation District Tunnel 2 - Discharge Line Rehabilitation	125,000	5,519,170	70	Fort Benton, City of Water System Improvements	125,000	8,619,170
46	Simms County Sewer District Wastewater System Improvements	125,000	5,644,170	71	Absarokee WSD Water System Improvements	125,000	8,744,170
47	Cut Bank, City of Water System Improvements	125,000	5,769,170	72	Hysham Irrigation District Re-Lift Canal Improvement	125,000	8,869,170
48	MT DNRC-Water Resources Division Flint Creek Water Project - Allendale Canal Intake & Fish Screen	125,000	5,894,170	73	Deer Lodge, City of Municipal Well Replacement	125,000	8,994,170
49	Sheridan, Town of Water System Improvements	125,000	6,019,170	74	Flathead CD Whitefish Water Treatment Plan and Resource Optimization	86,000	9,080,170
50	Fort Peck Tribes Lateral L-42M Rehabilitation, Phase 1	125,000	6,144,170	75	Toole County CD Eagle Aquifer Evaluation, North-Central Montana	116,230	9,196,400
51	Toston Irrigation District Main Canal Rehabilitation	125,000	6,269,170	76	Missoula County Sunset West Water System Improvements	125,000	9,321,400
52	Laurel, City of Water System Improvements	125,000	6,394,170	77	Gallatin Local WQD Bridger Range Front Hydrogeologic Investigation	125,000	9,446,400
53	Clinton Irrigation District Main Canal Wasteway Rehabilitation and Intake Canal Improvements	125,000	6,519,170	78	Missoula, City of Restoration and Migration of Public Access Damage	125,000	9,571,400
54	Tin Cup WSD Water Conservation	125,000	6,644,170	79	Circle, Town of Water System Improvements	125,000	9,696,400
55	Jordan, Town of Wastewater System Improvements	125,000	6,769,170	80	Stanford, Town of Water System Improvements	125,000	9,821,400
56	Lincoln County Ksanka Creek Restoration - Highway 93 to Osloski Road	125,000	6,894,170	81	West Great Falls Flood Control & DD Riverbank Erosion Rehabilitation and Repairs	125,000	9,946,400
57	Manhattan, Town of Wastewater System Improvements	125,000	7,019,170	82	Nine Mile WSD Water System Improvements	125,000	10,071,400
58	Lower Musselshell CD Musselshell River Channel Migration Zone Mapping	125,000	7,144,170	83	MT Bureau of Mines and Geology - MT Tech Irrigation Efficiencies and Domestic Groundwater Supplies	125,000	10,196,400
59	Shelby, City of Water System Improvements	125,000	7,269,170	84	Brady County WSD Water System Improvements	109,400	10,305,800
60	MT DNRC-Water Resources Division Broadwater Missouri Canal System Study and Masterplan	100,000	7,369,170	85	Bigfork County Water and Sewer District Water Storage and Distribution Improvements	125,000	10,430,800
61	MT DNRC-Water Resources Division East Fork Rock Creek Main Canal Lining	125,000	7,494,170	86	Chinook, City of Water System Upgrades	125,000	10,555,800
62	Roundup, City of Water System Improvements	125,000	7,619,170	87	Lockwood Irrigation District Pump Station Rehabilitation	125,000	10,680,800
63	Custer County Custer County Miles City Flood Control	125,000	7,744,170	88	RAE County WSD Falcon Hollow #2 Well	125,000	10,805,800
64	Scobey, City of Water System Improvements	125,000	7,869,170	89	Malta, City of Water System Improvements	125,000	10,930,800
65	Wilsall Water District Water System Improvements	125,000	7,994,170	90	Lockwood WSD Water System Improvements	125,000	11,055,800
66	Hot Springs, Town of Water System Improvements	125,000	8,119,170	91	Ekalaka, Town of Flood Study	125,000	11,180,800
67	Winifred, Town of Water System Improvements	125,000	8,244,170	92	Conrad, City of Water System Improvements	125,000	11,305,800
68	MT DNRC-Water Resources Division Nevada Creek Water Project - Douglas Canal Lining Replacement	125,000	8,369,170	93	Sweet Grass County CD Yellowstone River Channel Stabilization and Water Protection, P2	125,000	11,430,800
69	Denton, Town of Water System Improvements	125,000	8,494,170				
Total RRGL Grants Recommended						\$11,430,800	

Funding - grants

The RRGL grants program and other natural resource projects appropriated in HB 6, as well as the RDGP grants program appropriated in HB 7, are funded from the “natural resource projects” state special revenue fund. For more information on the funding of the RRGL program, a fund balance analysis is provided on page F-29 of this report.

Program Discussion – (RRGL loans)

The RRGL loan program provides loans for renewable resource projects with the proceeds from the issuance of coal severance tax bonds. Loan repayments are used to pay the debt service on the loans. In some cases, interest rates charged to loans is less than the interest rate of the bond issue. In such cases, a distribution from the coal severance tax subsidizes the difference in the interest cost. The coal severance tax permanent trust is pledged for debt service payments on the bonds. The RRGL loan program is administered by the Department of Natural Resources and Conservation (DNRC).

Summary of Legislative Action

The Sixty-fifth Legislature did not pass HB 8, which provided the budget for the RRGL loans in the 2019 biennium.

Funding - Loans

RRGL program bond authority is provided in 85-1-624, MCA. Money in the coal severance tax bond fund is pledged for the payment of the principal and interest of the bond issue requested in HB 8, as directed in Title 17, Chapter 5, part 7, MCA. The repayment of loans are used to pay the debt service on the loans.

Executive Budget Comparison

As shown in Figure 22, the legislature appropriated the RRGL budget that was \$47.7 million, or 90.9% less than the executive proposal. The executive budget recommended transferring the dedicated revenues from the natural resources projects account to the general fund and funding \$2.9 million of RRGL grant projects with bond proceeds. The legislature increased the project funding in HB 6 by 8.4% and added two RRGL projects to the funding. The largest component of change resulted from the failure of HB 8 to garner the ¾ vote of both houses of the legislature, reducing the executive request by \$47.9 million.

Figure 22

Executive Budget Comparison				
Budget Item	Executive 2019 Biennium	Legislative 2019 Biennium	Change	% Change
Number of Grants Funded	24	26	2	8.3%
Grants Cost	<u>Proposed</u> \$0	<u>Appropriated</u> \$3,231,640	\$3,231,640	-
Other Grants	1,550,000	1,550,000	0	0.0%
Bond Proceeds Grant Costs	2,981,640		(2,981,640)	-100.0%
Loan Program	47,945,502		(47,945,502)	-100.0%
Total Costs	\$52,477,142	\$4,781,640	(\$47,695,502)	-90.9%
State Special (HB 6)	\$1,550,000	\$4,781,640	3,231,640	208.5%
CST Bond Proceeds (HB 8)	47,945,502	0	(47,945,502)	-100.0%
GO Bond Proceeds	2,981,640	0	(2,981,640)	-
Total Funds	\$52,477,142	\$4,781,640	(\$47,695,502)	-90.9%

Other Legislation

HB 424 – This legislation allows DNRC to reduce the match requirements for non-governmental entities and creates some restrictions on grants to source water protection and range health projects in the private grants program.

RECLAMATION AND DEVELOPMENT GRANTS PROGRAM

Program Budget Comparison

Figure 23 compares the 2017 biennium appropriated budget to the 2019 biennium appropriated budget by type of expenditure and source of funding.

Figure 23

Program Budget Comparison				
Budget Item	Budget 2017 Biennium	Budget 2019 Biennium	Biennium Change	Biennium % Change
Number of Grants	9	10	1	11.1%
Grants Cost	\$3,770,620	\$4,079,129	\$308,509	8.2%
Other Grants Cost	1,514,000	1,300,000	(214,000)	-14.1%
Total Costs	\$5,284,620	\$5,379,129	\$94,509	1.8%
State Special	\$5,284,620	\$5,379,129	\$94,509	1.8%
Total Funds	\$5,284,620	\$5,379,129	\$94,509	1.8%

Program Discussion

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 under the RDGP are intended to repair, reclaim, and mitigate environmental damage to public resources from non-renewable resource extraction or that meet a crucial state need for natural resources. The program is administered by the Department of Natural Resources and Conservation (DNRC).

Legislative Action

The Sixty-fifth Legislature passed HB 7, the RDGP grant bill, that appropriates \$5.4 million for 10 RDGP grants and other reclamation projects. This is an overall program increase of \$94,509, or 1.8% from the appropriation level of the 2017 biennium. The HB 7 appropriations include \$4.1 million for RDGP reclamation projects and \$0.8 million for project planning grants. The legislature also provided an appropriation of \$500,000 for aquatic invasive species (AIS) control, which will be used for aquatic invasive species grants to local governments and contracted technical support.

Figure 24 on the following page provides a complete list of the RDGP grants authorized by the Sixty-fifth Legislature.

Funding

The RDGP program appropriations in HB 7, as well as the RRGL grants program appropriated in HB 6, are funded from the "natural resource projects" state special revenue fund. The fund balance projection is provided in the figure on page F-29 of this report.

Figure 24

Reclamation and Development Grants (RDGP) 2019 Biennium			
Rank	Sponsor/Title	Grant Recommended	Cumulative Total
1	Granite CD Flint Creek Watershed Metals Remediation – Rumsey Mill Tailings	\$500,000	\$500,000
2	MDEQ Tramway Creek Mine Reclamation Project	432,500	932,500
3	City of Harlowton Remove Contaminated Soils and Free Product- Harlowton Roundhouse	300,000	1,232,500
4	City of Lewistown Cleanup of the Central Post & Treating Company in Lewistown, MT	475,000	1,707,500
5	East Helena Public Schools Dartman Field Reclamation Project	500,000	2,207,500
6	Confederated Salish & Kootenai Tribes Revais Creek Mine Tailings Reclamation	302,074	2,509,574
7	Missoula County Ninemile Creek Housem Placer Mine Reclamation	420,000	2,929,574
8	Lincoln CD Tobacco River Restoration Project – Engineering and Implementation	395,136	3,324,710
9	Richland County CD Mitigating Impacts to the Fox Hills/Hell Creek Aquifer, Richland Cnty	454,419	3,779,129
10	MDEQ Upper Blackfoot Mining Complex – Wetland Connection	300,000	4,079,129
Projects below this line are recommended only when higher ranked projects withdraw			
11	City of Deer Lodge Milwaukee Roundhouse CECRA Site Passenger Refueling Are VCRA Program Remediation	294,250	4,373,379
12	City and County of Butte-Silver Bow, Planning Department Butte-Silver Bow Erosion Control and Vegetation Enhancement Program	185,307	4,558,686
13	Fort Belknap Indian Community (FBIC) Landusky Pit / Swift Gulch Capture Wells-Reduce Acid Mine Discharge	132,000	4,690,686
14	MDEQ Basin Creek Mine – Phase 2 Site Stability Project	300,000	4,990,686
15	Ruby Valley CD California Creek Mining Reclamation	62,625	5,053,311
16	Deer Lodge Valley CD Mt. Haggin Uplands Restoration Project	74,405	5,127,716
17	Mile High CD Conifer Encroachment Reduction Project	32,809	5,160,525
18	Deer Lodge Valley CD Oregon Creek Placer Mine Reclamation	58,610	5,219,135
19	Roosevelt County Kenco Refinery Cleanup	275,000	5,494,135
Total R&D Grants Recommended		\$5,494,135	

Executive Budget Comparison

As shown in Figure 25, the legislature appropriated the RDGP budget that was \$1.1 million, or 27.2% higher than the executive proposal. The executive budget recommended transferring the dedicated revenues from the natural resources projects account to the general fund and funding \$2.9 million of RDGP projects with bond proceeds. The legislature increased the project funding in HB 7 and added three RDGP reclamation projects to the funding.

Figure 25

Executive Budget Comparison				
Budget Item	Executive 2019 Biennium	Legislative 2019 Biennium	Change	% Change
Number of Grants	7	10	3	42.9%
	<u>Proposed</u>	<u>Appropriated</u>		
Grants Cost	\$0	\$4,079,129	\$4,079,129	-
Other Grants Cost	1,300,000	1,300,000	0	0.0%
Bond Proceed Grants Cost	2,929,574		(2,929,574)	-100.0%
Total Costs	\$4,229,574	\$5,379,129	\$1,149,555	27.2%
State Special	\$1,300,000	\$5,379,129	\$4,079,129	313.8%
GO Bond Proceeds	2,929,574		(\$2,929,574)	-
Total Funds	\$4,229,574	\$5,379,129	\$1,149,555	27.2%

Other Legislation

The Sixty-fifth Legislature did not enact any legislation that would directly impact the RDGP program.

Natural Resource Project Fund

Figure 26 shows the projected fund balance for the natural resource project fund for the 2019 biennium. The natural resource projects fund provides funding for the RRGL and RDGP programs, along with the funding for other natural resource projects.

The funding for the natural resource projects fund is established in law and received from the following sources:

- 1) Interest income of the resource indemnity trust fund as provided in and subject to the conditions of 15-38-202, MCA (\$3.2 million each fiscal year for the purpose of making grants)
- 2) Resource indemnity and ground water assessment tax under provisions of 15-38-106, MCA (50% of the remaining proceeds, after appropriations for CERCLA debt service, and \$366,000 to the groundwater assessment account, for the purpose of making grants)
- 3) 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))
- 4) Excess coal severance tax proceeds allocated by 85-1-603, MCA to the renewable resource loan debt service fund (above debt service requirements as provided in and subject to the conditions of 85-1-619, MCA)
- 5) Fees or charges collected by the department for the servicing of loans, including arrangements for obtaining security interests

The natural resource projects fund is expected to begin the 2019 biennium with a fund balance of \$1.2 million. The revenues of the fund are expected to be \$9.1 million for the 2019 biennium. Consequently, total funds available for appropriation are \$10.3 million.

For the 2019 biennium, total appropriations from the natural resource projects account for the RRGL (HB 6) program are \$4.8 million and appropriations for the RDGP (HB 7) program are \$5.4 million. The resulting ending fund balance is estimated to be \$153,403 at the end of the 2019 biennium.

Figure 26

Natural Resource Project Account (02577) Fund Balance Projection - 2019 Biennium			
	FY 2018 Projected	FY 2019 Projected	2019 Biennium Total
Estimated Beginning Fund Balance	\$1,191,859	(\$4,707,565)	\$1,191,859
Revenue Projections ¹			
RIT Interest Earnings	2,131,729	2,676,421	4,808,150
Resource Indemnity & Groundwater	902,763	1,006,667	1,909,430
Oil and Gas Tax	1,191,853	1,167,381	2,359,233
Bond Pool Transfer	10,000	10,000	20,000
Administrative Fees	<u>25,000</u>	<u>500</u>	<u>25,500</u>
Total Revenues	4,261,344	4,860,968	9,122,312
RRGL Appropriations - HB 6			
Emergency Grants	100,000	0	100,000
Project Planning Grants	800,000	0	800,000
Irrigation Development Grants	300,000	0	300,000
Watershed Grants	300,000	0	300,000
Private Grants	50,000	0	50,000
RRGL Project Grants	<u>3,231,640</u>	<u>0</u>	<u>3,231,640</u>
Total RRGL Expenditures	4,781,640	0	4,781,640
RDGP Appropriations - HB 7			
Project Planning	800,000	0	800,000
Aquatic Invasive Species Control	500,000	0	500,000
RDGP Project Grants	<u>4,079,129</u>	<u>0</u>	<u>4,079,129</u>
Total RDGP Expenditures	5,379,129	0	5,379,129
Total Expenditures	10,160,769	0	10,160,769
Estimated Ending Fund Balance	(\$4,707,565)	\$153,403	\$153,403
¹ HJ 2			

CULTURAL AND AESTHETIC GRANT PROGRAM

Program Budget Comparison

Figure 27 compares the 2017 biennium appropriated budget to the 2019 biennium appropriated budget by type of expenditure and source of funding.

Figure 27

Program Budget Comparison				
Budget Item	Budget 2017 Biennium	Budget 2019 Biennium	Biennium Change	Biennium % Change
Number of Grants	73	80	7	9.6%
Grants Cost	\$384,995	\$440,000	55,005	14.3%
Capitol Complex Works of Art	30,000	30,000	0	0.0%
Total Costs	\$414,995	\$470,000	\$55,005	13.3%
State Special	\$414,995	\$470,000	55,005	13.3%
Total Funds	\$414,995	\$470,000	\$55,005	13.3%

Program Discussion

The Cultural and Aesthetic Grant Program (C&A), administered by the Montana Arts Council (MAC), is funded by investment earnings from a statutory trust. The trust receives distributions of coal severance tax. By statute, the interest from the cultural trust is appropriated for protection of works of art in the State Capitol and other cultural and aesthetic 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 Indian tribal governments.

Summary of Legislative Action

The Sixty-fifth Legislature passed HB 9, which authorizes cultural and aesthetic grants and appropriates the funding for the grants. The budget for the 2019 biennium is an overall increase of \$55,005, or 13.3%, from the level of appropriations of the 2017 biennium. The legislature authorized 80 C&A grant awards totaling \$470,000. Additionally, HB 9 includes an appropriation of \$30,000 for the care and conservation of capitol complex artwork.

The legislature included a provision for the potential of interest earnings increases or shortfalls in the 2019 biennium in HB 9 with the following language:

“Except for the appropriation provided for in [section 1(3)-(the appropriation of \$30,000 for the care and conservation of capitol complex artwork)], if the interest earnings for the cultural and aesthetic projects trust fund exceed the projections of \$475,500 in FY 2018 and \$470,800 in FY 2016, both the appropriation and the grants for the projects contained in [section 2] may be increased by the percent increase of the actual revenue. Increases to the grant amount may not exceed the amount of the original request. If money in the cultural and aesthetic projects trust fund account is insufficient to fund projects at the appropriation levels contained in [section 2], reductions to those projects with funding greater than \$2,000 must be made on a pro rata basis.”

Figure 28 on the following page provides a complete listing of the grants authorized by the Sixty-fifth Legislature.

Figure 28

Cultural and Aesthetic Grants (C&A) HB 9 - 2019 Biennium							
Grant Number	Applicant	Grants Authorized	Cumulative Total	Grant Number	Applicant	Grants Authorized	Cumulative Total
Special Project <= \$4500				Operational Support Cont.			
1906	Mai Wah Society Museum	4,500	4,500	1940	Helena Presents/Myrna Loy Center	7,500	268,500
1904	Council for the Arts, Lincoln	4,500	9,000	1937	Grandstreet Broadwater Productions	7,500	276,000
1903	Butte Citizens for Preservation & Revitaliz.	4,500	13,500	1979	Yellowstone Art Museum	7,500	283,500
1912	Upper Swan Valley Historical Society	4,500	18,000	1969	Schoolhouse History & Art Center	6,000	289,500
1907	Montana Chamber Music Society	4,500	22,500	1961	Northwest Montana Historical Society	6,000	295,500
1900	Alpine Artisans, Inc.	4,500	27,000	1972	Sunburst Foundation	4,500	300,000
1908	Montana Flute Association	4,500	31,500	1968	Rocky Mountain Ballet Theatre	4,500	304,500
1911	Treasure County '89ers Inc.	3,500	35,000	1936	Glacier Symphony and Chorale	6,000	310,500
1905	Judith Mountain Players, The	3,500	38,500	1977	Whitefish Theatre Co	5,000	315,500
1910	The Root & The Bloom Collective	3,000	41,500	1942	Holter Museum of Art	5,000	320,500
1902	Billings Cultural Partners	2,000	43,500	1928	Butte Symphony Association	4,500	325,000
1901	Arts & Above	2,000	45,500	1978	World Museum of Mining	6,000	331,000
	Total Special Projects < \$4500	45,500		1926	Billings Preservation Society	6,000	337,000
Special Project > \$4500				1951 Missoula Writing Collaborative			
1920	Montana Preservation Alliance	10,000	55,500	1975	WaterWorks Art Museum	6,000	343,000
1919	Montana Historical Society	10,000	65,500	1950	Missoula Cultural Council DBA Arts	5,000	349,000
1914	Emerson Center for the Arts & Culture	10,000	75,500	1966	Queen City Ballet Company	4,500	354,000
1916	Friends of Historical Museum/Ft Missoula	4,000	79,500	1964	Pondera Arts Council	5,000	358,500
1918	Helena Symphony	6,000	85,500	1931	Carbon County Historical Society	5,000	363,500
1917	HAVEN	6,000	91,500	1938	Great Falls Symphony	5,000	368,500
1915	Warren Miller Performing Arts Center	3,500	95,000	1938	Great Falls Symphony	5,000	373,500
	Total Special Projects > \$4500	49,500		1941	Hockaday Museum of Art	5,000	378,500
Operational Support				1971 Stillwater Historical Society			
1958	Montana Shakespeare in the Parks	12,000	107,000	1974	Verge Theater	4,000	383,500
1923	Art Mobile of Montana	10,000	117,000	1970	Southwest Montana Arts Council	4,500	387,500
1927	Billings Symphony Society	10,000	127,000	1973	The Extreme History Project	4,500	392,000
1953	Montana Assn. of Symphony Orchestras	8,000	135,000	1944	Intermountain Opera Association	4,500	396,500
1959	Museums Association of Montana	8,000	143,000	1954	Montana Ballet Company	4,000	401,000
1956	Montana Performing Arts Consortium	8,000	151,000	1930	Carbon County Arts Guild & Depot Gallery	4,000	405,000
1947	MAGDA	8,000	159,000	1949	Missoula Community Access Television	4,000	409,000
1955	Montana Dance Arts Association	8,000	167,000	1933	Daly Mansion Preservation Trust	3,500	413,000
1952	Montana Arts	8,000	175,000	1939	Daly Mansion Preservation Trust	3,500	416,500
1948	MCT, Inc.	10,000	185,000	1960	Hamilton Players, Inc.	3,500	420,000
1957	Montana Repertory Theatre	10,000	195,000	1960	North Valley Music School	3,500	423,500
1943	Humanities Montana	10,000	205,000	1965	Pondera History Association (PHA)	3,000	426,500
1922	Archie Bray Foundation	10,000	215,000	1924	Big Horn Arts and Craft Association	3,000	429,500
1946	Irwin & Florence Rosten Foundation	6,000	221,000	1945	Int'l Wildlife Film Festival/The Roxy	2,500	432,000
1921	Alberta Bair Theater	10,000	231,000	1929	C.M. Russell Museum	2,500	434,500
1932	Cohesion Dance Project	6,000	237,000	1925	Bigfork Art and Cultural Center	2,000	436,500
1980	Zootown Arts Community Center	6,000	243,000		Total Operational Support	341,500	
1976	Western Heritage Center	6,000	249,000	Capital Expenditure			
1967	Ravalli County Museum	6,000	255,000	1981	City of Shelby Champions Park	3,500	440,000
1963	Paris Gibson Square Museum of Art	6,000	261,000		Total Capital Expenditure	3,500	
Total C&A Grants Requested/Recommended						\$440,000	

Funding

Figure 29 shows the estimated funding for the C&A state special revenue account for the 2019 biennium. The balance at the biennium of the biennium is estimated to be \$0 since the provisions of the 2015 version of HB 9 allow that all available revenues may be expended. Interest income from the coal tax-funded Cultural Trust is projected to be \$1.0 million in the 2019 biennium.

Administrative expenses and the Folklife program, appropriated in HB 2, are \$468,218. Appropriations in HB 9 include \$30,000 for capitol complex artwork and \$440,000 for the authorized grants. Total appropriations from the C&A state special revenue account in the 2019 biennium are \$938,218, providing an estimated fund balance of \$108,598 by June 30, 2019.

Figure 29

Cultural & Aesthetic Grant Fund (02009) Fund Balance Projection - 2019 Biennium			
	2018 Projected	2019 Projected	2019 Biennium Projected
Estimated Beginning Fund Balance	\$0	(\$200,703)	\$0
Revenue Projections ¹			
Total Revenues	503,278	540,474	1,046,816
Expenditures			
MAC Administration and Folklife ²	233,981	234,237	468,218
Capitol Cmplx Works of Art	30,000	0	30,000
Grants	440,000	0	440,000
Total Expenditures	703,981	234,237	938,218
Ending Fund Balance	(\$200,703)	\$105,534	\$108,598
¹ HJ 2			
² HB 2			

Executive Budget Comparison

The Sixty-fifth Legislature made no changes to the executive budget proposal for the C&A grants program in the 2019 biennium.

Other Legislation

The Sixty-fifth Legislature did not enact any legislation that would directly impact the C&A grants program.

QUALITY SCHOOL FACILITIES PROGRAM

Program Description

The Quality Schools Facilities Grant Program (quality schools) is a competitive grant program, administered by the Department of Commerce (DOC), which was created to provide infrastructure grants to public school districts in Montana.

Summary of Legislative Action

The Sixty-fifth Legislature eliminated the quality schools program in SB 307. With the failure of legislation that would have funded quality schools grants with bond proceeds, there was no funding available for the grants program in the 2019 biennium. This is the second biennium that no funding was provided for the quality schools grants. However, the legislature took steps to create replacement programming for the purpose of K-12 school facility maintenance with the passage of SB 260 and SB 307. For more information, see the "Other Legislation" section of this report.

Executive Budget Comparison

As seen in the Figure 30, the Sixty-fifth Legislature did not provide appropriations for the quality schools program. The program was recommended by the executive in HB 14 and included \$5.4 million of bond proceeds to provide funding for 9 grants. With the failure of both HB 14 and other bond proposals contemplated by the legislature, there was no funding for quality schools program grants.

Figure 30

Executive Budget Comparison				
Budget Item	Executive 2019 Biennium	Legislative 2019 Biennium	Change	% Change
Number of Grants	9		(9)	-
	<u>Proposed</u>	<u>Appropriated</u>		
Grants Cost	\$5,413,014	\$0	(\$5,413,014)	-100.0%
Other Grants	0	0	0	-
Total Costs	\$5,413,014	\$0	(\$5,413,014)	-
State Special	\$0	\$0	\$0	-
GO Bond Proceeds	5,413,014	0	(5,413,014)	-100.0%
Total Funds	\$5,413,014	\$0	(\$5,413,014)	-

Other Legislation

The Sixty-fifth Legislature passed two pieces of legislation that would provide an alternative method for funding maintenance activities in K-12 facilities, which included:

SB 260 – This legislation creates a new coal severance tax sub-trust, called the school facilities fund, for the purpose of providing state funded support for major maintenance at K-12 facilities. The legislation creates a new sub-trust that will be formed at the beginning of FY 2018 and will receive distributions of 75% the coal severance tax that flows into the permanent trust. The trust will receive this distribution until the state treasurer certifies that the balance has reached \$200.0 million. In the 2019 biennium the school facilities fund is projected to generate \$1.7 million that will ultimately be expended from the school major maintenance aid account established in SB 307.

SB 307 – This legislation creates a new limited and state-supported permissive levy for major maintenance of school district facilities. The state support comes from revenue of the new natural resource development (NRD) facilities payment and earnings from a new sub-trust created in SB 260, which will be deposited and expended through the school major maintenance aid account. The funds will be distributed through a complex formula that takes into consideration the districts' use of the new permissive levy. For more information on the school facility funding, refer to the OPI Budget Section of the Section E Fiscal Report.