

# LONG-RANGE PLANNING PROGRAMS OVERVIEW

## Budget Comparison

Figure 1 compares the 2019 biennium appropriated budget to the 2021 biennium appropriated budget by type of expenditure and source of funding.

Figure 1

Long-Range Planning Budget Comparison (\$ millions) Budget Item / Funding Source	Appropriations FY 18-19	Appropriations FY 20-21	Biennium Change	Biennium % Change
Long-Range Building Program (LRBP) <sup>1</sup>	\$159.0	\$246.8	\$87.8	55.2%
State Building Energy Conservation Program (SBCEP)	3.7	3.6	(0.1)	-2.7%
Long-Range Information Technology Program (LRITP)	0.0	38.6	38.6	-
Treasure State Endowment Program (TSEP)	20.7	31.2	10.5	50.9%
Delivering Local Assistance Grant Program (DLA)	0.0	21.7	21.7	-
Treasure State Regional Water Program (TSEPRW)	4.9	5.0	0.1	1.1%
Renewable Resource Grant and Loan Program (RRGL)	4.8	93.3	88.5	1851.0%
Reclamation and Development Grant Program (RDGP)	5.4	5.8	0.4	8.1%
Cultural and Aesthetic Grant Program (C&A)	0.5	0.5	(0.0)	-3.5%
<b>Total Costs</b>	<b>\$199.0</b>	<b>\$446.5</b>	<b>\$247.5</b>	<b>124.4%</b>
Capital Projects Fund (Capital)	\$27.6	\$22.1	(\$5.5)	-20.0%
General Fund (GF)-Trans. To Capital Projects Fund	\$0.0	18.8	18.8	-
State Special (SS)	71.8	95.8	24.0	33.5%
Federal Special (FS)	22.8	71.0	48.3	211.9%
Total Bonds (Bonds)	0.0	161.8	161.8	-
<i>General Obligation Bonds Subtotal</i>	<i>0.0</i>	<i>79.9</i>	<i>79.9</i>	<i>-</i>
<i>Coal Severance Tax Bonds Subtotal</i>	<i>0.0</i>	<i>82.0</i>	<i>82.0</i>	<i>-</i>
<b>Subtotal State Funds</b>	<b>122.2</b>	<b>369.6</b>	<b>247.4</b>	<b>202.5%</b>
Authorization (Author)	76.8	72.1	(4.7)	-6.1%
Proprietary Fund (Prop)	0.0	4.8	4.8	-
<b>Total Funds</b>	<b>\$199.0</b>	<b>\$446.5</b>	<b>\$247.5</b>	<b>124.4%</b>

<sup>1</sup> 2021 biennium includes appropriations and authority included in HB 5, HB 652, HB 695, and SB 338

## Long-Range Planning Discussion

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

- Long-Range Building Program (LRBP) – acquisition, construction, and major maintenance of state owned lands and buildings, administered by Department of Administration
- State Building Energy Conservation Program (SBCEP) – energy efficiency improvements to state owned buildings, administered by Department of Environmental Quality
- Long-Range Information Technology Program (LRITP) – major information technology build and upgrade, administered by Department of Administration
- Treasure State Endowment Program (TSEP) – water, wastewater, solid waste, and bridge infrastructure grants to local governments, administered by the Department of Commerce
- NEW OTO: Delivering Local Assistance Program (DLA) – infrastructure maintenance, repairs and improvements: for local governments impacted by natural resource activities and school facilities, administered by the Department of Commerce
- Treasure State Endowment Regional Water Program (TSEPRW) – matching funds for major regional water projects, administered by the Department of Natural Resources and Conservation
- Renewable Resource Grant and Loan Program (RRGL) – grants to local governments for projects that measurably conserve, develop, manage, or preserve resources, administered by the Department of Natural Resources and Conservation

- Reclamation and Development Grant Program (RDGP) – grants for the reclamation of lands degraded by resource severance activities, administered by the Department of Natural Resources and Conservation
- Cultural and Aesthetic Grant Program (C&A) – arts, cultural, and historical grants, administered by the Montana Arts Council

### Summary of Legislative Action

The LRP budgets are principally dedicated to state and local infrastructure projects. The state projects are made up primarily of the construction and major maintenance of state agency space while the local infrastructure projects consist of grants to local governments for infrastructure purposes. In the 2021 biennium, the LRP budgets are composed of 64.7% of state infrastructure projects, which includes those projects funded with non-state funds, and 35.3% of local government grants.

Figure 1 shows a summary of the appropriations made by the Sixty-sixth Legislature for each of the LRP programs. Total legislative appropriations and authorizations for the LRP budgets are \$446.5 million. This is 124.4% greater than the LRP budgets in the 2019 biennium. For the first time since 2005, the legislature authorized the issuance of general obligation bonds to provide funding for state building and local infrastructure projects. The bond proceeds are used in four of the usual LRP programs; LRBP, TSEP, RRGL, RDGP; and fully fund the new DLA program.

Figure 1 includes the appropriations and funding through other legislation that are significantly related to the LRP programs. SB 338 will provide funding for the Betty Babcock Heritage Center and a new historic preservation grant program. Funding directed to the historic preservation grant program will supply \$800,000 in the 2021 biennium for infrastructure repair and maintenance grants at the Daly and Moss Mansions. While there were no appropriations in SB 338, aggregate appropriation authority was provided in HB 715, some of which may be used for this purpose. Also included in Figure 1 are the appropriations from HB 695. This legislation provides appropriation and funding of \$12.0 million to Fish, Wildlife, and Parks for the acquisition of Big Arm State Park. Both pieces of legislation include appropriations that would typically be included in LRP legislation.

While the executive budget proposal would have transferred \$17.1 million of the dedicated revenues from the TSEP program to the general fund in exchange for bond proceed funding, the legislature chose a different course of action. Instead, the legislature retained the funding in the program for its statutory purposes and used the proceeds from general obligation bonds to fund additional infrastructure projects.

### Funding

As seen in Figure 2 on the following page, LRP programs are financed with statutorily dedicated allocations of funds. Generally, the program/project budget is strictly based on the amount of revenue estimated to be available for the program costs. Other revenues come from a variety of sources including tax allocations and in several cases interest earnings from dedicated trusts. The only exception from earmarked program revenue is seen in the LRITP which has no designated source of funding (projects are funded either through agency revenues or general fund, transferred into the LRITP capital projects fund). For the 2021 biennium, the legislature expanded the LRP statutory funding through the approval of general fund general obligation bonds.

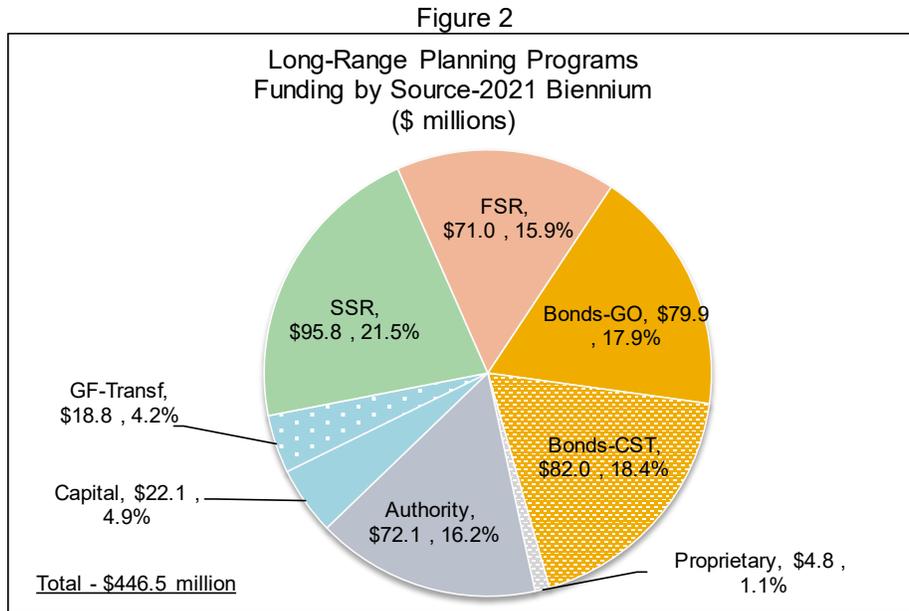


Figure 2 shows the funding of the LRP budgets as reflected in the appropriations and authorizations provided by the legislature. The budgets include \$40.9 million of appropriations from capital project funds including the \$18.8 million of general fund that the legislature transferred into the various capital project accounts. Over 21.5% of the appropriations are funded with state special revenue (SSR). Federal special (FSR) appropriations account for 15.9% of the budget. Authority (Proprietary / Authority)<sup>1</sup> is \$76.9 million or 17.2% of total funding and are not technically appropriations.

## HB 553 – Future Infrastructure Funding – HB 553

The 2019 Legislature made significant changes in the financing of infrastructure projects with the passage of HB 553, the Infrastructure Development and Economic Accountability act (IDEA act). The legislation provides new funding sources for state building maintenance (major repairs projects) and new state buildings and local infrastructure (capital development projects) and limits the amount of general obligation bonds that the legislature may authorize. HB 553 applies to budgets starting in the 2023 biennium.

More details on the actions of HB 553 are seen in the related topic areas of this report. For information on the limitations to the legislature’s ability to authorize bonds, see page F-6. For more information on the new funding for state building maintenance and construction, see page F-8.

<sup>1</sup> The term “authority” is used only in the LRPB and refers to funds for major construction projects that do not require appropriation, but because of the costs of the projects and the potential of future O&M must be authorized by the legislature. These funds are typically not “state funds” and include donations and various types of university funds.

**Executive Budget Comparison**

Figure 3 shows the change in LRP budgets from the executive request. The Sixty-sixth Legislature approved a LRP budget that was \$6.2 million, or 1.4% greater than the executive request.

Figure 3

Long-Range Planning Executive Comparison (\$ millions) Budget Item / Funding Source	Executive FY 20-21	Legislative FY 20-21	Change	% Change
Long-Range Building Program (LRBP) <sup>1</sup>	\$237.6	\$246.8	\$9.3	3.9%
State Building Energy Conservation Program (SBECP)	3.6	3.6	0.0	0.0%
Long-Range Information Technology Program (LRITP)	46.4	38.6	(7.8)	-16.8%
Treasure State Endowment Program (TSEP)	35.7	31.2	(4.5)	-12.7%
Delivering Local Assistance Grant Program (DLA)	44.4	21.7	(22.7)	-51.1%
Treasure State Regional Water Program (TSEPRW)	6.9	5.0	(1.9)	-27.1%
Renewable Resource Grant and Loan Program (RRGL)	59.3	93.3	34.0	57.5%
Reclamation and Development Grant Program (RDGP)	6.1	5.8	(0.3)	-4.9%
Cultural and Aesthetic Grant Program (C&A)	0.4	0.5	0.0	6.5%
<b>Total Costs</b>	<b>\$440.3</b>	<b>\$446.5</b>	<b>\$6.2</b>	<b>1.4%</b>
Capital Projects Fund (Capital)	44.7	22.1	(22.6)	-50.6%
General Fund (GF)-Trans. To Capital Projects Fund	0.0	18.8	18.8	-
State Special (SS)	72.2	95.8	23.7	32.8%
Federal Special (FS)	48.0	71.0	23.0	48.0%
Total Bonds (Bonds)	208.2	161.8	(46.4)	-22.3%
<i>General Obligation Bonds Subtotal</i>	<i>160.0</i>	<i>79.9</i>	<i>(80.1)</i>	<i>-50.1%</i>
<i>Coal Severance Tax Bonds Subtotal</i>	<i>48.2</i>	<i>82.0</i>	<i>33.7</i>	<i>69.9%</i>
Subtotal State Funds	373.1	369.6	(3.5)	-0.9%
Authorization (Author)	62.4	72.1	9.7	15.5%
Proprietary Fund (Prop)	4.8	4.8	0.0	0.0%
<b>Total Funds</b>	<b>\$440.3</b>	<b>\$446.5</b>	<b>\$6.2</b>	<b>1.4%</b>

<sup>1</sup> Legislative 2021 biennium includes appropriations and authority included in HB 5, HB 652, HB 695, and SB 338

The legislature made numerous changes to the executive proposal for LRP programs. Primarily, the legislature did not provide an appropriation for the Betty Babcock Heritage Center, which the executive proposed at \$32.1 million. The legislature did provide funding for the museum through a distribution of the lodging facilities sales tax, and the legislature could provide appropriations for the project in future years. That change was offset by the addition of other projects. The comparison also includes \$12.8 million of closely related projects in pieces of legislation that are not typically LRP bills and were not anticipated in the executive budget. The bills, HB 695 (FWP purchase of Big Arm State Park) and SB 338 (facility improvement grants to the Daly and Moss Mansions), are included in the LRBP. More information on the changes from the executive budget are included throughout the LRP Fiscal Report.

**Other Legislation**

The Sixty-sixth Legislature passed several pieces of legislation that impact various LRP programs including HB 652 (State and Local Infrastructure Act), HB 695 (Appropriations for FWP recreation easement), and SB 338 (Montana Museum Act). These pieces of legislation are discussed in the impacted programs.

**Bond Proceed Funding**

The Sixty-sixth Legislature authorized \$161.8 million of coal severance tax (CST) bonds and general fund supported general obligation bonds (GFGO). In LRP programs, the legislature biennially authorizes CST bond proceed funding for the Renewable Resource Loan Program (HB 8), where the only exception occurred in the 2017 session. The 2019 Legislature authorized \$82.0 million in CST bonds. Additionally, for the first time since 2005, the legislature authorized \$79.9 million in general fund general obligation bonds for state building projects and state assistance to local government infrastructure and public-school facility projects in HB 652, the State and Local Infrastructure Act.

**Projects funded with GFGO Bond Proceeds**

Figure 4 shows the projects included in HB 652. Note: these projects are also included in their respective LRP program reports.

Figure 4

State and Local Infrastructure Act - HB 652 Projects							
Program	Project	Capital Projects Funds <sup>1</sup>	State Special	Federal Special	Authorization	Bond Proceeds	Total
Delivering Local Assistance Grants Program (DLA)	Natural Resource Impacted Area Grants	\$0	\$0	\$0	\$0	\$10,750,000	\$10,750,000
	School Facility Grants					10,750,000	10,750,000
	OTO-DLA Administrative Costs <sup>2</sup>		200,000				200,000
<b>Sub-Total DLA</b>		<b>\$0</b>	<b>\$200,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$21,500,000</b>	<b>\$21,700,000</b>
Long-Range Building Program (LRBP)	Life Safety & Deferred Maintenance, SW					3,000,000	3,000,000
	Life Safety & Deferred Maintenance, Capital Complex					2,000,000	2,000,000
	Romney Hall, MSU	9,000,000			7,000,000	16,000,000	32,000,000
	MAES Research Labs					2,000,000	2,000,000
	Dental Clinic and Hygiene Lab, MSU-GF					4,250,000	4,250,000
	Butte Silver Bow Co. Armory			17,000,000		5,000,000	22,000,000
	MSH Sewer Line Replacement					4,500,000	4,500,000
	FWP-Makoshika State Park Waterline					1,300,000	1,300,000
	Virginia and Nevada Cities					750,000	750,000
	Grant to Dawson Regional Prison					750,000	750,000
<b>Sub-Total LRBP</b>		<b>\$9,000,000</b>	<b>\$0</b>	<b>\$17,000,000</b>	<b>\$7,000,000</b>	<b>\$39,550,000</b>	<b>\$72,550,000</b>
Treasure State Endowment Program (TSEP)	Infrastructure Grants					9,645,000	9,645,000
	Bridge Grants					2,956,553	2,956,553
<b>Sub-Total TSEP</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$12,601,553</b>	<b>\$12,601,553</b>
DNRC Grant Programs	Renewable Resource Grants					4,975,000	4,975,000
	Reclamation and Development Grants					1,247,000	1,247,000
<b>Sub-Total DNRC Grant Programs</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$6,222,000</b>	<b>\$6,222,000</b>
<b>Grand Total</b>		<b>\$9,000,000</b>	<b>\$200,000</b>	<b>\$17,000,000</b>	<b>\$7,000,000</b>	<b>\$79,873,553</b>	<b>\$113,073,553</b>

<sup>1</sup>Capital Project Funds are Transferred from the General Fund  
<sup>2</sup>One-time-only (OTO) administrative costs are included in HB 652 due to the short-term nature of the DLA program

**Executive Comparison (HB 14 and HB 652)**

Figure 5 provides the legislative changes from the executive budget proposal on bonding.

Figure 5

Program Comparison - Long-Range Planning Bonding								
Program	HB 14			HB 652			Total Difference	
	Other Funds	Bond Proceeds	Total	Other Funds	Bond Proceeds	Total	Difference	% Change
Delivering Local Assistance	\$200,000	\$44,188,365	\$44,388,365	\$200,000	\$21,500,000	\$21,700,000	(\$22,688,365)	-51.1%
Long-Range Building Program		74,870,000	74,870,000	33,000,000	39,550,000	72,550,000	(2,320,000)	-3.1%
Treasure State Endowment Program	1,000,000	34,719,635	35,719,635		12,601,553	12,601,553	(23,118,082)	-64.7%
Renewable Resource Grant Program		4,975,000	4,975,000		4,975,000	4,975,000	0	0.0%
Reclamation and Development Grant Program		1,247,000	1,247,000		1,247,000	1,247,000	0	0.0%
<b>Total</b>	<b>\$1,200,000</b>	<b>\$160,000,000</b>	<b>\$161,200,000</b>	<b>\$33,200,000</b>	<b>\$79,873,553</b>	<b>\$113,073,553</b>	<b>(\$48,126,447)</b>	<b>-29.9%</b>

The executive introduced a bonding budget proposal in HB 14. The legislature did not approve HB 14 and instead created a legislative bonding plan in HB 652, which was \$48.1 million or 29.9% lower than the executive bonding proposal. The legislature made several significant changes from the executive proposal, which included:

- No transfer of program funding for the Treasure State Endowment Program, allowing the program funding to be used for its statutory purposes and reducing the amount of bond proceeds funding projects compared to the total TSEP projects in HB 11 and leading to a total TSEP program reduction of \$4.5 million
- Increased use of non-debt state resources for projects

## HB 553 Debt Limits

HB 553 imposed two limits on the legislative ability to authorize GFGO bonds. The limits will provide parameters in statute, defining what the legislature considers an acceptable level of state debt.

The first statutory limit prohibits the legislature from authorizing new GFGO bonds if state debt is greater than 0.6% of the fair market value of all property within the state. Where fair market value is defined as:

All real and personal property subject to ad valorem taxation within the state as enumerated in the department of revenue's biennial report issued pursuant to 15-1-205

And state debt includes:

The outstanding principal of issued general obligation bonds paid from the general fund as of July 1 of the current fiscal year.

The principal amount of all authorized but unissued general obligation bonds paid from the general fund.

The total amount of unfunded actuarial accrued liability of the public retirement systems established in Title 19 that does not amortize in 30 years as identified in those systems' most recent actuarial valuation of the assets and liabilities of their plans.

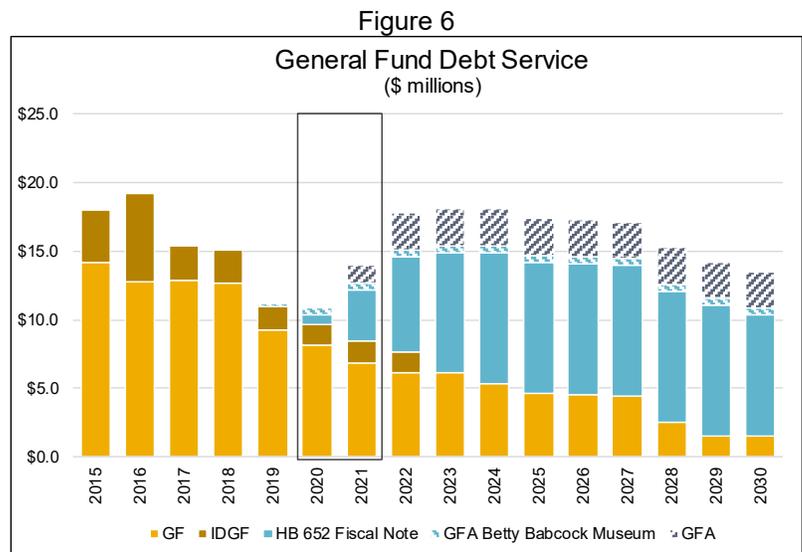
The second statutory limit prohibits the legislature from authorizing new GFGO bonds if the annual costs of the current and proposed GFGO debt service would exceed 1.5% of annual general fund revenues.

- Excluding an appropriation of \$32.1 million for the Betty Babcock Heritage Center
- Revising the funding for the Romney hall project, proposed at \$32.0 million in bond proceeds but authorized with \$16.0 million in bond proceeds, \$9.0 million in general fund (transferred into the capital projects account), and \$7.0 million in university funds or donations
- Including several new projects funded with bond proceeds
- Reducing the Delivering Local Assistance Program and changing the eligible mix of the infrastructure projects

HB 652 requires that the board of examiners issue the related bonds with a 10-year maturity. This action was taken to reduce the duration of the debt obligation. HB 14 did not designate the length of the bonds, and past practice would have been to issue the debt with a 20-year term.

### General Fund General Obligation Bonds Debt Service

Figure 6 shows debt service projections for the general fund including the expected changes from legislative actions.



For the first time since 2005, the legislative authorized the issuance of general fund general obligation bonds (GFGO) in HB 652. The \$79.9 million in bond authority funds projects in four of the usual LRP programs, along with one new program that consists of two infrastructure grant functions. The debt service cost of HB 652, per the fiscal note, is expected to be \$4.5 million in the 2021 biennium. Additionally, with the passage of SB 338, which provides a source of funding for the Betty Babcock Heritage Center, there is a greater likelihood that the \$6.7 million in existing bond authority, as provided by the 2005 Legislature, will be issued creating new general fund costs of \$0.3 million in the 2021 biennium. In total, GFGO debt service is projected to be approximately \$24.1 million in the 2021 biennium or an average of \$12.1 million in each fiscal year.

# LONG-RANGE BUILDING PROGRAM

## Program Budget Comparison

Figure 7 compares the 2019 biennium appropriated budget to the 2021 biennium appropriated budget by type of expenditure and source of funding.

Figure 7

Program Comparison - Long-Range Building Program				
Budget Item	Budget 2019 Biennium	Budget 2021 Biennium	Biennium Change	Biennium % Change
	Appropriated / <u>Authorized</u>	Appropriated / <u>Authorized</u>		
LRBP Project Costs	\$93,155,750	\$180,798,973	\$87,643,223	94.08%
FWP Capital Project Costs	33,164,600	42,433,400	9,268,800	27.95%
Other Agency Project Costs	32,715,000	23,600,000	(9,115,000)	-27.86%
SBECF Project Costs	3,700,000	3,600,000	(100,000)	-2.70%
<b>Total Costs</b>	<b>\$162,735,350</b>	<b>\$250,432,373</b>	<b>\$87,697,023</b>	<b>53.89%</b>
Capital Projects	\$27,600,000	\$33,580,973	\$5,980,973	21.67%
State Special	35,541,650	42,266,400	6,724,750	18.92%
Federal Special	22,772,450	58,136,000	35,363,550	155.29%
Proprietary <sup>1</sup>	0	4,750,000	4,750,000	-
Authorization <sup>1</sup>	76,821,250	72,149,000	(4,672,250)	-6.08%
Bond Issue/Loans	0	39,550,000	39,550,000	-
<b>Total Funds</b>	<b>\$162,735,350</b>	<b>\$250,432,373</b>	<b>\$87,697,023</b>	<b>53.89%</b>

<sup>1</sup> Does not require appropriation but requires approval of the legislature

## Program Discussion

In 1963, the legislature enacted the Long-Range Building Program (LRBP) to provide funding for construction, alteration, repair, and maintenance of state-owned buildings and grounds. The program was developed to present a single, comprehensive, and prioritized plan for allocating state resources for 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-sixth Legislature authorized a LRBP consisting of 68 projects with total costs of \$250.4 million in HB 5, HB 652, HB 695, and SB 338. The legislature funded \$39.6 million of LRBP projects with bond proceeds. The LRBP legislation appropriates funds to several agencies and programs. The following list details the distribution of funding across programs and purposes.

- LRBP - 72.2% of the budget is dedicated to the construction and major maintenance of state buildings
- FWP Capital Program - 16.9% of the budget is dedicated to land acquisition and maintenance, recreational facility maintenance, and grants to recreationalists for various recreational activities
- Other Agency Projects - 9.4% of the budget is dedicated to construction and maintenance of state buildings
- SBECF Projects - 14.4% of the budget is dedicated to energy conservation improvements to state buildings

The following project types were funded in the LRBP budget:

- 17 Deferred/major maintenance projects, 21.4% of the budget
- 18 Renovation and addition projects, 37.7% of the budget
- 14 Land acquisition and land/water maintenance, 12.7% of the budget
- 5 New building projects, 11.5% of the budget

## Budget Highlights

The Sixty-sixth Legislature made appropriations for several projects that had been previously requested but unfunded in past biennia. The funding of several of these major projects, in particular the Romney Hall renovation project, has the added benefit of reducing the state's deferred maintenance backlog. Some of the major LRBP highlights include:

- Romney Hall - \$32.0 million adaptive renovation and modernization of the Romney gymnasium to classroom space. This project will upgrade all major building systems, including structural, life-safety components, fire suppression, energy efficiency, HVAC, accessibility improvements and site utility connections, reducing MSU's deferred maintenance backlog. The project will add 18 classrooms with over 1,000 seats to address the student growth of the university. There will also be new space construction for the current tenants of the space. This project has been requested in the LRBP budget since the 2013 Legislative Session. As appropriated by the legislature, the university will provide \$7.0 million of project funding through donations and university funds
- Montana State Hospital (MSH) Wastewater Treatment - \$4.5 million upgrade of the 50-year-old wastewater treatment facility. The project will renovate the three existing lagoon cells to provide adequate year-round storage. The new system will be capable of complying with current and anticipated regulatory requirements. This project was new in the 2019 Legislative Session, although first and second phases were funded in previous biennia.
- Glendive Highway Patrol - \$2.8 million replacement and new construction of a Department of Justice, Highway Patrol office in Glendive. This project will provide secure office and storage space for District V of the Highway Patrol. The secure facility will provide secure storage for vehicles obtained through drug forfeitures. Placement of the new facility will be on land obtained in a land swap for the existing inadequate facility. This project was new in the 2019 Legislative Session
- Makoshika Park Water Line - \$1.3 million construction of a water line into the park. This project will bring potable water into the park, allowing the development of camping sites. This project has been considered, but not funded, since the 2017 Legislative Session
- Lease Approval – The 2019 Legislature approved the reauthorization of a 16-year lease of 130,000 square feet for space occupied by the Departments of Commerce, Labor, Health & Human Services, DOA Banking Division, and the MT Supreme Court. Leases greater than 40,000 square feet (changed to 45,000 by the 2019 Legislature) require legislative approval

## HB 553 – Major LRBP Policy and Funding Changes

HB 553 made substantive programmatic and funding changes to the LRBP, which will take effect in the 2023 biennium. The legislation designates two types of LRBP projects which include 1) major repair projects and 2) capital development projects, which requires a specific level of appropriation for major maintenance projects before capital development projects may be appropriated, and provides increased funding for state major repairs, capital development, and local infrastructure projects. The legislation also requires an immediate appropriation for the operations and maintenance of any authorized new state space.

### LRBP Project Types

The LRBP must now consider two types of projects in the program. The project types are as follows:

- 1) Major repair projects are defined as follows:
  - a) a renovation, alteration, replacement, or repair project with a total cost of less than \$2.5 million;
  - b) a site or utility improvement with a total cost of less than \$2.5 million; or
  - c) a new facility with a total construction cost of less than \$250,000.

Not eligible for funding as a major repair project are operational costs and regular, ongoing, and routine repairs and maintenance funded in an agency operating budget that would not extend the capacity, function, or lifespan of a facility (normal maintenance).

- 2) Capital development projects are defined as follows:
  - a) renovation, construction, alteration, site, or utility project with a total cost of \$2.5 million or more;
  - b) new facility with a construction cost of \$250,000 or more; or
  - c) purchase of real property for which an appropriation is required to fund the purchase.

#### Minimum Major Repairs Funding Requirements

HB 553 requires that 0.6% of the replacement cost of existing LRBP eligible buildings be invested in major repairs each fiscal year before the legislature can fund the design or construction of capital development projects. Funding related to this requirement consists of the existing dedicated revenues from cigarette and coal severance taxes and an appropriated general fund transfer from the general appropriations act, HB 2. The appropriated transfer is required to be a base component of the DOA budget. The transfer would make up the difference between the LRBP dedicated revenue stream and the 0.6% limit and is projected in the fiscal note to be \$4.3 million in FY 2022 and \$4.9 million in FY 2023.

Because the new LRBP funds will be appropriated in HB 2, these funds will not be appropriated in HB 5 (the LRBP cash appropriation bill). The executive is required to provide a list of anticipated projects that would be funded with the appropriation provided in HB 2, along with the typical HB 5 appropriations from the LRBP dedicated revenue sources. The prioritized list is expected to be included in HB 5 and would be subject to change if more urgent projects come to light during any interim. In such cases, HB 553 requires A&E division to notify the Office of Budget and Program Planning and the Legislative Finance Committee of the changes.

#### Capital Developments Funding

HB 553 develops a new funding source for capital development projects that was referred to as a “working rainy-day fund” in legislative hearings. The legislation requires that as a part of the budget the executive will make annual transfers into a new capital developments account and the legislature may appropriate the transfer as a new proposal in the budget for the A&E division. The transfers are equal to the following:

- 1.0% of the amount of the certified unaudited state general fund revenue, including transfers, less:
  - General fund general obligation bonds debt service for existing bond issues
  - Projected general fund general obligation bonds debt service for authorized but unissued plus newly proposed bonds
- The transfers of the amount appropriated by the legislature must occur by August 15 of each fiscal year

The transfer will not occur if the executive has accessed the budget stabilization reserve fund in the immediately preceding 11 months or has made spending reductions pursuant to 17-7-140. Additionally, the state treasurer may temporarily borrow, without interest, from the account to address cash balance deficiencies in the general fund so long as a loan would not impair the account from meeting any legal obligations.

Figure 8 shows by agency the projects approved by the legislature for all the capital projects included primarily in HB 5 and HB 652, and includes projects in HB 695 and SB 338. The detailed project descriptions follow Figure 8.

Figure 8

Long-Range Building Program HB 5 (unless otherwise noted) - 2021 Biennium								
Approp Agency / Project Agency / Project	LRBP Capital Projects Funds	Other Capital Projects Funds	State Special	Federal Special	Proprietary	Authorization	Bonds	Total
HB 5 LRBP Appropriations								
Department of Administration								
Statewide Life Safety & Deferred Maintenance	\$1,550,000							\$1,550,000
Life Safety & Deferred Maintenance, Capitol Complex		3,000,000						3,000,000
Capitol Building Improvements		2,450,000						2,450,000
Update Capitol Complex Master Plan / Space Analysis		250,000						250,000
Renovate Executive Residence (Effective 1/1/2021)		1,900,000						1,900,000
<b>HB 652 - Statewide Life Safety &amp; Deferred Maintenance</b>							3,000,000	3,000,000
<b>HB 652 - Life Safety &amp; Deferred Maintenance, Capitol</b>							2,000,000	2,000,000
Department of Corrections								
Food Factory Expansion					3,000,000			3,000,000
MSP Treatment Center Fence	1,310,873							1,310,873
Department of Fish, Wildlife, and Parks								
Hatchery Maintenance			1,200,000			750,000		1,950,000
Missoula Headquarters Upgrade			1,350,000					1,350,000
Construct Glasgow Headquarters Shop & Meeting Room			1,700,000					1,700,000
Construct Lewistown Area Office			1,500,000					1,500,000
Admin Facilities Major Maintenance			2,400,000					2,400,000
Department of Justice								
Glendive MHP Office & Storage Building			2,795,000					2,795,000
Department of Livestock								
Veterinary Diagnostics Lab - Planning Only			100,000					100,000
Department of Military Affairs								
Indoor Firing Range Repurposing	970,100			970,100				1,940,200
PT/Rec Center Addition & Alteration				2,000,000				2,000,000
Military Cemetery Ft. Harrison & Missoula				4,000,000				4,000,000
FMS #3 Female Latrines & Remodel				702,900				702,900
FTH Weapons Cleaning Facility				1,700,000				1,700,000
<b>HB 652 - Butte-Silver Bow County Armory</b>				17,000,000			5,000,000	22,000,000
Department of Public Health and Human Services								
SWM Veterans' Home Additional Funding	5,000,000							5,000,000
Construct Chapel, MT Veterans' Home, Columbia Falls						750,000		750,000
<b>HB 652 - MSH Repair Wastewater Treatment</b>							4,500,000	4,500,000
Department of Transportation								
Equipment/Office Buildings			2,630,000					2,630,000
Remodel Headquarters Office, Wolf Point			770,000					770,000
Remodel / Expand Yellowstone Airport Terminal				13,500,000	1,200,000			14,700,000
Montana University System								
MUS Statewide Deferred Maintenance	4,550,000							4,550,000
Construct American Indian Hall, MSU (increase)						12,000,000		12,000,000
Remodel Harrison Hall, Hospitality Management, Gallatin College - MSU						4,000,000		4,000,000
Facilities Yard Relocation - MSU						9,000,000		9,000,000

Figure 8 - Continued

Approp Agency / Project Agency / Project	LRBP Capital Projects Funds	Other Capital Projects Funds	State Special	Federal Special	Proprietary	Authorization	Bonds	Total
HB 5 LRBP Appropriations - Montana University System (cont.)								
Visual Communications Bldg. Addition - MSU						12,000,000		12,000,000
Renovate Renne Library - MSU (Flrs 2-4 )						1,500,000		1,500,000
Upgrade Donaldson Hall - MSU Northern						6,000,000		6,000,000
Upgrade Mackenzie Hall Systems - MSU Northern						2,000,000		2,000,000
<b>HB 652</b> - Romney Hall - MSU Bozeman	9,000,000					7,000,000	16,000,000	32,000,000
<b>HB 652</b> - New Dental Clinic, Assisting & Hygiene Lab-MSUGF							4,250,000	4,250,000
<b>HB 652</b> - MAES Research Labs, Statewide							2,000,000	2,000,000
Teachers Retirement System								
Renovate TRS Building					550,000			550,000
<b>Subtotal HB 5 LRBP Appropriations</b>	<b>\$22,380,973</b>	<b>\$7,600,000</b>	<b>\$14,445,000</b>	<b>\$39,873,000</b>	<b>\$4,750,000</b>	<b>\$55,000,000</b>	<b>\$36,750,000</b>	<b>\$180,798,973</b>
<b>Other Program and Project Appropriations - HB 5 (unless otherwise noted)</b>								
Department of Environmental Quality - State Building Energy Program								
Energy Improvements		\$3,600,000						\$3,600,000
<b>Subtotal Department of Environmental Quality Projects</b>	<b>\$0</b>	<b>\$3,600,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0</b>	<b>\$0</b>	<b>\$3,600,000</b>
Department of Fish, Wildlife, and Parks - Capital Program								
Future Fisheries			1,250,000					1,250,000
FAS Site Protection			1,790,000					1,790,000
Community Fishing Ponds			100,000					100,000
Fish Passage Construction				1,291,000		549,000		1,840,000
Wildlife Habitat Maintenance			1,000,000	150,000				1,150,000
Forest Management			400,000					400,000
Migratory Bird Program			650,000					650,000
Home to Hunt Access			220,000					220,000
Upland Game Bird Enhancement Program			954,000					954,000
Smith River Corridor			200,000					200,000
Grant Programs			304,400	5,000,000				5,304,400
Parks Major Maintenance			2,000,000					2,000,000
FAS NRD Yellowstone Pipeline Settlement						500,000		500,000
Wildlife Habitat Improvement Program				4,000,000				4,000,000
Milltown State Park Improvements			50,000	145,000		100,000		295,000
<b>HB 652</b> - Makoshika State Park Waterline							1,300,000	1,300,000
<i>Department of Fish, Wildlife, and Parks - Land Acquisition</i>								
Habitat Montana			8,000,000					8,000,000
FAS Aquisition			260,000					260,000
Big Horn Sheep Habitat			220,000					220,000
<b>HB 695</b> - Purchase Recreation Easement, Big Arm State Park			7,323,000	4,677,000				12,000,000
<b>Subtotal FWP Capital Program</b>	<b>\$0</b>	<b>\$0</b>	<b>\$24,721,400</b>	<b>\$15,263,000</b>	<b>\$0</b>	<b>1,149,000</b>	<b>\$1,300,000</b>	<b>\$42,433,400</b>
Department of Commerce								
<b>HB 652</b> - Improvements at Virginia and Nevada Cities							750,000	750,000
<b>SB-338</b> - Historic Preservation Grant - Daly Mansion			400,000					400,000
<b>SB-338</b> - Historic Preservation Grant - Moss Mansion			400,000					400,000
<b>Subtotal Department of Commerce</b>	<b>\$0</b>	<b>\$0</b>	<b>\$800,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$750,000</b>	<b>\$1,550,000</b>

Figure 8 - Continued

Approp Agency / Project Agency / Project	LRBP Capital Projects Funds	Other Capital Projects Funds	State Special	Federal Special	Proprietary	Authorization	Bonds	Total
HB 5 Other Program and Project Appropriations (cont.)								
Department of Corrections								
<b>HB 652 - Grant to Dawson Co. Regional Prison</b>							\$750,000	\$750,000
Subtotal Department of Corrections	\$0	\$0	\$0	\$0	\$0	0	\$750,000	\$750,000
Department of Military Affairs								
Federal Spending Authority				3,000,000				3,000,000
Subtotal Department of Military Affairs Projects	\$0	\$0	\$0	\$3,000,000	\$0	0	\$0	\$3,000,000
Department of Transportation								
Maintenance, Repair & Small Projects			2,300,000					2,300,000
Subtotal Department of Transportation Projects	\$0	\$0	\$2,300,000	\$0	\$0	0	\$0	\$2,300,000
Montana University System								
General Spending Authority MUS						16,000,000		16,000,000
Subtotal Montana University System Projects	\$0	\$0	\$0	\$0	\$0	16,000,000	\$0	\$16,000,000
Subtotal Other Program and Project Appropriations	\$0	\$3,600,000	\$27,821,400	\$18,263,000	\$0	17,149,000	\$2,800,000	\$69,633,400
<b>Total Long-Range Building Program</b>	<b>\$22,380,973</b>	<b>\$11,200,000</b>	<b>\$42,266,400</b>	<b>\$58,136,000</b>	<b>\$4,750,000</b>	<b>72,149,000</b>	<b>\$39,550,000</b>	<b>\$250,432,373</b>

*Project Descriptions*

LRBP appropriations and authorizations amounting to \$250.4 million for capital projects are approved in HB 5, HB 652, HB 695, and SB 338 from numerous different capital project, state special revenue, and federal special revenue accounts, and includes project funding from non-state resources made up of proprietary funds, higher education funds, and donations (Authorization). A brief description of the LRBP projects included in Figure 8 is provided below.

*Projects by Agency*

**Long-Range Building Program Appropriations**

The following descriptions are for projects appropriated directly to the LRBP/Department of Administration. The appropriation/authorization descriptions are for projects contained in HB 5 unless otherwise noted.

Department of Administration

- HB 5 & HB 652 - Statewide Life Safety & Deferred Maintenance - This appropriation provides funding to address and correct deficiencies regarding life safety, code compliance, deferred maintenance, ADA accessibility, hazardous material remediation, and energy improvements to agency facilities across the state. The appropriation provides for many individual projects. If the revenues of the LRBP account are not sufficient for all the related project appropriations, language requires that this appropriation is reduced before others
- HB 5 & HB 652 - Life Safety & Deferred Maintenance, Capitol Complex - This appropriation provides funding for deferred maintenance projects on the capitol complex. The appropriation provides for many individual projects

- Capitol Building Improvements - This appropriation will address and correct deferred maintenance, code compliance, life safety, accessibility and hazardous material remediation in and around the Capitol building. If the revenues of the capital land grant account are not sufficient for all the related project appropriations, language requires that this appropriation is reduced before others
- Update Capitol Complex Master Plan / Space Analysis – This appropriation funds the review and update of the 10-year and 20-year components of the 2009 Complex Master Plan
- Renovate Executive Residence (Effective 1/1/2021) - This appropriation provides funding to address deferred maintenance issues, updates, and upgrades to the Governor's residence. Language in HB 5 prevents this project from commencing until January 2021

#### Department of Corrections

- Food Factory Expansion – This project provides the authority to use non-budgeted proprietary funds to increase space in the existing facility to provide chiller space per the updated guidelines for cooking and cooling meats
- MSP Treatment Center Fence – This appropriation would fund the installation of a double-perimeter security fence at Montana State Prison (MSP)

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

- Hatchery Maintenance - This appropriation will address the major maintenance, replacement, and repair of infrastructure for the 10 state fish hatcheries across the state
- Missoula Headquarters Upgrade – This appropriation will construct a new meeting room, convert the old meeting room to offices, and upgrade lobby security and other public space
- Construct Glasgow Headquarters Shop & Meeting Room – This appropriation will replace a shop and storage building, provide public parking, replace offices, and provide a public meeting room at the FWP region 6 headquarters in Glasgow
- Construct Lewistown Area Office – This appropriation will construct a new office and shop facility in place of the current short-term rented manufactured building
- Administrative Facilities Major Maintenance - This appropriation will address ongoing maintenance and repairs at administrative facilities across the state

#### Department of Justice

- Glendive MHP Office & Storage Building – This appropriation will construct a new Montana Highway Patrol (MPH) office building with storage space for seized vehicles and drug forfeiture

#### Department of Livestock

- Veterinary Diagnostics Lab - Planning Only – This appropriation will further the work completed to date for the planning of a new Veterinary Diagnostic Lab

#### Department of Military Affairs

- Indoor Firing Range Repurposing – This appropriation will remodel indoor firing ranges into functional space at readiness centers across the state
- PT/Rec Center Addition & Alteration – This appropriation will fund the construction of an addition and alteration to an existing facility that would provide authorized space for soldiers and retirees for physical fitness
- Military Cemetery Ft. Harrison & Missoula – This appropriation will fund the construction of columbaria walls, develop new burial section, road improvements and sprinkler system replacement
- FMS #3 Female Latrines & Remodel – This appropriation will fund the construction of new restroom facilities that provide ADA accessibility for both sexes and remodeling portions of the existing facility and building components that have become damaged over years of use
- FTH Weapons Cleaning Facility – This appropriation will fund the construction of a 5,000 square-foot facility for cleaning weapons after use on firing ranges at Fort Harrison and the Limestone

Hills Training Area. The facility will filter and hold hazardous waste, primarily lead, in one containment area

- HB 652 – Butte-Silver Bow County Armory – This appropriation will provide for the construction of a 65,000 square-foot (sf) armory/readiness center outside of Butte, replacing two aging facilities

#### Department of Public Health and Human Services

- SWM Veterans' Home Additional Funding - This appropriation will fund the completion of the construction of the 60-bed SW MT Veterans' Home designed in 2011
- Construct Chapel, MT Veterans' Home, Columbia Falls – This authorization provides for the construction of a new chapel of approximately 1,500 sf funded with donations
- HB 652 – MSH Repair Wastewater Treatment – This appropriation will fund the upgrade of the wastewater treatment system at the state hospital to meet current regulatory requirements

#### Department of Transportation

- Equipment/Office Buildings – This appropriation will fund the construction of new buildings to house road maintenance equipment and personnel at various locations throughout the state
- Remodel Headquarters Office, Wolf Point - This appropriation will fund the remodeling of the headquarters office and convert an existing mechanics shop into office space
- Remodel / Expand Yellowstone Airport Terminal - This appropriation will fund the replacement of the existing state-owned terminal at the Yellowstone Airport

#### Montana University System

- MUS Statewide Deferred Maintenance - This appropriation provides funding to correct building and infrastructure safety and deficiencies at campuses across the state
- Construct American Indian Hall, MSU (increase) – This item provides an increase in authority for donated funds to construct the American Indian Hall on the MSU Bozeman campus
- Remodel Harrison Hall, Hospitality Management, Gallatin College, MSU – This authorization allows MSU to convert the Harrison Hall dining facility into an academic facility (approx. 7,800 sf)
- Facilities Yard Relocation, MSU - The authorization will consolidate existing and outdated facility yard structures into a new central facility
- Visual Communications Bldg. Addition, MSU - This authorization provides for an expansion of Montana PBS's operation in Bozeman with an addition to its current facility
- Renovate Renne Library, MSU (Floors 2-4) - This authorization provides for the renovation and modernization of floors 2 through 4 in the Renne Library
- Upgrade Donaldson Hall, MSU Northern - This authorization provides for the renovation and modernization of the 32,746 square-foot Donaldson Hall building for administrative and academic purposes
- Upgrade Mackenzie Hall Systems, MSU Northern - This authorization provides for mechanical improvements to address serious deferred maintenance issues including a fire sprinkler system, a fire alarm system, replacement of deteriorated window assemblies, heating system controls, and the boiler
- HB 652 – Romney Hall, MSU Bozeman – These appropriations and authorizations will fund an adaptive reuse and renovation of the 1920's gymnasium into academic space and relocate the current occupants into newly remodeled spaces
- HB 652 – New Dental Clinic, Assisting & Hygiene Lab, MSUGF – This appropriation will fund the renovation and construction of an addition to accommodate larger space and additional students
- HB 652 – MAES Research Labs, Statewide – This appropriation will fund the construction of modern greenhouses and head-houses at four agricultural experiment research centers

#### Teachers Retirement System

- Renovate TRS Building - This project provides the authority to use pension trust funds to renovate the Teachers Retirement System building including asbestos removal, new lighting, HVAC upgrades, ADA restrooms and lifts

### **Other Program and Project Appropriations**

The following descriptions are for projects appropriated directly to agencies.

#### Department of Environmental Quality (SBECP)

- Energy Improvements – This appropriation provides funding for the State Building Energy Conservation Program (SBECP). The program makes improvements to state facilities that will reduce energy costs and uses the energy cost savings to repay the appropriation over time (for more information, refer to the SBECP program on page F-22)

#### Department of Fish, Wildlife, and Parks-Capital Program

- Future Fisheries - This appropriation provides funding for statewide fish habitat restoration projects
- FAS Site Protection - This appropriation will provide for the installation and rehabilitation of basic facilities at Fishing Access Sites (FAS) across the state
- Community Fishing Ponds - This appropriation will assist communities with the construction or improvement of public fishing ponds
- Fish Passage Construction – This appropriation will construct fish passages, barriers, screens, ladders, and other mechanisms to block fish passage in some circumstances and permit fish passage in others
- Wildlife Habitat Maintenance - This appropriation provides funding to maintain wildlife management areas and lands in accordance with state requirements and the good neighbor policy
- Forest Management - This appropriation provides funding to manage forestry projects on wildlife management areas in accordance with statutory requirements
- Migratory Bird Program - This appropriation uses earmarked migratory bird funds for the protection, conservation, and enhancement of wetland habitat
- Home to Hunt Access - This appropriation provides access to public lands through private lands by easements, leases, or fee title
- Upland Game Bird Enhancement Program - This appropriation will provide grants to landowners to restore/establish habitat for upland game birds and requires a level of public hunting access on project areas. It also provides funding for the pheasant release program
- Smith River Corridor - This appropriation will benefit and enhance the recreational values within the Smith River corridor
- Grant Programs - This appropriation funds three grant programs for local entities and communities: the off-highway vehicle grants, the recreational trails program grants, and the land and water conservation fund grants
- Parks Major Maintenance – This appropriation provides maintenance at park sites across the state
- FAS NRD Yellowstone Pipeline Settlement – This authorization will allow donations to be used to complete the Yellowstone River FAS acquisition, development, and maintenance
- Wildlife Habitat Improvement Program – This appropriation will fund enhancements at wildlife habitats through noxious weed management
- Milltown State Park Improvements – This appropriation will provide funding to bring potable water to the confluence area and two trail projects at the park
- HB 652 – Makoshika State Park Waterline – This appropriation will provide funding to bring potable water into the park

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

- Habitat Montana - This appropriation will secure important wildlife habitats through conservation easement, fee title acquisition, or long-term lease. It is funded with a portion of the revenue from the deer and elk auction licenses as well as earmarked license fees
- FAS Acquisition - This appropriation funds the acquisition, either by lease or fee title, for fishing access to lakes, streams and rivers across the state

- Big Horn Sheep Habitat - This appropriation will be used to acquire bighorn sheep habitat through easement, lease, or fee title funded with big horn sheep auction revenues
- HB 695 – Purchase Recreation Easement, Big Arm State Park – This appropriation will provide the funding to allow FWP to purchase Big Arm State Park from the school trust lands

Department of Commerce

- HB 652 – Improvements at Virginia and Nevada Cities – This appropriation will provide funding for historic facility major repairs
- \*SB 338 – Historic Preservation Grant, Daly Mansion – This authorization will be used for the repair of infrastructure and maintenance needs at the facility
- \*SB 338 – Historic Preservation Grant, Moss Mansion – This authorization will be used for the repair of infrastructure and maintenance needs at the facility
- (\*) While there is no appropriation in SB 338 for the grants described above, an aggregate appropriation authority was provided in HB 715, some of which may be used for the purpose of these grants

**Historic Preservation Grant Program**

For the 2021 biennium, the SB 338 grants for historic preservation are included in the LRBP, in future years the Department of Commerce is tasked with developing a new competitive historic preservation grant program, funded with a distribution of the lodging sales tax. The new program will award grants to public or private historic preservation entities, historical societies, or history museums across the state. Grant awards will be ranked on criteria like the TSEP and C&A programs. The criteria for ranking will include:

1. the degree of economic stimulus or economic activity generated,
2. the purpose of the project – does it address security, climate control, fire protection, infrastructure, maintenance and code issues,
3. the timing of the project and access to matching funds and permit approval,
4. the historic or heritage value to the state, and
5. the track record and experience in direction of a project.

Department of Corrections

- HB 652 – Grant to Dawson County Regional Prison – This appropriation to the Department of Corrections (DOC) allows the department to provide a grant to the regional prison for roof repairs, HVAC improvements, and electronic improvements in the control room. The facility is required to report on the use of the grant to the DOC

Department of Military Affairs

- Federal Spending Authority - This appropriation allows for federal funds to be used for repair and maintenance, minor construction, and facility improvements at military affairs facilities across the state

Department of Transportation

- Maintenance, Repair & Small Projects, Statewide – This appropriation funds routine/annual preventative maintenance and small construction projects at Department of Transportation facilities across the state

Montana University System

- General Spending Authority MUS – This authorization will be used to address pressing facility maintenance projects. Funding may include federal, donations, grants and other nonstate funds. The Office of the Commissioner of Higher Education will distribute the authority in accordance with Board of Regents approval and priorities

## HB 553 – Future O&M

Beginning with budgets approved for the 2023 biennium, HB 553 will require the legislature to provide an appropriation for the future increased costs of operations and maintenance (O&M) when a new space facility is approved by the legislature. This ensures the full cost of a new facility is funded by the authorizing legislature, and ensures the O&M is built into the agency’s base for future sessions. The O&M appropriation reverts to the originating fund until the receipt of the certificate of occupancy is received.

### Future Operations and Maintenance Costs

When approving the construction of new buildings, the legislature considers the future costs of operations and maintenance (O&M). For new space requested by the university system (MUS), the Office of Budget and Program Planning (OBPP) analyzes the uses of the new space to determine what portion of the future O&M costs are associated with academic or academic support functions and therefore should fall to the responsibility of the state. The state portion of the future costs of the university projects are negotiated between OBPP and MUS and are presented as part of the project hearings to foster legislative understanding of future budget impacts. Figure 9 shows the future cost projections for new space projects appropriated and authorized by the Sixty-sixth Legislature.

Figure 9 includes the project cost, estimated occupancy date, total new O&M costs, and the state share of the costs that occur with the legislative approval of new space.

Figure 9

Future Operations and Maintenance Estimates					
Project	Occup Date	Future O&M		State's Share	
		2021 Bien	2023 Bien	2021 Bien	2023 Bien
SWM Veterans' Home Additional Funding	9/2020	\$344,250	\$579,488	\$344,250	\$579,488
Romney Hall Renovation	7/2021		826,497		826,497
New Dental Clinic, Assisting & Hygiene Lab-MSUGF	10/2022		42,319		42,319
Glendive MHP Office & Storage Building (DOJ)	6/2021	2,500	58,075	2,500	58,075
MAES Research Labs, Statewide	3/2021	39,564	199,798	39,564	199,798
Food Factory Expansion	6/2022		52,620		52,620
Construct Glasgow Headquarters Shop & Meeting Room (FWP)	6/2021		19,208		19,208
Construct Lewistown Area Office (FWP)	6/2021		25,820		25,820
Missoula Headquarters Upgrade (FWP)	6/2021		13,000		13,000
Construct American Indian Hall, MSU (increase)	7/2021		650,880		650,880
Upgrade Donaldson Hall - MSU Northern	1/2023		214,650		214,650
Visual Communications Bldg. Addition - MSU	3/2022		241,826		96,730
<b>Total Estimated Future O&amp;M Costs</b>		<b>\$386,314</b>	<b>\$2,924,181</b>	<b>\$386,314</b>	<b>\$2,779,085</b>

For the new space projects approved for the 2021 biennium, the total and state O&M cost for the 2021 biennium is estimated to be \$386,314. In the 2023 biennium, the state’s cost will increase to \$2.9 million as more of the new space projects are completed. These costs would be payable from all fund types including general fund, state and federal special revenues, and university funds.

**Funding**

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

*Long-Range Building Program Capital Projects Account:*

While not the largest source of funding for capital projects, the LRBP capital projects account is the primary source of funding for major maintenance of general fund supported buildings in the state building program. Additionally, the fund has paid debt service on LRBP bonds issued in in the mid-1990's. In FY 2017, the debt service obligation was complete.

Figure 10

Long-Range Building Program Account (05007)					
Fund Balance Projection FY 2018-FY 2021					
	FY 2018 Actual	FY 2019 Projected <sup>3</sup>	FY 2020 Projected	FY 2021 Projected	2021 Bien. Projected
Beginning Fund Balance	\$23,011,594	\$19,709,102	(\$4,057,932)	(\$7,610,736)	(\$4,057,932)
Revenues <sup>1</sup>					
Cigarette Tax	\$1,600,086	\$1,574,596	\$1,538,473	\$1,502,206	\$3,040,678
Coal Severance Tax	7,512,992	6,685,119	6,782,215	6,794,627	13,576,842
Cigarette Tax Increase: LC #1373	0	0	0	0	0
Interest Earnings	297,699	333,279	725,731	460,337	1,186,068
Supervisory Fees	624,797	381,899	465,973	465,973	931,946
Energy Savings Transfer	250,000	200,000	200,000	200,000	400,000
Department of Justice Transfer	6,630,000	0	0	0	0
General Fund Transfers	<u>(5,000,000)</u>	<u>0</u>	<u>11,500,000</u>	<u>0</u>	<u>11,500,000</u>
Total Revenues	\$11,915,574	\$9,174,893	\$21,212,391	\$9,423,143	\$30,635,534
Expenditures / Appropriations					
Operating Costs-A & E Division <sup>2</sup>	1,930,524	\$2,240,000	\$2,375,122	\$2,371,857	\$4,746,979
HB 175 - state employee pay plan (estimated)			9,100	27,300	36,400
Debt Service-2015A	1,095,269	657,086	0	0	0
Funding Switch	(665,000)	(657,086)	0	0	0
Prior Biennia Projects	10,530,810	14,100,528	0	0	0
2019 Biennium Projects	2,328,601	16,601,399	0	0	0
2021 Biennium Executive Proposal	<u>0</u>	<u>0</u>	<u>22,380,973</u>	<u>0</u>	<u>22,380,973</u>
Total Expenditures / Appropriations	\$15,220,203	\$32,941,927	\$24,765,195	\$2,399,157	\$27,164,352
Estimated Ending Fund Balance	\$19,706,965	(\$4,057,932)	(\$7,610,736)	(\$586,750)	(\$586,750)
<sup>1</sup> HJ2 Projections					
<sup>2</sup> HB 2					
<sup>3</sup> Assumes all appropriation authority is expended in FY 2019					

As shown in Figure 10, the LRBP capital projects account will begin the 2019 biennium with a projected balance of a negative \$4.1 million. The negative balance is due to the transfer of \$5.0 million of LRBP funds to the general fund that occurred in the actions of the 2017 Special Session. LRBP account revenues include 2.6% of cigarette tax revenue and 12.0% of coal severance tax revenue. Other income includes LRBP interest earnings, supervisory fees paid to A&E, and energy saving transfers from the State Building Energy Conservation Program. In the 2021 biennium, the account will receive two transfers from the general fund, amounting to \$11.5 million. In total, revenues and transfers into the account will amount to \$30.6 million, making \$26.6 million available for new project funding.

The LRBP account supports \$4.8 million of administrative costs for the A&E division. Funding for these costs are transferred from the capital projects account to an A&E state special account and are appropriated in HB 2. Total administrative costs include an estimate of \$36,400 for the HB 175 pay plan. The legislature appropriated \$22.4 million for LRBP projects from the capital projects account. As a result, the balance by the end of the 2021 biennium is projected to be negative \$586,750. The negative balance shows that appropriations exceed anticipated revenues, but the agency will not allow spending to exceed available revenues. With awareness of the over appropriation in the account, the legislature provided

language for the statewide life safety and deferred maintenance appropriation in HB 5, which designated that spending on the appropriation would be reduced if funds are not sufficient to support all the projects.

*Capital Land Grant Capital Projects Account:*

Capitol land grant (CLG) revenues, derived from trust lands designated in the Enabling Act for the state capitol complex, are used as a source of LRBP funding for capital projects. Additionally, the account has paid debt service on LRBP bonds issued in in the mid-1990’s. In FY 2017, the debt service obligation was complete. More recently, the account supported appropriations for the new Helena Data Center. Note: Funding from this source may only be used for projects on the Montana Capitol Complex (10-mile radius from the Capital building) per the requirements of the Enabling Act.

Figure 11

Capitol Land Grant Account (05008)					
Fund Balance Projection FY 2018-FY 2021					
	FY 2018 Actual	FY 2019 Projected <sup>2</sup>	FY 2020 Projected	FY 2021 Projected	2021 Bien. Projected
Beginning Fund Balance	\$5,178,302	\$4,144,330	\$3,687,834	(\$2,034,200)	\$3,687,834
Revenues <sup>1</sup>					
Land Grant Interest & Earnings	<u>2,496,466</u>	<u>1,914,077</u>	<u>1,877,966</u>	<u>1,908,842</u>	<u>3,786,808</u>
Total Revenues	2,496,466	1,914,077	1,877,966	1,908,842	3,786,808
Expenditures / Appropriations					
Prior Biennia Projects	1,113,468	1,287,542	0	0	0
2019 Biennium Projects	2,416,970	1,083,030	0	0	0
2021 Biennium Projects	<u>0</u>	<u>0</u>	<u>7,600,000</u>	<u>0</u>	<u>7,600,000</u>
Total Expenditures / Appropriations	3,530,439	2,370,572	7,600,000	0	7,600,000
Estimated Ending Fund Balance	\$4,144,330	\$3,687,834	(\$2,034,200)	(\$125,358)	(\$125,358)
<sup>1</sup> HJ 2					
<sup>2</sup> Assumes all appropriation authority is expended in FY 2019					

Figure 11 provides the fund balance projection for the CLG. The account is projected to begin the 2021 biennium with a balance of \$3.7 million. The beginning balance takes into consideration all existing appropriation authority in the account, and assumes all appropriation authority will be expended in the 2019 biennium. The account is projected to receive \$3.8 million of revenues in the 2021 biennium. Considering the four projects appropriated from this account in HB 5 at \$7.6 million, the CLG is projected to have a negative balance of \$125,358 at the end of the biennium. The negative balance shows that appropriations exceed anticipated revenues, but the agency will not allow spending to exceed available revenues. With awareness of the over appropriation in the account, the legislature provided language for the capitol building improvements appropriation in HB 5 which designated that spending on the appropriation would be reduced if funds are not sufficient to support all the projects.

**Executive Budget Comparison**

Figure 12 provides the legislative changes from the executive budget proposal.

Figure 12

Executive Budget Comparison - Long-Range Building Program				
Budget Item	2021 Biennium	2021 Biennium	Change	% Change
	Executive Request	Legislative Appropriation		
LRBP Project Costs	\$187,418,973	\$180,798,973	(\$6,620,000)	-3.53%
FWP Capital Project Costs	28,838,400	42,433,400	13,595,000	47.14%
Other Agency Project Costs	21,300,000	23,600,000	2,300,000	10.80%
SBECP Project Costs	3,600,000	3,600,000	0	0.00%
<b>Total Costs</b>	<b>\$241,157,373</b>	<b>\$250,432,373</b>	<b>\$9,275,000</b>	<b>3.85%</b>
Capital Projects	\$29,580,973	\$33,580,973	\$4,000,000	13.52%
State Special	34,393,400	42,266,400	7,873,000	22.89%
Federal Special	35,114,000	58,136,000	23,022,000	65.56%
Proprietary <sup>1</sup>	4,750,000	4,750,000	0	-
Authorization <sup>1</sup>	62,449,000	72,149,000	9,700,000	15.53%
Bond Issue/Loans	74,870,000	39,550,000	(35,320,000)	-47.18%
<b>Total Funds</b>	<b>\$241,157,373</b>	<b>\$250,432,373</b>	<b>\$9,275,000</b>	<b>3.85%</b>

<sup>1</sup> Does not require appropriation but requires approval of the legislature

The changes from the executive budget request net to an increase of \$9.3 million or 3.9%. Significant changes included the elimination of the \$32.1 Betty Babcock Heritage Center project, funded with the proceeds from bond issues, which was offset by new projects included by the legislature.

Projects added by the legislature include:

- Butte Silver-Bow Co. Armory construction - \$5.0 million of bond proceeds and \$17.0 million of federal special revenue
- Milltown State Park improvements – \$295,000 of state and federal special revenue and donations
- Makoshika State Park waterline construction – \$1.3 million of bond proceeds
- Virginia and Nevada Cities facility improvements - \$750,000 of bond proceeds
- Grant to Dawson Regional Prison for facility improvements – \$750,000 of bond proceeds

Projects from other legislation included in this comparison are:

- Purchase of Big Arm State Park (HB 695) - \$12.0 million of state and federal special revenue
- Historic Preservation facility improvement grants (SB 338) - \$0.8 million of state special revenue

**Other Legislation**

- HB 316 – This legislation increases the square footage of space that may be leased without inclusion in the LRBP or approval by the legislature, from 40,000 sf to 45,000 sf
- HB 586 – This legislation makes an exception to 18-3-101, MCA that required a vote of two-thirds of the members of each house for the approval of a lease with a purchase option, for a potential lease with option facility for a collocated laboratory to conduct animal health testing. The legislation also requires the formation of an advisory committee made up of four legislative members and five other members knowledgeable in the subject of state labs. The Department of Administration will lead the labs committee
- SB 338 – This legislation increases the accommodations sales tax from 3.0% to 4.0% to fund construction of the Betty Babcock Heritage Center and create a historic preservation grant program, as mentioned earlier in this report

## SB 338 – Funding for Betty Babcock Heritage Center

SB 338 will provide funding for the Betty Babcock Heritage Center. An increase in the lodging sales tax will become effective January 1, 2020. Two-thirds of the increase will be distributed to a new state special revenue account for the museum and the distributions will continue until December 30, 2024, when the funds needed for the project are expected to be fully collected.

The legislation allows the project construction to be phased and eliminates the requirement that the museum be constructed at 6<sup>th</sup> Street and Roberts in Helena. The full project cost funding, currently estimated at \$48.8 million, assumes that A&E will use \$10.0 million of donations for the project and the remaining \$6.7 million of bond issue authority (provided in the 2005 Legislative Session) along with the income generated through the five years of the lodging sales tax distributions.

# STATE BUILDING ENERGY CONSERVATION PROGRAM

## Program Budget Comparison

Figure 13 compares the 2019 biennium appropriated budget to the 2021 biennium appropriated budget by type of expenditure and source of funding.

Figure 13

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

## Program Discussion

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

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

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

## Summary of Legislative Action

The Sixty-sixth Legislature provided \$3.6 million of appropriations for the SBECP in the 2021 biennium. Figure 14 shows the projects planned for the appropriation in HB 5 and includes the anticipated annual energy savings associated with the projects and the total years to repay project costs.

Figure 14

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

The legislature adopted the proposed budget for the SBCEP. This is a reduction of \$0.1 million or 2.7% from the 2019 biennium budget.

**FUNDING**

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

Figure 15

2021 Biennium SBCEP Accounts Available Funding Projection					
Item	Total Funds				
	FY 2018 Actual	FY 2019 Projected <sup>1</sup>	FY 2020 Projected	FY 2021 Projected	2021 Bien.
Available Balances	\$8,021,680	\$8,071,899	\$5,608,524	\$3,721,639	\$5,608,524
Adjustment to Balance	0	77,911	0	0	0
Total Available Balance	8,021,680	8,149,809	5,608,524	3,721,639	5,608,524
Loan Repayment & Interest Revenue	2,503,053	1,899,389	2,259,491	2,331,540	4,591,030
Expenditures / Appropriations					
Administrative Costs - HB 2	438,553	521,157	546,376	548,838	1,095,213
SBCEP Prior Biennia	1,525,506	258,293	0		0
SBCEP 2019 Biennium HB 5	38,776	3,661,224	0		0
SBCEP 2021 Biennium HB 5	0	0	3,600,000		3,600,000
Transfer to General Fund	450,000	0	0	0	0
Total Expenditures / Appropriations	2,452,835	4,440,674	3,600,000	0	3,600,000
Ending Balance	\$8,071,899	\$5,608,524	\$3,721,639	\$5,504,341	\$5,504,341

<sup>1</sup>Assumes all appropriation authority is expended in FY 2019

Figure 15 provides an available funds balance projection for the SBCEP. This analysis differs from many of the LRP funds analyses because DEQ manages the SBCEP out of four funds. The program uses two state special funds for the collection of revenues and the payment of administrative costs, appropriated in HB 2. The program also has two capital project funds from which the HB 5 appropriations are funded. For this analysis and to provide an easier assessment for the legislature, the actions within all the funds are combined into one analysis.

The SBCEP is projected to begin the 2021 biennium with available balances of \$5.6 million. Loan repayment revenue is expected to be \$4.6 million in the 2021 biennium. The total administrative costs of \$1.1 million includes an estimate of \$7,134 for the HB 175 pay plan increases. After the appropriation of \$3.6 million appropriated in HB 5, the accounts are projected to have a combined balance of \$5.5 million at the end of the 2021 biennium. The large balance shown in the available fund analysis is significantly (approximately 90%) held in the federal ARRA program funds and is only available for qualifying expenditures.

**Executive Budget Comparison**

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

**Other Legislation**

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

# LONG-RANGE INFORMATION TECHNOLOGY PROGRAM

## Program Budget Comparison

Figure 16 compares the 2019 biennium appropriated budget to the 2021 biennium appropriated budget by type of expenditure and source of funding.

Figure 16

Program Comparison - Long-Range Information Technology Program					
Budget Item	Budget		Change	% Change	
	2019 Biennium	2021 Biennium			
	<u>Legislative Appropriation</u>	<u>Legislative Appropriation</u>			
Projects Cost	\$0	\$38,595,285	\$38,595,285		-
<b>Total Costs</b>	<b>\$0</b>	<b>\$38,595,285</b>	<b>\$38,595,285</b>		<b>-</b>
Capital Project Fund <sup>1</sup>	0	7,313,366	7,313,366		-
State Special	0	18,392,531	18,392,531		-
Federal Special	0	12,889,388	12,889,388		-
<b>Total Funds</b>	<b>\$0</b>	<b>\$38,595,285</b>	<b>\$38,595,285</b>		<b>-</b>

<sup>1</sup>The capital project fund consists of transfers from the general fund

## Program Discussion

The Long-Range Information Technology Program (LRITP) provides an alternative method of funding large information technology (IT) investments. The LRITP consolidates all major IT projects in one appropriation bill and defines major IT enterprises as capital projects. All 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-sixth Legislature provided \$38.6 million of appropriations for the LRITP for the 2021 biennium. Figure 17 shows the LRITP projects by agency, project name, and fund type.

Figure 17

Long-Range Information Technology Program (LRITP)				
HB 10 - 2021 Biennium				
Agency / Project	LRITP Capital			Total
	Projects Funds	State Special	Federal Special	
Fish, Wildlife, and Parks				
Automated Licensing System Replacement		2,500,000	7,500,000	10,000,000
Department of Justice (DOJ)				
DOJ Mainframe Transition		4,034,822		4,034,822
Department of Livestock				
Livestock Interface Systems Upgrade		1,300,000		1,300,000
Department of Natural Resources and Conservation				
Water Rights Information System (WRIS)	2,395,197	1,000,000		3,395,197
Trust Lands Management System II (TLMSII)		2,000,000		2,000,000
Department of Public Health and Human Services				
Montana Family Safety Information System (MFSIS)	2,722,619		2,722,619	5,445,238
Mainframe Transition - CAPS and SEARCHES	2,195,550	557,709	2,666,769	5,420,028
Transportation				
Federal Billing System		7,000,000		7,000,000
<b>Total Projects</b>	<b>\$7,313,366</b>	<b>\$18,392,531</b>	<b>\$12,889,388</b>	<b>\$38,595,285</b>

**LRITP Project Defined**

The legislature used HB 10 as a vehicle to clarify the meaning of a LRITP project. HB 10 amends 2-17-506 with the following definition:

*"Long-range information technology capital project" means a discrete long-range information technology system or application, including the replacement or upgrade to existing systems.*

**Funding**

Funding for LRITP capital projects is made through the LRITP capital projects fund. The LRITP fund does not have a dedicated revenue source, but instead relies on fund transfers and agency funds to pay the costs of major IT projects. The program includes projects for agencies that rely on state special and federal special revenues to support their administrative costs, and their projects are funded with their program funds.

In the 2021 biennium, the LRITP will receive a transfer from the general fund of \$7.3 million to support three projects.

**Executive Budget Comparison**

Figure 18 compares the 2021 biennium LRITP budget as proposed by the executive to the budget appropriated by the legislature.

Figure 18

Executive Budget Comparison - Long-Range Information Technology Program				
Budget Item	Budget 2021 Biennium	Budget 2021 Biennium	Change	% Change
	Executive Request	Legislative Appropriation		
Projects Cost	\$46,395,285	\$38,595,285	(\$7,800,000)	-16.8%
<b>Total Costs</b>	<b>\$46,395,285</b>	<b>\$38,595,285</b>	<b>(\$7,800,000)</b>	<b>-16.8%</b>
Capital Project Fund <sup>1</sup>	15,113,366	7,313,366	(7,800,000)	-51.6%
State Special	18,392,531	18,392,531	0	0.0%
Federal Special	12,889,388	12,889,388	0	0.0%
<b>Total Funds</b>	<b>\$46,395,285</b>	<b>\$38,595,285</b>	<b>(\$7,800,000)</b>	<b>-16.8%</b>

<sup>1</sup>The capital project fund consists of transfers from the general fund

The Sixty-sixth Legislature reduced the executive proposal by one project with a cost of \$7.8 million, or 16.8%. The legislature chose to eliminate the State Information Technology Services Division (SITSD) cyber security project from HB 10 and instead include the project in HB 2.

**Other Legislation**

HB 2 – This legislation provides appropriation authority for the SITSD cyber security project, initially included in HB 10. The legislature also restricted the use of the funds for specific system security improvements and included reporting requirements on the progress of the venture. If the project is successful, the future cyber security costs are intended to be included in the SITSD services rates.

# TREASURE STATE ENDOWMENT PROGRAM

## Program Budget Comparison

Figure 19 compares the 2019 biennium appropriated budget to the 2021 biennium appropriated budget by type of expenditure and source of funding.

Figure 19

Program Comparison - Treasure State Endowment Program				
Budget Item	Budget 2019 Biennium	Budget 2021 Biennium	Biennium Change	Biennium % Change
Trust Balance (End of Biennium)	268,044,102	268,044,102	\$0	0.0%
Trust Earnings*	18,890,773	19,456,505	565,732	3.0%
Budget Item	<u>Appropriated</u>	<u>Appropriated</u> <sup>1</sup>	<u>Change</u>	<u>% Change</u>
Number of Grants Funded (infrastructure) <sup>1</sup>	26	40	14	53.8%
Number of Grants Funded (bridge) <sup>1</sup>	9	11	2	22.2%
Infrastructure Grants Cost	\$15,925,000	\$17,757,847	\$1,832,847	11.5%
Bridge Grants Cost	3,747,151	4,962,316	1,215,165	32.4%
Other Grants Cost	1,000,000	8,471,390	7,471,390	747.1%
<b>Total Costs</b>	<b>\$20,672,151</b>	<b>\$31,191,553</b>	<b>\$10,519,402</b>	<b>50.9%</b>
State Special	20,672,151	18,590,000	(2,082,151)	-10.1%
Bond Proceeds	0	12,601,553	12,601,553	-
<b>Total Funds</b>	<b>\$20,672,151</b>	<b>\$31,191,553</b>	<b>\$10,519,402</b>	<b>50.9%</b>
*2017 Biennium Trust Earnings are actual FY 2016 earnings and projected FY 2017 earnings				
<sup>1</sup> Number of grants proposed in the 2019 biennium are as authorized in the 2017 session. The number of grants shown for the 2021 biennium does not include grants proposed in previous sessions and authorized again in the 2021 biennium				

## Program Discussion

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

## Summary of Legislative Action

The Sixty-sixth Legislature appropriated \$31.2 million for TSEP in HB 11 and HB 652 for the 2021 biennium. The TSEP budget is \$10.5 million, or 50.9% greater than the levels of appropriation in the 2019 biennium. The passage of HB 652, which provided bond proceed funding for TSEP projects, led to the increase in project funding. From the total appropriations in the two bills, \$4.9 million funds 11 bridge grants and \$17.8 million funds 80% of the water/wastewater, or infrastructure, grant requests.

Other appropriations in the bill total \$8.5 million and consist of:

- \$100,000 for emergency grants
- \$900,000 for project planning grants
- \$7.5 million for projects delayed resulting from a transfer of TSEP funds to the general fund in the actions of the legislature in the 2017 Special Session

A complete list of the TSEP projects authorized by the Sixty-sixth legislature is seen in Figure 20 on the following page. Given the legislature's intent to assess bridges separately, the bridge projects and infrastructure projects are shown separately by category.

Figure 20

Treasure State Endowment Program (TSEP) HB 11 and HB 652 - 2021 Biennium									
Rank	Applicant	Type of Project	Award	Cummulative Total	Rank	Applicant	Type of Project	Award	Cummulative Total
<b>2019 Biennium - Grant Reauthorizations</b>					<b>TSEP Project Awards Cont.</b>				
1	Stanford, Town of	Water	\$211,362	\$211,362	8	Wilsall Water District	Water	500,000	4,487,150
2	Hot Springs, Town of	Water	478,632	689,994	9	Whitehall, Town of	Water	625,000	5,112,150
3	Sheridan, Town of	Water	625,000	1,314,994	10	Power- Teton County WSD	Water	625,000	5,737,150
4	Simms County Sewer District	Wastewater	750,000	2,064,994	11	Plains, Town of	Wastewater	500,000	6,237,150
5	Circle, Town of	Water	625,000	2,689,994	12	Broadview, Town of	Water	500,000	6,737,150
6	Lockwood WSD	Water	625,000	3,314,994	13	Thompson Falls, City of	Wastewater	750,000	7,487,150
7	Harlowton, City of	Water	750,000	4,064,994	14	Coram County WSD	Water	500,000	7,987,150
8	Cascade, Town of	Wastewater	500,000	4,564,994	Projects below this line are funded in HB 652				
9	Shelby, City of	Water	750,000	5,314,994	15	Chinook, City of	Water	500,000	8,487,150
10	Dutton, Town of	Water	500,000	5,814,994	16	Cut Bank, City of	Water	750,000	9,237,150
12	Butte-Silver Bow	Wastewater	349,286	6,164,280	17	Roundup, City of	Water	750,000	9,987,150
13	Lewis & Clark County	Bridge	309,985	6,474,265	18	Darby, Town of	Wastewater	500,000	10,487,150
14	Judith Basin County	Bridge	247,125	6,721,390	19	Scobey, City of	Water	500,000	10,987,150
15	Powell County	Bridge	750,000	7,471,390	20	Circle, Town of	Water	500,000	11,487,150
<b>Total 2019 Reauthorizations</b>			<b>\$7,471,390</b>		21	Seeley Lake Sewer District	Wastewater	750,000	12,237,150
<b>2021 Biennium Projects</b>					22	Polson, City of	Wastewater	750,000	12,987,150
<b>Bridge Projects</b>					23	Black Eagle-Cascade Co. WSD	Water/Wastewater	645,000	13,632,150
1	Musselshell County	Bridge	\$589,138	\$589,138	24	Hardin, City of	Wastewater	625,000	14,257,150
2	Lewis & Clark County	Bridge	558,806	1,147,944	25	Harlowton, City of	Wastewater	625,000	14,882,150
3	Beaverhead County	Bridge	500,000	1,647,944	26	Dillon, City of	Water	500,000	15,382,150
4	Custer County	Bridge	357,819	2,005,763	27	Bigfork County WSD	Wastewater	500,000	15,882,150
Projects below this line are funded in HB 652					28	Vaughn Cascade County WSD	Water	625,000	16,507,150
5	Madison County	Bridge	591,768	2,597,531	29	East Helena, City of	Water	500,000	17,007,150
6	Chouteau County	Bridge	279,753	2,877,284	30	Whitefish, City of	Wastewater	625,000	17,632,150
7	Fergus County	Bridge	262,839	3,140,123	31	Red Lodge, City of	Storm Water	500,000	18,132,150
8	Sweet Grass County	Bridge	591,976	3,732,099	32	Cascade, Town of	Water	500,000	18,632,150
9	Jefferson County	Bridge	207,903	3,940,002	33	Plentywood, City of	Wastewater	750,000	19,382,150
10	Big Horn County	Bridge	272,314	4,212,316	34	Sun Prairie Village County WSD	Wastewater	500,000	19,882,150
11	Gallatin County	Bridge	750,000	4,962,316	35	North Havre County Water Distric	Water	430,000	20,312,150
<b>Total TSEP Bridge Project Awards</b>			<b>\$4,962,316</b>		36	Conrad, City of	Water	398,779	20,710,929
<b>Infrastructure Projects</b>					37	Sun Prairie County Water District	Water	275,000	20,985,929
1	Libby, City of	Water	\$750,000	\$750,000	38	Winnett, Town of	Wastewater	500,000	21,485,929
2	Clancy WSD	Water	750,000	1,500,000	39	Baker, City of	Water	600,000	22,085,929
3	Wibaux, Town of	Wastewater	750,000	2,250,000	40	White Sulphur Springs, City of	Water	200,000	22,285,929
4	Lockwood WSD	Water	500,000	2,750,000	<b>Total TSEP Infrastructure Project Awards</b>			<b>\$22,285,929</b>	
5	Geraldine, Town of	Wastewater	500,000	3,250,000	<b>Total TSEP Program Project Awards</b>				
6	Dodson, Town of	Wastewater	362,150	3,612,150				<b>\$34,719,635</b>	
7	Hysham, Town of	Wastewater	375,000	3,987,150					

**Funding**

Figure 21 shows the projected ending fund balance of the TSEP state special revenue account for the 2021 biennium. The TSEP funds were reduced by a transfer of \$7.5 million of TSEP funds to the general fund, occurring in the actions by the legislature in the 2017 Special Legislative Session. As a result, the TSEP program plans to revert the 2019 biennium grants appropriation authority by the same amount. The reversion is expected to occur at fiscal-year-end 2019. As a result, the TSEP account is projected to begin the 2021 biennium with a balance of \$579,293.

TSEP interest earnings are expected to be \$19.5 million for the 2021 biennium, providing available funds of \$20.0 million for the 2021 biennium. The legislature made several appropriations from the TSEP state special fund. The TSEP account supports \$1.6 million of administrative costs for the DOC. Total administrative costs include an estimate of \$12,834 for the HB 175 pay plan. Administrative costs also include the one-time only support of \$200,000 for the Delivering Local Assistance (DLA) program included in HB 652. TSEP program appropriations for planning, emergency, bridge, and infrastructure grants sum to \$18.8, which includes \$7.5 million for the re-appropriation of grants from the 2019 biennium. Total appropriations of \$20.2 million from the TSEP account are projected to provide a negative balance of \$128,602 by the end of the 2021 biennium.

Figure 21

TSEP Fund Balance Analysis FY 2018-FY 2021 (09044 and 02270)					
	FY 2018 Actuals	FY 2019 Projected <sup>3</sup>	FY 2020 Projected	FY 2021 Projected	2021 Bien.
Fund Balance	\$19,761,966	\$10,313,570	\$579,293	(\$9,252,019)	\$579,293
Revenues - Interest and Earnings <sup>1</sup>	9,487,688	9,408,119	9,640,478	9,816,027	19,456,505
Expenditures / Appropriations					
HB 2 TSEP Administration <sup>2</sup>	574,305	657,920	678,581	682,985	1,361,566
HB 175 - state employee pay plan (estimated)		0	3,208	9,625	12,834
DLA Grants Admin. (HB 652)		0	200,000	0	200,000
Emergency Grants	0	100,000	100,000		100,000
Project Planning Grants		900,000	900,000		900,000
Prior Biennia Grants Accrued	9,363,443	6,783,274	0		0
2019 Bien. Grants	1,499,558	18,172,593	7,471,390		7,471,390
2021 Bien. Grants-Infrastructure	0	0	8,112,847		8,112,847
2021 Bien. Grants - Bridges	0	0	2,005,763		2,005,763
Transfer to General Fund	<u>7,500,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures / Appropriations	18,937,306	26,613,786	19,471,789	692,610	20,164,400
2019 Bien. Appropriation Reversion-6/30/2019		(7,471,390)	0	0	0
<b>Projected Ending Fund Balance</b>	<b>\$10,312,348</b>	<b>\$579,293</b>	<b>(\$9,252,019)</b>	<b>(\$128,602)</b>	<b>(\$128,602)</b>

<sup>1</sup>HJ2 Projections  
<sup>2</sup>HB 2  
<sup>3</sup>Assumes all appropriation authority is expended in FY 2019

The negative balance of the TSEP account means that the appropriations provided by the legislature exceed the anticipated revenues of the account. The agency will not expend more than the available program funds. The projected negative balance means that the agency may need to manage project costs within the available funds.

**Executive Budget Comparison**

As shown in Figure 22, the legislature appropriated a TSEP budget that was \$4.5 million, or 12.7% lower than the executive proposal.

Figure 22

Executive Budget Comparison - Treasure State Endowment Program				
Budget Item	Budget 2021 Biennium	Budget 2021 Biennium	Change	% Change
Trust Balance (End of Biennium)	268,044,102	268,044,102	\$0	0.0%
Trust Earnings*	19,456,505	19,456,505	0	0.0%
Budget Item	Executive Request	Legislative Appropriation	Change	% Change
Number of Grants Funded (infrastructure) <sup>1</sup>	40	40	0	0.0%
Number of Grants Funded (bridge) <sup>1</sup>	11	11	0	0.0%
Infrastructure Grants Cost	\$22,285,929	\$17,757,847	(\$4,528,082)	-20.3%
Bridge Grants Cost	4,962,316	4,962,316	0	0.0%
Other Grants Cost	8,471,390	8,471,390	0	0.0%
<b>Total Costs</b>	<b>\$35,719,635</b>	<b>\$31,191,553</b>	<b>(\$4,528,082)</b>	<b>-12.7%</b>
State Special	1,000,000	18,590,000	17,590,000	1759.0%
Bond Proceeds	34,719,635	12,601,553	(22,118,082)	-
<b>Total Funds</b>	<b>\$35,719,635</b>	<b>\$31,191,553</b>	<b>(\$4,528,082)</b>	<b>-12.7%</b>

The executive proposed transferring most of the TSEP interest earnings into the general fund and funding projects with the proceeds of a bond issue. The legislature chose not to make the transfer and instead use the TSEP funds for TSEP projects. The legislature made use of all available TSEP funds to cover the costs of grants delayed from the 2019 biennium and to fund new project requests in the 2021 biennium. The difference in the level of funding occurs from a legislative decision to provide funding for 80% of the project requests as compared with the executive recommendation of 100%.

**Other Legislation**

HB 553 – This legislation creates a new capital development fund. The legislation requires that as a part of the budget the executive will recommend, and the legislature may appropriate, annual transfers into the new capital developments account. The legislature may appropriate the account funds for state building capital projects or for local government infrastructure projects, including TSEP projects. For more information on the capital developments fund, see page F-8 of this report.

# DELIVERING LOCAL ASSISTANCE PROGRAM

## Program Discussion

The Delivering Local Assistance Program (DLA) is a one-time-only local government infrastructure-financing program. The program, developed and appropriated in HB 652, will provide funding for grants to local governments for infrastructure and school facility projects. The program will be administered by the Department of Commerce (DOC).

## Summary of Legislative Action

The Sixty-sixth Legislature appropriated \$21.5 million of bond proceeds to fund two grant programs collectively known as the DLA. From the total appropriation, \$10.75 million must be distributed to local governments impacted by natural resource development for infrastructure projects and \$10.75 million must be distributed to school districts for facility infrastructure projects. All local governments; defined as an incorporated city or town, a county, a consolidated local government, a tribal government, a school district, a county or multicounty water, sewer, irrigation, or solid waste district, or an authority as defined in 75-6-304; are eligible to apply for grants. Grant awards may be used for the following:

- Natural resource impacted local government infrastructure grants project types include:
  1. drinking water systems;
  2. wastewater treatment;
  3. sanitary sewer or storm sewer systems;
  4. solid waste disposal and separation systems, including site acquisition, preparation, and monitoring;
  5. bridges;
  6. facilities for government administration; and
  7. public safety infrastructure related to law enforcement, fire protection, or emergency services.
- School District grants include projects that are:
  1. related to life safety or security issues;
  2. for major repairs or deferred maintenance to an existing school facility; or
  3. for major improvements or enhancements to an existing school facility.

Grant funds will be disbursed as project cost reimbursements. The maximum grant is \$750,000 per project and a county may not exceed \$1.5 million in DLA grants. DOC will begin accepting project proposals on June 1, 2019 and local governments have until September 30, 2019 to request grant funding, meet the conditions, and be eligible for a grant. If a grant recipient does not complete the required program conditions (HB 652, Sec. 5) by September 30, 2020, the grant is “extinguished”.

## Funding

The DLA program is funded with the proceeds of GFGO bonds. The bond proceeds will be deposited into a new state special revenue account created in HB 652.

One-time-only program administrative costs of \$200,000, as provided in HB 652, are funded from the TSEP state special revenue account. More information on this account is available on page F-28 of this report.

**Executive Budget Comparison**

Figure 23 compares the 2021 biennium DLA budget as proposed by the executive to the budget appropriated by the legislature.

Figure 23

Executive Comparison - Delivering Local Assistance (HB 14 to HB 652)				
Budget Item	Budget 2021 Biennium	Budget 2021 Biennium	Biennium Change	Biennium % Change
	Executive Request	Legislative Appropriation		
NR Impacted Grants	\$44,188,365	\$10,750,000	(\$33,438,365)	-75.7%
School Facility Grants	0	\$10,750,000	\$10,750,000	-
Administrative Costs	200,000	200,000	\$0	0.0%
<b>Total Costs</b>	<b>\$44,388,365</b>	<b>\$21,700,000</b>	<b>(\$22,688,365)</b>	<b>-51.1%</b>
State Special Revenue	200,000	200,000	0	0.0%
Bond Proceeds	44,188,365	21,500,000	(22,688,365)	-51.3%
<b>Total Funds</b>	<b>\$44,388,365</b>	<b>\$21,700,000</b>	<b>(\$22,688,365)</b>	<b>-51.1%</b>

The legislature adopted a budget for the DLA that was \$22.7 million, or 51.1%, less than the executive proposal. The legislature also adopted a different program focus from the executive proposal. The executive had recommended a DLA program that would support grants for natural resource impacted areas and rural broadband expansion, while the legislative program supports grants for natural resource impacted areas and school facilities.

**Other Legislation**

The Sixty-sixth Legislature did not enact any legislation that would directly impact the DLA grants program.

# TREASURE STATE ENDOWMENT REGIONAL WATER PROGRAM

## Program Budget Comparison

Figure 24 compares the 2019 biennium appropriated budget to the 2021 biennium appropriated budget by type of expenditure and source of funding.

Figure 24

Program Comparison - Treasure State Endowment Regional Water Program				
Budget Item	Budget 2019 Biennium	Budget 2021 Biennium	Biennium Change	Biennium % Change
Trust Balance (End of Biennium)	\$94,862,174	\$94,862,174	\$0	0.0%
Trust Earnings*	6,547,409	6,828,231	280,822	4.4%
	<u>Appropriated</u>	<u>Appropriated</u>	<u>Change</u>	<u>% Change</u>
Projects Funding	\$4,943,389	\$5,000,000	\$56,611	1.1%
Total Costs	\$4,943,389	\$5,000,000	\$56,611	1.1%
State Special	4,943,389	5,000,000	\$56,611	1.1%
Total Funds	\$4,943,389	\$5,000,000	\$56,611	1.1%

## Program Discussion

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

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

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

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

## Summary of Legislative Action

The legislature provided appropriations of \$5.0 million for the TSEPRW program for the 2021 biennium in HB 11. The funding is expected to be used for preliminary construction projects in the Dry-Redwater and Musselshell-Judith regional water systems.

## Funding

Figure 25 on the following page shows the estimate for the TSEPRW fund balance. The TSEPRW account is expected to begin the 2021 biennium with a balance of \$235,643. Interest and earnings in the 2021 biennium are projected to be \$6.8 million. The legislature appropriated total DNRC administrative costs of \$589,366 from the TSEPRW account. Total administrative costs include an estimate of \$2,600 for the HB 175 pay plan. HB 2 also includes \$1.4 million for administrative grants that fund the activities

of the four regional water authorities. After the \$5.0 million appropriation for the state match for regional water projects, the fund is expected to have a fund balance of \$42,508 at the end of the 2021 biennium.

Figure 25

TSEPRW Fund Balance Analysis FY 2018-FY 2021 (09047 and 02015)					
	FY 2018 Actual	FY 2019 Projected <sup>3</sup>	FY 2020 Projected	FY 2021 Projected	2021 Bien.
Estimated Beginning Fund Balance	\$2,438,187	\$3,717,993	\$235,643	(\$2,391,965)	\$235,643
Revenue Projections <sup>1</sup>					
Total Revenues	3,245,620	3,301,789	3,382,425	3,445,806	6,828,231
Expenditures					
Administration - DNRC <sup>2</sup>	101,675	242,938	293,383	293,383	586,766
Regional Water Authority Admin. Grants <sup>2</sup>	716,000	716,000	716,000	716,000	1,432,000
HB 175 - state employee pay plan (estimated)		0	650	1,950	2,600
Prior Biennia Authority Accrued	1,148,139	881,812	0		0
2019 Bien. Funding	0	4,943,389	0		0
2021 Bien. Funding	0	0	5,000,000	0	5,000,000
Total Expenditures	1,965,814	6,784,139	6,010,033	1,011,333	7,021,366
Estimated Ending Fund Balance	\$3,717,993	\$235,643	(\$2,391,965)	\$42,508	\$42,508

<sup>1</sup>HJ2 Projections  
<sup>2</sup>HB 2  
<sup>3</sup>Assumes all appropriation authority is expended in FY 2019

**Executive Budget Comparison**

Figure 26 compares the 2021 biennium TSEPRW budget as proposed by the executive to the budget appropriated by the legislature.

Figure 26

Executive Budget Comparison - Treasure State Endowment Regional Water Program				
Budget Item	Budget 2021 Biennium	Budget 2021 Biennium	Change	% Change
Trust Balance (End of Biennium)	\$94,862,174	\$94,862,174	\$0	0.00%
Trust Earnings*	6,828,231	6,828,231	0	0.00%
	Executive <u>Request</u>	Legislative <u>Appropriation</u>	<u>Change</u>	<u>% Change</u>
Projects Funding	\$6,863,000	\$5,000,000	(\$1,863,000)	-27.1%
Total Costs	\$6,863,000	\$5,000,000	(\$1,863,000)	-27.1%
State Special	6,863,000	5,000,000	(\$1,863,000)	-27.1%
Total Funds	\$6,863,000	\$5,000,000	(\$1,863,000)	-27.1%

The legislature adopted a budget for the TSEPRW program that was \$1.9 million, or 27.1%, less than the executive proposal. The legislature adopted a reduced amount of appropriation for the program to balance the TSEPRW state special revenue account, which would have been over-committed with an appropriation of \$6.8 million.

**Other Legislation**

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

# RENEWABLE RESOURCE GRANT AND LOAN PROGRAM

## Program Budget Comparison

Figure 27 compares the 2019 biennium appropriated budget to the 2021 biennium appropriated budget by type of expenditure and source of funding.

Figure 27

Program Comparison - Renewable Resource Grant and Loan Program				
Budget Item	Budget 2019 Biennium	Budget 2021 Biennium	Biennium Change	Biennium % Change
Number of Grants Funded	26	72	46	176.9%
	<u>Appropriated</u>	<u>Appropriated</u>		
Grants Cost	\$3,231,640	\$8,965,000	5,733,360	177.4%
Other Grants	1,550,000	2,375,000	825,000	53.2%
Loan Program	0	81,950,000	81,950,000	-
<b>Total Costs</b>	<b>\$4,781,640</b>	<b>\$93,290,000</b>	<b>\$88,508,360</b>	<b>1851.0%</b>
State Special	4,781,640	6,365,000	1,583,360	33.1%
CST Bond Proceeds	0	81,950,000	81,950,000	-
GO Bond Proceeds	0	4,975,000	4,975,000	-
<b>Total Funds</b>	<b>\$4,781,640</b>	<b>\$93,290,000</b>	<b>\$88,508,360</b>	<b>1851.0%</b>

## Program Discussion – (RRGL grants)

The Renewable Resource Grant and Loan (RRGL) program was created by the 1993 Legislature. This program combines the former Renewable Resource Development Program, established in 1975, and the Water Development Program, established in 1981. As outlined under Title 85, Chapter 1, part 6, MCA, the purpose of the RRGL is to fund projects that “enhance Montana’s renewable resources through projects that measurably conserve, develop, manage, or preserve resources.” The Department of Natural Resources and Conservation (DNRC) administers the RRGL program. The RRGL program is appropriated in two bills, HB 6 (grants) and HB 8 (loans), which are presented separately in this report.

## Summary of Legislative Action

### HB 6 (Grants)

As shown in Figure 27, the Sixty-sixth Legislature provided \$11.3 million of appropriations for the RRGL grants program in HB 6 and HB 652. The appropriations for the grant program are \$6.6 million, or 137.2%, greater than appropriations from the 2019 biennium.

A complete list of the RRGL grant projects authorized by the Sixty-sixth legislature is seen in Figure 28 on the following page.

Figure 28

Renewable Resource Grants (RRGL) HB 6 and HB 652 - 2021 Biennium						
Rank	Applicant / Project Title	Award	Cumulative Total	Rank	Applicant / Project Title	Cumulative Total
<u>HB 6 Projects</u>				<u>HB 6 Projects</u>		
1	Seeley Lake - Missoula County SD Wastewater Improvements, Phase 2	\$125,000	\$125,000	23	Simms County SD Wastewater System Improvements, Phase 2	125,000 2,625,000
2	Granite County Flint Creek Dam Rehabilitation	125,000	250,000	24	Malta ID Costin Lateral Pipeline Conversion	125,000 2,750,000
3	Whitefish, City of Wastewater Treatment System Improvements	125,000	375,000	25	Power-Teton County WSD Water System Improvements	125,000 2,875,000
4	Missoula, City of Parks & Recreation Rattlesnake Dam Removal	125,000	500,000	26	Scobey, City of Water System Improvement, Phase 2	125,000 3,000,000
5	DNRC-WRD-State Water Projects Bureau Douglas Canal Rehabilitation	125,000	625,000	27	Bigfork County WSD Water and Sewer District Wastewater System Improvements	125,000 3,125,000
6	Flathead Conserv. Dist. Trumbull Creek Restoration and Aquifer Protection	125,000	750,000	28	Buffalo Rapids Irrigation Project District 2 Lateral 1.6 Pipeline Conversion	125,000 3,250,000
7	Canyon Creek ID Canyon Lake Dam Rehabilitation	125,000	875,000	30	Hill County Beaver Creek Dam Spillway Improvements	125,000 3,375,000
8	Harlowton, City of Harlowton Roundhouse Wetland Restoration	125,000	1,000,000	31	Sidney Water Users ID District 3 Main Canal Pipeline Conversion, Phase 2	125,000 3,500,000
9	Thompson Falls, City of Wastewater System Improvements	125,000	1,125,000	32	Flathead Conserv. Dist. Krause Creek Restoration	125,000 3,625,000
10	DNRC-WRD-State Water Projects Bureau Broadwater Missouri Canal System Master Plan	125,000	1,250,000	33	Alfalfa Valley ID East Flynn Canal Rehabilitation	125,000 3,750,000
11	Winnett, Town of Wastewater System Retrofit	125,000	1,375,000	34	Lower Musselshell County Conserv. Dist. Delphi Melstone Water Users Assn. Irrigation Efficiency & Water Measurement	117,050 3,867,050
12	Bitter Root ID Como Dam Water Resource Enhancement	125,000	1,500,000	36	Columbia Falls, City of Water System Improvements	122,950 3,990,000
13	Harlowton, City of Wastewater Improvements	125,000	1,625,000	<b>Total HB 6 Projects</b>		<b>\$3,990,000</b>
14	Milk River Joint Board of Control St. Mary Canal Drop 2 Replacement	125,000	1,750,000	<u>HB 652 Projects</u>		
15	Whitehall, Town of Water Treatment Plant Improvements	125,000	1,875,000	37	Buffalo Rapids Irrigation Project District 1 Lateral 1.7 Pipeline Conversion	125,000 4,115,000
16	Lewis and Clark Conserv. Dist. Willow Creek Feeder Canal Rehabilitation	125,000	2,000,000	38	Hardin, City of Wastewater Treatment Plant improvements	125,000 4,240,000
17	Fort Belknap Indian Community Threemile Creek Pump Station Rehabilitation	125,000	2,125,000	39	Dillon, City of Water Transmission and Distribution Main Replacement	125,000 4,365,000
19	Roundup, City of Water System Improvements	125,000	2,250,000	40	Helena Valley ID Lateral 14.8 Headgate Rehabilitation, Phase 2	125,000 4,490,000
20	Glasgow ID V-63 Lateral Conversion	125,000	2,375,000	41	Polson, City of Wastewater System Improvement, Phase 2	125,000 4,615,000
22	Pondera County Conserv. Dist. Swift Dam Rehabilitation	125,000	2,500,000	42	Carbon County Conserv. Dist. Golden Ditch Company Clark Fork Diversion Rehab.	125,000 4,740,000
				43	Savage ID Infrastructure Rehabilitation	125,000 4,865,000

Figure 28 - continued

Rank	Applicant / Project Title	Award	Cumulative Total	Rank	Applicant / Project Title	Award	Cumulative Total
<u>HB 652 Projects</u>				<u>HB 652 Projects</u>			
44	Petroleum County Conserv. Dist. Horse Creek Coulee Water Storage	125,000	4,990,000	61	Lockwood WSD Drinking Water System Improvements	125,000	7,115,000
45	Wibaux, Town of Wastewater Treatment System Improvements	125,000	5,115,000	62	Circle, Town of Water System Improvements	125,000	7,240,000
42	Alberton, Town of Water System Improvements	125,000	5,240,000	63	Yellowstone County DES Billings Bench Water Users Assn. Main Canal Rehab., Phase 1	125,000	7,365,000
47	Geraldine, Town Of Wastewater System Improvements	125,000	5,365,000	64	Hysham ID Re-Lift Canal Improvement	125,000	7,490,000
48	Missoula, City of Caras Park Outfall Storm Water Treatment Retrofit, Phase 2	125,000	5,490,000	65	Clyde Park, Town of Water System Improvements	125,000	7,615,000
49	Black Eagle-Cascade County WSD Water & Sewer System Improvements	125,000	5,615,000	66	Libby, City of Water System Improvements	125,000	7,740,000
50	East Helena, City of Water System Improvements	125,000	5,740,000	67	Chinook, City of Water System Improvements	125,000	7,865,000
51	Plentywood, City of Wastewater Collection Improvement, Phase 2	125,000	5,865,000	68	Cut Bank, City of Water System Improvements	125,000	7,990,000
52	Missoula County Lewis & Clark Subdivision Wastewater Improvements	125,000	5,990,000	69	North Havre County WD Water System Improvements	125,000	8,115,000
53	Wilsall WD Water System Improvements	125,000	6,115,000	70	Plains, Town of Wastewater System Protection	125,000	8,240,000
54	Lower Yellowstone Irrigation Project Crane Wasteway & Pump Station Rehabilitation	125,000	6,240,000	71	Montana Bureau of Mines and Geology Measuring Groundwater Recharge in Flood to Pivot Irrigation Conversions	125,000	8,365,000
55	Missoula County Conserv. Dist. Grass Valley French Ditch Clark Fork Diversion Rehab.	125,000	6,365,000	72	Cascade, Town of Water System Improvements	125,000	8,490,000
56	Montana Bureau of Mines and Geology Reducing Mobilization of Oil-Brine Salt to Streams	125,000	6,490,000	73	Fallon County Baker Lake Restoration	100,000	8,590,000
57	Winifred, Town of Water System Improvements	125,000	6,615,000	74	Pondera County Conserv. Dist. Kingsbury Turnout Automation	125,000	8,715,000
58	Hysham, Town of Wastewater System Rehabilitation, Phase 1	125,000	6,740,000	75	Tin Cup County WSD Water and Sewer District Water Conservation	125,000	8,840,000
59	Vaughn Cascade County WSD Water Improvements	125,000	6,865,000	76	Clancy WSD Water and Sewer District Water Improvements	125,000	8,965,000
60	Stillwater Conserv. Dist. Yanzick/Brey, Riddle Ditches Irrigation System Improv., Phase 2	125,000	6,990,000	<b>Total HB 652 Projects</b>		<b>4,975,000</b>	
						<b>Total RRGL Grant Projects</b>	<b>8,965,000</b>

Note: some identical projects are listed in HB 6 and HB 652. The RRGL projects were fully listed in HB 6 to allow the normal program function of moving down the list of grants should local governments with higher ranked grants withdraw their requests. HB 652 includes language ensuring that the funding for any individual projects will not be duplicated.

HB 6 includes other appropriations that fund a variety of natural resource projects as shown in Figure 29. The other grants include a set of usual appropriations, seen in the figure as emergency grants through private grants, and two unusual grant awards. The first is the re-appropriation of four grants from the 2019 biennium. This \$500,000 appropriation funds grant awards that were delayed when the legislature transferred \$2.1 million of natural resource projects funds to the general fund in the November 2017 Special Session. The second is a \$300,000 transfer of appropriation authority, a provision of HB 7. This authority is undesignated, but can be used to increase any of the usual grant authority, as seen in Figure 29.

Figure 29

RRGL Other Grants Appropriations	
Re-appropriation of 2019 Biennium Grants	
Broadwater Conservation District	\$125,000
Big Springs Ditch Water Conservation, Phase 2	
Malta Irrigation District	125,000
Exeter Siphon Replacement	
Sidney Water Sewer Irrigation District	125,000
Main Canal Pipeline Conversion	
Buffalo Rapids Irrigation District 2	<u>125,000</u>
Shirley Main Canal Rehabilitation	
Total Re-appropriation Grants	\$500,000
Emergency Grants	100,000
Project Planning Grants	800,000
Irrigation Grants	300,000
Watershed Mgt. Grants	300,000
Private Grants	75,000
Undesignated - HB 7 Adjustment	300,000
<b>Total</b>	<b>\$2,375,000</b>

**Funding - grants**

The RRGL grants program and other natural resource projects appropriated in HB 6, as well as the RDGP grants program appropriated in HB 7, are funded from the “natural resource projects” state special revenue fund. For more information on the funding of the RRGL program, a fund balance analysis is provided on page F-43 of this report.

**Program Discussion – (RRGL loans)**

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

**Summary of Legislative Action**

The Sixty-sixth Legislature provided \$82.0 million of appropriations for the RRGL loan program for the 2021 biennium. Figure 30 on the following page shows the RRGL loan program projects by loan sponsor/applicant and project.

Figure 30

Renewable Resource Loans (RRGL) HB 8 - 2021 Biennium		
Loans-Sponsor/Project	Proposal	Cumulative Total
<u>Loans with interest rates of 3.0% or state bond rate, whichever is lower-20 years</u>		
DNRC-Conservation and Resource Development Division (CARDD) Refinance Existing Debt or Rehabilitation of Water and Sewer Facilities	\$8,000,000	\$8,000,000
Central Montana Regional Water System Local Share	3,000,000	11,000,000
Dry Red Regional Water System Local Share	3,000,000	14,000,000
<u>Loans with interest rates of 3.0% or state bond rate, whichever is lower-30 years</u>		
Canyon Creek Irrigation System Dam Repairs and improvements	250,000	14,250,000
<u>Loan Reauthorization with interest rates of 3.0% or state bond rate, whichever is lower-30 years</u>		
Dry Praire Regional Water System Local Share	6,000,000	20,250,000
North Central Regional Water System Local Share	10,000,000	30,250,000
Huntley Irrigation District Pump Station and River Diversion	3,500,000	33,750,000
Lockwood Irrigation District Box Elder Siphon, Pump Station, and Pump 3	750,000	34,500,000
St. Mary's Diversion Project (conditional loan) Local Share	40,000,000	74,500,000
Total Loan Authorizations:	\$74,500,000	
Loan Reserve:	<u>7,450,000</u>	
Total Bond Request	<u>\$81,950,000</u>	

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

While the total loans authorized are \$82.0 million, there is a strong likelihood that several of the loans will not be issued and other loans may be finalized at a lower amount than shown in Figure 30. For example, the \$8.0 million loan to DNRC to re-finance debt and rehabilitate water and sewer facilities will be used only as requested by local governments. Additionally, the four loans to regional water authorities require the authorities to accept the loan offer and request the loans. Two of the regional water project loans have been included in HB 8 for four biennia. Additionally, the \$40.0 million loan to the local water users associated with the St. Mary's Diversion project requires the water users to first form a supporting group and show the financial capacity to repay the loan, as directed in HB 8. Additionally, for the St. Mary's project, the federal government must enter into an agreement with the state related to who will be responsible for the costs of the \$200 million project. Consequently, while HB 8 has a greater level of appropriation than in past years, there is no certainty about the amount of CST bonds that will be issued for projects.

**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 loan payments are used to pay the debt service on the loans.

**Executive Budget Comparison**

As shown in Figure 31, the legislature appropriated the RRGL budget that was \$34.0 million, or 57.5% greater than the executive proposal.

Figure 31

Executive Budget Comparison - Renewable Resource Grant and Loan Program				
Budget Item	Budget	Budget	Change	% Change
	2021 Biennium	2021 Biennium		
Number of Grants Funded <sup>1</sup>	72	72	0	0.0%
	Executive	Legislative		
	Request	Appropriation		
Grants Cost	\$8,940,000	\$8,965,000	25,000	0.3%
Other Grants	2,075,000	2,375,000	300,000	14.5%
Loan Program	48,235,000	81,950,000	33,715,000	-
<b>Total Costs</b>	<b>\$59,250,000</b>	<b>\$93,290,000</b>	<b>\$34,040,000</b>	<b>57.5%</b>
State Special	6,040,000	6,365,000	325,000	5.4%
CST Bond Proceeds	48,235,000	81,950,000	33,715,000	-
GO Bond Proceeds	4,975,000	4,975,000	0	-
<b>Total Funds</b>	<b>\$59,250,000</b>	<b>\$93,290,000</b>	<b>\$34,040,000</b>	<b>57.5%</b>

The legislature made the following changes to the executive proposal:

- An increase of \$25,000 to one grant in HB 6, resulting from a bill drafting error
- An undesignated increase of \$300,000 to the “other” grants occurring with the elimination of an aquatic invasive species grant in the reclamation and development grant program. For more information, see the “Legislative Actions” section on page F-42
- A borrower requested reduction of \$10.1 million to one loan in HB 8
- The addition of two new loans in HB 8 that include:
  - \$750,000 loan to Lockwood Irrigation District
  - \$40.0 million loan to the users of Milk River waters for the St. Mary’s Diversion project

**Other Legislation**

HB 553 – This legislation creates a new capital development fund. The legislation requires that as a part of the budget the executive will recommend, and the legislature may appropriate, annual transfers into the new capital developments account. The legislature may appropriate the account funds for state building capital projects or for local government infrastructure projects, including RRGL projects. For more information on the capital developments fund, see page F-8 of this report.

**Program Budget Comparison**

Figure 32 compares the 2019 biennium appropriated budget to the 2021 biennium appropriated budget by type of expenditure and source of funding.

Figure 32

Program Comparison - Reclamation and Development Grants Program				
Budget Item	Budget 2019 Biennium	Budget 2021 Biennium	Biennium Change	Biennium % Change
Number of Grants	10	11	1	10.0%
	<u>Appropriated</u>	<u>Appropriated</u>		
Grants Cost	\$4,079,129	\$3,969,000	(\$110,129)	-2.7%
Other Grants Cost	1,300,000	1,844,778	544,778	41.9%
<b>Total Costs</b>	<b>\$5,379,129</b>	<b>\$5,813,778</b>	<b>\$434,649</b>	<b>8.1%</b>
State Special	5,379,129	4,566,778	(812,351)	-15.1%
GO Bond Proceeds	0	1,247,000	\$1,247,000	-
<b>Total Funds</b>	<b>\$5,379,129</b>	<b>\$5,813,778</b>	<b>\$434,649</b>	<b>8.1%</b>

**Program Discussion**

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

**Legislative Action**

As shown in Figure 32, the Sixty-sixth Legislature provided \$5.8 million of appropriations for the RDGP grants program in HB 7 and HB 652. This is an overall program increase of \$434,649, or 8.1% from the appropriation level of the 2019 biennium. The HB 7 appropriations include \$4.0 million to fund 11 RDGP projects.

Figure 34 provides a complete list of the RDGP grants authorized by the Sixty-sixth Legislature.

**Figure 34**

Reclamation and Development Grants (RDGP) HB 7 and HB 652 - 2021 Biennium			
Rank	Sponsor/Title	Award	Cumulative Total
<u>HB 7 Projects</u>			
1	Musselshell County Bair- Collins Mine (Meathouse Road) Reclamation and Musselshell River Restoration	\$500,000	\$500,000
2	Missoula County Community and Planning Services Ninemile Creek Mine Reclamation	437,000	937,000
3	Harlowton, City of Removal of Contaminated Soils and Free Product at the Harlowton Roundhouse in Harlowton, MT, Phase 3	500,000	1,437,000
4	Granite Conservation District Silver King Mine Reclamation	285,000	1,722,000
5	Powell County Milwaukee Roundhouse Area Remediation	500,000	2,222,000
8	Deer Lodge, City of Milwaukee Roundhouse CECRA Site Passenger Refueling Area VCRA Program Remediation	297,000	2,519,000
10	Ryegate, Town of Former Ryegate Conoco Groundwater Remediation	50,000	2,569,000
6	DEQ Upper Blackfoot Mining Complex Wetland Contamination Removal	500,000	3,069,000
Total HB 7 Projects - appropriation is \$2,722,000		\$3,069,000	
<u>HB 652 Projects</u>			
7	DEQ Cottonwood #2 Acid Mine Drainage Diversion Project	300,000	3,369,000
9	DEQ Basin Creek Mine - Phase 2 Site Stability Project	300,000	3,669,000
11	DEQ Upper Blackfoot Mining Complex Water Treatment Plant Bridge and Infrastructure Protection	300,000	3,969,000
Total HB 652 Projects - appropriation is \$1,247,000		900,000	
Total RRGL Grant Projects		\$3,969,000	

Note: some identical projects are listed in HB 7 and HB 652. The RDGP projects were fully listed in HB 7 to allow the normal program function of moving down the list of grants should local governments with higher ranked grants withdraw their requests. HB 652 includes language ensuring that the funding for any individual projects will not be duplicated.

HB 7 includes other appropriations that fund a variety of reclamation and development projects as shown in Figure 33. The other grants include the re-appropriation of two grants from the 2019 biennium. This \$944,778 appropriation funds grant awards that were delayed when the legislature transferred \$2.1 million of natural resource projects funds to the general fund in the November 2017 Special Session. Also included in other grants is an appropriation of \$900,000 for project planning grants. This appropriation

**Figure 33**

RDGP Other Grants Appropriations Requests	
Re-appropriation of 2019 Biennium Grants	
Lincoln Conservation District	\$451,193
Tobacco River Restoration Project	
Richland County Conservation District	493,585
Mitigating Impacts to the Fox Hill/Hell Creek Aquifer	
Total Re-appropriation Grants	\$944,778
Project Planning Grants	900,000
<del>AIS Grants</del>	<del>400,000</del>
Total Other Grant Appropriations	\$1,844,778

was increased by \$100,000 from the budget request due to a provision of HB 7, stated as follows:

*If [this act], House Bill 6, and an act that provides funding of at least \$400,000 for aquatic invasive species grants administered by the department of natural resources and conservation from a source other than the natural resources projects state special revenue account established in 15-38-302 are passed and approved, then: (a) [the AIS appropriation in HB 7] is void; and (b) [project planning grants] must read: "\$900,000 for grants for planning reclamation and development projects to be awarded by the department over the course of the biennium".*

This provision was met with the passage of HB 411, An Act Generally Revising Laws Related to Aquatic Invasive Species (AIS) Program Funding. As a result, HB 7 project planning grants were increased by \$100,000 and the remaining \$300,000 from the initial AIS grant was transferred to HB 6 projects.

**Funding**

The RDGP program appropriations in HB 7, as well as the RRGL grants program appropriated in HB 6, are funded from the “natural resource projects” state special revenue fund. The fund balance projection is provided on page F-43 of this report.

**Executive Budget Comparison**

As shown in Figure 35, the legislature appropriated the RDGP budget that was \$300,000, or 4.9% lower than the executive proposal.

Figure 35

Executive Budget Comparison - Reclamation and Development Grants Program				
Budget Item	Budget	Budget	Change	% Change
	2021 Biennium	2021 Biennium		
Number of Grants	11	11	0	0.0%
	Executive Request	Legislative Appropriation		
Grants Cost	\$3,969,000	\$3,969,000	\$0	0.0%
Other Grants Cost	2,144,778	1,844,778	(300,000)	-14.0%
<b>Total Costs</b>	<b>\$6,113,778</b>	<b>\$5,813,778</b>	<b>(\$300,000)</b>	<b>-4.9%</b>
State Special	4,866,778	4,566,778	(300,000)	-6.2%
GO Bond Proceeds	1,247,000	1,247,000	\$0	-
<b>Total Funds</b>	<b>\$6,113,778</b>	<b>\$5,813,778</b>	<b>(\$300,000)</b>	<b>-4.9%</b>

The reduction in the program is related to the funding of the AIS appropriation approved in HB 411. For more information, see the “Legislative Actions” and “Other Legislation” sections of this report.

**Other Legislation**

HB 411 – This legislation creates a new aquatic invasive species (AIS) prevention pass and revises funding for AIS programs. The program provides grant funding, that will be administered by DNRC, triggering the elimination of AIS funding that was included in reclamation and development grant program.

**Natural Resource Project Account**

Figure 36 shows the projected fund balance for the natural resource project account for the 2021 biennium. The natural resource projects account provides funding for the RRGL and RDGP programs, along with the funding for other natural resource projects and programs. Natural resource projects account funds were reduced by a transfer of \$2.05 million in a transfer to the general fund, occurring in the actions by the legislature in the 2017 Special Legislative Session. As a result, DNRC 2019 biennium grants appropriations from the RRGL and RDGP program authority by the same amount. The reversion is expected to occur at fiscal-year-end 2019. As a result, the natural resource projects account is projected to begin the 2021 biennium with a balance of \$1.8 million.

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

- 1) Interest income of the resource indemnity trust fund as provided in and subject to the conditions of 15-38-202, MCA (\$3.2 million each fiscal year for the purpose of making grants)
- 2) Resource indemnity and ground water assessment tax under provisions of 15-38-106, MCA (50% of the remaining proceeds, after appropriations for CERCLA debt service and \$366,000 to the groundwater assessment account, for the purpose of making grants)
- 3) Oil and gas production tax as provided in 15-36-331, MCA (2.16% of oil and natural gas production taxes remaining after the distributions pursuant to subsections (2) and (3))
- 4) Excess coal severance tax proceeds allocated by 85-1-603, MCA to the renewable resource loan debt service fund (above debt service requirements as provided in and subject to the conditions of 85-1-619, MCA)
- 5) Fees or charges collected by the department for the servicing of loans, including arrangements for obtaining security interests

For the 2021 biennium, total appropriations from the natural resource projects account for the RRGL (HB 6) program are \$6.4 million and appropriations for the RDGP (HB 7) program are \$4.6 million. The total appropriation authority for each program includes funding for those 2019 biennium projects grants that were postponed due to the transfer of natural resource project funds mentioned above. The resulting ending fund balance is estimated to be \$317,168 at the end of the 2021 biennium.

Figure 36

Natural Resource Project Account Fund Balance Analysis FY 2018-FY 2021 (02577)					
	FY 2018 Actuals	FY 2019 Projected <sup>2</sup>	FY 2020 Projected	FY 2021 Projected	2021 Bien.
Available Balance	\$8,423,490	\$7,365,441	\$1,784,777	(\$4,763,978)	\$1,784,777
Revenue Projections <sup>1</sup>					
RIT Interest Earnings	2,386,503	2,684,457	2,049,638	2,772,630	4,822,267
Resource Indemnity & Groundwater Tax	935,756	952,566	941,904	1,037,993	1,979,896
Oil and Gas Tax	1,298,645	1,437,811	1,356,482	1,270,524	2,627,006
Bond Pool Transfer	64,393	10,000	10,000	0	10,000
Administrative Fees	19,665	500	25,000	0	25,000
<b>Total Revenues</b>	<b>4,704,961</b>	<b>5,085,334</b>	<b>4,383,023</b>	<b>5,081,146</b>	<b>9,464,169</b>
RRGL Expenditures / Appropriations - HB 6					
Emergency Grants	47,193	52,807	100,000		100,000
Project Planning Grants	312,601	487,399	800,000		800,000
Irrigation Development Grants	14,850	285,150	300,000		300,000
Watershed Grants	29,871	270,129	300,000		300,000
Private Grants	7,799	42,201	75,000		75,000
Undesignated increase in Small Grants			300,000		300,000
2019 Bien Reauthorized RRGL Grants	0	0	500,000		500,000
Prior Biennia	1,925,141	1,025,082	0		0
2019 Bien. RRGL Grants	193,671	3,037,969	0		0
2021 Bien. RRGL Grants	0	0	3,990,000	0	3,990,000
<b>Total RRGL Expenditures / Appropriations</b>	<b>2,531,126</b>	<b>5,200,737</b>	<b>6,365,000</b>	<b>0</b>	<b>6,365,000</b>
RDGP Expenditures / Appropriations - HB 7					
Project Planning	24,060	775,940	900,000		900,000
Aquatic Invasive Species Control	103,939	396,061	0		0
2019 Bien Reauthorized RDGP Grants	0	0	944,778		944,778
Prior Biennia	1,018,451	2,244,343	0		0
2019 Bien. RDGP Grants	35,434	4,043,695	0		0
2021 Bien. RDGP Grants	0	0	2,722,000	0	2,722,000
<b>Total RDGP Expenditures / Appropriations</b>	<b>1,181,884</b>	<b>7,460,039</b>	<b>4,566,778</b>	<b>0</b>	<b>4,566,778</b>
<b>Total Expenditures / Appropriations</b>	<b>3,713,010</b>	<b>12,660,776</b>	<b>10,931,778</b>	<b>0</b>	<b>10,931,778</b>
Transfer to General Fund	2,050,000	0	0	0	0
2019 Bien. Appropriation Reversions-6/30/2019		(1,994,778)	0	0	0
<b>Projected Ending Fund Balance</b>	<b>\$7,365,441</b>	<b>\$1,784,777</b>	<b>(\$4,763,978)</b>	<b>\$317,168</b>	<b>\$317,168</b>

<sup>1</sup>HJ2 Projections

<sup>2</sup>Assumes all appropriation authority is expended in FY 2019

# CULTURAL AND AESTHETIC GRANT PROGRAM

## Program Budget Comparison

Figure 37 compares the 2019 biennium appropriated budget to the 2021 biennium appropriated budget by type of expenditure and source of funding.

Figure 37

Program Comparison - Cultural and Aesthetic Trust				
Budget Item	Budget 2019 Biennium	Budget 2021 Biennium	Biennium Change	Biennium % Change
Trust Balance (End of Biennium)	\$14,072,921	\$14,227,721	\$154,800	1.1%
Trust Earnings	936,863	980,114	43,252	4.6%
Number of Grants	80	82	2	2.5%
	<u>Appropriated</u>	<u>Appropriated</u>		
Grants Cost	\$440,000	\$423,381	(\$16,619)	-3.8%
Capitol Complex Works of Art	30,000	30,000	0	0.0%
<b>Total Costs</b>	<b>\$470,000</b>	<b>\$453,381</b>	<b>(\$16,619)</b>	<b>-3.5%</b>
State Special	470,000	453,381	(16,619)	-3.5%
<b>Total Funds</b>	<b>\$470,000</b>	<b>\$453,381</b>	<b>(\$16,619)</b>	<b>-3.5%</b>

## Program Discussion

The Cultural and Aesthetic Grant Program (C&A), administered by the Montana Arts Council (MAC), provides grants for cultural and aesthetic programs across the state. The program 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 for 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, but are not limited to, the state of Montana and regional, county, city, town, or Indian tribal governments.

## Summary of Legislative Action

The Sixty-sixth Legislature passed HB 9, which authorizes cultural and aesthetic grants and appropriates the funding for the grants. The budget for the 2021 biennium is a reduction of \$16,619, or 3.5%, from the level of appropriations of the 2019 biennium. The legislature authorized 82 C&A grant awards totaling \$423,381. 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 2021 biennium in HB 9 with the following language:

*“(1) Except for the appropriation provided for in [section 1(3)], if money in the cultural and aesthetic projects trust fund account is insufficient to fund projects at the appropriation levels contained in [section 2], the amount of the grant for projects in section E of [section 2] must be reduced on a pro rata basis. (2) If the grant amounts for projects in section E of [section 2] 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 \$2,000 must be made on a pro rata basis.”*

As noted in the language above, if a funding shortfall occurs, the grants in section E, new grant awards authorized by the legislature, are reduced first. If the shortfall is greater than the amount of the section E grants, \$27,500, then the grants approved for funding greater than \$2,000 are reduced on a pro-rata basis.

Figure 38 on the following page provides a complete listing of the grants authorized by the Sixty-sixth Legislature.

Figure 38

Cultural and Aesthetic Grants (C&A) HB 9 - 2021 Biennium							
Grant Number	Applicant	Grant Authorized	Cummulative Total	Grant Number	Applicant	Grant Authorized	Cummulative Total
<b>Special Project &lt; \$4500</b>				<b>Operational Support Cont.</b>			
2005	Mai Wah Society Museum	4,000	4,000	2063	Museums Association of Montana	5,000	276,400
2003	Council for the Arts, Lincoln	3,000	7,000	2057	Montana Association of Symphony Orchestras	5,000	281,400
2002	Billings Cultural Partners	3,000	10,000	2075	Verge Theater	5,000	286,400
2007	Signatures from Big Sky	2,000	12,000	2038	Daly Mansion Preservation Trust	5,000	291,400
2006	Montana Flute Association	<u>2,000</u>	14,000	2029	Big Horn Arts and Craft Association	2,000	293,400
	Total Special Projects < \$4500	14,000		2060	Montana Performing Arts Consortium	5,000	298,400
<b>Special Project &gt;= \$4500</b>				<b>Operational Support Cont.</b>			
2021	Upper Swan Valley Historical Society, Inc.	4,500	18,500	2051	MT Art Gallery Directors Association	5,000	303,400
2015	Montana Preservation Alliance	10,000	28,500	2059	Montana Dance Arts Association	5,000	308,400
2014	Montana Historical Society	5,400	33,900	2072	Stillwater Historical Society	4,500	312,900
2016	Mountain Time Arts	2,500	36,400	2034	C.M. Russell Museum	7,000	319,900
2018	Preservation Cascade, Inc.	2,000	38,400	2025	Alpine Theatre Project	5,000	324,900
2009	Butte-Silver Bow Public Archives	5,000	43,400	2077	Whitefish Theatre Co	5,000	329,900
2013	International Choral Festival	2,000	45,400	2035	Carbon County Arts Guild & Depot Gallery	4,500	334,400
2019	SPARK! Arts Ignite Learning	2,000	47,400	2068	Ravalli County Museum	4,500	338,900
2022	Zootown Arts Community Center	9,000	56,400	2055	Missoula Writing Collaborative	2,000	340,900
2010	Emerson Center for the Arts & Culture	8,000	64,400	2028	Arts Missoula (Formerly Missoula Cultural Council)	4,500	345,400
2017	Museum of the Rockies	7,000	71,400	2050	Little Shell Tribe	4,500	349,900
2008	Bozeman Symphony Society	<u>4,500</u>	75,900	2074	The Extreme History Project	2,000	351,900
	Total Special Projects > = \$4500	61,900		2039	Friends of Big Sky Education DBA Warren Miller PAC	4,500	356,400
<b>Operational Support</b>				<b>Operational Support Cont.</b>			
2027	Art Mobile of Montana	10,000	85,900	2078	World Museum of Mining	4,500	360,900
2062	Montana Shakespeare in the Parks	10,000	95,900	2066	Pondera Arts Council	4,500	365,400
2053	Missoula Community Theatre, Inc.	10,000	105,900	2069	Rocky Mountain Ballet Theatre	3,500	368,900
2024	Alpine Artisans, Inc.	3,000	108,900	2043	Hamilton Players, Inc	3,500	372,400
2031	Billings Symphony Society	7,500	116,400	2058	Montana Ballet Company	3,500	375,900
2046	Humanities Montana	10,000	126,400	2047	Intermountain Opera Association	3,500	379,400
2033	Butte Symphony Association	3,000	129,400	2071	Southwest Montana Arts Council	2,000	381,400
2030	Billings Preservation Society	7,500	136,900	2067	Pondera History Association (PHA)	<u>2,000</u>	383,400
2023	Alberta Bair Theater	10,000	146,900		Total Operational Support	307,500	
2040	Glacier Symphony and Chorale	5,000	151,900	<b>Capital Expenditure</b>			
2070	Schoolhouse History & Art Center	5,000	156,900	2080	Fort Peck Fine Arts Council, Inc.	10,000	393,400
2061	Montana Repertory Theatre	10,000	166,900	2081	Friends of the Historical Museum at Fort Missoula	<u>2,481</u>	395,881
2073	Sunburst Foundation	2,500	169,400		Total Capital Expenditure	12,481	
2049	Irwin & Florence Rosten Foundation	5,000	174,400	<b>NEW SECTION: Miscellaneous Grants</b>			
2079	Yellowstone Art Museum	10,000	184,400	2036	Carbon County Historical Society	5,000	400,881
2037	Cohesion Dance Project	5,000	189,400	2012	Hockaday Museum of Art	3,500	404,381
2076	Western Heritage Center	10,000	199,400	2011	Helena Symphony	3,500	407,881
2042	Great Falls Symphony	5,000	204,400	2064	North Valley Music School	3,500	411,381
2065	Northwest Montana Historical Society	5,000	209,400	2052	Main Street Uptown Butte	3,500	414,881
2041	Grandstreet Broadwater Productions, Inc.	9,000	218,400	2001	Arts & Above	2,000	416,881
2056	MonDak Heritage Center	9,000	227,400	2032	Bozeman Art Museum	2,000	418,881
2045	Holter Museum of Art	9,000	236,400	2020	Support Local Artists and Musicians (S.L.A.M.)	2,000	420,881
2054	Missoula Art Museum	9,000	245,400	2004	Free Voice Media	2,000	422,881
2044	Helena Presents/Myrna Loy Center	9,000	254,400	2073	Sunburst Foundation	<u>500</u>	423,381
2026	Archie Bray Foundation	9,000	263,400		Total Miscellaneous Grants	27,500	
2048	International Wildlife Film Festival	8,000	271,400	<b>Total C&amp;A Grants Awarded</b>			
						<b>\$423,381</b>	

**Funding**

Figure 39 shows the estimated funding for the C&A state special revenue account for the 2021 biennium. The balance at the beginning of the biennium is estimated to be \$24,865 since the program revenues were greater than projected by the 2017 Legislature. Interest income from the coal tax-funded Cultural Trust is projected to be \$1.0 million in the 2021 biennium.

**Figure 39**  
Cultural & Aesthetic Grant Fund Balance Analysis FY 2018-FY 2021  
(02009)

	FY 2018 Actual	FY 2019 Projected <sup>3</sup>	FY 2020 Projected	FY 2021 Projected	2021 Bien.
Estimated Beginning Fund Balance	\$157,025	\$25,108	\$24,865	(\$188,191)	\$24,865
Revenue Projections <sup>1</sup>					
Total Revenues	470,142	466,721	482,784	497,330	980,114
Expenditures					
MAC Administration and Folklife <sup>2</sup>	230,126	236,194	241,419	241,036	482,455
HB 175 - state employee pay plan (estimated)		0	1,040	3,120	4,160
Capitol Cmplx Works of Art	155	29,845	30,000	0	30,000
Prior Biennia Grants Accrued	132,703	0	0	0	0
2019 Bien. Grants	239,075	200,925	0	0	0
2021 Bien. Grants	0	0	423,381	0	423,381
Total Expenditures	602,059	466,964	695,840	244,156	939,996
Ending Fund Balance	\$25,108	\$24,865	(\$188,191)	\$64,983	\$64,983

<sup>1</sup>HJ2 Projections  
<sup>2</sup>HB 2  
<sup>3</sup>Assumes all appropriation authority is expended in FY 2019

Total administrative appropriations, including the Folklife program are \$486,615. Total administrative costs include an estimate of \$4,160 for the HB 175 pay plan. Appropriations in HB 9 include \$30,000 for capitol complex artwork and \$423,381 for the authorized grants. Total appropriations from the C&A state special revenue account in the 2021 biennium are \$939,996, providing an estimated fund balance of \$64,983 by the end of the 2021 biennium.

**Executive Budget Comparison**

As shown in Figure 40, the legislature appropriated a C&A budget that was \$27,500, or 6.5% higher than the executive proposal.

**Figure 40**  
Executive Budget Comparison - Cultural and Aesthetic Grant Program

Budget Item	Budget 2021 Biennium	Budget 2021 Biennium	Change	% Change
Trust Balance (End of Biennium)	\$14,227,721	\$14,227,721	\$0	0.0%
Trust Earnings	980,114	980,114	0	0.0%
Number of Grants	72	82	10	13.9%
Grants Cost	Executive Request \$395,881	Legislative Appropriation \$423,381	\$27,500	6.9%
Capitol Complex Works of Art	30,000	30,000	0	0.0%
<b>Total Costs</b>	<b>\$425,881</b>	<b>\$453,381</b>	<b>\$27,500</b>	<b>6.5%</b>
State Special	425,881	453,381	27,500	6.5%
<b>Total Funds</b>	<b>\$425,881</b>	<b>\$453,381</b>	<b>\$27,500</b>	<b>6.5%</b>

The legislature increased the number of C&A grants funded in the 2021 biennium by 10 awards. The increased grants were reviewed by the Arts Council, but were not funded in the executive request. The

increased grants are contained in a new section of HB 9 and will be reduced or eliminated first if there is a revenue shortfall in the C&A account.

**Other Legislation**

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