

# LONG-RANGE PLANNING PROGRAMS OVERVIEW

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## Long-Range Planning Description

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 bear significant costs. The LRP budget analysis typically focuses 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 (SBECF) – 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 infrastructure grants to local governments, administered by the Department of Commerce
- Treasure State Endowment Regional Water Program (TSEPRW) – matching funds for major regional water projects, administered by the Department of Natural Resources and Conservation
- Renewable Resource Grant and Loan Program (RRGL) – water conservation grants and loans to local governments, administered by the Department of Natural Resources and Conservation
- Reclamation and Development Grant Program (RDGP) – grants for the reclamation of lands degraded by 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

Long-Range Planning projects are administered by various state agencies, but the provision of services is similar in each of the programs:

- Project requests are received by the program either from state agencies, local governments, or private entities
- Project requests are reviewed by the particular agency, board, or council
- Projects are ranked or prioritized based on program specifications
- The Governor reviews the prioritized lists, determines the level of funding available, and presents a list of recommendations to the legislature in the form of a separate funding bill
- The legislature appropriates funds and authorize the various projects
- Money is distributed by the agencies to private contractors, generally through a competitive bid process

In most cases, program funds also cover the administrative costs of the program and are appropriated in the general appropriations act, HB 2.

Over time, the importance of local government infrastructure assistance has grown as a component of the LRP budgets. By design, the available funding for water, wastewater, sewer, and bridge projects has increased. In the 2015 biennium, the legislature increased the state funding for local government infrastructure projects by \$53.7 million over the normal program funding sources.

## Summary of Legislative Action

The figure on the following page shows the appropriations made by the Sixty-third Legislature for each of the LRP programs. The budgets are shown by program and bill number, and source of funding. General fund, \$103.2 million as shown in the figure, takes the form of transfers to the various LRP program funds. When looking at the figure below, the column titled authorizations indicates the approval of the legislature for non-state

funds to be used for the construction of state buildings. This authority is statutorily required in 18-2-102, MCA which states, "...a building costing more than \$150,000 may not be constructed without the consent of the legislature." The amounts shown in the authorization column are generally university funds and private donations.

Long-Range Planning Appropriations (and authorizations)								
By Fund - 2015 Biennium								
Program/ Bill	Capital Project	General Fund <sup>1</sup>	State Special	Federal Special	Proprietary	Bonds/ Loans	Authorizations <sup>2</sup>	Total
LRBP (HB 5 and HB 14)	\$11,076,000	\$49,550,000	\$29,360,000	\$26,130,000	\$600,000	\$0	\$58,850,000	\$175,566,000
SBCEP (HB 5)			3,500,000					3,500,000
LRITP (HB 10)	5,975,000	11,451,785	3,060,000	40,000	350,000			20,876,785
TSEP (HB 11)		13,300,000	21,683,538					34,983,538
TSEPRW (HB 11)		8,400,000	8,600,000					17,000,000
RRGL (HB 6 and 8)		20,473,686	8,979,632			24,711,793		54,165,111
RDGP (HB 7)			6,243,645					6,243,645
C&A (HB 9)			788,650					788,650
Quality Schools (HB 15)			<u>12,418,642</u>					<u>12,418,642</u>
<b>Grand Total</b>	<u>\$17,051,000</u>	<u>\$103,175,471</u>	<u>\$94,634,107</u>	<u>\$26,170,000</u>	<u>\$950,000</u>	<u>\$24,711,793</u>	<u>\$58,850,000</u>	<u>\$325,542,371</u>

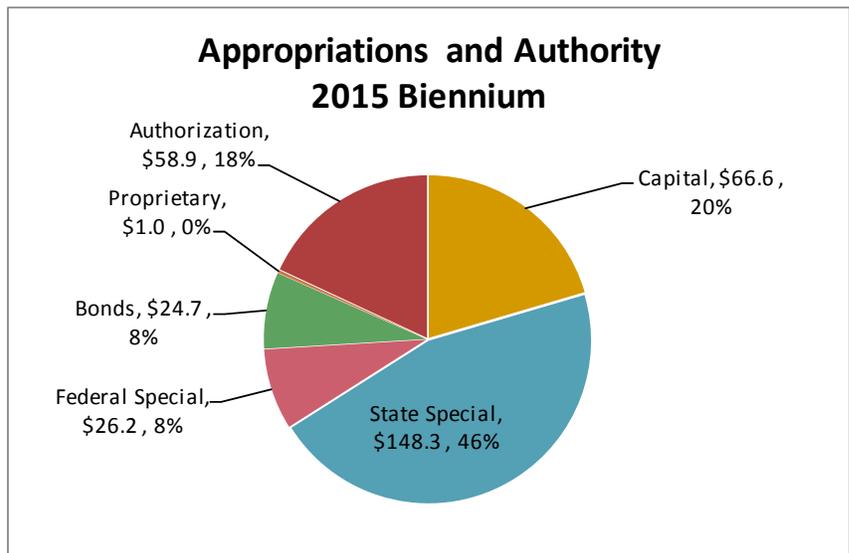
<sup>1</sup>General Funds are transfers to various programs  
<sup>2</sup>Authorizations are legislative consent to construct projects using non-state funds

Total legislative appropriations and authorizations for the LRP budgets are \$325.5 million. This is 128.7% greater than the LRP budgets in the 2013 biennium and 9.0% less than the executive budget proposal for the 2015 biennium. In the 2015 biennium, state funding for LRP projects is \$266.7 million, when corrected for the authorizations. The largest source of state funding is general fund at \$103.2 million, again taking the form of transfers to the various program funds. In the upcoming biennium, the highest amount of appropriations was provided for the LRBP, \$175.6 million (\$116.7 million of state and federal funds).

**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, but in the 2015 biennium, 103.2 million or 32% of total program funding is made with transfers from the general fund. 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).

The figure to the right shows the funding of the LRP budget as reflected in the appropriations and authorizations provided by the legislature. While the LRP program funding contained significant amounts of general fund through transfers, there are no general fund appropriations in the budgets. The budgets make use of all the usual fund types (state special revenue, federal special revenue, and proprietary) and include appropriations



from capital project funds (funds which account for financial resources to be used for the acquisition or construction of major capital facilities), 20% of the LRP budgets, and bond issue proceeds, 8%. Over 46% of the appropriations are funded with state special revenue. Federal special appropriations account for 8% of the budget. Authorizations, 18% of total funding, not technically appropriations.

**Executive Budget Comparison**

The Sixty-third Legislature reduced the executive LRP budget recommendations by 9.0%. The reductions were principally the result of the legislative initiative to fund new state building construction projects with cash instead of general obligation bond proceeds. In making this decision, the legislature eliminated some of the projects recommended in the executive budget including new low-side units at the Montana State prison (\$26.0 million) and the new building to house the Montana Heritage Center museum (\$28.5 million). As an offset to the reductions, the legislature increased several local government infrastructure assistance programs. For further detail on the legislative changes to the executive proposed budget, refer to the executive budget comparisons included in the program sections of this report.

Long-Range Planning Budget Comparison (millions)				
Budget Item	Executive	Legislative	Biennium	Biennium
	Recommendation <sup>1</sup>	Budget		
	FY 14-15	FY 14-15		
	<u>Proposed</u>	<u>Appropriated</u>		
Long-Range Building Program (HB 5 and HB 14)	\$270,716,000	\$175,566,000	(\$95,150,000)	-35.1%
State Building Energy Conservation Program (HB 5)	3,500,000	3,500,000	0	0.0%
Long-Range Information Technology Program (HB 10)	20,232,785	20,876,785	644,000	3.2%
Treasure State Endowment Program (HB 11)	19,342,366	34,983,538	15,641,172	80.9%
Treasure State Regional Water Program (HB 11)	8,900,000	17,000,000	8,100,000	91.0%
Renewable Resource Grant and Loan Program (HB 6 and 8)	16,159,039	54,165,111	38,006,072	235.2%
Reclamation and Development Grant Program (HB 7)	6,243,645	6,243,645	0	0.0%
Cultural and Aesthetic Grant Program (HB 9)	563,976	788,650	224,674	39.8%
Quality Schools Grant Program (HB 15)	12,268,791	12,418,642	149,851	1.2%
<b>Total Costs</b>	<b>\$357,926,602</b>	<b>\$325,542,370</b>	<b>(\$32,384,231)</b>	<b>-9.0%</b>
Capital Projects Fund	\$13,926,000	\$17,051,000	\$3,125,000	22.4%
General Fund <sup>2</sup>	33,082,785	103,175,471	70,092,686	-
State Special	91,862,761	94,634,107	2,771,346	3.0%
Federal Special	26,170,000	26,170,000	0	0.0%
Bonds and Loans	105,535,056	24,711,793	(80,823,263)	-76.6%
Proprietary Fund	950,000	950,000	0	0.0%
Authorizations <sup>3</sup>	86,400,000	58,850,000	(27,550,000)	-31.9%
<b>Total Funds</b>	<b>\$357,926,602</b>	<b>\$325,542,371</b>	<b>(\$32,384,231)</b>	<b>-9.0%</b>

<sup>1</sup>Revised for 1/7/2013 Governor's changes and includes HB 14 which was not approved by the legislature  
<sup>2</sup>General Funds are transfers to various programs  
<sup>3</sup>Authorizations are legislative consent to construct projects using non-state funds

**Other Legislation**

HB 218

The Sixty-third legislature passed HB 218, which provides grants to local governments that have been required to maintain and expand local government infrastructure as a consequence of oil and gas development. The legislation creates a short-term infrastructure program, similar to Treasure State Endowment Program (TSEP) and administered by the Department of Commerce. The legislation establishes a new state special fund, the “oil and gas impact account”, funded with a \$15.0 million one-time-only transfer (and subsequent appropriation) of general fund in FY 2013 and annually 25% of the revenues collected through the federal mineral leasing funds or

\$10 million, whichever is greater, between FY 2014 and FY 2020. Consequently, there is expected to be \$35 million directed to oil and gas impacted areas by the end of the 2015 biennium. The funds are statutorily appropriated in the 2015 biennium, but in future years are expected to be appropriated by the legislature.

The legislation defines oil impact projects eligible for grants and builds on the normal TSEP type infrastructure projects (water, wastewater, bridges) by providing grants for local government roads, buildings, and services. Grants for the purposes of fire protection, law enforcement, and emergency services are limited to no more than 10% of the total funds. Additionally, up to \$50,000 may be used for grants for public health and welfare services.

The program is developed to provide preference to projects with the attributes such as financial need, project readiness, compliance with program start up conditions, long-range plans for system maintenance, future adequacy for system use, and community participation and approval. The available funds will be first-come-first-serve and the grants will be paid out on a reimbursement basis. Finally, the legislation provides that the “Grants made under this program are subject to the review of the legislative finance committee.”

Note: The Governor vetoed HB 218, and at the time of this writing the legislature is being polled. If the veto is upheld, the oil and gas development infrastructure grant program will not exist.

# LONG-RANGE BUILDING PROGRAM

## Program Description

In 1963, the legislature enacted the Long-Range Building Program (LRBP) to provide funding for construction, alteration, repair, and maintenance of state-owned buildings and grounds. The program was developed in order to present a single, comprehensive, and prioritized plan for allocating 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-third Legislature authorized a LRBP consisting of 47 projects with a total project cost of \$179.1 million in HB 5 (including \$3.5 million in State Building Energy Conservation Program appropriations). The level of HB 5 appropriations was increased when the legislature chose to appropriate 11 building projects from cash rather than bond proceeds, as initially recommended by the Governor. To fund the added appropriations the legislature provided a \$49.6 million transfer from the general fund to the LRBP capital projects fund.

The following figure shows, by agency and fund type, the projects approved by the legislature. Detailed project descriptions follow the figure.

Long-Range Building Program Appropriations - HB 5 - 2015 Biennium						
Agency / Project	LRBP Capital Project	State Special	Fed Special	Proprietary	Authorization	Total
Department of Administration						
Repair Corrections Department Parking Structure, Helena	\$450,000					\$450,000
Install Safety Handrails in Capitol	200,000	200,000				400,000
Repair and Upgrade Capitol HVAC Systems		1,400,000				1,400,000
Upgrade Scott Hart HVAC System, Ph 2		1,500,000				1,500,000
Department of Corrections						
Repair and Upgrade Build. Systems, Pine Hills Youth Facility	511,000	500,000				1,011,000
Renovate Laundry Facilities, MT State Prison, Deer Lodge		600,000		600,000		1,200,000
Department of Environmental Quality						
Energy Improvements, Statewide		1,900,000				1,900,000
Department of Justice						
Upgrade Water Supply System - MLEA	400,000					400,000
Construct Butte Justice Center	1,600,000				1,600,000	3,200,000
Department of Military Affairs						
Vault Modifications, Statewide			780,000			780,000
Federal Spending Authority			2,500,000			2,500,000
Upgrade Sewer/Water Service AFRC, Kalispell	250,000		750,000			1,000,000
Replace Readiness Center, Malta	400,000		15,000,000			15,400,000
Improvements at the Montana Military Museum	150,000					150,000
Department of Fish, Wildlife, and Parks						
Upland Game Bird Program		746,000				746,000
Wildlife Habitat Maintenance		970,000				970,000
Parks Program		3,084,000	1,200,000			4,284,000
Parks Program - RUX Trail		100,000				100,000
Grant Programs / Federal Projects		218,000	5,000,000			5,218,000
Future Fisheries		\$790,000				\$790,000
Fishing Access Site Protection		1,050,000	800,000			1,850,000

Long-Range Building Program (continued)							
Appropriations - HB 5 - 2015 Biennium							
Agency / Project	LRBP Capital Project	State Special	Fed Special	Proprietary	Authorization	Total	
Department of Fish, Wildlife, and Parks (cont.)							
Hatchery Maintenance		575,000				575,000	
Dam Maintenance		50,000				50,000	
Community Fishing Ponds		50,000				50,000	
Admin Facilities Repair & Maintenance		1,325,000				1,325,000	
Forest Management Project		32,000				32,000	
Department of Fish, Wildlife, and Parks, Land Acquisition							
Habitat Montana		9,930,000				9,930,000	
Fishing Access Site Acquisition		230,000	100,000			330,000	
Bighorn Sheep Habitat		210,000				210,000	
Department of Natural Resource and Conservation							
Major Repairs & Small Projects, Statewide	300,000					300,000	
Repair Unit Residences, Statewide		100,000				100,000	
Department of Public Health and Human Services							
Repair Sewage Collection System, Warm Springs	1,520,000					1,520,000	
Department of Transportation							
Statewide Maintenance, Repair & Small Projects		2,100,000				2,100,000	
Equipment/ Office Buildings, Statewide		5,200,000				5,200,000	
Montana School for the Deaf and Blind							
Building Repairs and Improvements, Great Falls	195,000					195,000	
Montana University System							
General Spending Authority, MUS - All Campuses					5,000,000	5,000,000	
Science & Instruct. Tech Building Addition, MSU-Billings	10,000,000				5,000,000	15,000,000	
Replace Roof and Other Renovations, MSU Great Falls COT	1,000,000					1,000,000	
Automotive Technology Center, MSU-Northern	4,900,000				3,000,000	7,900,000	
Construct Missoula College UM – UM-Missoula	29,000,000				3,000,000	32,000,000	
Main Hall Renovation, Ph 3, U of M - Western	4,000,000				500,000	4,500,000	
Natural Resource Research Center Addition, MT Tech-UM	5,000,000				5,000,000	10,000,000	
Jabs Hall, MSU-Bozeman					20,000,000	20,000,000	
Athlete Academic Center, UM-Missoula					2,500,000	2,500,000	
Gilkey Executive Education Center, UM-Missoula					9,300,000	9,300,000	
Mansfield Library Student Success, UM-Missoula					3,200,000	3,200,000	
Land Acquisition, Great Falls College - MSU	<u>750,000</u>				<u>750,000</u>	<u>1,500,000</u>	
<b>Total Long-Range Building Program - HB 5</b>	<u>\$60,626,000</u>	<u>\$32,860,000</u>	<u>\$26,130,000</u>	<u>\$600,000</u>	<u>\$58,850,000</u>	<u>\$179,066,000</u>	

The legislature provided appropriations for ten new buildings (including four buildings across the state for MDT) and three addition projects. The largest amount of appropriations were provided to the Montana University System (MUS) in 12 projects, including four new buildings and three additions, at a cost of \$111.9 million. Additionally, the department of Fish, Wildlife, and Parks (FWP) are provided 15 appropriations that total \$26.5 million, including \$10.5 million for land acquisitions. The remainder of the LRBP budget is primarily devoted to major deferred maintenance projects in state buildings.

The legislature restricted the FWP Habitat Montana land acquisition project in HB 5. The inserted language reads:

*When considering the acquisition of habitat in accordance with 87-1-241 (acquisition of wildlife habitat-rules), the department of fish, wildlife, and parks may consider only term agreements.”*

The addition of this language was intended to deny the purchase of land with the \$9.9 million Habitat Montana appropriation. Subsequently, the Governor line-item vetoed the restricting language (but not the related appropriation). At the time of this writing, the veto is being polled. If the veto stands, the appropriation could be used for land and easement purchases.

*Project Descriptions*

LRBP appropriations and authorizations amounting to \$179.1 million for capital projects are approved in HB 5 from 32 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
- Authorization - grants/donations/auxiliary funds/university funds/local government funds not requiring appropriation-provides the legislative consent to use non-state funds

Department of Administration (DOA)

- Repair Corrections Department Parking Structure, Helena - \$400,000 LRBP Capital Project Funds (05007) appropriated to DOA. This project will repair the state-owned parking structure located at the corner of Broadway and Cruse Avenues, Helena. This project is appropriated to DOA.
- Install Safety Handrails in Capitol– \$200,000 LRBP Capital Project Funds (05007), \$200,000 General Services SSR (02299) appropriated to DOA. This project will install historically appropriate safety handrails on the grand staircase of the Capitol building. Should donations be received for this project, language in HB 5 will reduce the \$200,000 appropriation from the LRBP capital projects fund by a like amount.
- Repair and Upgrade Capitol HVAC Systems - \$900,000 General Services SSR (02299), \$500,000 Energy Conservation SSR Acct. (02955) appropriated to DOA and DEQ. This project will provide HVAC and energy efficiency upgrades at the state capitol.
- Upgrade Scott Hart HVAC System, Phase 2 - \$1,500,000 General Services SSR (02299) appropriated to DOA. This project will upgrade mechanical equipment and climate control systems and replace worn out HVAC & control systems in the Scott Hart building.

Department of Corrections (DOC)

- Repair and Upgrade Building Systems, Pine Hills Youth Correctional Facility - \$511,000 LRBP Capital Project Funds (05007), \$500,000 Energy Conservation SSR (02955) appropriated to DOA and DEQ. This project will provide fire suppression, HVAC, and energy improvements to address failed mechanical equipment and reduce energy use.
- Renovate Laundry Facilities, MT State Prison, Deer Lodge - \$600,000 Energy Conservation Repayment Acct. (02370), \$600,000 DOC Proprietary Services Funds (06572) appropriated to DOA and DEQ. This project will renovate the existing centralized laundry building at the prison.

Department of Environmental Quality (DEQ)

- Energy Improvements, Statewide - \$550,000 Energy Conservation Repayment Acct. (02370), \$1,350,000 Energy Conservation SSR (02955) appropriated to DOA and DEQ. This project will provide improvements to state facilities that reduce energy costs. For more information on the State Building Energy Conservation Program (SBCEP) projects, see the SBCEP section of this report.

Department of Justice (DOJ)

- Upgrade Water Supply System - Montana Law Enforcement Academy - \$400,000 LRBP Capital Project Funds (05007) appropriated to DOA. This project upgrades the current water supply system to meet current code requirements and address some deferred maintenance issues.
- Construct Butte Justice Center - \$1,600,000 LRBP Capital Project Funds (05007) appropriated to the DOA and includes \$1,600,000 Authorization. This project will construct new/improved space for the Montana Highway Patrol offices and the Motor Vehicle Division of DOJ as well as space for a new emergency operations center for Butte-Silver Bow.

Department of Military Affairs (DMA)

- Vault Modifications, Statewide – \$780,000 National Guard FSR (03132) appropriated to DOA. This project will modify existing munitions vaults at ten armory locations statewide.
- Federal Spending Authority - \$2,500,000 National Guard FSR (03132) appropriated to DMA. This project provides repair and maintenance, minor construction, and facility improvements statewide.
- Upgrade Sewer/Water Service AFRC, Kalispell - \$250,000 LRBP Capital Project Funds (05007), \$750,000 DOA Federal Long-Range Building Funds (03244) appropriated to DOA. This project will upgrade the current water supply system to meet current code requirements (providing city sewer and water service to the Kalispell armed forces reserve center and field maintenance shop) and address deferred maintenance issues.
- Replace Readiness Center, Malta - \$400,000 LRBP Capital Project Funds (05007), \$15,000,000 Military Capital Construction Fund (03056) appropriated to DOA. This project will replace the Malta Readiness Center. Language included in this project provides that LRBP funds are authorized for the acquisition of land for the project. If the land is not acquired by 6/30/2015, the appropriation is void and \$400,000 is reverted to the general fund.
- Improvements at the Montana Military Museum - \$150,000 LRBP Capital Project Funds (05007) appropriated to DOA. This project will provide funds for new display cases and other improvements at the museum.

Department of Fish, Wildlife, and Parks (FWP)

- Upland Game Bird Program - \$610,000 Upland Game Bird Habitat SSR (02113), \$136,000 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 - \$970,000 Habitat Trust Interest State Spec. Fund (02469) appropriated to FWP. This project will maintain wildlife management areas in accordance with state requirements.
- Parks Program - \$74,000 Motor Boat Fees SSR (02273), \$1,020,000 FWP Accommodations Tax SSR (02274), \$80,000 Coal Tax Trust SSR (02408), \$310,000 State Parks Miscellaneous SSR (02411), \$100,000 Motor Boat Fuel Tax SSR (02412), \$1,500,000 Restricted Highway State Special Account (02422), \$1,200,000 Federal (W/B) and Wildlife (P/R) (030397) appropriated to FWP. This project will rehabilitate existing facilities, infrastructure, park sites, and roads at state park sites.
- Parks Program - RUX Trail - \$100,000 Non-Restricted Highway State Special Account (02349) appropriated to FWP. This project will provide a trail grant for the design and construction of the RUX lighted and paved path. Language included in this project provides that FWP will report on the progress of the project to the 2015 Long-Range Planning subcommittee and that any unused project funds will be reverted to the highway non-restricted fund upon completion of the project.
- Grant Programs / Federal Projects - \$85,500 Off Hwy Vehicle Gas Tax SSR (02213), \$132,500 Off Hwy Vehicle Acct. (Parks) SSR (02239), \$3,500,000 Parks Federal Revenue (03098), \$1,500,000 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 - \$600,000 RIT Bull/Cutthroat Trout Enhancement Fund (02022), \$190,000 River Restoration Account appropriated to FWP. This project will provide fish habitat restoration projects statewide.
- Fishing Access Site Protection - \$50,000 Motorboat Fees SSR, \$1,000,000 FWP General License Acct. (02049), \$800,000 Federal (W/B) and Wildlife (P/R) (030397) appropriated to FWP. This project will install and rehabilitate basic facilities at fishing access sites (FAS).
- Hatchery Maintenance - \$575,000 FWP General License Acct. (02049) appropriated to DOA. This project will provide repairs and preventive maintenance at ten state fish hatcheries across Montana.
- Dam Maintenance - \$50,000 FWP General License Acct. (02049) appropriated to FWP. This project will repair FWP-owned dams, including the Rainy Lake fish barrier.
- Community Fishing Ponds - \$50,000 FWP General License Acct. (02049) appropriated to FWP. This project will develop community fishing ponds to promote family fishing.

- Admin Facilities Repair & Maintenance - \$1,325,000 FWP General License Acct. (02049) appropriated to DOA. This project will address ongoing maintenance and repair at administrative sites to protect them from deterioration.
- Forest Management Project - \$18,000 Fish & Wildlife Forest Mgt. SSR (02084), \$14,000 Parks Forest Mgt. SSR (02092) appropriated to FWP. This project will implement forest management practices on appropriate FWP lands.

#### Department of Fish, Wildlife, and Parks, Land Acquisition

- Habitat Montana - \$9,930,000 Wildlife Habitat SSR (02114) appropriated to FWP. This project will acquire wildlife habitat. The legislature added language related to this appropriation to restrict habitat acquisition to “only term agreements”. However, the Governor vetoed the restrictive language. At the time of this writing, the legislature is being polled on the veto. If the veto is upheld, the agency will be able to use the funds for land acquisition, land leasing, easement purchase, or development agreements.
- Fishing Access Site Acquisition - \$230,000 Fishing Access Site Acquisition SSR (02415), \$100,000 Federal (W/B) and Wildlife (P/R) (030397) appropriated to FWP. This project will enable FWP to acquire interest in lands for angler access to public waterways.
- Bighorn Sheep Habitat - \$210,000 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.

#### Department of Natural Resources and Conservation

- Major Repairs & Small Projects, Statewide - \$300,000 LRBP Capital Project Funds (05007) appropriated to DOA. This project will provide repairs, improvements, and preventative maintenance at DNRC facilities statewide.
- Repair Unit Residences, Statewide - \$100,000 Trust Lands Administration Acct. (02938) appropriated to DOA. This will provide repairs, preventative maintenance, and improvements at DNRC unit residences statewide.

#### Department of Public Health and Human Services

- Repair Sewage Collection System, Warm Springs - \$1,520,000 LRBP Capital Project Funds (05007) appropriated to DOA. This project will continue the repair and rehabilitation of sewer mains and manholes at the Montana State Hospital campus in Warm Springs.

#### Department of Transportation

- Statewide Maintenance, Repair & Small Projects - \$2,100,000 Restricted Highway SSR (02422) appropriated to MDT. This project provides routine/annual preventive maintenance to existing facilities; and funds small construction projects statewide.
- Equipment/Office Buildings, Statewide - \$5,200,000 Restricted Highway SSR (02422) appropriated to DOA. This project will construct new buildings at various locations throughout the state (Noxon-\$800,000; Terry-\$400,000; Shelby-\$1,000,000; Bozeman-\$3,000,000). These buildings will house road maintenance equipment and personnel.

#### Montana School for the Deaf and Blind

- Building Repairs and Improvements, Great Falls - \$195,000 LRBP Capital Project Funds (05007) appropriated to DOA. This project will replace the deteriorated windows in the Yellowstone & Glacier Cottages and replace damaged finishes in the Mustang Gym.

#### Montana University System

- General Spending Authority, MUS - All Campuses - \$2,500,000 UM Plant Funds (71100), \$2,500,000 MSU Plant Funds (71200) appropriated in language as \$2,000,000 to DOA and \$3,000,000 to MUS. The funds shown here are Authorizations not appropriations. This project will fund various projects exceeding \$150,000 and not requiring ongoing state O&M at campuses across the state.

- Science & Instruct. Tech Building Addition, MSU-Billings - \$10,000,000 LRBP Capital Project Funds (05007) appropriated to DOA and includes \$5,000,000 Authorization . This project will renovate and construct an addition to the Health & Science Building on the MSU-Billings campus.
- Replace Roof and Other Renovations, MSU Great Falls COT - \$1,000,000 LRBP Capital Project Funds (05007) appropriated to DOA. This project will replace the roof system of select areas of the MSU COT Great Falls roof or provide other renovations.
- Automotive Technology Center, MSU-Northern - \$4,900,000 000 LRBP Capital Project Funds (05007) appropriated to DOA and includes \$3,000,000 Authorization. This project will renovate and construct an addition to the Auto & Diesel Technology Building, MSU-Northern, Havre.
- Construct Missoula College UM – UM-Missoula - \$29,000,000 LRBP Capital Project Funds (05007) appropriated to DOA and includes \$3,000,000 Authorization. This project will construct a new Missoula College UM facility at UM Missoula.
- Main Hall Renovation, Phase 3, UM-Western - \$4,000,000 LRBP Capital Project Funds (05007) appropriated to DOA and includes \$500,000 Authorization. This project will complete the work funded in the last two biennia to renovate Main Hall.
- Natural Resource Research Center Addition, MT Tech-UM - \$5,000,000 LRBP Capital Project Funds (05007) appropriated to DOA and includes \$5,000,000 Authorization. This project will construct an addition to the Engineering Lab/Classroom at MT Tech of the U of M.
- Jobs Hall, MSU-Bozeman - \$20,000,000 Authorization administered by DOA. This project will allow for spending authority to construct a new building for MSU Bozeman College of Business.
- Athlete Academic Center, U of M-Missoula - \$2,500,000 Authorization administered by DOA. This project will construct a new Student Athlete Academic Center on the Missoula campus.
- Gilkey Executive Education Center, UM-Missoula - \$9,300,000 Authorization administered by DOA. This project will construct a new Gilkey Executive Education Center on the Missoula campus.
- Mansfield Library Student Success, UM-Missoula - \$3,200,000 Authorization administered by DOA. This project will construct a learning commons within the Mansfield library.
- Land Acquisition, Great Falls College – MSU - \$750,000 LRBP Capital Project Funds (05007) appropriated to MUS and includes \$750,000 Authorization. This project will acquire land at the Great Falls College-MSU.

### **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 legislature is made aware of the uses of the proposed buildings prior to approving the projects to understand what portion of the future O&M costs should fall to the responsibility of the state. The state portion of the future costs of the university projects are negotiated agreements between the Office of Budget and Program Planning and MUS. To determine responsibility for future costs, the new space is defined within five categories that include:

- Instructional (I) – classroom type space, O&M is the responsibility of the state
- Instructional related (IR) – libraries, student services, academic support, institutional support, Native American student centers, O& M may be negotiated to determine the responsibility of the state
- Sponsor research (SR) – primarily business sector research, O&M is not the responsibility of the state. In the 2015 biennium, the new space did not include SR, so that category is not included in the figure below
- Public service (PS) – child care centers, student stores, other student service spaces, O&M is not the responsibility of the state
- Non-academic (NA) – spaces that not used for academic purposes, O&M is not the responsibility of the state

The following figure includes the projected occupation date, the proposed O&M splits, and the total and state O&M costs. For example, the Gilkey Executive Education Center project is planned to include 80% of non-academic space, so the state will be responsible for 20% of the future O&M costs. The following figure provides estimates of the future O&M costs associated with the new space projects approved by the legislature in HB 5.

With the exception of the Butte Justice Center project, the projects will be undertaken at MUS and their related campuses. The state cost for O&M for the Butte Justice Center is based on the sq/ft of space that will be occupied by Department of Justice functions. The assumptions used to develop these estimates are as follows:

- Inflation rate is 1.5% per biennia
- The new Butte Justice Center building will contain 13,800 square feet (sq/ft) that Butte Butte-Silver Bow County will pay for the O&M for the 10,800 sq/ft of the new space
- The O&M costs for College of Missoula O&M are net of current O&M
- Renovation to Dillon's Main hall will include no new space and no increase in O&M
- The Mansfield Library project/renovation has no new O&M

<b>Future Operations and Maintenance (O&amp;M) Costs for New Space Projects Approved by 63rd Legislature</b>											
	Projected Occupation	University Splits				Total Future O&M			Future State Cost		
		I	IR	PS	NA	Biennium			Biennium		
						2015	2017	2019	2015	2017	2019
Construct Butte Justice Center	07/01/15					\$0	\$216,958	\$220,212	\$0	\$47,165	\$47,872
Science & Instruct. Tech Building Addition, MSU-Billings	12/01/14	43%	57%			205,007	777,664	880,616	205,007	777,664	880,616
Automotive Technology Center, MSU-Northern	12/14/14	85%	15%			12,394	43,131	43,778	12,394	43,131	43,778
Construct Missoula College UM – UM-Missoula	07/01/16	80%	20%				830,675	1,686,270		830,675	1,686,270
Main Hall Renovation, Ph 3, U of M - Western	10/13/13	75%	25%								
Natural Resource Research Center Addition, MT Tech-UM	07/01/15	100%					690,606	700,965		690,606	700,965
Jabs Hall, MSU-Bozeman	06/01/15	35%	63%	2%		37,946	924,363	938,228	37,187	905,875	919,463
Athlete Academic Center, UM-Missoula	07/01/15		100%				243,078	246,724		243,078	246,724
Gilkey Executive Education Center, UM-Missoula	07/01/16		20%		80%		311,247	631,831		62,249	126,366
Mansfield Library Student Success, UM-Missoula											
						<u>\$255,347</u>	<u>\$4,037,722</u>	<u>\$5,348,625</u>	<u>\$254,588</u>	<u>\$3,600,445</u>	<u>\$4,652,056</u>

**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 funds (such as university funds, private funds, and capitol land grant funds). While not the largest source of funding for capital projects, the LRBP capital projects fund is the principle source of funding for major maintenance in the state building program.

As seen in the figure on the following page, the LRBP capital projects fund will begin the 2015 biennium with an estimated beginning fund balance of \$839,287. 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 the A&E, and transfers from the State Building Energy Conservation Program. The LRBP fund is expected to collect \$18.5 million in program revenues, fees, and earnings. The legislature provided a transfer of \$49.6 million from the general fund to the LRBP capital projects fund to support the construction of new buildings and additions.

Appropriations of the LRBP program include A&E administrative costs and debt service costs. The A&E administrative cost is \$3.7 million and is appropriated in HB 2 from the LRBP state special revenue fund. After consideration of a \$1.3 million funding switch established by the 2001 Legislature, the LRBP is responsible for \$4.3 million of debt service for bonds authorized by the 1995 Legislature. Finally, the legislature appropriated \$60.6 million for LRBP projects from the capital projects fund, providing total appropriations from the capital projects fund of \$68.6 million. As a result, the balance of the LRBP capital projects fund at the end of the 2015 biennium is estimated to be \$294,704.

Long-Range Building Program Fund (05007)			
Fund Balance Projection 2015 Biennium -Return to House			
Estimated Beginning Fund Balance (7/1/2013)			\$839,287
Revenue Projections <sup>1</sup>	<u>FY 2014</u>	<u>FY 2015</u>	<u>Biennium Total</u>
Cigarette Tax	\$1,802,000	\$1,747,000	\$3,549,000
Coal Severance Tax	6,956,000	7,237,000	14,193,000
Interest Earnings	177,271	174,967	352,238
Supervisory Fees	155,681	155,681	311,362
Energy Savings Transfer	40,000	40,000	80,000
General Fund Transfer	49,550,000		<u>49,550,000</u>
2015 Biennium Revenues			68,035,600
Operations Expenditures			
Operating Costs-A & E Division <sup>2</sup>	(\$1,850,988)	(\$1,849,966)	(\$3,700,954)
Debt Service-2003G	(1,695,725)	(1,697,101)	(3,392,826)
Debt Service-2005A	(1,092,327)	(1,098,076)	(2,190,403)
Funding Switch <sup>3</sup>	665,000	665,000	<u>1,330,000</u>
Total Expenditures			(7,954,183)
Balance Available for Capital Projects			60,920,704
Capital Project Appropriations <sup>4</sup>			<u>(60,626,000)</u>
Estimated Ending Fund Balance - (6/30/2015)			\$294,704
<sup>1</sup> SI2			
<sup>2</sup> Includes administrative costs included in HB 2, including the 2% increase in vacancy savings, and HB 13 estimated impacts			
<sup>3</sup> Debt Service Funding Switch, 2001 legislative session			
<sup>4</sup> HB 5			

**Executive Budget Comparison**

The following figure provides the legislative changes from the executive budget proposal.

Program Comparison - Long-Range Building Program				
Budget Item	Executive Recommendation	Legislative Budget	Change	% Change
	2015 Biennium	2015 Biennium		
	<u>Proposed</u>	<u>Appropriated</u>		
LRBP Project Costs	\$270,716,000	\$175,566,000	(\$95,150,000)	-35.15%
SBCEP Project Costs	3,500,000	3,500,000	\$0	0.00%
<b>Total Costs</b>	<b>\$274,216,000</b>	<b>\$179,066,000</b>	<b>(\$95,150,000)</b>	<b>-34.70%</b>
Capital Projects	\$13,926,000	\$11,076,000	(\$2,850,000)	-20.47%
General Fund <sup>1</sup>	16,300,000	49,550,000	33,250,000	203.99%
State Special	32,760,000	32,860,000	100,000	0.31%
Federal Special	26,130,000	26,130,000	0	0.00%
Proprietary	600,000	600,000	0	0.00%
Authorization <sup>2</sup>	86,400,000	58,850,000	(27,550,000)	-31.89%
Bond Issue	98,100,000	0	(98,100,000)	-100.00%
<b>Total Funds</b>	<b>\$274,216,000</b>	<b>\$179,066,000</b>	<b>(\$95,150,000)</b>	<b>-34.70%</b>
<sup>1</sup> General fund is a transfer to the capital project fund				
<sup>2</sup> Non-State Funds that do not Require Appropriation but Requires Approval of Legislature				

Note that while the legislature appropriated the LRBP budget in HB 5, the executive had initially requested the LRBP budget in both HB 5 and HB 14. HB 14, which appropriated bond proceeds for state building construction projects, was not passed by the legislature and a number of the projects originally contained in the bill were moved into HB 5. As a result, the following table presents the changes between the executive and legislative LRBP budgets originally in both LRBP bills, not only the changes in HB 5.

The changes from the executive budget request net to a reduction of \$95.2 million or -34.7%. The primary change occurs as a result of eliminating the bond issuance proposal, HB 14. The Governor had initially proposed a transfer of general fund to the LRBP capital projects fund, and the legislature increased the transfer by \$33.3 million. As proposed, the executive budget appropriated more funds than were available in the LRBP capital projects fund, causing a negative fund balance. The legislature corrected the negative fund balance in their actions. The individual changes in appropriations include:

- Eliminated the DOC Low Side Units project - (\$26.0) million
- Added Parks Program RUX project - \$100,000
- Added Military Museum project - \$150,000
- Reduced MSU General Spending Authorization - (\$6.0) million
- Reduced authorization for Missoula College project - (\$15.0) million
- Increased the appropriation for the Butte Justice Center - \$400,000
- Eliminated the Renovation of Romney Hall project - (\$20.0) million
- Eliminated the Heritage Center project - (\$28.5) million
- Added authorization for Mansfield Library project - \$3.2 million
- Reduced authorization for Jobs Hall project - (\$5.0) million
- Added appropriation and authority for land acquisition at Great Falls College - \$1.5 million

**Other Legislation**

The Sixty-third Legislature did not enact any other legislation that would directly impact the LRBP.

# STATE BUILDING ENERGY CONSERVATION PROGRAM

## Program Description

The State Building Energy Conservation Program (SBECP), administered by the Department of Environmental Quality (DEQ), was established by the 1989 Legislature to reduce operating costs of state facilities by identifying and funding cost-effective energy efficiency improvements. 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 come to the attention of SBECP either directly because of the energy saving benefits or in conjunction with projects planned under the Long-Range Building Program (LRBP). DEQ offers state agencies assistance in evaluating energy use and identifying energy conservation projects. Program engineers evaluate all projects proposed for the LRBP to assess the energy savings potential on proposed remodeling projects. Projects with the potential for energy savings are funded through the SBECP, and are often jointly funded with LRBP deferred maintenance funds.

## Summary of Legislative Action

The Sixty-third Legislature provided \$3.5 million of appropriations for the SBECP in the 2015 biennium. The figure below shows the projects appropriated in HB 5 and includes the anticipated annual energy savings associated with the projects and the total years of savings required to repay the project costs.

State Building Energy Conservation Program (SBCEP)				
Appropriations - HB 5 - 2015 Biennium				
Department	Project Title	Appropriation	Annual Savings	Simple Payback/Yrs
Corrections	Pine Hills Youth Correctional Facility, Repair and upgrade building systems	\$500,000	\$50,000	13
Administration	Capitol Building: Repair and upgrade HVAC systems	500,000	53,000	12
Environmental Quality				
Corrections	Men's Prison Laundry Improvements	600,000	53,000	15
University System	Science Lab Improvements, Retro-commissioning, MSU Tietz Hall HVAC Upgrade	1,000,000	88,000	15
Energy Improvements	Statewide lighting upgrades, minor HVAC	<u>900,000</u>	<u>80,000</u>	15
Total Appropriation / Savings		<u>\$3,500,000</u>	<u>\$324,000</u>	

## Project Descriptions

- Pine Hills Youth Correctional Facility. This project includes:
  - Upgrades to temperature control systems
  - Conversion of constant volume heating, ventilation, and air-conditioning (HVAC) systems to variable air volume
  - Adding variable frequency drives to the heating water pumps
  - Replacing one boiler with two condensing boilers
- Capitol Building. This project includes:
  - Upgrades to the temperature control system
  - Replacement of heating and cooling control valves
  - HVAC modifications for the hearing rooms
  - Lighting upgrades

- Prison laundry improvements, Department of Corrections, Deer Lodge – This project includes:
  - Modifications that would eliminate the need for the fluid heater
  - Improvements to the domestic water heaters
  - Installation of an ozone injection system
  - Replacement of electric dryers with gas dryers
- University system improvements, MSU – This project includes:
  - Upgrades to HVAC
  - Retro-commissioning to improve performance at science labs and Tietz Hall at MSU
- Energy improvements, Statewide - This project will primarily provide lighting improvements for state facilities, specific projects will be identified during the biennium

Note: all projects described above are funded through the State Building Energy Conservation state special revenue fund.

## **FUNDING**

The SBCEP is formed to operate like a “revolving loan program”. Agencies effectively borrow the funding for the projects and reimburse the program (plus a 3% fee to cover the administrative costs of the program - appropriated in HB 2) from the energy savings. In FY 2013 reimbursements are expected to generate approximately \$1.4 million, and the reimbursements are expected to remain at that annual level throughout the 2015 biennium. Consequently, some of the project costs in the 2015 biennium will be funded with the program’s fund balance. As seen in the figure above, the investment of \$3.5 million will provide estimated savings of \$324,000 per fiscal year, once the projects are complete and the agencies begin reimbursements. Savings derived from the projects is expected to continue for at least 15 years, in most cases. Those funds will be used for projects in future years.

## **Executive Budget Comparison**

The Sixty-third Legislature made no changes from the executive request for the SBCEP.

## **Other Legislation**

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

# LONG-RANGE INFORMATION TECHNOLOGY PROGRAM

## Program Description

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-third Legislature provided total appropriations of \$20.9 million for nine major IT projects in HB 10. The figure below shows the projects by agency, project name, and fund type.

Long-Range Information Technology Program (LRITP)						
Project Appropriations - HB 10 - 2015 Biennium						
Agency / Project	LRITP Capital Projects Funds	State Special	Federal Special	Proprietary	Total	
Administration						
DOA Public Safety Communications System	\$3,000,000				\$3,000,000	
Computerized Maintenance Management System				350,000	350,000	
Enhance Data Security	2,000,000				2,000,000	
Electronic Records Mgt./Electronic Mgt. Grants	1,000,000				1,000,000	
Commissioner of Political Practices						
Campaign Reporting Service Database Rewrite	502,400				502,400	
Environmental Quality						
Remediation Information Management System	700,000	1,060,000	40,000		1,800,000	
Transportation						
Maintenance Management System		2,000,000			2,000,000	
Secretary of State						
Information Management System Phase 2	4,078,385				4,078,385	
Legislative Branch						
Session Systems Replacement Project	<u>6,146,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,146,000</u>	
Total Projects	<u>\$17,426,785</u>	<u>\$3,060,000</u>	<u>\$40,000</u>	<u>\$350,000</u>	<u>\$20,876,785</u>	

## Project Descriptions

The following is a brief description of the projects shown in the table above. The appropriations are provided to the department of administration unless otherwise noted.

### Department of Administration

- Public Safety Communications System Maintenance and Operations - \$3,000,000 LRITP Capital Projects Fund (05031) – This project will fund the expansion of the public safety communications system administered by the Montana Statewide Interoperability Governing Board (SIGB). The project includes \$1.5 million for replacement equipment to support the maintenance of the system and \$1.5 million for the leased use of private telecommunications equipment and infrastructure
- Computerized Maintenance Management System - \$350,000 GSD Proprietary Funds (06528) – This project will fund the purchase and installation of a computerized maintenance management system. The system will enable General Services Division (GSD) to use resources more efficiently, enhance customer

responsiveness, and increase asset reliability. In addition, the system will provide the ability for GSD to track and develop deferred maintenance projects for the 40 buildings they manage

- Enhance Data Security - \$2,000,000 LRITP Capital Projects Fund (05031) – This project will expand and enhance measures to address potential security gaps in state information technology systems and networks, to prevent hackers from gaining access to Montanan’s confidential information
- Electronic Records Management/Electronic Content Management Matching Grants - \$1,000,000 LRITP Capital Projects Fund (05031) – This project will provide funding for the development of electronic record creation, management, storage, and retrieval processes. In approving this project, the legislature requested that an IT system result from the work.

#### Commissioner of Political Practices

- Campaign Reporting Service / Database Rewrite - \$502,400 LRITP Capital Projects Fund (05031) – This project will utilize a single vendor to rewrite the current database and build an online application to eliminate the risk of losing functionality and system failure of the fragile current system. This system is utilized by the candidates, committees, media, public, and the Office of the Commissioner of Political Practices.

#### Department of Environmental Quality

- Remediation Information Management System - \$700,000 LRITP Capital Projects Fund (05031), \$240,000 Petroleum Storage Tank Cleanup SSR (02058), \$610,000 Environmental Quality Protection SSR (02162), \$210,000 LUST Cost Recovery SSR (02565), \$40,000 EPA Brownfields Grant FSR (03973) – This project will replace the current remediation legacy system with current software and will incorporate refined business functionality identified through a process assessment and new federal and state legal requirements.

#### Department of Transportation

- Maintenance Management System - \$2,000,000 Restricted Highway SSR (02422) – This project will replace the current Maintenance Management System (MMS) legacy system with a full-featured MMS to improve timeliness, accuracy of data collection, and employee efficiency. The new system would also support all of the maintenance programs within the maintenance division, instead of only supporting general maintenance operations.

#### Secretary of State

- Information Management System, Phase 2 - \$4,078,385 LRITP Capital Projects Fund (05031) – This project will replace an outdated legacy mainframe application that contains information on every registered business in Montana. It will also replace several other applications and databases that support office accounting and filing processes.

#### Legislative Services Division

- Session Systems Replacement Project - \$6,146,000 LRITP Capital Projects Fund (05031) – This is a major enterprise-level business system replacement project to upgrade multiple aging systems, including process design, MCA/annotations, LAWS database, editor system, HB2 automation, Engrossing and Enrolling, and the MCA online system, all used to support the legislative session and related post session publication processes. The appropriation is provided to the Legislative Services Division.

**Funding**

Funding for LRITP capital projects is made through the LRITP capital projects fund. The LRITP fund has no revenue distributions directed to the upgrades of state IT, but instead relies on fund transfers and agency funds to pay the costs of major IT projects. The LRITP capital projects fund will begin the 2015 biennium with a balance of \$6.0 million. As shown in the figure to the right, HB 10 contains a general fund transfer of \$11.5 million. Consequently, the beginning fund balance along with the anticipated fund revenues are expected to equal the capital project fund appropriations of \$17.4 million, and a \$0 fund balance is expected at the end of the 2015 biennium.

Long-Range Information Technology Capital Project Fund (05031)	
Working Capital Balance, 2015 Biennium	
Estimated Beginning Fund Balance (7/1/2013)	\$5,975,000
Revenues	
Transfer from the General Fund	<u>\$11,451,785</u>
2015 Biennium Revenues	11,451,785
Fund Appropriations <sup>1</sup>	
LRITP Projects	<u>(17,426,785)</u>
Total Appropriations	(17,426,785)
Estimated Ending Fund Balance (6/30/2015)	\$0
<sup>1</sup> HB 10	

**Executive Budget Comparison**

The Sixty-third Legislature increased the appropriation for LRITP from the executive recommendation by \$644,000 or 3.2%. The changes from the executive budget request include:

- A cost reduction for the Secretary of State project – (\$356,000)
- The addition of the Electronic Records Management project - \$1.0 million

Program Comparison - Long-Range Information Technology Program				
Budget Item	Budget 2015 Biennium	Budget 2015 Biennium	Biennium Change	Biennium % Change
Projects Cost	<u>Appropriated</u> \$20,232,785	<u>Proposed</u> \$20,876,785	\$644,000	3.18%
<b>Total Costs</b>	<b>\$20,232,785</b>	<b>\$20,876,785</b>	<b>\$644,000</b>	<b>3.18%</b>
Capital Project Fund	0	5,975,000	5,975,000	-
General Fund <sup>1</sup>	16,782,785	\$11,451,785	(5,331,000)	-31.76%
State Special	3,060,000	3,060,000	0	0.00%
Federal Special	40,000	40,000	0	0.00%
Other/Proprietary	350,000	350,000	0	0.00%
<b>Total Funds</b>	<b>\$20,232,785</b>	<b>\$20,876,785</b>	<b>\$644,000</b>	<b>3.18%</b>
<sup>1</sup> General fund is a transfer to the capital project fund				

The legislature also reduced the transfer of general fund to the capital projects fund by \$5.3 million in recognition of the existing fund balance at the beginning of the 2015 biennium.

**Other Legislation**

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

# TREASURE STATE ENDOWMENT PROGRAM

## Program Description

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 2013 Legislature appropriated \$35.0 million for TSEP in HB 11 for the 2015 biennium, after choosing to fund all grant requests. From the total appropriations, \$4.5 million funds 16 bridge grants, \$29.5 million funds 48 infrastructure grants, \$100,000 funds emergency grants, and \$900,000 funds project planning grants. To fully fund the grant appropriations, the legislature provided a transfer of \$13.3 million from the general fund to the TSEP state special fund. 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. The grants to local governments authorized by the legislature are seen in figures below. Given the legislature's intent to assess bridges separately, the bridge projects and infrastructure projects are shown separately in the figures below.

Treasure State Endowment Program (TSEP) Grants Authorized - HB 11 - 2015 Biennium				
Applicant/County	Type of Project	Total Project Cost	Grants Authorized	Cumulative Total
<b><u>Bridge Grants</u></b>				
Missoula County	Bridge	\$960,745	\$480,372	\$480,372
Lewis & Clark County	Bridge	462,986	231,493	711,865
Granite County	Bridge	752,008	376,004	1,087,869
Carbon County	Bridge	911,350	455,675	1,543,544
Ravalli County	Bridge	424,978	212,489	1,756,033
Powell County	Bridge	641,880	320,940	2,076,973
Judith Basin County	Bridge	470,423	235,211	2,312,184
Blaine County	Bridge	509,347	254,000	2,566,184
Anaconda-Deer Lodge Co.	Bridge	624,209	312,104	2,878,288
Jefferson County	Bridge	763,764	381,882	3,260,170
Stillwater County	Bridge	410,056	205,028	3,465,198
Park County	Bridge	219,990	109,955	3,575,153
Glacier County	Bridge	563,854	281,927	3,857,080
Big Horn County	Bridge	474,925	237,462	4,094,542
Chouteau County	Bridge	357,841	178,920	4,273,462
Yellowstone County	Bridge	<u>436,878</u>	<u>218,439</u>	4,491,901
Total TSEP Bridge Grants Authorized		<u>\$8,985,234</u>	<u>\$4,491,901</u>	

Treasure State Endowment Program (TSEP)				
Grants Authorized - HB 11 - 2015 Biennium				
Applicant/County	Type of Project	Total Project Cost	Grants Authorized	Cumulative Total
<b>Infrastructure Grants</b>				
Craig Co WSD, Lewis & Clark	Waste Water	3,332,755	\$750,000	\$750,000
Glendive, Dawson <sup>2</sup>	Waste Water	8,879,392	750,000	1,500,000
Manhattan, Gallatin	Water	1,855,000	750,000	2,250,000
Cascade, Cascade	Water	2,069,051	750,000	3,000,000
Pinesdale, Ravalli	Water	2,474,000	750,000	3,750,000
Musselshell Co WSD, Musselshell	Water	900,250	450,125	4,200,125
Valier, Pondera	Waste Water	2,060,190	750,000	4,950,125
Hill County - North Havre, Hill	Waste Water	423,000	211,500	5,161,625
Hot Springs, Sanders	Water	1,185,100	592,550	5,754,175
Chinook, Blaine	Water	2,998,400	750,000	6,504,175
Roundup, Musselshell	Water	1,250,273	500,000	7,004,175
Dawson Co/West Glendive, Dawson	Waste Water	3,047,631	750,000	7,754,175
Seeley Lake Sewer Dist, Missoula	Waste Water	6,907,000	750,000	8,504,175
Three Forks, Gallatin	Waste Water	4,529,155	750,000	9,254,175
Libby, Lincoln	Water	8,797,000	750,000	10,004,175
South Wind WSD, Cascade	Water & WW	1,974,500	750,000	10,754,175
Richland County, Richland	Waste Water	2,165,000	750,000	11,504,175
Amsterdam/Churchill Sewer Dist., Gallatin	Waste Water	3,161,268	750,000	12,254,175
Philipsburg, Granite	Water	1,120,000	550,000	12,804,175
Dutton, Teton	Water	832,555	408,500	13,212,675
Fort Benton, Chouteau	Waste Water	4,230,000	750,000	13,962,675
Moore, Fergus	Waste Water	1,880,000	625,000	14,587,675
Forsyth, Rosebud	Waste Water	3,434,700	500,000	15,087,675
Vaughn Co WSD, Cascade	Waste Water	1,972,645	750,000	15,837,675
Choteau, Teton	Waste Water	7,773,477	750,000	16,587,675
Boulder, Jefferson	Waste Water	4,882,000	625,000	17,212,675
Polson, Lake	Water	1,480,620	625,000	17,837,675
Cut Bank, Toole	Waste Water	8,131,000	625,000	18,462,675
White Sulphur Springs, Meagher	Waste Water	988,000	460,500	18,923,175
Conrad, Pondera	Water	1,479,995	625,000	19,548,175
Winnett, Petroleum	Waste Water	2,304,000	750,000	20,298,175
Malta, Phillips	Water	6,157,500	500,000	20,798,175
Harlowton, Wheatland	Waste Water	1,611,000	625,000	21,423,175
Stevensville, Ravalli	Waste Water	3,770,630	750,000	22,173,175
Lodge Grass, Big Horn	Waste Water	3,721,000	750,000	22,923,175
Harlem, Blaine	Waste Water	2,363,829	625,000	23,548,175
Winifred, Fergus	Waste Water	2,513,000	500,000	24,048,175
Havre, Hill	Waste Water	8,966,411	500,000	24,548,175
Fairfield, Teton	Waste Water	2,629,753	625,000	25,173,175
Miles City, Custer	Waste Water	8,400,800	500,000	25,673,175
Drummond, Granite	Waste Water	2,342,000	750,000	26,423,175
Alberton, Mineral	Waste Water	581,000	292,000	26,715,175
Eureka, Lincoln	Water	1,100,000	550,000	27,265,175
Shelby, Toole	Stormwater	2,116,799	625,000	27,890,175
Belt, Cascade	Waste Water	2,525,205	625,000	28,515,175
Joliet, Carbon	Waste Water	2,388,000	154,200	28,669,375
Hamilton, Ravalli	Waste Water	2,301,000	322,262	28,991,637
Plevna, Fallon	Water	<u>1,100,000</u>	<u>500,000</u>	29,491,637
Total TSEP Infrastructure Grants Authorized		<u>\$153,105,884</u>	<u>\$29,491,637</u>	
Total TSEP Projects			<u>\$33,983,538</u>	

**Funding**

The fund balance table on the following page shows the projected ending fund balance of the TSEP state special revenue fund for the 2015 biennium. The TSEP fund is estimated to begin the biennium with a fund balance of \$1.5 million. The beginning fund balance results primarily from the grants that were unable to meet the startup conditions by the stated deadline.

TSEP interest earnings are expected to be \$21.4 million for the biennium. The legislature transferred \$13.3 million from the general fund to the TSEP fund to provide sufficient funds to cover the costs of all bridge and infrastructure grant requests. Total revenues are expected to be \$34.7 million in the 2015 biennium.

The legislature made several appropriations from the TSEP state special fund. First, \$1.2 million was appropriated for the administrative costs of the program in HB 2 and includes an estimate for the impact of employee pay raises provided in HB 13. Other appropriations in the TSEP bill include \$100,000 for the emergency grants and a \$900,000 appropriation for preliminary engineering grants. Finally, the legislature provided an appropriation of \$34.0 million (which includes \$4.5 million for bridge grants and \$29.5 million for infrastructure grants) for TSEP grants. By the end of the 2015 biennium, the TSEP state special fund is expected to have an ending fund balance of \$22,984.

Treasure State Endowment Fund (02270)	
Fund Balance Projection 2015 Biennium	
Estimated Beginning Fund Balance (7/01/2013)	\$1,480,756
Revenue Projections <sup>1</sup>	
FY 2014 Interest Earnings	\$10,383,000
FY 2015 Interest Earnings	10,998,000
General Fund Transfer	<u>13,300,000</u>
2015 Biennium Revenues	\$34,681,000
Appropriations	
Administration <sup>2</sup>	(\$1,155,234)
Emergency Grants	(100,000)
Preliminary Engineering Grants	(900,000)
Bridge Grants	(4,491,901)
Water Infrastructure Grants	<u>(29,491,637)</u>
Total Expenditures	<u>(\$36,138,772)</u>
Estimated Ending Fund Balance - (6/30/2015)	<u>\$22,984</u>
<sup>1</sup> SJ2	
<sup>2</sup> Includes administrative costs included in HB 2, including the 2% increase in vacancy savings, and HB 13 estimated impacts	

**Executive Budget Comparison**

The executive budget recommended \$19.3 million of appropriations from the interest earnings of the TSEP trust for the 2015 biennium to fund 6 bridge grants and 25 infrastructure grants. The legislature chose to fund all grant requests, increasing the proposed budget to include funding for 16 bridge grants and 48 infrastructure grants. To fund the local government grants, the legislature made use of both unexpended TSEP fund balance and a transfer of general fund into the TSEP fund. Consequently, the legislature increased the TSEP budget by 80.9% from the executive proposal.

Program Comparison - Treasure State Endowment Program				
	2013 Biennium	2015 Biennium	Change	% Change
Trust Balance (End of Biennium)	\$238,947,000	\$268,523,000	\$29,576,000	12.4%
Trust Earnings	19,747,477	21,558,000	1,810,523	9.2%
Budget Item	Executive Recommendation 2015 Biennium	Legislative Budget 2015 Biennium	Change	% Change
Number of Grants Funded (bridge)	6	16	10	166.7%
Number of Grants Funded (infrastructure)	25	48	23	92.0%
	<u>Proposed</u>	<u>Appropriated</u>		
Bridge Grants Cost	\$1,879,691	\$4,491,901	\$2,612,210	139.0%
Water Infrastructure Grants Cost	16,462,675	29,491,637	13,028,962	79.1%
Other Grants Cost	1,000,000	1,000,000	0	0.0%
<b>Total Costs</b>	<b>\$19,342,366</b>	<b>\$34,983,538</b>	<b>\$15,641,172</b>	<b>80.9%</b>
State Special	\$19,342,366	\$21,683,538	\$2,341,172	12.1%
General Fund	0	13,300,000	13,300,000	-
<b>Total Funds</b>	<b>\$19,342,366</b>	<b>\$34,983,538</b>	<b>\$15,641,172</b>	<b>80.9%</b>

**Other Legislation**

HB 454 – Section 2 of this legislation changed the date when coal severance tax revenues would stop flowing into the Treasure State Endowment Fund from June 30, 2020 to June 30, 2016. This action will reduce new revenue to flowing into the trust principal and subsequently reduce the interest earnings available for future grants, beginning in FY 2017. As seen in the figure on the previous page, the trust is estimated to grow by approximately \$30 million between fiscal year end 2013 and FYE 2015. As a rough estimate based on the assumption of constant tax deposits over the four years, the principal of the trust will lose approximately \$60 million. At an average rate of trust return, 5.5% annually, this change will ultimately reduce interest earnings by an estimated \$3.3 million per fiscal year.

# **TREASURE STATE ENDOWMENT REGIONAL WATER PROGRAM**

## **Program Description**

The 1999 Legislature created the treasure state endowment regional water system fund as a new sub-trust within the coal tax permanent trust. The 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 funds to 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 a \$17.0 million appropriation to fully fund the state share for the two federally authorized regional water projects: the Dry Prairie Regional Water, \$5.0 million towards the estimated total project cost of \$317 million, and the North Central Montana Regional Water, \$12.0 million towards the estimated total cost of \$361 million. To date, the TSEPRW fund has provided \$10.8 million towards the costs of the Dry Prairie system and \$9.6 towards the costs of the North Central system. The appropriation will allow the state to invest in the system during the 2015 biennium and mitigate the future construction inflation costs that would occur if the state were to support the projects over a prolonged period of time. The figure below shows the proposed projects that will be undertaken with the state funding.

Treasure State Endowment Regional Water Program Projects - HB 11 - 2015 Biennium	
Project Title	State's Share Project Cost
Dry Prairie Regional Water Authority	
East Medicine Lake Distribution Phase II	\$270,000
Medicine Lake-to-Plentywood Mainline	1,900,000
Glasgow Area B & D	360,000
Frazer to Porcupine Creek	<u>2,470,000</u>
Total Dry Prairie State Share	<u>\$5,000,000</u>
North Central Regional Water Authority	
Core Pipeline Segment #3	\$450,000
Conrad-to-Brady mainline for Brady interim supply	2,300,000
Shelby-to-Cut Bank for Cut Bank interim supply	<u>9,250,000</u>
Total North Central State Share	<u>\$12,000,000</u>

While the TSEPRW program will continue to be tasked with oversight and administration of the Dry Prairie and North Central projects, the program (and its available matching funds) will be more focused on the Dry-Redwater and the Musselshell-Judith projects in the future. The systems are seeking federal authorization at this time. Given the statutory condition that the program funding is to provide a match to federal funds, federal authorization is vital to the state's assistance in those system's water projects. All future construction funding will be available for these projects and any other regional water systems that may be developed.

**Funding**

TSEP Regional Water System Fund (02015)	
Fund Balance Projection 2015 Biennium	
Estimated Beginning Fund Balance (7/1/2013)	\$3,081,730
Revenue Projections <sup>1</sup>	
2014 Interest Earnings	\$3,287,000
2015 Interest Earnings	3,591,000
General Fund Transfer	<u>8,400,000</u>
2015 Biennium Revenues	15,278,000
Proposed Expenditures	
Administration - DNRC <sup>2</sup>	(177,012)
Regional Water Authority Admin. Grants (HB 2)	(1,169,000)
Regional Water State Share	<u>(17,000,000)</u>
Total Proposed Expenditures	(18,346,012)
Estimated Ending Fund Balance - (6/30/2015)	<u>\$13,718</u>
<sup>1</sup> SI2	
<sup>2</sup> Includes administrative costs included in HB 2, including the 2% increase in vacancy savings, and HB 13 estimated impacts	

The figure to the left shows the estimate for the TSEPRW fund balance. The TSEPRW fund is expected to begin the 2015 biennium with a \$3.1 million balance. Interest and earnings in the 2015 biennium are projected to be \$6.9 million. To fund the state share of the two federally authorized regional water projects, the legislature transferred \$8.4 million from the general fund to the TSEPRW state special fund. As a result, the program will have \$15.3 million of revenue in the 2015 biennium. The legislature made several appropriations from the TSEPRW fund in the 2015 biennium. Appropriations in HB 2 include \$177,012 for the administrative costs of DNRC and \$1.2 million for administrative grants that fund the activities of the four regional water authorities. After the \$17.0 million appropriation for the state match for regional water projects, the fund is expected to have a fund balance of \$13,718 at the end of the 2015 biennium.

**Executive Budget Comparison**

As seen in the figure to the left, the legislature increased the appropriation for the state match on regional water by \$8.1 million, or 91.0% from the executive budget proposal. The legislature reduced the amount of funds appropriated from the state special fund, since the fund was initially over appropriated, and provided a transfer from the general fund of \$8.4 million.

Program Comparison - Treasure State Endowment Regional Water Program				
	2013 Biennium	2015 Biennium	Change	% Change
Trust Balance (End of Biennium)	\$76,396,000	\$91,170,000	\$14,774,000	19.3%
Trust Earnings	5,971,667	6,949,000	977,333	16.4%
Budget Item	Executive Recommendation 2015 Biennium	Legislative Budget 2015 Biennium	Change	% Change
	<u>Proposed</u>	<u>Appropriated</u>		
Projects Funding	\$8,900,000	\$17,000,000	\$8,100,000	91.0%
<b>Total Costs</b>	<b>\$8,900,000</b>	<b>\$17,000,000</b>	<b>\$8,100,000</b>	<b>91.0%</b>
State Special	\$8,900,000	\$8,600,000	(\$300,000)	-3.4%
General Fund	0	8,400,000	8,400,000	-
<b>Total Funds</b>	<b>\$8,900,000</b>	<b>\$17,000,000</b>	<b>\$8,100,000</b>	<b>91.0%</b>

**Other Legislation**

HB 8 – This legislation provides Renewable Resource loans from the proceeds of Coal Severance Tax bonds. Loan repayments are used to pay the debt service on the bonds. This legislation provides 30 year loans to the Dry Prairie Regional Water Authority, \$6.0 million, and the North Central Regional Water Authority, \$10.0 million, to fully fund the local share of the regional water projects. The regional water authorities will repay the principal and interest (4.5% or the state bond rate, whichever is lower) on their respective loans. If the authorities pursue this, or any other, funding for the local share of the regional water projects in the near future, the remaining financial obligation of these regional water projects will be the responsibility of the federal government. For more information on the Renewable Resource Loan Program, see page F-30 of this report.

HB 454 – Section 2 of this legislation changed the date when coal severance tax revenues would stop flowing into the Treasure State Endowment Regional Water Fund from June 30, 2020 to June 30, 2016. This action will reduce new revenue to flowing into the trust principal and subsequently reduce the interest earnings available for future grants, beginning in FY 2017. As seen in the figure on the previous page, the trust is estimated to grow by approximately \$15 million between FYE 2013 and FYE 2015. As a rough estimate based on the assumption constant tax deposits over the four years, the principal of the trust will lose approximately \$30 million. At an average rate of trust return, 5.5% annually, this change will ultimately reduce interest earnings by an estimated \$1.7 million per fiscal year.

# RENEWABLE RESOURCE GRANT AND LOAN PROGRAM

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## Program Description – (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). The two program components of the RRGL are presented separately in this report.

## Summary of Legislative Action

### HB 6 (Grants)

The Sixty-third Legislature passed HB 6 appropriating \$29.5 million from the revenues of the natural resource projects state special revenue fund for the various natural resource projects in HB 6. The RRGL program appropriation of \$9.0 million will fund 90 RRGL project grants. The legislature also appropriated \$100,000 for RRGL authorized emergency grants and \$1,062,000 for project planning grants. Beyond the normal RRGL program expenses, the legislature appropriated funds for other natural resource projects, which include:

- \$250,000 - Ten Mile/Pleasant Valley Sewer District Emergency Grant. This wastewater system is out of compliance with design standards for total retention for a discharging lagoon. The entire project is estimated to cost \$5,501,515 and includes a \$4.9 million dollar state revolving fund loan. This grant will help in providing:
  - Sewer main cleaning
  - A new lift Station and forcemain
  - A total retention lagoon system
- \$300,000 - Irrigation Development Grants. These grants are available to government or private entities for projects that develop or expand new irrigation or increase the production of value-added crops.
- \$100,000 - Private Grants. These grants provide financial assistance to individuals, associations, partnerships, and corporations to fund water conservation and protection projects where quantifiable benefits exceed costs. By law, private grants for a single project may not exceed 25% of the total estimated cost. The grant must be matched on a 3-to-1 basis.
- \$200,000 - Capacity Building Grants. These grants support conservation districts and watershed groups in building capabilities, knowledge, and resources to fulfill their mission. The grants must be sponsored by conservation districts or public entities working with a conservation districts. These grants aim to develop core capabilities in leadership effectiveness and financial management.
- \$200,000 - State Water Plan. This grant will update the state water plan established in law, 85-1-203 MCA. The goals of the grant include:
  - Document current supply/demand for water in the Clark Fork, Yellowstone, and Missouri basins
  - Projection of increases in demand for water over the next 20 years
  - Identification of sources of water to meet increases in demand
  - Protection of existing beneficial uses
  - Outlining options for future water needs as recommendations to the 2015 Legislature

- \$1,273,686 - Big Pipestone/Jefferson River Sloth Watershed Restoration. This grant to Jefferson County supports five projects in the Big Pipestone/Jefferson Sough Watershed. Jefferson County conducted a watershed assessment of the Jefferson Slough and main stem of Big Pipestone Creek with the goal of defining specific and feasible projects that mitigate sedimentation and loss of habitat as a part of a strategy to eradicate Eurasian watermilfoil. Big Pipestone Creek has been identified as the second-worst stream in the state for sedimentation, and has been listed as impaired by the Department of Environmental Quality. The study identified at least 33 projects that will significantly reduce sedimentation and other channel degradation that contributes to the watermilfoil habitat, flooding in Whitehall, reduced access to irrigation water, loss of agricultural lands, impaired groundwater systems, and excessive sedimentation. The funding in HB 6 funds the top 5 prioritized projects which include:
  - Landowner #24 Ranch Channel Restoration, \$760,500
  - Riparian Management Plan Development, \$15,500
  - Beaver Management Planning, \$21,240
  - Landowner #7 Channel Restoration, \$299,596
  - Jefferson Slough Hydrology and Sedimentology Stations, \$176,850

### Tribal Water Compacts

The legislature provided \$17 million of appropriations in HB 6 to fulfill the state's financial obligation for two tribal water compacts: the Ft. Belknap Tribal compact and the Blackfeet Tribal compact. The two compacts have not yet been ratified by Congress, and Congressional action on both compacts is dependent on state funding being in place. If state funds are not provided, the compacts may be nullified. On the contrary, the state may not expend funds on water infrastructure projects until the Congress has ratified the compact. Further details of the tribal compact appropriations are as follows:

- \$3,000,000 - People's Creek Minimum Flow Account Deposit. The legislature established the Ft. Belknap tribal water compact in Title 80, Chapter 10, MCA in 2001. Prior to the deposit directed in HB 6, the state authorized \$9.5 million in general obligation bonds in HB 540, approved by the Fifty-ninth Legislature in 2005, to pay a portion of the state's cost share for the Ft. Belknap water compact. While not explicitly stated in the legislation, it is assumed the bonds will not be issued or sold unless a water rights compact among the Ft. Belknap Tribe, the state, and the United States has been finally ratified by all parties. To date, the Congress has not ratified this compact. Once fully ratified, projects will improve water management and supply in the water basin. The appropriation in HB 6 fully funds the state's obligation to the Ft. Belknap compact.
- \$14,000,000 - Blackfeet Tribe Water Rights Compact Infrastructure Account. The legislature established the Blackfeet tribal water compact in Title 80, Chapter 15, MCA in 2007. Prior to the deposit directed in HB 6, the state authorized \$16.0 million in general obligation bonds in HB 49, approved by the Sixty-second Legislature in 2011, to pay a portion of the state's costs for water-related infrastructure projects within the exterior boundaries of the Blackfeet Indian reservation. The legislation states, "The bonds may not be issued or sold unless a water rights compact among the Blackfeet Tribe, the state, and the United States has been finally ratified by the Blackfeet Tribe, the legislature, and the Congress of the United States." To date, the Congress has not ratified this compact. Once fully ratified, infrastructure improvement projects necessary to meet the state's legal obligations can commence. The appropriation in HB 6 fully funds the state's obligation to the Blackfeet compact.

To finance the increased grant authorizations, additional natural resource projects, and deposits for the state's obligation to the tribal compacts, the legislature provided a \$20.5 million transfer of general funds to the natural resource projects fund.

The figures on the following pages contain a list of the 90 grants authorized by the legislature in HB 6.

Renewable Resource Grants (RRGL)					
Grants Authorized - HB 6 - 2015 Biennium					
Applicant / Project	Grants Authorized	Cumulative Total	Applicant / Project	Grants Authorized	Cumulative Total
			Balance:	\$2,300,000	
Deer Lodge Valley Conservation District	\$100,000	\$100,000	Hill County	98,321	2,398,321
Racetrack Water Users Assn.: Water Efficiency and Energy Conserv. Proj. - Phase 1			Beaver Creek Dam Outlet Works Rehad.		
South Wind Water and Sewer District	100,000	200,000	Winnett, Town of	100,000	2,498,321
South Wind Water and Sewer District Improvements			Winnett Wastewater		
Craig County Water and Sewer District	100,000	300,000	DNRC Water Resources Division	99,939	2,598,260
Craig Wastewater System Improvements			East Fork Rock Creek Main Canal Lining Project		
Forsyth, City of	100,000	400,000	Boulder, City of	100,000	2,698,260
Forsyth Wastewater System Improvements			Boulder Wastewater System Improvements		
Clinton Irrigation District	100,000	500,000	White Sulphur Springs, City of	100,000	2,798,260
Clark Fork Diversion Rehad. Project			White Sulphur Springs Wastewater Improvements Project - Phase 1		
Beaverhead County Conservation District	100,000	600,000	Helena Valley Irrigation District	100,000	2,898,260
Swamp Creek Siphon Project			Helena Valley ID Pump Automation Project		
Miles City, City of	100,000	700,000	Buffalo Rapids Irrigation Project District 1	100,000	2,998,260
Miles City Wastewater System Improvements, Phase 2			Buffalo Rapids 1 Lateral 20.6 Conversion Project		
Alberton, Town of	100,000	800,000	Whitefish, City of	100,000	3,098,260
Alberton Wastewater Project			City of Whitefish Nutrient Reduction Plan		
Richland County	100,000	900,000	Fort Peck Tribes	100,000	3,198,260
Richland County- Savage Wastewater System Improvements			Fort Peck Tribes Phase 2 Lateral L-2M Rehad. Project		
Dawson County	100,000	1,000,000	Flathead County	100,000	3,298,260
Dawson County-West Glendive Wastewater System Improvements			Bigfork Stormwater Project-Phase IV		
Fort Benton, City of	100,000	1,100,000	Three Forks, City of	100,000	3,398,260
Fort Benton Wastewater System Improvements			Three Forks Wastewater System Improvements		
Belt, Town of	100,000	1,200,000	Libby, City of	100,000	3,498,260
Belt Wastewater System Improvements			Libby Flower Creek Dam Water System Improvements		
Vaughn Cascade County Water and Sewer District	100,000	1,300,000	Frenchtown Irrigation District	99,978	3,598,238
Vaughn Wastewater System Improvements			Frenchtown Irrigation District: Main Canal Lining Project		
Malta Irrigation District	100,000	1,400,000	DNRC Water Resources Division	100,000	3,698,238
Dodson South Canal Head Gate Replacement Project			Replacement Headgates for the Deadman's Basin Supply Canal Project		
Park County	100,000	1,500,000	DNRC Water Resources Division	100,000	3,798,238
Park County Fairgrounds Wastewater System Improvements			Cooney Dam Outlet Canal Weir Replace. and Automated Instrumentation Project		
Bitter Root Irrigation District	100,000	1,600,000	Deer Lodge Valley Conservation District	100,000	3,898,238
BRID Siphon 1 - Phase 4 Improvements Project			Kohrs and Manning Ditch Company Infrastructure Improvements		
Cut Bank, City of	100,000	1,700,000	DNRC Flathead Basin Commission	100,000	3,998,238
Cut Bank Wastewater System Improvements			Aquatic Invasive Species Prevention Project, AIS Prevention Project		
Ward Irrigation District	100,000	1,800,000	Dutton, Town of	100,000	4,098,238
Lost Horse Creek/Ward Canal Improv., Ward Irrigat. Distr. Lost Horse Creek/Ward Canal Improvs			Dutton Water System Improvements		
Glendive, City of	100,000	1,900,000	Fairfield, Town of	100,000	4,198,238
Glendive Wastewater System Improvements			Fairfield Wastewater System Improvements		
Harlowton, City of	100,000	2,000,000	Buffalo Rapids Irrigation Project District 2	100,000	4,298,238
Harlowton Wastewater System Improvements			Buffalo Rapids 2 Terry Pump Station Discharge Line		
Lockwood Irrigation District	100,000	2,100,000	Choteau, City of	100,000	4,398,238
Lockwood ID Intake Canal Headgate Replacement Project			Choteau Wastewater System Improvements, Phase 2		
Sweet Grass County Conservation District	100,000	2,200,000	Daly Ditches Irrigation District	100,000	4,498,238
Pioneer Ditch Company Irrigation Diversion Rehad. Project			Daly Ditches Irrigation District Preservation and Conservation of Resources		
Glen Lake Irrigation District	100,000	2,300,000	Toston Irrigation District	100,000	4,598,238
Glen Lake Irrigation District Rolling Hills Section of the Main Canal Rehad. Project			Toston ID Toston Canal Rehad. Project		

Renewable Resource Grants (RRGL)					
Grants Authorized - HB 6 - 2015 Biennium (continued)					
Applicant / Project		Grants Authorized	Cumulative Total	Applicant / Project	
				Grants Authorized	Cumulative Total
Balance:		\$4,598,238		Balance: \$6,897,521	
Gallatin County Conservation District		100,000	4,698,238	Carbon County Conservation District	100,000 6,997,521
Darlington Creek Enhancement Project at Cobblestone Fishing Access				Phase 2, Groundwater Surface Water Interaction	
Missoula County Conservation District		100,000	4,798,238	Sunny Hills Suburban County Water District	100,000 7,097,521
Missoula Conservation District Orchard Homes Ditch Company Intake				Sunny Hills WSD Water System Improvements	
Missoula Irrigation District		100,000	4,898,238	Drummond, Town of	100,000 7,197,521
Missoula Irrigation District Water Conservation Project				Drummond Wastewater System Improvements	
Valier, Town of		100,000	4,998,238	Big Horn County Conservation District	100,000 7,297,521
Valier Wastewater System Improvements				Eval. the Influence of Irrigation on Groundwater in Northern Big Horn County	
Fort Belknap Indian Community		100,000	5,098,238	Joliet, Town of	100,000 7,397,521
Ft Belknap Main Canal A Underdrain Rehad. Project				Joliet Wastewater System Improvements	
Bozeman, City of		100,000	5,198,238	Malta, City of	100,000 7,497,521
Bozeman Creek at Bogert Park Enhancement Project				Malta Water System Improvements	
Hamilton, City of		100,000	5,298,238	Gallatin County Montana	75,000 7,572,521
Hamilton Wastewater System Improvements, Phase 2				Grayling Creek Stream & Riparian Restor. & Parade Rest Guest Ranch Irrigat. Project	
Lodge Grass, Town of		100,000	5,398,238	Lower Musselshell County Conservation District	100,000 7,672,521
Lodge Grass Wastewater System Improvements				East Brewer Irrigation Check Structure Rehad. and Southside Canal Lining	
Pondera County Conservation District		100,000	5,498,238	Madison County	100,000 7,772,521
Pondera County Canal and Reservoir Companay KB2 Canal Rehad. Project				Moore's Creek Culvert Replacement	
Manhattan, Town of		100,000	5,598,238	DNRC Water Resources Division	95,580 7,868,101
Manhattan Water System Improvements				Infill Drilling and Piezometer Install: East Fork, Fred Burr, Martinsdale, Middle	
Greenfields Irrigation District		100,000	5,698,238	Creek, and Tongue River Dams	
Muddy Creek Wastewater and Erosion Reduction				Hamilton, City of	100,000 7,968,101
University of Montana		99,882	5,798,120	Hamilton Water System Improvements, Well 5	
Algae Bioremediation Syst. for Acidic Industrial Wastewaters				Plevna, Town of	100,000 8,068,101
Black Eagle-Cascade County Water & Sewer District		99,407	5,897,527	Plevna Water System Improvements	
Black Eagle Wastewater System Improvements				Stillwater Conservation District	100,000 8,168,101
Stevensville, City of		100,000	5,997,527	Assessing the Groundwater Resources of the Bedrock Aquifers in Stillwater	
Stevensville Wastewater System Improvements, Phase 2				Sweet Grass County	100,000 8,268,101
Havre, City of		100,000	6,097,527	Greycliff Reach Yellowstone River Stabilization Project, Greycliff Reach	
City of Havre Wastewater System Improvements				EmKayan County Water and Sewer District	100,000 8,368,101
Elk Meadows County Water District		100,000	6,197,527	EmKayan WSD Water System Improvements, Phase 2	
Elk Meadows Ranchettes County Water District Water System Improvements				Chinook, City of	100,000 8,468,101
Cascade, Town of		100,000	6,297,527	Chinook Water System Improvements	
Cascade Water System Improvements				Eureka, Town of	100,000 8,568,101
Moore, Town of		100,000	6,397,527	Eureka Water Treatment Improvement Project	
Moore Wastewater System Improvements				Broadwater County Conservation District	100,000 8,668,101
Sweet Grass County Conservation District		100,000	6,497,527	Big Springs Ditch Water Conservation and Spawning Bed Project	
Big Timber Creek Channel Stabilization Project - Phase II				Pinesdale, Town of	100,000 8,768,101
Roundup, City of		100,000	6,597,527	Pinesdale Water System Improvements	
Roundup Water System Improvements				Jefferson County	99,531 8,867,632
Garfield County Conservation District		99,994	6,697,521	Big Pipestone Creek Remediation	
Water Syst Improv: Main Replacement And System Wide Metering				Fort Shaw Irrigation District	100,000 8,967,632
Jefferson Valley Conservation District		100,000	6,797,521	Fort Shaw ID A-System Modification	
Jefferson Canal Headgate Improvements, Jefferson Canal Headgate				Total RRGL Grants Authorized	<u>\$8,967,632</u>
Philipsburg, Town of		100,000	6,897,521		
Philipsburg Water System Improvements					

**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 for the fund is provided on page F-35 of this report.

**Program Description – (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. Because the issues are coal severance tax bonds, 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 figure below lists the loans awarded by the Sixty-third Legislature for the 2015 biennium with the passage of HB 8. The total bond authority in HB 8 is \$24.7 million, and the appropriations are that equivalent. Total loan costs are \$22.5 million and include two new loans for the local match on the costs of the Dry Prairie and the North Central Regional Water projects. For more information on regional water projects, see the Treasure State Endowment Regional Water Program section of this report. The loans are authorized to the regional water authorities. HB 8 also provides a loan to DNRC to provide the ability to refinance existing high cost loans assumed by local governments for water and sewer infrastructure projects and the reauthorization of two loans requested in prior biennia. Finally, HB 8 authorizes \$2.2 million to establish a “bond reserve”. With the issuance of coal severance bonds, DNRC is required to establish a reserve fund containing monies equal to the highest year of debt service on the bond issue.

Renewable Resource Loans		
Authorized Loans and Bonds - HB 8 - 2015 Biennium		
Loans-Sponsor/Project	Loan Authroization	Cumulative Total
<u>Section 1</u>		
<b>Subsection (2) Projects (3.0% or State bond rate, whichever is lower-20 years)</b>		
DNRC-Conservation and Resource Development Division (CARDD)		
Refinance Existing Debt or Rehabilitation of Water and Sewer Facilities	\$3,000,000	\$3,000,000
<b>Subsection (3) Projects (4.5% or State bond rate, whichever is lower-30 years)</b>		
Dry Prairie Regional Water Authority		
Local Match for Dry Prairie Projects	6,000,000	9,000,000
North Central Regional Water Authority, Local Share		
Local Match for Dry Prairie Projects	10,000,000	19,000,000
<u>Section 2<sup>1</sup></u>		
<b>Subsection (2) Projects (4.5% or State bond rate, whichever is lower-15 years)</b>		
DNRC-Water Resource Division (WRD)		
Ruby Dam Rehabilitation Project-Phase 2	2,000,000	21,000,000
<b>Subsection (3) Projects (4.5% or State bond rate, whichever is lower-30 years)</b>		
Sunset Irrigation District		
Gravity Flow Irrigation Pipelines	<u>1,465,266</u>	22,465,266
	Total Loan Authorizations:	\$22,465,266
	Bond Reserve:	<u>2,246,527</u>
	Total Bond Request	<u>\$24,711,793</u>

<sup>1</sup> Section 2 are loans to be reauthorized

**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**

The Sixty-third Legislature increased the executive budget proposal for the RRGL program. As shown in the figure below, the executive budget recommended \$8.7 million of appropriations in HB 6 and authorized \$7.4 million in HB 8. The legislature appropriated a total of \$29.5 million for grants and other natural resource projects in HB 6 and \$24.7 million in HB 8. The legislative change from the executive is \$38.0 million, or 235.2%.

Program Comparison - Renewable Resource Grant and Loan Program				
Budget Item	Executive Recommendation	Legislative Budget	Change	% Change
	2015 Biennium	2015 Biennium		
Number of Grants Funded	68	90	22	32.4%
	<u>Proposed</u>	<u>Appropriated</u>		
Grants Cost	\$6,761,983	\$8,967,632	\$2,205,649	32.6%
Other Grants	1,962,000	3,485,686	1,523,686	77.7%
Tribal Compact Funding	0	17,000,000	17,000,000	-
Loan Program	7,435,056	24,711,793	17,276,737	232.4%
<b>Total Costs</b>	<b>\$16,159,039</b>	<b>\$54,165,111</b>	<b>\$38,006,072</b>	<b>235.2%</b>
State Special	\$8,723,983	\$8,979,632	\$255,649	2.9%
General Fund	0	20,473,686	20,473,686	-
Bond Proceeds	7,435,056	24,711,793	17,276,737	232.4%
<b>Total Funds</b>	<b>\$16,159,039</b>	<b>\$54,165,111</b>	<b>\$38,006,072</b>	<b>235.2%</b>

The changes from the executive proposal include the legislative addition of the following projects:

- Additional grant authorizations - \$2,205,649
- Ten Mile/Pleasant Valley Sewer District emergency grant - \$250,000
- Big Pipestone/Jefferson River sloth watershed restoration - \$1,273,686
- People's Creek minimum flow deposit - \$3,000,000
- Blackfeet tribe water rights compact infrastructure deposit - \$14,000,000
- Additional loans - regional water projects - \$16,000,000
- Corrections and adjustments to appropriations and loan reserve - \$1,276,737

The changes are funded through transfers of orphan share state special revenue and general fund to the natural resources projects fund in HB 6 and an increase in the amount of bonds authorized in HB 8.

**Other Legislation**

HB 11 – This legislation provides a \$17.0 million appropriation for the state’s match to federal dollars for the Dry Prairie and North Central regional water projects through the Treasure State Endowment Regional Water Program (TSEPRW). When combined with the loans provided to the respective regional water authorities in HB 8, the Renewable Resource Loan Program, the state and local governments have will have met their match for the projects and the remaining financial obligation to the projects is the responsibility of the federal government. For more information on the TSEPRW program, see page F-23 of this report.

HB 586 – This legislation establishes authority for the Department of Fish, Wildlife and Parks’ (FWP) for check stations and quarantine measures for aquatic invasive species (AIS). This legislation, in coordination with the

Governor’s new statewide AIS plan, will provide a multiple agency plan of attack in mitigating the impacts of AIS currently in the state (Eurasian water milfoil) and reducing/eliminating the potential for threat of other AIS that have not yet entered the state (zebra mussels). The funding provided in the bill will be used in coordination with appropriations provided in HB 6.

# RECLAMATION AND DEVELOPMENT GRANT PROGRAM

## Program Description

The Reclamation and Development Grant Program (RDGP) is designed to fund projects that, "...indemnify the people of the state for the effects of mineral development on public resources and that meet other crucial state needs serving the public interest and the total environment of the citizens of Montana (90-2-1102, MCA)." As provided in statute, projects approved under the RDGP are intended to repair, reclaim, and mitigate environmental damage to public resources from non-renewable resource extraction and develop and ensure the quality of public resources for the benefit of all Montana citizens. The program is administered by the Department of Natural Resources and Conservation (DNRC).

## Legislative Action

The Sixty-third Legislature passed HB 7, the RDGP grant bill, that appropriates \$6.2 million for 19 RDGP grants and other reclamation projects. The HB 7 appropriations include \$4.4 million for RDGP grants and \$1.0 million for project planning grants. Other appropriations made in HB 7 include \$525,000 for aquatic invasive species control projects and \$300,000 for oil and natural gas groundwater testing. The figure below lists the RDGP grants authorized by the 2013 Legislature.

Reclamation and Development Grants (RDGP) Grants Authorized - HB 7 - 2015 Biennium		
Sponsor/Title	Grants Authorized	Cumulative Total
Missoula County Kennedy Creek Mine Reclamation	\$300,000	\$300,000
Montana DEQ - Abandoned Mine Lands Bureau South Fork Lower Willow Creek Black Pine Mine Reclamation	300,000	600,000
Philipsburg, Town of Tailings-Contaminated Sludge Disposal from Decommissioned Wastewater Lagoons	300,000	900,000
Montana DEQ - LUST/Brownfields Petroleum Product Delineation & Mitigation of Threat to Harlowton Public Water Supply Well	300,000	1,200,000
Confederated Salish & Kootenai Tribes Joseph Allotment and Elmo Cash Store - Cleanup Implementation	126,998	1,326,998
Powell County Milwaukee Roundhouse Recreational Subarea Interim Cleanup Action - Phase 2	300,000	1,626,998
Missoula County Sawpit Ninemile Reclamation	300,000	1,926,998
Malta, City of Former Malta Airport Facility - Herbicide/Pesticide Cleanup	249,480	2,176,478
Cascade Conservation District Barker-Hughesville Reclamation Area Fish Barrier Projects on Dry Fork Belt Creek	113,300	2,289,778
Butte-Silver Bow City-County Government Butte Mining District: Reclamation & Protection Project Phase IV	244,720	2,534,498
Ryegate, Town of Former Ryegate Conoco Groundwater Remediation	206,080	2,740,578
Cascade County County Shops Remediation of Wood Treatment Preservatives	300,000	3,040,578
Butte-Silver Bow City-County Government Irrigation Project for Butte Acidic Mine Waters	275,690	3,316,268
Custer Conservation District Addressing Cumulative Effects on the Yellowstone River	127,377	3,443,645
Ruby Valley Conservation District Upper Missouri Headwaters River/Flood Hazard Map Development	300,000	3,743,645
Montana DEQ -Water Quality Planning Baseline Groundwater Sampling in Areas of Anticipated Oil & Gas Development	160,000	3,903,645
Yellowstone Conservation District Lower Pryor Creek Stabilization and Restoration	70,000	3,973,645
Montana DEQ - Abandoned Mine Lands Bureau Sheridan County 2012-2013 Reclamation Project	300,000	4,273,645
Montana DNRC - Water Projects Deadman's Basin Diversion Dam	145,000	4,418,645
<b>Total RDGP Grants Authorized</b>	<u><u>\$4,418,645</u></u>	

The legislature provided appropriations for two projects outside the regular RDGP in HB 7, which include:

- \$525,000 - Aquatic Invasive Species (AIS) Control. The state has five known infestations of Eurasian water milfoil that include: 1) the lower Jefferson River, 2) upper Missouri River and associated reservoirs (to upper Canyon Ferry), 3) Fort Peck Reservoir, 4) lower Clark Fork River (Noxon and Cabinet Gorge Reservoirs), and 5) Beaver Lake in the Flathead Valley. This appropriation will fund grants and technical support to local governments for the control of aquatic invasive species. Activities may include on-the-ground treatment, surveys, environmental monitoring, preparation of action plans, treatment demonstration, research or design, or other related actions. For more information on the state’s management of and funding for AIS, see Section C of the Legislative Fiscal Report.
- \$300,000 - Oil and Gas Development Groundwater Sampling. This project will address the concerns of conservation districts about the risk of contamination to stock water and drinking water wells from oil field activities. The purpose of the monitoring project is to establish baseline groundwater quality and availability in advance of oil and gas activity and in areas currently at risk from oil field activities. The project will characterize well water and aquifers currently used for domestic or stock water. Knowing pre-development groundwater conditions will be valuable in resolving conflicts that may arise over whether oil and gas operations have caused adverse impacts to groundwater resources. This monitoring program is limited to conservation districts with high risk aquifers and active or proposed oil field injection wells.

**Funding**

The RDGP program with appropriations in HB 7, as well as the RRGL grants program appropriated in HB 6, is funded from the “natural resource projects” state special revenue fund. For more information on the funding of the RRGL program, a fund balance analysis for the natural resource projects fund is provided on the following page.

**Executive Budget Comparison**

The Sixty-third Legislature made no changes to the executive request for HB 7.

Program Comparison - Reclamation and Development Grant Program				
Budget Item	Executive Recommendation	Legislative Budget	Change	% Change
	2015 Biennium	2015 Biennium		
Number of Grants	19	19	0	0.0%
	<u>Proposed</u>	<u>Appropriated</u>		
Grants Cost	\$4,418,645	\$4,418,645	\$0	0.0%
Other Grants	1,825,000	1,825,000	\$0	0.0%
<b>Total Costs</b>	<b>\$6,243,645</b>	<b>\$6,243,645</b>	<b>\$0</b>	<b>0.0%</b>
State Special	\$6,243,645	\$6,243,645	\$0	0.0%
<b>Total Funds</b>	<b>\$6,243,645</b>	<b>\$6,243,645</b>	<b>\$0</b>	<b>0.0%</b>

**Other Legislation**

HB 586 – This legislation establishes authority for the Department of Fish, Wildlife and Parks’ (FWP) for check stations and quarantine measures for aquatic invasive species (AIS). This legislation, in coordination with the Governor’s new statewide AIS plan, will provide a multiple agency plan of attack in mitigating the impacts of AIS currently in the state (Eurasian water milfoil) and reducing/eliminating the potential for threat of other AIS that have not yet entered the state (zebra mussels). The funding provided in the bill will be used in coordination with appropriations provided in HB 7.

**Natural Resource Project Fund**

The figure to the right shows the projected fund balance for the natural resource project fund for the 2015 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 (\$3.5 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

Natural Resource Project Account (02577)			
Fund Balance Projection, 2015 Biennium			
Estimated Beginning Fund Balance (7/1/2013)			\$1,536,779
Revenue Projections	FY 2014	FY 2015	Biennium Total
RIT Interest Earnings	\$3,398,646	\$3,500,000	\$6,898,646
Resource Indemnity & Groundwater Tax	939,422	978,922	1,918,344
Oil and Natural Gas Tax	2,360,621	2,314,913	4,675,534
Administrative Fees	31,000	0	31,000
Orphan Share Transfer	0	250,000	250,000
General Fund Transfer	0	20,473,686	<u>20,473,686</u>
2015 Biennium Revenues			34,247,210
HB 6 Appropriations			
Emergency Grants:			
RRGL Authorized			(100,000)
Ten Mile/Pleasant Valley Sewer Dist.			(250,000)
Project Planning Grants			(1,062,000)
Irrigation Development Grants			(300,000)
Private Grants			(100,000)
Capacity Building Grants			(200,000)
State Water Plan			(200,000)
Big Pipestone/Jefferson River Sloth Watershed Restoration			(1,273,686)
People's Creek Minimum Flow Acct. Deposit			(3,000,000)
Blackfoot Tribe Water Rights Compact Infra. Account			(14,000,000)
Proposed RRGL Project Grants			<u>(8,967,632)</u>
Total RRGL Appropriations			(29,453,318)
HB 7 Appropriations			
Project Planning			(1,000,000)
Aquatic Invasive Species Control			(525,000)
Oil and Gas Development Groundwater Sampling			(300,000)
Proposed RDGP Project Grants			<u>(4,418,645)</u>
Total RDGP Appropriations			<u>(6,243,645)</u>
Estimated Ending Fund Balance (6/30/2015)			<u>\$87,026</u>

The natural resource projects fund is expected to begin the 2015 biennium with a fund balance of \$1.5 million. The positive fund balance is related to higher than anticipated revenues in the 2013 biennium and the savings attributed to withdrawn grants. The normal fund revenues are expected to be \$13.5 million for the 2015 biennium. The legislature provided two transfers to the fund: 1) \$250,000 from the orphan share state special revenue fund, and 2) \$20.5 million from the general fund. The transfers were provided to fund an emergency grant, additional project grants in the RRGL program, other natural resource projects, and deposits for tribal compacts. With the transfers, the total fund revenues are estimated to be \$34.2 million in the 2015 biennium.

In the 2013 biennium, total appropriations from the natural resource projects account for the RRGL (HB 6) program are \$29.5 million and appropriations for the RDGP (HB 7) program are \$6.2 million. The resulting ending fund balance is estimated to be \$87,026 at the end of the 2015 biennium.

# CULTURAL AND AESTHETIC GRANT PROGRAM

## Program Description

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-third Legislature passed HB 9, which authorizes cultural and aesthetic grants and appropriates the funding for the grants. The legislature authorized 81 C&A grant awards totaling \$758,650. 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 shortfalls in the 2015 biennium in HB 9. If interest earnings fall short of the estimates, projects designated as “Miscellaneous Grants” in HB 9 and shown in the figure below will be reduced by the amount of the shortfall on a pro rata basis. The legislature also provided for additional revenue shortfalls with the following language:

*If the grant amounts for projects in section E of [section 2] (Miscellaneous Grants) are eliminated pursuant to subsection (1) and if the money in the cultural and aesthetic projects trust fund account is insufficient to fund the remaining projects identified in [section 2], reductions to those projects with funding greater than \$4,500 must be made on a pro rata basis.*

A complete listing of the grants authorized by the Sixty-third Legislature is shown on the following page.

## Funding

The figure to the right shows the estimated funding for the C&A state special revenue account for the 2015 biennium. The beginning fund balance for the 2015 biennium is estimated to be \$53,008, as a result of higher than anticipated interest earnings in the 2013 biennium. Interest income from the coal tax-funded Cultural Trust is projected to be \$1.2 million in the 2015 biennium.

Administrative expenses and the Folklife program, appropriated in HB 2, are \$436,046. Appropriations in HB 9 include \$30,000 for capitol complex artwork and \$758,650 for the authorized grants. Total appropriations from the C&A state special revenue account in the 2015 biennium are \$1.2 million, providing an estimated fund balance of \$29,312 by June 30, 2015.

Cultural & Aesthetic Grant Fund (02009) Fund Balance Projection, 2015 Biennium	
Estimated Beginning Fund Balance (7/1/2013)	\$53,008
Revenue Projections <sup>1</sup>	
FY 2014 Interest Earnings	\$593,000
FY 2015 Interest Earnings	<u>608,000</u>
2015 Biennium Revenues	1,201,000
Fund Appropriations	
MAC Administration <sup>2</sup>	(\$298,760)
Folklife <sup>2</sup>	(137,286)
Capitol Complex Works of Art	(30,000)
Cultural & Aesthetic Grants Appropriation	<u>(758,650)</u>
Total Appropriations	<u>(1,224,696)</u>
Estimated Ending Fund Balance (6/30/2015)	<u>\$29,312</u>
<sup>1</sup> SI2	
<sup>2</sup> Includes administrative costs included in HB 2, including the 2% increase in vacancy savings, and HB 13 estimated impacts	

Cultural and Aesthetic Grants (C&A)					
Grants Authorized - HB 9 - 2015 Biennium					
Applicant	Grants Authorized	Cumulative Total	Applicant	Grants Authorized	Cumulative Total
<b>Special Project &lt;= \$4500</b>			<b>Operational Support (cont.)</b>		
Preservation Cascade, Inc.	\$4,500	\$4,500	Gallatin Historical Society	\$9,400	\$445,150
Signatures	4,500	9,000	Alpine Artisans, Inc.	10,000	455,150
Council for the Arts	2,500	11,500	Rimrock Opera Company	10,000	465,150
Granite County Museum and Cultural Center	3,600	15,100	Zootown Arts Community Center	11,250	476,400
Yellowstone Ballet Company	2,500	17,600	Helena Indian Alliance	6,250	482,650
Montana Storytelling Roundup	<u>2,500</u>	20,100	Western Heritage Center	8,750	491,400
Total Special Projects < \$4500	\$20,100		Intermountain Opera Association	11,250	502,650
<b>Special Project &gt; \$4500</b>			Great Falls Symphony		
Montana Historical Society	15,500	35,600	Hamilton Players, Inc	8,750	513,900
Humanities Montana	15,000	50,600	Whitefish Theatre Co	8,750	522,650
Upper Swan Valley Historical Society Inc	12,500	63,100	Shane Lalani Center for the Arts	6,250	531,400
International Choral Festival	6,250	69,350	Helena Symphony	6,250	537,650
CoMotion Dance Project	8,750	78,100	Schoolhouse History & Art Center	20,000	543,900
Bozeman Symphony Society	8,750	86,850	Glacier Symphony and Chorale	11,250	563,900
Clay Arts Guild of Helena	5,000	91,850	Beaverhead County Museum	7,500	575,150
Headwaters Dance Co.	10,000	101,850	Queen City Ballet Company	6,250	582,650
Friends of Chief Plenty Coups Advisory Council	6,250	108,100	Grandstreet Broadwater Productions, Inc.	6,250	588,900
Missoula Art Museum	6,250	114,350	Pondera History Association (PHA)	6,250	595,150
Emerson Center for the Arts & Culture	6,250	120,600	Big Horn Arts and Craft Association	6,250	601,400
Musikanten Inc	5,000	125,600	Paris Gibson Square Museum of Art	11,250	607,650
Missoula Writing Collaborative	5,000	130,600	AWARE Inc/Growth Thru Art	6,250	618,900
International Wildlife Media Center & Film Festival	<u>2,500</u>	133,100	Sunburst Foundation	5,000	625,150
Total Special Projects > \$4500	\$113,000		Alpine Theatre Project, Inc.	3,750	630,150
<b>Operational Support</b>			Yellowstone Art Museum		
MAGDA	15,000	148,100	Equinox Theatre	6,250	633,900
Museums Association of Montana	12,500	160,600	Butte Citizens for Preservation and Revitalization	3,750	640,150
Montana Association of Symphony Orchestras	15,000	175,600	Pondera Arts Council	6,250	646,400
Montana Performing Arts Consortium	15,000	190,600	Missoula Cultural Council	<u>2,500</u>	656,400
Montana Dance Arts Association	15,000	205,600	Total Operational Support	\$525,800	658,900
Carbon County Historical Society	15,000	220,600	<b>Capital Expenditure</b>		
Archie Bray Foundation	15,000	235,600	Helena Presents/Myrna Loy Center	12,500	671,400
Alberta Bair Theater	15,000	250,600	City of Shelby Champions Park	<u>6,250</u>	677,650
Custer County Art & Heritage Center	15,000	265,600	Total Capital Expenditure	\$18,750	
Montana Shakespeare in the Parks	15,000	280,600	<b>Miscellaneous</b>		
World Museum of Mining	15,000	295,600	Billings Symphony Society	15,000	692,650
Stillwater Historical Society	15,000	310,600	Rocky Mountain Ballet Theatre	7,500	700,150
Butte Center for the Performing Arts	15,000	325,600	Montana Agricultural Center and Museums	12,000	712,150
Carbon County Arts Guild & Depot Gallery	12,500	338,100	Friends of the Museum of the Plains Indian	2,000	714,150
Ravalli County Museum	12,500	350,600	Hockaday Museum of Art	8,500	722,650
VSA Montana	12,500	363,100	Montana Preservation Alliance	15,000	737,650
Art Mobile of Montana	15,000	378,100	Montana Arts	12,500	750,150
MonDak Heritage Center	13,900	392,000	Butte-Silver Bow Archives	4,500	754,650
Northwest Montana Historical Society	12,500	404,500	Miles City Speakers Bureau	<u>4,000</u>	758,650
YMCA Writer's Voice	11,250	415,750	Total Miscellaneous	\$81,000	
Mai Wah Society	8,750	424,500	<b>Total C&amp;A Grants Authorized</b>		
Butte Symphony Association	11,250	435,750	<u>\$758,650</u>		

**Executive Budget Comparison**

The Sixty-third Legislature increased the appropriation for C&A program from the executive recommendation by \$224,674 or 39.8%. With the increase, the legislature appropriated all anticipated funds from the C&A state special revenue fund, with consideration of a small positive ending fund balance. The change provided funding for an additional nine cultural and aesthetic grants.

Program Comparison - Cultural and Aesthetic Trust				
	2013 Biennium	2015 Biennium	Change	% Change
Trust Balance (End of Biennium)	\$12,132,000	\$12,877,000	\$745,000	6.1%
Trust Earnings	1,148,049	1,202,000	53,951	4.7%
Budget Item	Executive Recommendation 2015 Biennium	Legislative Budget 2015 Biennium	Change	% Change
Number of Grants	72	81	9	12.5%
	<u>Proposed</u>	<u>Appropriated</u>		
Grants Cost	\$533,976	\$758,650	\$224,674	42.1%
Capitol Complex Works of Art	30,000	30,000	0	0.0%
<b>Total Costs</b>	<b>\$563,976</b>	<b>\$788,650</b>	<b>\$224,674</b>	<b>39.8%</b>
State Special	\$563,976	\$788,650	\$224,674	39.8%
<b>Total Funds</b>	<b>\$563,976</b>	<b>\$788,650</b>	<b>\$224,674</b>	<b>39.8%</b>

**Other Legislation**

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

# QUALITY SCHOOL FACILITIES GRANT PROGRAM

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## 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. The program is established in Title 90, Chapter 6, part 8, MCA. The principal objectives of the QSFP are to:

- Enhance the quality of life and protect the health, safety, and welfare of Montana's public school students
- Ensure the successful delivery of an educational system that meets the accreditation standards provided for in 20-7-111
- Extend the life of Montana's existing public school facilities
- Promote energy conservation and reduction
- Integrate technology into Montana's education framework to support student educational needs for the 21st century
- Encourage fiscal responsibility by considering both long-term and short-term needs of the public school district, the local community, and the state

Grants are awarded through a competitive application process that is open to all 421 Montana school districts. In reviewing and ranking project applications, the DOC prioritizes applications by the following statutory criteria:

- Solves urgent and serious public health or safety problems, or enable public school districts to meet state or federal health or safety standards
- Provides improvements necessary to bring school facilities up to current local, state, and federal codes and standards
- Enhances public school districts' ability to offer specific services related to the requirements of the accreditation standards provided for in Section 20-7-111, MCA
- Provides long-term cost-effective benefits through energy-efficient design
- Incorporates long-term, cost-effective benefits to school facilities, including the technology needs of school facilities
- Enhances educational opportunities for students

In the role of prioritizing grants, the DOC must consider (without preference or priority) the following attributes of each school facility project application:

- The need for financial assistance
- The fiscal capacity of the public school district to meet the conditions established in 90-6-812, MCA
- Past efforts to ensure sound, effective, long-term planning and management of the school facility and attempts to address school facility needs with local resources
- The ability to obtain funds from other sources
- The importance of the project and support for the project from the community

Finally, before making its recommendations to the governor, the DOC may make adjustments to its ranking of the projects based on the educationally relevant factors established in Section 20-9-309, MCA.

## Summary of Legislative Action

The Sixty-third Legislature passed HB 15, authorizing quality school facilities grants and appropriating the funding for the grants. The legislature authorized 30 QSFP grant awards totaling \$11.4 million. Additionally, the legislature provided appropriations of \$100,000 for emergency grants and \$900,000 for project planning grants.

A complete list of the grants/projects authorized by the legislature is shown on the following page.

Quality School Facilities Grant Program							
Grants Authorized - HB 15 - 2015 Biennium							
Applicant / County / Description	Total Project Cost	Grants Authorized	Cumulative Total	Applicant / County / Description	Total Project Cost	Grants Authorized	Cumulative Total
DeSmet K-12, Missoula Asbestos abatement	\$102,722	\$30,000	\$30,000	Box Elder K-12, Hill Install emergency generator	\$310,607	\$310,607	\$5,547,995
Fairfield Elem, Teton Correct safety issues in kitchen	626,378	596,379	626,379	Missoula ELE, Missoula Replace boiler and distribution system	252,000	200,000	5,747,995
Montana City Elem, Jefferson Install fire sprinklers and storage tank	6,464,700	764,700	1,391,079	Havre Elem, Hill Renovations to existing grade school	5,146,429	2,000,000	7,747,995
Powder River HS, Powder River Asbestos abatement	42,518	36,380	1,427,459	Geraldine Elem, Chouteau Complete energy upgrades	68,161	68,161	7,816,156
Vaughn Elem, Cascade Mitigate crawlspace moisture problems	140,227	133,227	1,560,686	Plains K-12, Sanders Construct 6-classroom addition	1,434,138	1,150,000	8,966,156
Eureka Elem, Lincoln Asbestos abatement	250,759	195,593	1,756,279	St. Regis K-12, Mineral ADA upgrades	185,837	185,837	9,151,993
Frontier Elem, Roosevelt Build technology lab	300,000	200,000	1,956,279	Corvallis K-12, Ravalli Replace boiler and distribution system	785,225	729,910	9,881,903
Wyola Elem, Big Horn Roof replacement	572,600	514,900	2,471,179	Stanford K-12, Judith Basin Replace all in-room unit ventilators	193,501	184,196	10,066,099
Lone Rock Elem, Ravalli Replace old gymnasium	981,875	206,375	2,677,554	Darby K-12, Ravalli Construct new locker rooms and ADA upgrades	454,207	404,207	10,470,306
Hamilton K-12, Ravalli Replace failing restroom floor	3,209,679	41,494	2,719,048	Nashua K-12, Valley Install ventilation system and new boilers	663,200	463,200	10,933,506
Plenty Coups HS, Big Horn Energy efficiency improvements	402,000	307,000	3,026,048	Target Range Elem, Missoula Update computers and network infrastructure	34,324	31,324	10,964,830
St. Ignatius K-12, Lake Roof repair	548,877	534,590	3,560,638	Ryegate K-12, Golden Valley Replace lighting and add computer outlets	11,245	9,962	10,974,792
Simms HS, Cascade Replace kitchen exhaust hood	143,644	123,644	3,684,282	Froid Elem & HS, Roosevelt Replace boiler and distribution system	344,000	294,000	11,268,792
Hot Springs HS, Sanders Consolidate campus facilities	517,240	497,240	4,181,522	Miles City Elem, Custer Replace boiler and system	1,164,729	149,850	11,418,642
Grass Range Elem, Fergus Install air lock door system	46,299	45,799	4,227,321				
Flathead HS, Flathead Energy efficiency improvements	1,161,193	1,010,067	5,237,388	Total QSFG Grants Authorized	<u>\$15,510,712</u>	<u>\$11,418,642</u>	

HB 15 also included several statutory changes that impact the future program. First, statutes related to the school facility and technology state special fund, provided for in 20-9-516, MCA, are now prioritized as: 1) the statutory appropriation for school technology assistance and 2) the state's obligation for assistance to school district bonded debt under 20-9-371, MCA. In providing for the quality school facilities program, the legislature then added the following language:

*“If funds remain in the account after the distribution in subsection (1) [the statutory appropriation and bonded debt obligation] is made, the budget director shall certify the amount of unencumbered funds available in the account. These available funds must be used for grants made by the department of commerce under 90-6-802.”*

The effect of these statutory changes reduce the likelihood under the current funding that grants will be funded in future biennia. Given the new language ongoing revenues may be inadequate to fund the top two priorities, not to mention the quality schools grants program. The statutory change in 20-9-516, MCA required changes to references in 20-9-343 and 20-9-629, MCA.

NOTE: The Governor line-item-vetoed Section 1 through Section 3 of HB 15, which contained the statutory changes described above, 20-9-343, 20-9-516, and 20-9-629, MCA. The legislature is being polled on the vetoes at the time of this writing. If the Governor's veto is upheld, the prioritization of the school facility and technology funds will continue as currently directed and if funds are not sufficient to cover the costs of the state's obligation for assistance with school district bonded debt, all or part of the obligation may be funded by the general fund.

HB 15 also contained two changes in the program statutes. First, a statutory change to 90-6-802, MCA, allows the administrative costs of the program to be funded through the program account. Next, the legislature made a programmatic change by amending 90-6-811, MCA. The legislature added the following language for the consideration of grant prioritization:

*“In preparing recommendations to the governor under 90-6-810, the department shall apply the following criteria to applications for school facility projects in the listed order of priority giving preference to school facility projects involving repairs to existing facilities over projects involving construction of new facilities:”*

The new language, shown as underlined, will require the agency to prioritize the repair of existing facilities over new construction projects. The legislature also changed 90-6-811(b), MCA as shown below:

*“(b) projects that ~~provide improvements necessary to bring school facilities up to current local, state, and federal codes and standards~~ address deferred maintenance by repairing or replacing existing building components that are inoperable or difficult to service or that lack minimum integrity;”*

Again, this change in the statutory language will prioritize deferred maintenance and repairs on school facilities.

## **Funding**

The school facility and technology fund is expected to begin the biennium with \$18.8 million, as seen in the figure on the following page. The fund balance is primarily derived from the initial fund revenues, which consisted of transfers from federal mineral royalties. The transfers were intended to be a temporary source of program funding and were discontinued as of FY 2011. Currently, the fund statutorily receives revenues from the following sources:

- Timber harvest income under the provisions of 20-9-516(2)(a), MCA (the income attributable to the difference between the average sale value of 18 million board feet and the total income produced from the annual timber harvest on common school trust lands during the fiscal year)
- Public land trust power site rent (streambed rents) under the provisions of 77-4-208(2), MCA (95% of all rental payments received under this section must be deposited in the school facility and technology account provided for in 20-9-516) – set in current law to begin January 1, 2015
- School district unreserved fund balance - The Sixty-third legislature passed HB 39 which provides an additional \$55,107 per fiscal year to the fund, beginning in FY 2014

The figure below shows the fund balance analysis for the 2015 biennium. Included in the revenues for the fund is a transfer of \$149,850 from the orphan share state special revenue fund to support an additional quality school grant. The total program revenues are expected to provide \$13.7 million in the 2015 biennium.

Total appropriations from the school facilities and technology fund are \$32.4 million in the 2015 biennium. The 2011 Legislature permanently redirected the costs of the state reimbursements for school district bond issues. In the 2015 biennium, the obligation is appropriated at \$17.1 million. Additionally, there is a statutory appropriation of \$1.0 million annually for assistance in school technology.

The legislature redirected administrative costs to the fund. This new cost is \$792,745 in the 2015 biennium. Finally, the various quality school facility grants included in HB 15 are \$12.4 million, including emergency and project planning grants. The estimated ending fund balance for June 30, 2015 is \$142,436.

NOTE: As may be noted in the fund balance projection above, normal revenues in the 2017 biennium, if anticipated at a level similar to the 2015 biennium, will provide approximately \$17.9 million of revenues to the school facility and technology fund. If the prioritized expenditures for the 2017 biennium are similar to the 2015 biennium, \$19.2 million, the fund will not be able to cover the costs of the prioritized obligations. Consequently, the 2017 Legislature will be required to provide additional funding for the costs. The 2017 Legislature will also need to decide if the quality schools program should continue in the manner designated by law.

School Facility and Technology Fund (02218)			
Fund Balance Projection 2015 Biennium			
Estimated Beginning Fund Balance (7/01/2013)			\$18,810,859
Revenue Projections <sup>1</sup>	<u>FY 2014</u>	<u>FY 2015</u>	<u>Biennium Total</u>
Timber Harvest Income	\$4,037,000	\$4,906,000	\$8,943,000
Public Land Trust Power Site Rent	0	4,471,900	4,471,900
Interest Earnings	35,000	5,000	40,000
School District Unreserved Fund Balances <sup>2</sup>	55,107	55,107	110,214
Transfer from Orphan Share Fund	149,850		<u>149,850</u>
2015 Biennium Revenues			13,714,964
Proposed Expenditures			
School Facility Debt Obligation	(8,586,000)	(8,586,000)	(17,172,000)
Technology Statutory Appropriation	(1,000,000)	(1,000,000)	(2,000,000)
DOC Administrative Costs <sup>3</sup>	(384,163)	(408,582)	(792,745)
Emergency Grants			(100,000)
Planning Grants			(900,000)
School Facility Grants Appropriation			<u>(11,418,642)</u>
Total Appropriations			<u>(32,383,387)</u>
Estimated Ending Fund Balance - (6/30/2015)			<u>\$142,436</u>

<sup>1</sup>SJ2

<sup>2</sup>HB 39

<sup>3</sup>Includes administrative costs included in HB 2, including the 2% increase in vacancy savings, and HB 13 estimated impacts

As mentioned above, the Governor line item vetoed the legislature’s statutory changes that prioritized the school facility debt obligation within the fund. The Governor changes are being polled at the time of this writing, but if the veto is upheld, the DOC could shift the school facility debt obligation to the general fund, allowing sufficient funds for future quality school facility grants programs.

**Executive Budget Comparison**

Program Comparison - Quality School Facility Program (HB 15)				
Budget Item	Executive Recommendation 2015 Biennium	Legislative Budget 2015 Biennium	Legislative Change	Legislative % Change
Number of Grants	29	30	1	3.4%
	<u>Proposed</u>	<u>Appropriated</u>		
Project Costs	\$11,268,791	\$11,418,642	\$149,851	1.3%
Other Grants	1,000,000	1,000,000	0	0.0%
<b>Total Costs</b>	<b>\$12,268,791</b>	<b>\$12,418,642</b>	<b>\$149,851</b>	<b>1.2%</b>
State Special	\$12,268,791	\$12,418,642	\$149,851	1.2%
<b>Total Funds</b>	<b>\$12,268,791</b>	<b>\$12,418,642</b>	<b>\$149,851</b>	<b>1.2%</b>

As seen in the figure above, the Sixty-third Legislature increased the executive budget for the quality schools program by one grant and \$149,851. The increase was funded with a transfer of funds from the orphan share state special revenue account. The added grant would fund the replacement of a boiler at the Miles City elementary school.

**Other Legislation**

HB 39 – This legislation changes the distribution of school district unreserved fund balances to the state and counties. HB 39 continues the allocation of 70% of the monies to the guarantee account, but redirects 30% of the monies to the school facility and technology account, providing an estimated \$55,107/FY to the account.