

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 52nd LEGISLATURE - 1st SPECIAL SESSION

SUBCOMMITTEE ON LONG-RANGE PLANNING

Call to Order: By REP. MARY ELLEN CONNELLY, CHAIR, January 3, 1992, at 8:00 a.m., in Room 317, Capitol Building, Helena.

ROLL CALL

Members Present:

Rep. Mary Ellen Connelly, Chair (D)
Sen. Bob Hockett, Vice Chairman (D)
Rep. Francis Bardanouve (D)
Sen. Ethel Harding (R)
Sen. J.D. Lynch (D)
Rep. Bob Thoft (D)

Members Excused: None

Members Absent: None

Staff Present: Jim Haubein, Principal Fiscal Analyst (LFA)
Jane Hamman, Senior Budget Analyst (OBPP)
Jo Lahti, Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Announcements/Discussion: To discuss proposed 8% cuts in projects funded by the general fund.

Jim Haubein, Principal Fiscal Analyst (LFA), reminded the Committee that HB 9 included the Cultural and Aesthetics Grants, HB 6 and 7 the Water Development Renewable Resources and Reclamation Grants. HB 8 was for loans and not included. HB 5 was for the Long Range Buildings. Exhibit #1 copies the Appropriations report after the 1992 Session which has a listing of each grant, each building project that was heard and approved through this Committee. Page F-21 shows a listing of the grants approved in HB 9, within which \$150,000 was allowed in match money to be used by the Arts Council, if they could generate any federal matching money to be used in Rural Arts Programs. They have done some work in this area.

David Nelson, Executive Director of the Montana Arts Council, explained although the full \$150,000 was not available, a substantial amount was. Bill Pratt, Director of Organizational Services for the Montana Arts Council, explained they had received a total of five grants to address the issue of access to federal funding by rural organizations and rural communities.

They have plans to apply for two match grants. Three grants received have been matched by reversions. See Exhibit #2.

Mr. Haubein explained the money that funds these grants comes from an allocation of coal tax money that goes into a trust fund and generates the interest that is put into this Cultural and Aesthetic account. The statute states this interest may only be used for protection of works of arts in the Capitol which includes, according to statute, the administrative costs that are incurred by the Arts Council and the Advisory Council that makes the recommendation on the grants. The Arts Council has maxed out their usage of these funds as far as administrative costs. The remainder of their operations is funded from the general fund. In order to save any money from the general fund, the unapproved grants could be removed from the ones already approved. That money could be available for operations in the Arts Council to free up general fund money. These are dollar for dollar matching grants. Some language would be required to replace other operating costs or else could be deposited directly to the general fund.

Mr. Haubein explained Page F-5 of EX. #3 shows a summary of the Cultural and Aesthetic Grants in Table 4. Some grants are not yet committed, no money has been spent on about \$295,000 of those grants as of the November 30th. The funds are contingent on the money being available and also on actions of the Legislature, so if any of these grants are chosen to be eliminated, the ones to be looked at on Pages F-21-24 of EX. #1 are the Grandstreet Theater, Garfield County Library, Montana for Quality TV, Paris Gibson Square, Glacier Orchestra and Chorale, Montana Association of Symphony Orchestra, two Missoula Children's Theater grants, International Choral Festival, String Orchestra of the Rockies, Helena Civic Center, Billings Preservation Society, UM Montana Repertory Theater, Hockaday Center for the Arts, Montana Puppet Guild, Missoula Symphony Association, Dull Knife Memorial College Library, Great Falls Symphony Association, Stevensville Museum, Great Falls Symphony Association which make up the \$295,000 shown in Table 4 of EX. #3.

REP. BARDANOUE asked if these projects are prioritized. Mr. Pratt explained singling out any one would be unfair. These people are not at fault. As the money comes in it goes out. The more prudent organizations waited until the second year when money is available to apply. They have a gentleman's agreement they will not ask for the grant until the money is available so if these groups were to be singled out, it would be on no basis at all and some of the better groups would suffer.

Mr. Haubein explained Pages F-21-24 EX. #1 list the 101 grants including the abovementioned unused ones.

REP. BARDANOUE said there is a magic number of 8% around. Would it be possible to apply 8% to all grants even though some had been approved? He wants to deal fairly should cuts be mandated.

Mr. Pratt explained 5% of the grant is withheld until the grant is completed. That would be unilateral, and would affect almost everybody. That is a possibility, but he didn't know how it would affect the general fund. The true essence is that capping the Trust and the 5% would give substantially what is being talked about now. He would rather do that than single out any one and axe them.

Mr. Nelson thought the Trust is what is terribly important to the State and needs to be there in good and bad times. In bad times it should participate in the solution, but it is most important that there be a Trust.

SEN. BOB HOCKETT said the Missoula Children's Theater has already made plans and they could be excluded. Some others may also have made a commitment to do things, which could be embarrassing if they were not followed through. Mr. Pratt said they apply for the money when they need the money, which is the Trust relationship.

Jane Hamman asked the 5% be explained more fully. Mr. Pratt explained 5% of the grant is withheld as an incentive to get the necessary paperwork done. This affects all grants. REP. J. D. LYNCH asked how much money the 5% represents. Mr. Nelson advised it is about \$65,000, so 8% would be close to \$100,000. The Trust has been capped before for a finite period of time. As things get better, the cap comes off and the principal is allowed to grow a bit. The biggest concern is that the principal of that Trust relates to the amount of inflation and is to continue to grow at least in the amount of inflation. If it is necessary that a target figure of 8% for this area be committed to solve the budget problem, a combination of those two things could arrive at that.

REP. CONNELLY asked for figures showing what an additional 3% on top of the 5% withheld would be to see if it would hurt any of these organizations unduly. The figures on capping the fund are already prepared by the budget office. Mr. Nelson said they submitted their proposed general fund 8% cut as an agency.

RESOURCE INDEMNITY TRUST INTEREST ACCOUNTS

Mr. Haubein explained Page F-10, EX. #1, shows the Water Development and Resource Grants in HB 6 in the order they were approved. F-13 shows the Reclamation and Development grants in priority order. The Chinook Irrigation District for \$100,000, the Greenfields Irrigation District, and all those following, including the Lewis & Clark County Irrigation District Nilan Water Conservation projects, have all not been committed. Only four have been committed.

John Tubbs, DNRC, explained they receive the RIT interest that accrues off the account and also off the proceeds of the Coal Severance Tax quarterly. They have a conservative projection on how much total revenue they will have during the biennium. They

have to first survey all the applicants, identify the top 10 of those responding and notify them they can start entering into a grant negotiation. The bottom applicants are notified they will have to wait until later to start grant negotiations. It is a cash flow situation. The bottom ones are still above the funding line, but are being held off until more money becomes available. He handed out EX. #4, Summary of Grants Targeted for General Fund Replacement - RIT Interest.

Mr. Haubein explained Page F-6 of EX. #3, Table 5, shows revenues coming into the account and the way it is spent. The bulk comes from the interest on the RIT Trust. The law says it has to be used for things relating to the environment. A certain amount of money goes into operations of the agency. \$4.4 million is going into the agency budget. If any of this Water Development money is freed up, this could be put back into the agency budget to replace a like amount of general fund. The executive budget has done this with some prior grants. This does not require legislation as long as it is for environmental uses. Will need clarification.

SEN. ETHEL HARDING asked if the 8% rule is applied and the funds reverted back to the agency, whether it takes legislation or not, for the state agency to in turn cut 8% out of their budget to go back to the general fund. Is that the route it would take? Mr. Haubein said if it were decided to free up 8% that would have to go back to the Natural Resources subcommittee, and they would have to recommend the funding switch within the agency's operational budget. Ms. Hamman said that would go into HB 2.

REP. BARDANOUE said in the regular session they have to use revenue estimates, how is the present revenue compared to what was used during the session? On target or short?

REP. CONNELLY asked if this is done, the money would go into the agency and they would in turn cut their budget by 8%? Mr. Haubein explained there would be a funding switch within the agency operational budget. They would increase the appropriation authority that comes from these funds and decrease the general fund by a like amount which would reduce general fund appropriations. This is exactly what the Executive budget recommends with about \$133,000 in prior grants that for one reason or another are not going to be committed or there is no response. There are five of these listed on EX. #4 which it has been decided will not be let. So the subcommittee on Natural Resources will be replacing general fund with the \$133,000 from these RIT interest funds, thereby actually reducing the general fund appropriation by \$133,000. It simply substitutes the money.

SEN. J.D.LYNCH thought this would not in reality cut them at all. Are they suggesting this 5 or 6% cut, and then another cut because that is going to be replaced so it will be in essence a 14% cut? Ms. Hamman explained the agency operating budget has already been cut. Eight percent of what is left of that operating

budget could be taken from each of these grants and moved in to replace the general fund with that amount, and the bottom line wouldn't change, the agency would still be cut.

REP. BARDANOUE asked if some of these authorized projects have fallen by the wayside? Mr. Tubbs thought it would be too early to make that call on some. Some of those cancelled have been used for general fund substitution already.

Mr. Haubein reminded the Committee that when the projects were prioritized there was not enough money so language was inserted in HBs 6 and 7 stating intent of the legislature was to make \$1.5 million available for grants from water development, \$1.5 million in renewable resources, and \$3 million in reclamation for the 1993 session.

REP. LYNCH asked what the 8% means in terms of dollars that would be available to replace general fund money. Mr. Haubein said it would be 8% of the amount of funds still available that had been approved for grants. He will get back to the committee with three options for cuts.

Ms. Hamman explained one of the options the DNRC looked at in the executive budget was the grants for prior years that had not been spent. RIT and Water Development grants for approximately \$66,500 per year have either not been contracted or the contract has expired. So the general fund has been reduced by that amount.

Mr. Tubbs said EX. #3 shows the grants that have not been contracted or are expired totalling approximately \$133,000. There are also a number of Water Development funds general fund replacement transfers that have to do with the agency appropriation line item appropriations above the grants. These are deferrals of work on the Missouri River Reservations, funding of the water courts, and the Nevada Capability Study in the Lower Missouri. All of those moneys were appropriated out of Water Development Special Revenue accounts above line item appropriations, and those, too, are being used as general fund replacements. You have to add \$133,000 and another couple of hundred thousand of Water Development funds to get the whole picture of how large a contribution the State's Special Revenue accounts have made. He will split the grants and line items for the committee. These have been approved for transfer by the Governor's budget office without a letter of termination.

Mr. Haubein said if this Committee agrees maybe there should be something in a bill stating that these grants are no longer part of the reappropriation in HB 6. It will require a positive motion to remove these grants to show legislative approval. Ms. Hamman thought such language could go in the amendment to HB 2 where all the other bills are and could just list the ones that are no longer in the reauthorization.

Mr. Tubbs said for accrual purposes the grants are identified in

a real general statement. The loans are specifically identified.

MOTION: SEN. HARDING moved to delete the \$133,000 of grants as presented in the Executive budget. Seconded by SEN. HOCKETT. Motion carried unanimously.

LONG RANGE BUILDING PROJECTS

Mr. Haubein explained EX. #5 Largest Capital Projects Budget lists all of the building projects that were approved in HB 5 by agency, and the types of funding used for the projects. There were \$133,500,699 approved. On Page F-1 EX. #3, Table 1, it shows the four projects funded from the general fund in HB 5 for \$3 Million, all of which are in the University System. The \$600,000 for Deferred Maintenance has been allocated, but not released. The EMC Computers has been fully spent. The MSU Eng./Science Bldg. is required to have their match money before this building could be built and before any bond moneys are spent. The intent of the Legislature was that MSU would have difficulty in coming up with the total match money. It has not been spent and will not be until the remainder of the match money is available. The NMC Gymnasium for \$1,300,000, the architect has been hired and has begun preliminary work on that. There is a recommendation in the Executive budget that there be \$240,000 removed from the total appropriations for all these projects.

Ms. Hamman explained the \$240,000 is 8% of the general fund appropriation to the University System. The figures were developed cooperatively by the Office of the Commissioner of Higher Education and Architecture and Engineering, and DofA. The matching support of \$500,000 for construction of the Eng./Science Complex is an actual 15% reduction of \$75,000. The NMC gym is a 6.4% reduction of \$82,500, and the deferred maintenance is 13.75% reduction of \$82,500. That is the distribution developed on recommendation of the Commissioner's office to get to a total of 8% of appropriations. See EX. #6.

Discussion of the Capitol Parking Lot Complex grant of \$123,014 cut includes a \$20,000 appropriation for land acquisition around the capitol building. So if the Parking Lot Maintenance were to be cut the \$20,000 should be left in case the Department would have the opportunity to purchase or put a down payment on land.

MOTION: REP. BARDANOUE moved to eliminate the parking lot improvement except for the \$20,000 for land acquisition. SEN. LYNCH seconded the motion. It carried unanimously.

Bill Lannan, University System, said the Commissioner of Higher Education arrived at the various cuts for each of these. He wanted to impact the Deferred Maintenance as little as possible, and also the NMC gym because there is a great need for the Deferred Maintenance. The only alternative was to hit MSU appropriation of \$500,000 a little heavier and cut a larger percentage out of it. They felt it was in the best interests of

all of the universities.

Bill Rose, Montana State University Records Facility, endorsed and agreed with the Commissioner's heavier hit on that matching \$500,000 portion. The burden of fund raising as matching funds has not changed significantly and any cut will hamper fund raising efforts, making it much more difficult. Any further reduction would be an additional burden. They have initiated the design process with the architectural engineering division, have completed most of the programming phase of that design process and will be completing the schematics in the next month or so if they continue. They have developed an organization for that fund raising effort, have chosen leadership and the effort has begun. There have been contacts made. They expect to be positive in reaching that goal, but it is a difficult goal. Les Hogan is to be head of that organization.

MOTION: SEN. LYNCH moved the proposed additional reductions be adopted. **REP. THOFT** seconded the motion. It carried unanimously. No legislation will be necessary to accomplish this motion.

REP. BARDANOUVE requested the standing of the construction of the prison lawsuit litigation that was ongoing. **Tom O'Connell, State Architect**, explained the status of that issue changed from a budget presentation late in the session when the Committee ultimately approved the money because there was ongoing litigation during that time. The settlement was for approximately \$335,000, so the \$345,000 appropriation received was spent on July 1 to settle that litigation which wiped all lawsuits and arbitration mediations off the books for the prison expansion for 1983. Very little money is left. It is around \$10,000.

Mr. Haubein referred to the status of the five major construction projects on Page F-3 of EX. #3.

BONDS

Mr. Haubein handed out EX. #7 **STATUTORY APPROPRIATIONS** explaining cost of debt service for bonds. Total interest costs for proposed new bonds would be \$8.2 million more than the existing debt service payments. It would be for tax exempt bonds. This may become an issue.

Bill Johnstone, Minneapolis, Bond Broker, explained most of the bonds were issued in 1980. It was decided to have them mature over a 20-year period. In 1983 when funding was done, it was decided to dramatically shorten the maturity time because it was believed the State was going to issue additional general obligation bonds. There were some interest rate economies in addition to shortening maturities, but it was expected when these bonds were funded in 1985 or 1987, the State would issue additional bonds, the payment on principal of which would commence in 1986 and go out and within a couple of years you would have what would be a form of rational looking debt

schedule. That did not occur for a number of reasons.

In essence this funding proposal takes some principal that is payable currently and defers it for about five years, and it adjusts the existing debt service schedule so it is a little longer. It doesn't make it longer than it normally would have been, the principal is not being deferred over the usual period of time. It would still have a very short amortization of the principal. You are doing so at a time when the State has financial difficulties. The rating agencies are aware of that and are probably more skeptical because of those difficulties. It has a cost associated with it as pointed out. Looking at it in the present value analysis in the interest cost it is pretty much of a wash. Because interest rates have declined so much in the last 3 months it is now possible to borrow at a taxable rate that is comparable to what you could have got from a tax exempt rate several months ago, and so the present value cost to the State is about \$50,000, and present value analysis is the classic way of comparing costs. You are paying more interest, but you are paying it in the future, and are trying to determine what the cost of that is today under the present value analysis. The benefit is that it frees up some cash in the form of principal payments. It has the effect of extending the principal amortization. It doesn't extend the principal amortization abnormally long, and you are doing so at a time when the agencies are taking a careful look at the State's assets to determine whether to preserve the current good financial rating.

REP. BARDANOUVE asked if it would hurt the State's current rating. Would raising interest rates even a very small amount affect the financial rating? Would it hurt us? Mr. Johnstone said the State is currently rated AA by Moody's and AA- by Standard and Poor. The concern would be that one or the other rating services, probably Moody's, might reduce the State's rating one notch because they think the overall financial circumstances of the State warrants that because of the additional general obligation bonds you are proposing to issue, or because they think the extension of the principal maturity suggests improper financial management. His sense is that they would not lower the rating by merely doing refinancing alone. That combined with the issuance over the next three or four years of an additional \$65 million in bonds might affect it.

REP. CONNELLY asked when talking about the rating, would that also affect the interest rate, and would it affect the ability to sell the bonds. Mr. Johnstone said even if the rating were reduced to AA- that still would be rated higher than most other states in the U.S. It is still a very high rating. It would affect the interest rate. Karen Munro estimated going from AA to AA- might have an effect of five to fifteen basis points or .05 of 1% to .15 of 1%, .05 would cost you \$500 for each \$1 million borrowed annually. \$60 million would cost \$30,000 per year. If it were an AA rating, it would produce a 5% interest rate, a AA- would produce 5.05 or up to 5.15%.

REP. CONNELLY asked if it were possible to issue bonds to cover the things already talked about, such as the University Buildings, etc. Sell new bonds and also borrow enough over and above that to pay off existing debt, or can that be allowed? The State could then start out owing nothing except the new bonds which would be issued in 1993 or 1995. Mr. Johnstone said new bonds might be issued to refund outstanding debt, but it just puts it into a new form. It could pay off the outstanding debt by issuing funding bonds or paying cash to do so. Classically, there are two reasons to refinance - to reduce your interest cost, or to restructure the principal amortization schedule, but refinancing doesn't reduce the amount of money owed. It reduces the cost or it changes the rate at which the principal is paid.

Ms. Munro said the State owes about \$46 million in bonded indebtedness at the present time. This could be paid off in cash or refinancing the whole issue which would generate a charge or penalty of \$2.8 million. A new \$50 million bond could be issued to pay off the \$46 million but the bond proceeds would have to be put in escrow. There would be a debt service connected to the \$50 million then.

REP. CONNELLY said we are talking about \$61 million for building projects over and above the \$46 million. Is it possible to issue new bonds in an amount to cover the \$46 million and \$61 million? Mr. Johnstone explained the \$46 million outstanding bonds are not subject to a prepayment before August 1993 and when there is a principal and prepayment penalty of 2%. It may be advantageous at that time to prepay but it would depend on interest rates at that time. If additional bonds are issued, they will be issued in such a way so as to achieve the same level of payments from the general fund. In 1994 the debt service would be about \$10 million and in 1995 it would be about \$13 million. In 1983 it was anticipated additional bonds would be issued later.

Ms. Munro said the interest rate on the \$46 million bonds is just over 9%. Because of certain pledging restrictions these bonds cannot be prepaid. These bonds are bringing a premium on the market.

Bob Marks explained the \$61 million proposed will not be a hit on the general fund at this time. It takes from 1 to 1-1/2 years to put a bond sale together. Arbitrage problems could arise with the government. However, interest rates could be back up again by then.

SCHOOL FUNDING

Mr. Marks explained the school districts could not get an unqualified opinion in order to sell school district bonds. Karen Munro handed out EX. #8. If the State backed school district facility bonds, it would be a general fund obligation of the State and would count in the \$60-\$65 million upper maximum threshold recommended by the State's Financial Advisor. This

would be considered a temporary bandaid approach to funding capital for schools and probably would not go beyond a year. The 1993 Legislature would address the school problem. The Board of Investments proposal authorized a \$15 million bond issue of their \$50 million cap for bonding backed by the coal tax trust fund. This would not be a general obligation of the State.

May Nan Ellington, Missoula, said the Board of Investments program would basically issue its bonds under the Municipal Financial Consolidation Act. The proceeds of those bonds would be used to purchase Bond Anticipation Notes (BANS) for the school districts. They would mature about 1994 with the notion that the BI would provide a short term lending mechanism so the school districts that met certain emergency criteria could proceed with the construction of their buildings with the anticipation the Legislature meeting in regular session in 1993 would solve the equities problem so the school districts could issue bonds on their own and once they do that they could redeem their BANS with the BI. The BI could market their bonds successfully, and if not they could make a loan to their reserve account from money they have available to invest. The BI approved this program in December, and will take it up again in January if the Legislature does not guarantee the bonds themselves. The school districts did not want to issue long term bonds in 1994. They objected to the market interest rate. They did not know what the interest rates might be in 1993 or 1994. If the State guaranteed the bonds that would allow them to access the market now at a favorable interest rate.

Regarding the State's proposal, it is not an absolute guarantee by the State. The guarantee is very narrowly defined at this point. The State's obligation would only arrive in the event that a final court decision precluded a school district from levying a property tax to pay debt service on the bonds as a result of the constitutional issue. The State's guarantee would not kick in under obligation on the guarantee until there had been a court decision invalidating the property tax levy. The other provision would require the school districts to refund their bonds in the event it could do so without incurring any additional debt service payments. If the market continued to be good after the 1993 Session had resolved the equality issue, they could issue refunding bonds and the rating agencies would reduce any liability the State would have for those bonds.

The school districts would have to go through their regular channels of taxpayer approval before they could request BANS or bonds. Once approved school districts by law do not have to specify interest rates on their bonds so they don't have to go back to the taxpayer to issue a long term bond or do a refunding of the bonds. The only risk is a lawsuit challenging the ability to use the property tax exclusively as the method of funding capital outlay. The proposals are based on a first come, first served basis after meeting certain approval requirements.

HOUSE LONG-RANGE PLANNING SUBCOMMITTEE

January 3, 1991

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Further Executive Action will be taken at 9:00 a.m. January 4, 1992.

ADJOURNMENT

Adjournment: Meeting adjourned at 11:15 a.m.

M. E. Connelly

REP. MARY ELLEN CONNELLY, Chair

Jo Lahti

Jo Lahti, Secretary

MEC/jl

HOUSE OF REPRESENTATIVES
LONG-RANGE PLANNING SUBCOMMITTEE

ROLL CALL

DATE Jan. 3, 1992

NAME	PRESENT	ABSENT	EXCUSED
REP. FRANCIS BARDANOUVE	✓		
SEN. ETHEL HARDING	✓		
SEN. BOB HOCKETT, VICE-CHAIRMAN	✓		
SEN. J.D. LYNCH	✓		
REP. BOB THOFT	✓		
REP. MARY ELLEN CONNELLY, CHAIR	✓		

HR:1991
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RESOURCE INDEMNITY TRUST INTEREST ACCOUNTS

House Bill 6

This bill appropriates the Water Development and Renewable Resource Development grants and loans to the Department of Natural Resources and Conservation for the 1993 biennium. Table 1 shows the grants for both programs in priority order, the loans authorized for both programs, and the Water Development grants and loans reauthorized.

Table 1
Water Development and Renewable Resource Grants and Loans
1993 Biennium

Grant Recipient	Project	Water Dev.		Loans
		Grants	Renewable Res. Grants	
WATER DEVELOPMENT				
Chinook Irrigation District	Milk River Water Supply	\$100,000 ✓		
Lower Musselshell Conservation Dist.	River Management Tools	72,539 ✓		
Glasgow Irrigation District	Improving Water Use Efficiency	100,000 ✓		
Greenfields Irrigation District	Gravity Sprinkler Planning	100,000 ✓		
Montana State Library	Drought Monitoring System	58,364 ✓		
Jocko, Mission, & Flathead Irrigation Dist.	Flathead Irrigation Information System	92,000 ✓		
Lewis and Clark County Irrigation Dist.	Nilan Water Conservation	100,000		
Private Applicant - Beaverhead County	Ruby Creek Dam Feasibility Study	14,708		
Private Applicant - Town of Sockett	Wastewater Collection and Treatment	50,000		\$150,000
Fort Shaw Irrigation District	Rehabilitation of Headworks & "A" Diversion	50,000		50,000
Town of Dutton	Water Storage Reservoir	91,319		
Phillips Conservation District	Moisture Monitoring Project	53,382		
Private Applicant - Sun River Community	Sun River Water System	7,500		
Town of Chinook	Milk River Weir Replacements			200,000
Town of Belt	Sewage System Improvements			100,000
Town of Glasgow	Water and Wastewater			80,950
Missoula Health Department	Linda Vista Sewer Interceptor			100,000
Town of Fairfield	Waterway			14,169

Water Dev. Renewable

RESOURCE INDEMNITY TRUST INTEREST ACCOUNTS

<u>Grant Recipient</u>	<u>Project</u>	<u>Grants</u>	<u>Res. Grants</u>	<u>Loans</u>
RENEWABLE RESOURCES				
Yellowstone County Conservation District	Streambank Reinforcement		\$100,000 ✓	
Jefferson Valley Conservation District	Cereal-Legume Energy Efficient Crop Rotation		48,677	150,000
Town of Neihart	Water System Improvements		50,000	100,000
Town of Ekalaka	Water Supply and Storage		49,975	
Montana State University	Public Education in Water Management		100,000	
Stillwater Conservation District	Evaluation of Plastic Lining and Fabrication		56,848	
Broadwater Conservation District	Irrigation Water Management Demonstration		100,000	
Dept. of Natural Resources and Conservation	Beaverhead County Ground Water Study		100,000	
City of Polson	Wellhead Protection Program		76,055	
Town of Three Forks	Water System Improvements		100,000	
Fort Shaw Irrigation Project	Rehabilitation and Betterment Study		50,000	
Government of Butte-Silver Bow	Blacktail Creek Restoration		100,000	
Liberty County Conservation District	Sweetgrass Hills Ground Water Study		100,000	
Missoula County Conservation District	Irrigation Diversion Alternatives		85,250	
Fallon County	Baker Lake Erosion Control and Rec. Path		15,361	
Darby School District No. 8	Park Project		25,300	62,500
Meagher County Conservation District	South Side Canal Lining Project		37,500	
Dept. of Natural Resources and Conservation	Battle Creek Storage Unit		<u>82,000</u>	
Total Current Projects		\$889,812	\$1,276,966	\$1,007,619
REAUTHORIZED WATER DEVELOPMENT GRANTS AND LOANS				
Sun Prairie Village Water & Sewer Dist.	Water System Improvements			\$200,000
Carbon County/City of Roberts	Water System Improvements			142,500
City of Shelby	Water System Rehabilitation	\$25,000		75,000
Sage Creek Water District	Water District Expansion			158,600
Town of Cascade	Water Distribution and Supply	50,000		150,000
City of Belgrade	Meter Installation & Water Main Replacement	50,000		150,000
Town of Hysham	Water System Improvements	50,000		150,000
East Glacier Water & Sewer Dist.	Middle Creek Diversion	40,000		76,380
Eastern Sanders Conservation District*	Little Bitterroot Recharge Enhancement	<u>86,300</u>		
Total Reauthorizations		\$301,300		\$1,102,480

* Reauthorization removes the requirement for matching federal funds.

EXHIBIT 1
7/3/22

RESOURCE INDEMNITY TRUST INTEREST ACCOUNTS

The grants for both programs are in priority order. If revenues are insufficient to fund all grants, the grants of lower priority will not be awarded. Language in the bill allows projects in the Renewable Resource Development program that cannot be funded because of insufficient revenues to be funded from Water Development funds if there are excess funds available and if they meet the Water Development program ranking criteria.

Loans of up to \$200,000 come from Water Development bond proceeds. Loans for greater than \$200,000 come from the Water Development coal severance tax bonds and are authorized in House Bill 7. House Bill 6 provides that applicants that did not receive grants may apply for a loan. The interest rate for the loan must be at the rate paid for the bonds issued.

House Bill 6 also contains an appropriation to the Department of Natural Resources and Conservation of up to \$125,000 from the Water Development state special revenue account to be used for emergency projects.

The bill contains language expressing the intent of the legislature that a minimum of \$1 million be available for the Water Development Grants program and a minimum of \$1 million be available for the Renewable Resource Development Grants program for the 1993 legislative session. Diversion of the RIT interest funds to other programs in past sessions has decreased the funds available for these grant programs.

RESOURCE INDEMNITY TRUST INTEREST ACCOUNTS

House Bill 8

(5-35-108
(3d)
(3h))

Table 2 lists the grants for Reclamation and Development in priority order.

Table 2
Reclamation and Development Grants
1993 Biennium

<u>Grant Recipient</u>	<u>Projects</u>	<u>Reclamation & Development</u>
Government of Butte-Silver Bow	Water, Air, Soils Testing and Evaluation Center	\$ 296,113
Chinook Irrigation District	Milk River Water Supply Project	300,000
Judith Basin Conservation District	Community-Led Rural Development in Montana	170,000
Dept. of Health and Environmental Sciences	Arro Refinery Cleanup	300,000
Montana Board of Oil and Gas Conservation	Abandoned Well Plugging Project "A"	300,000
Montana Board of Oil and Gas Conservation	Abandoned Well Plugging Project "B"	295,000
Montana Salinity Control Association	Soil and Water Nonpoint Source Pollution Control	137,500
Montana State University	Effect of Sodium, Chlorine, and Total Salts from Treated Cyanide Solutions on Soils	82,885
Carbon and Stillwater Counties and City of Big Timber	Integrated Waste Management in Southcentral Montana	45,437
Dept. of Health and Environmental Sciences	Nonpoint Pollution Control Project	146,620
Montana Bureau of Mines and Geology	Downhole Geophysical Logging Techniques	39,749
Montana Board of Oil and Gas Conservation	Abandoned Well Plugging Project "C"	144,000
Toole County	North Toole County Reclamation Project	105,000
Carbon, Chouteau, Custer Dawson, and Lake Counties	Pesticide Contamination Cleanup	300,000
Government of Butte-Silver Bow	Upper Clark Fork River Basin Coordinator	60,000
Dept. of Natural Resources and Conservation	Arsenic in Upper Missouri River Basin	179,330
Department of State Lands	Well Assessment and Abandonment	300,000
Department of State Lands	Comet Mine Wetlands Development	250,700
Glacier County Conservation District	Evaluation of Ground Water Contamination	197,453
Dept. of Health and Environmental Sciences	Water Resources in Clark's Fork Yellowstone River Basin	218,250
Sheridan County Conservation District	Oil Field Waste Contamination	134,736
Yellowstone County	LIS/GIS Project	50,000
Montana State University	Trout Stream Restoration	45,500
Montana Salinity Control Association	Supplemental Funding Nonpoint Source Pollution	62,500
Total Grants		\$4,160,773

RESOURCE INDEMNITY TRUST INTEREST ACCOUNTS

The grants authorized in this bill exceed the available revenues for the projects. The legislature gave the department the flexibility to approve grants of lower priority in the event additional revenues become available or if any of the projects of higher priority are not awarded.

The bill reauthorizes grants of \$107,000 from the 1987 legislature and \$300,000 from the 1989 legislature made to the Department of State Lands for the Blackfoot River reclamation project and transfers the appropriation of \$407,000 to the Department of Health and Environmental Sciences (DHES). This transfer was made because DHES has the authority to pursue cost recovery from parties responsible for the river contamination.

The bill also includes language which states that it is the legislature's intent that a minimum of \$3 million be available for the Reclamation and Development grants program for the 1993 legislative session.

House Bill 7

Table 3 lists the Water Development loans from the coal severance tax bond proceeds contained in House Bill 7. This table shows the grant recipient, project, term, and loan amount for both the new loans and loans reauthorized. This table also includes the Evergreen Wastewater project reauthorized in House Bill 648.

RESOURCE INDEMNITY TRUST INTEREST ACCOUNTS

Table 3
Water Development Loans from Coal Severance Tax Bond Proceeds
1993 Biennium

<u>Recipients</u>	<u>Projects</u>	<u>Loan Terms</u>	<u>New Loans</u>	<u>Reauthorized Loans</u>
NEW LOANS				
City of Forsyth	Water Treatment Plant Improve.	2% Subsidy-5 years, Bond rate 15 years	\$1,948,916	
Seely Lake-Msila Co Water Dist	Water Treatment Plant	2% Subsidy-5 years, Bond rate 15 years	922,150	
Columbia Falls	Water Improvements	1% Subsidy-5 years, Bond rate 15 years	1,163,720	
Huntley Irrigation District	Diverson Structure and Canal	No Interest Subsidy, 20 year loan	749,797	
Beaverhead Co Sewer District	Lima Dam Rehabilitation	3% for 30 years, Est. Subsidy 4.5%	3,040,000	
Mill Creek Water & Sewer Dist	Gravity Irrigation Sprinkler	6% for 30 years, Est. Subsidy 1.5%	151,000	
Lakeside Water & Sewer Dist	Wastewater Facility	6% for 30 years, Est. Subsidy 1.5%	251,700	
REAUTHORIZED LOANS				
East Bench Irrigation District	Gravity Sprinkler	4% for 30 years, Est. Subsidy 3.5%		\$ 431,000
Somers Co Water & Sewer Dist	Sewer Project	3% Subsidy-5 years, Bond rate 15 years	3,151,960	
Evergreen Water & Sewer Dist*	Wastewater Facilities	3% Subsidy-5 years, Bond rate 15 years	3,778,028	
Lake Co/Big Arm Sewer Dist	Sewer	3% Subsidy-5 years, Bond rate 15 years	2,283,893	
City of Glendive	Water Treatment Plant	2% Subsidy-5 years, Bond rate 15 years	4,075,000	
City of Whitefish	Water treatment & Distribution	2% Subsidy-5 years, Bond rate 15 years	6,035,800	
Town of Wibaux	Water Strg/Transmission Line	2% Subsidy-5 years, Bond rate 15 years	272,500	
Town of East Glacier	Water System	2% Subsidy-5 years, Bond rate 15 years	484,270	
Pondera Conservation District	Irrigation System Rehab.	2% Subsidy-5 years, Bond rate 15 years	750,000	
Town of Browning	Sewage Treatment Improvements	No Interest Subsidy, 20 year loan	447,014	
Anaconda-Deer Lodge County	Wastewater Effluent Disposal	No Interest Subsidy, 20 year loan	500,000	
Town of Dutton	Water Supply Construction	4% Subsidy-5 years, Bond rate 15 years	150,000	
Total Loans			\$8,227,283	\$22,359,465

*Includes HB 648 reauthorization of \$3,266,900 for the Evergreen Wastewater Project

In addition to the reauthorized loans in the table, House Bill 7 contains language reauthorizing any remaining balance in the Broadwater Dam bond proceeds account to be used for completion of the project.

RESOURCE INDEMNITY TRUST INTEREST ACCOUNTS

Section 8 of the bill authorizes the Board of Examiners to issue revenue bonds to refund coal severance tax bonds if the refunding is beneficial to the state. Debt service payments for these revenue bonds would come from loan receipts. The bonds would not be backed by the coal tax fund and would not be a state debt.

The terms for the seven new loans authorized in House Bill 7 are shown in Table 4. With the exception of the loan for the Huntley Irrigation District, all the loans are subsidized by coal tax revenues. These subsidies reduce the revenues deposited in the permanent coal tax trust fund. Table 4 shows the anticipated reduction in the coal tax trust fund during the loan period due to the subsidies for the new loans. The calculations are based on an average interest earnings of 7.5 percent.

Table 4
Water Development Loan Subsidy Cost to Coal Tax
1991 Session

Years	Forsyth	Seeley Lake	Col. Falls	Huntley	Beaverhead	Mill Creek	Lakeside	Totals
1-5	\$190,987	\$ 90,369	\$57,254	\$0	\$ 426,485	\$ 6,271	\$10,453	\$ 781,819
6-20	35,338	16,722	10,188	0	1,279,454	18,813	31,359	1,391,874
21-30	0	0	0	0	852,970	12,542	20,906	886,418
Totals	\$226,325	\$107,091	\$67,442	\$0	\$2,558,909	\$37,626	\$62,718	\$3,060,111

Other Legislation

House Bill 240 - This bill expands the projects eligible for Reclamation and Development grants to include projects that provide research and demonstration of farming practices that reduce agricultural chemical use.

House Bill 498 - This act authorizes the use of unexpended bond proceeds from the 1985 series Water Development bond issue for Water Development loans. This bill also increases the amount of the loans from \$100,000 to \$200,000.

Senate Bill 313 - Senate Bill 313 clarifies the state's water storage policies. One of the provisions of the bill sets aside 25 percent of the money available for Water Development and Renewable Resource Development grants in the 1993 biennium in a separate account to be available for water storage projects for the 1993 legislature. This reduces the funds available for grants in the 1993 biennium, which was anticipated when the grants for the two programs were approved by the 1991 legislature.

OIL OVERCHARGE FUNDS

1991 Legislation

House Bills 10, 524, and 777 appropriate \$3,305,000 in oil overcharge funds for energy conservation projects and programs for the 1993 biennium. Oil overcharge funds are allocated to the state by the federal Department of Energy as a result of federal court action requiring certain producers to pay restitution for violation of federal oil price and allocation controls between 1973 and 1981. These funds cannot be used to replace state funds and may only be used for programs authorized under federal law. Table 1 lists the projects in priority order appropriated in three bills and the state agency responsible for each of the programs.

Table 1
Oil Overcharge Funds
1993 Biennium

<u>Project</u>	<u>Agency</u>	<u>Amount</u>
Energy Savings Projects Administration	Department of Natural Resources & Conservation	\$ 400,000
Low-Income Home Weatherization	Dept. of Social and Rehabilitation Services	1,150,000
Low-Income Energy Assistance Program	Dept. of Social and Rehabilitation Services	100,000
Biological Weed Control	Department of Agriculture	200,000
Vegetable Oil as Fuel Substitute	Department of Natural Resources & Conservation	200,000
Retrofitting Local Government Buildings	Department of Natural Resources & Conservation	235,000
Conservation Districts Tech. Assistance	Department of Natural Resources & Conservation	100,000
Low-Income Home Heating Tank Replacement	Department of Health and Environmental Sciences	200,000
Wind Farm Transmission Study (HB 524)	Department of Natural Resources & Conservation	70,000
Institutional Conservation Program	Department of Natural Resources & Conservation	650,000
Total		\$3,305,000

House Bill 777 includes an appropriation of \$400,000 to the Department of Natural Resources and Conservation from the oil overcharge funds to administer energy savings projects for state-owned buildings, as authorized in Title 90, Chapter 4, Part 6, MCA. The bill states that this appropriation has higher priority than any other projects funded from the oil overcharge funds.

The Home Weatherization program provides home weatherization assistance to families whose incomes are below the 125 percent federal poverty level, as provided in Section 90-4-201, MCA. These funds supplement the appropriation for this program in House Bill 2.

The appropriation for the Low-Income Energy Assistance program will be used to match private contributions to Energy Share, Inc., which assists persons not eligible for federal low-income energy assistance whose incomes are less than 150 percent of the federal poverty level. These funds may only be used for clients' fuel bills or other energy needs.

OIL OVERCHARGE FUNDS

The appropriation for Biological Weed Control to the Department of Agriculture is to continue the collection and distribution of biological agents to control leafy spurge and spotted knapweed. The project will reduce energy consumption by reducing the need for repeated chemical applications.

The Department of Natural Resources and Conservation is appropriated \$200,000 for demonstration of vegetable oil fuel substitutes or extenders designed to reduce petroleum consumption and result in a new potential cash crop for Montana farmers. These funds must be matched dollar-for-dollar with private or federal funds. The appropriation must be used to: 1) contract with Montana farmers to grow high oleic safflower strains such as montola 2000; 2) field test lube oil additive mixes to minimize polymerization in diesel engines that use vegetable oil; 3) evaluate testing results from safflower fuel oil use; and 4) perform preliminary market development for montola 2000 or high oleic strains.

The appropriation for retrofitting local government buildings is to be used for grants to public or private entities to develop programs for retrofitting local government buildings with energy conservation measures similar to the state building energy conservation program established in Title 90, Chapter 4, Part 6, MCA. The Department of Natural Resources and Conservation must report to the 53rd Legislature on work completed, recommendations for self-sustaining local government building conservation programs, and legislation necessary to implement the program.

The Department of Natural Resources and Conservation is appropriated \$100,000 for use by conservation districts for energy efficiency or renewable energy projects, specifically in agricultural projects.

The appropriation for low-income home heating tank replacement is made to the Department of Health and Environmental Sciences to remove and replace home heating oil tanks and lines that are losing fuel or that are over 30 years old. This assistance can only be made for residences that are occupied by recipients of the Low-Income Energy Assistance program. These funds may not be used to clean soil or water contaminated by leaking home heating oil tanks or lines.

The appropriation for the wind farm transmission study in House Bill 524 to the Department of Natural Resources and Conservation is to assess the ability of the present electrical transmission system and the development of utility-scale wind farms in Montana to reduce future costs to electric rate-payers and encourage the development of a Montana natural resource. There is a 2-to-1 match requirement with this appropriation.

The appropriation for the Institutional Conservation program will provide energy conservation to schools and hospitals. This appropriation has the lowest priority and will be the first reduced if revenues are not sufficient to fund all programs.

House Bill 777 authorizes the issuance of \$3 million in general obligation bonds to fund energy savings projects in state-owned buildings in compliance with Title 90, Chapter 4, Part 6, MCA. The projects listed in the bill are for the University of Montana, Eastmont Human Services Center, Pine Hills School, and the Cogswell Building. Section 90-4-606, MCA, requires that the estimated energy savings for the projects be equal to or greater than the debt service for the bonds. This bill received the necessary two-thirds vote approving a state debt.

EXHIBIT 1
 DATE 1/31/12
 WSDOT Submittal

CULTURAL & AESTHETICS GRANT PROGRAM

The Cultural and Aesthetics Grants program, which is administered by the Montana Arts Council, is funded by the interest from a non-expendable trust which receives a portion of the coal severance tax revenues. By statute, the interest from this must be used for protection of works of art in the state capitol and for other cultural and aesthetic projects. All grants must be approved by the legislature.

Table 1 details the total appropriations, actual expenditures, and numbers of projects funded since the program began.

Biennium	Cultural Aesthetic Projects		History
	Appropriated	Expended	
1979	\$50,000	\$50,000	1
1981	140,000	140,000	3
1983	641,680	601,477	15
1985	823,479	811,116	39
1987	1,476,511	1,442,870	63
1989	1,211,817	1,208,217	52
1991	1,298,788	N/A	74
1993	1,296,080	N/A	101

CULTURAL & AESTHETICS GRANT PROGRAM

Table 2 shows the projected funding for the Cultural and Aesthetics Grants for the 1993 biennium.

Table 2
Cultural & Aesthetics Fund
Fund Balance Projection
1993 Biennium

Estimated Beginning Fund Balance	\$262,766
Revenues	
Interest	1,314,855
Funds Available	\$1,577,621
Expenditures	
Administration	\$133,549
Evaluations	11,000
Grants	<u>1,296,080</u>
Total Expenditures	<u>\$1,440,629</u>
Ending Fund Balance	\$136,992

House Bill 1008 enacted by the 1991 legislature created a separate trust for this program. Prior to fiscal 1992, a portion of coal severance tax collections were deposited in the Park Acquisition trust. Of the interest earned on that trust, two-thirds was allocated for park acquisition and maintenance and one-third for the cultural and aesthetics grant program. Effective July 1, 1991, House Bill 1008 provides that one-third of the trust principal be placed in a separate trust, with all the interest dedicated to the cultural and aesthetics grant program. This new trust will receive 0.63346 percent of coal tax collections.

Table 3 lists the grants which were appropriated in House Bill 9 in the 1991 session for these projects. Projects are listed in priority order and will be funded in that order as funds become available.

CULTURAL & AESTHETICS GRANT PROGRAM

Table 3
Cultural & Aesthetic Grants, 1993 Biennium
House Bill 9 Appropriations

	<u>Name of Project</u>	<u>Appropriation</u>
1	MSU Shakespeare in the Parks	\$27,500
2	Montana Arts Council	50,000
3	Montana Institute of the Arts Fund	15,000
4	Helena Presents	30,000
5	Vigilante Theater Company	15,500
6	Montana Performing Arts Concert	40,000
7	Yellowstone Art Center	50,000
✓ 8	UM Montana Repertory Theater	50,000
9	MSU KUSM Public Television	32,500
10	Native American Cultural Institute	9,000
11	Alberta Bair Theater Corp.	10,000
12	Montana Historical Society	73,400
✓ 13	Hockaday Center for the Arts	15,000
14	Montana Arts Council	35,000
15	Young Audiences of Western MT	10,000
✓ 16	Missoula Children's Theater	35,000
✓ 17	Montana Art Gallery Director's Association	25,000
✓ 18	International Choral Festival	5,000
19	Montana Committee for the Humanities	25,000
20	Watershed Foundation	27,500
21	Town of Sunburst	10,000
✓ 22	Dull Knife Memorial College Library	20,000
23	Aleph Movement Theater	10,000
24	Beall Park Art Center	3,500
25	Custer County Art Center	15,000
26	Bigfork Center for the Performing Arts	15,000
27	Lewistown Arts Center	1,500
✓ 28	Missoula Children's Theater	15,000

EXHIBIT 1
11/3/92
LRP Section 2

CULTURAL & AESTHETICS GRANT PROGRAM

<u>Name of Project</u>	<u>Appropriation</u>
29 Northern Lights Institute	10,000
✓ 30 Helena Civic Center	10,000
31 Western Heritage Center	15,000
✓ 32 Paris Gibson Square	5,000
✓ 33 Montanans for Quality TV	10,000
34 Fort Peck Fine Arts Council	20,000
35 Montana Indian Art & Cultural Association	10,000
✓ 36 Great Falls Symphony Association	10,000
✓ 37 String Orchestra of the Rockies	10,000
38 Yellowstone Chamber Players	10,000
39 Blackfeet Community College	2,000
40 Fox Committee for the Performing Arts	10,000
41 Hellgate Writers, Inc.	13,000
42 Alberta Bair Theater Corp.	8,767
43 Bigfork Center for the Performing Arts	17,534
✓ 44 Glacier Orchestra and Chorale	21,917
45 Beall Park Art Center	8,767
46 Billings Symphony Society	13,150
47 Yellowstone Art Center	17,534
48 Clack Museum Foundation	13,150
49 Gallatin County Historical Society	8,767
50 MSU Shakespeare in the Parks	17,534
✓ 51 Great Falls Symphony Association	21,918
52 Bitterroot Public Library Fund	17,332
53 Carbon County Arts Guild	5,000
✓ 54 Montanans for Quality TV	10,000
✓ 55 Grandstreet Theater	10,000
56 Powder River Historical Society	2,000
57 Livingston Depot Foundation	12,000
58 Montana Ballet Company	7,500
59 Garden City Ballet	7,500
60 Montana Ag Center of Fort Benton	4,000
✓ 61 Garfield County Library	5,000
62 Custer County Art Center	7,000

CULTURAL & AESTHETICS GRANT PROGRAM

Name of Project	Appropriation
63 Helena Symphony Society	10,000
✓64 Missoula Symphony Association	5,000
✓65 Montana Association of Symphony Orchestra	10,000
66 Montana State Theater Association	3,000
67 Montana Public TV Association	10,000
68 Montana Dance Arts Association	5,000
✓69 Billings Preservation Society	30,000
70 Daly Mansion Preservation Trust	15,000
71 Blackfeet Community College	2,000
72 Growth Thru Art, Inc.	10,000
73 Broadway 215	4,000
74 Very Special Arts Montana	10,000
75 Celebrate Missoula	10,000
76 Copper Village Museum	5,000
77 Custer County Art Center	3,000
78 Gallatin County Historical Society	2,500
79 Treasure County 89'ers	3,000
80 Granite County Museum/Cultural Center	5,000
81 Montana Alliance for Arts Education	5,000
✓82 Stevensville Museum	2,500
83 Bitterroot Community Band	1,000
✓84 Montana Puppet Guild	4,000
85 Daly Mansion Preservation Trust	15,000
86 MSU School of Art	18,000
87 Garnet Preservation Association	5,000
88 Big Sky Association for the Arts	10,000
89 Dillon Depot Restoration Committee	2,000
90 UM KUFM Radio	3,000
91 Biddle Community Heritage Center	1,000
92 Prairie County Museum	3,000
93 Bannack State Park	2,310
94 Milwaukee Rode Cultural Project	4,000
95 Museum of the Northern Great Plains	10,000
96 Old Trail Museum	5,000

DATE 4/3/82

SRP Submittal

CULTURAL & AESTHETICS GRANT PROGRAM

<u>Name of Project</u>	<u>Appropriation</u>
97 Helena Arts Council	5,000
98 Helena Arts Council	5,000
99 Archie Bray Foundation	5,000
100 Archie Bray Foundation	5,000
101 Big Fork Village Art and Cultural Center	1,000
TOTAL	1,296,080

MONTANA ARTS COUNCIL

11/31/92 Ex 2
11/31/92
F.R. Subcommittee



STAN STEPHENS, GOVERNOR

48 NORTH LAST CHANCE GULCH
NEW YORK BLOCK

STATE OF MONTANA

(406) 444-6430

HELENA, MONTANA 59620

DATE: January 2, 1992

TO: Long Range Planning Joint Subcommittee

FROM: Bill Pratt, Director of Organizational Services *Bill Pratt*

RE: Grants received from the National Endowment for the Arts (NEA)

The Montana Arts Council has received the grants from the following programs of the NEA. Grants will be matched by reverted funds from the Cultural Trust:

* Expansion Arts Program

\$40,000 to support a rural arts initiative regrant program. This competitive grant program will help five to six organizations significantly further their efforts to develop and stabilize program, organizational structure and fundraising capability. Under this program, participants are anticipated to receive funding for three years and to compete for regional and national grants in subsequent years. The Council will apply to the NEA for an additional \$40,000 in each of the next two years.

* Locals Program

\$50,000 to contract for two years with a full-time Rural Arts Specialist to provide technical assistance services to rural communities. The specialist would help to develop Local Arts Agencies and community arts organizations and facilitate communications between rural arts organizations statewide.

* Folk Arts

\$10,000 to augment the Council's existing Folk Arts apprenticeship program to include traditional Native American arts. Applications are being prepared on the Crow, Ft. Belknap, Blackfeet and Ft. Peck reservations and anticipated from Northern Cheyenne, Rocky Boy and Salish-Kootenai reservations. The Council's Folklife Program plans to submit a grant to the NEA next year for support of a traveling exhibition of the master artists' and apprentices' works.

January 2, 1992
Long Range Planning Joint Subcommittee
Page Two

The following grants were also received by the Council and matched with organizational resources, Cultural Trust grants already appropriated to those organizations and Council funds.

* Locals Program

\$17,566 to support the salary for two years of the first executive director for the Missoula Cultural Exchange. The Exchange is the first graduate of the Council's Local Arts Agency Initiative and is pioneering comprehensive community cultural planning for the state. Funds were available from the NEA for organizations outside Metropolitan Statistical Areas and the Exchange was the only Montana organization ready to take advantage of this program.

* State Programs

\$119,500 to support 9 Statewide Service Organizations for two years in their efforts to serve rural and other underserved communities. Participants in the program include:

- Montana Alliance for Arts Education
- Montana Art Gallery Directors Association
- Montana Dance Arts Association
- Montana Indian Contemporary Artists
- Montana Institute of the Arts
- Montana Institute of the Arts Foundation
- Montana Performing Arts Consortium
- Montana Public TV Association
- Montana Symphony Orchestra Association

DATE 1/3/92
FRP Submittal

NEA REQUESTS ACTUAL & PENDING 1992-1993

PROGRAM	PURPOSE	GRANT AWARD/ REQUEST	MATCH			C&A/Other C&A/MAC	MAC grants	TOTAL	
			In-kind/Other	In-kind/MAC				All Other	
States FY 92-93	Request on behalf of 9 Statewide Service Organizations Grant # 91-6144-0065 10/01/91-09/30/93	\$119,500	\$40,375	\$8,290	\$74,132		\$35,896	\$82,116	\$360,309
Locals FY 92-93	Basic Salary Assistance for Missoula Cultural Exchange (MCE) Grant # 91-6252-0071 10/01/91-09/30/93	\$17,566	\$4,100	\$1,468	\$10,000		\$4,000	\$154,046	\$191,180
Locals FY 92-93	Technical Assistance to pre-LAA's contract with rural arts specialist Grant # 91-6252-0040 10/01/91-09/30/93	\$50,000		\$13,684		\$42,222		\$5,000	\$110,906
Expansion FY 92	Rural Arts Initiative Regrant program Grant # 91-5370-00432 10/01/91-09/30/92	\$40,000		\$13,438		\$40,000		\$40,000	\$133,438
Folklife FY 92	Indian Folklife apprenticeships Grant # 91-5534-0196 10/01/91-09/30/92	\$10,000		\$8,726		\$5,833			\$24,559
Arts in Education FY 93	Rural Arts Education To be applied for	\$21,072				\$21,072		\$21,072	\$63,216
Expansion FY 93	Rural Arts Initiative Regrant program To be applied for	\$40,000		\$13,438		\$40,000		\$40,000	\$133,438
Total		\$298,138	\$44,475	\$59,044	\$84,132	\$149,127	\$39,896	\$342,234	\$1,017,046
	C&A reversions as of 11/19/91					\$114,127			
	MAC grant for Rural Arts					\$35,000			
	Excess/(Deficit) to date					\$0			
	C&A reversions & uses of reversions as of 11/19/91								
	Huntley Project Museum	\$1,000							
	Hockaday Center for the Arts/Endowmen	\$19,417							
	Western Heritage Center	\$15,000							
	Missoula Childrens' Theater/Endowmen	\$18,472							
	KEMC	\$15,000							
	EMC/Senior Expressions	\$6,630							
	MT Community Foundation/Endowmer	\$50,000							
	KUFM	\$767							
	UM/Portraits in Passing	\$1,607							
	Bannack State Park	\$134							
	Evaluations	(\$10,400)							
	Stilwater Museum	(\$3,500)							
	Total Reversions & Uses	\$114,127							

LONG RANGE PLANNING

Executive Budget Proposal

Description	Fiscal 1992			Fiscal 1993			
	Pgm	General Fund	Other Funds	Total Funds	General Fund	Other Funds	Total Funds
House Bill 2							
1) MSU Engineering Bldg.	NA	(\$75,000)		(\$75,000)			
2) NMC Gymnasium	NA	(82,500)		(82,500)			
3) U-System Deferred Maint.	NA	(82,500)		(82,500)			
4) Capitol Parking Lot	NA	(50,000)		(50,000)			
Totals		(\$290,000)		(\$290,000)	\$0	\$0	\$0

1-3) See explanation under General Fund Appropriation in HB 5.

4) Capitol Parking Lot House Bill 5 appropriated \$123,014 from the Capitol Land Grant fund to repair parking lots in the capitol complex area. The Executive Budget proposes to reduce this appropriation by \$50,000. Since the unexpended balance of the Capitol Land Grant funds is transferred to the general fund each year, this action would increase the general fund revenue.

General Fund Appropriations in HB 5

As shown in the Table 1, House Bill 5 contained four general fund projects for the university system, totalling \$3 million. This table shows the status of these appropriations, as of November 30, 1991. The only appropriation that had been spent is the funding for purchase of a new computer for Eastern Montana College. As shown in the table above, the Executive Budget proposes an 8 percent reduction (\$240,000) in the remaining three appropriations.

Table 1
General Fund Appropriations HB 5

Project	Appropriated	Expended Through 11/30/91	Balance Remaining
U-System Deferred Maint.	\$600,000	\$0	\$600,000
EMC Computers	600,000	600,000	0
MSU Eng./Science Bldg.	500,000	0	500,000
NMC Gymnasium	<u>1,300,000</u>	<u>0</u>	<u>1,300,000</u>
Totals	\$3,000,000	\$600,000	\$2,400,000

Following is the status of the unexpended appropriations:

U-System Deferred Maintenance - The Office of the Commissioner of Higher Education has determined the allocation of these funds among the units but no projects have been started.

Montana State University - MSU must generate \$2.17 million in required match for the Engineering & Science building before the general fund can be expended.

Northern Montana College - The architect was selected and is currently preparing a preliminary design for approximately \$1.30 million in repairs to the pool area of the gymnasium.

Capital Projects - 1991 Legislative Session

In House Bill 5, the 1991 legislature appropriated \$133.50 million for capital projects. Table 2 summarizes the projects by agency and funding sources.

Table 2
Long Range Projects Authorized in House Bill 5
(Millions)

Agency	Capital Projects Fund	General Fund	State Special Fund	Federal Special Fund	Other Funds	LRBF Bond Proceeds	Totals
Administration	\$0.96		\$0.50	\$1.00	\$0.82		\$3.28
Commerce				0.47	0.05		0.52
Fish, Wildlife, and Parks			11.56	2.30			13.86
State Lands	0.35		0.19	0.10			0.64
Labor				0.52			0.52
Transportation			1.86	0.12			1.98
Family Services	0.16						0.16
School for Deaf and Blind	0.34						0.34
Military Affairs	0.36			18.31		0.40	19.07
Corrections & Human Serv	1.61			0.01	0.32	29.44	31.38
University System	<u>4.25</u>	<u>3.00</u>		<u>12.00</u>	<u>11.08</u>	<u>31.42</u>	<u>61.75</u>
Totals	\$8.03	\$3.00	\$14.11	\$34.83	\$12.27	\$61.26	\$133.50

The legislature authorized construction in House Bill 5 of four major building projects, at an anticipated cost of \$68.0 million. The legislature authorized issuance of general obligation bonds to finance \$61.3 million of these costs.

In addition to House Bill 5, House Bill 963 authorized an \$8.7 million major renovation at Montana Developmental Center, to be financed by a loan from Montana Health Facilities Authority (HFA). The 1991 legislature authorized

HFA to sell bonds to provide funding for the loan. The loan will be paid from a general fund appropriation to the Department of Corrections and Human Services (DCHS). DCHS anticipates that Medicaid reimbursements for a portion of the depreciation and interest costs for the loan, coupled with reduced operating costs, will offset the additional costs of the loan repayment from the general fund.

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Status of Major Construction Projects

The current status of each major construction project financed by bonding or loan authorized by the 1991 legislature is shown below:

Women's Correctional Facility - The architect was selected by the Board of Examiners in November and the contract signed in December.

Men's Prison Expansion - The architect was selected by the Board of Examiners in November and the contract signed in December.

MSU Engineering/Science Bldg. - The architect was selected by the Board of Examiners in October and the contract signed in December.

U of M Business Admin. Bldg. - The architect was selected by the Board of Examiners in October and the contract signed in December.

Montana Developmental Center - Advertising is currently being done for architects. The selection of the architect is scheduled for completion by February, 1992.

The contracts with architects contain provisions that the state may cancel at any time and pay only for the services rendered to date.

Debt Service Payments

Table 3 shows the debt service payments for the existing general obligation bonds paid from the general fund. In addition, the table shows the projected general fund debt service payment schedules for the \$61.3 million of general obligation bonds authorized by the 1991 legislature to fund construction of the men's and women's prisons and the university buildings.

Table 3
Debt Service Payments with Current G.O. Bonds and Projections
for Prison and University Buildings (General Fund)
(Millions)

Fiscal Year	Series "A" Refunding Bonds 1983	Series "A" Bonds 1985	Prison Bonds	University Bonds	Total General Fund Debt Service
1992	\$1.64	\$0.06	\$0.00	\$0.00	\$9.51
1993	10.20	0.15	0.00	0.00	10.35
1994	10.91	0.15	2.70	0.00	13.76
1995	10.12	0.15	2.70	2.77	15.74
1996	10.31	0.14	2.70	2.79	15.94
1997	3.16	0.16	2.70	2.79	8.81
1998	(0.04)	0.15	2.70	2.79	5.60
1999	0.00	0.16	2.70	2.79	5.65
2000	0.01	0.15	2.70	2.79	5.65
2001	0.00	0.01	2.70	2.79	5.50
2002	0.00	0.00	2.70	2.79	5.49
2003	0.00	0.00	2.70	2.79	5.49
2004	0.00	0.00	2.70	2.79	5.49
2005	0.01	0.00	2.70	2.79	5.50
2006	0.00	0.00	2.70	2.79	5.49
2007	(0.01)	0.00	2.70	2.79	5.48
2008	0.00	0.00	2.70	2.79	5.49
2009	(0.01)	0.00	2.70	2.79	5.48
2010	0.15	0.00	2.70	2.79	5.64
2011	0.00	0.00	2.70	2.79	5.49
2012	0.00	0.00	2.70	2.79	5.49
2013	0.00	0.00	2.70	2.79	5.49
2014	0.00	0.00	0.00	2.79	2.79
	\$46.45	\$1.28	\$54.00	\$55.78	\$165.32

Source: Department of Administration.

(This table excludes debt service paid by the Capitol Land Grant funds which flow through the general fund.)

Based on current plans, existing Series A Refunding Bonds will be retired by 1997. Debt service for the prison bonds will begin in fiscal 1994 and the university construction bonds in fiscal 1995. As a result, total general fund debt service payments will be substantially higher in fiscal years 1994 through 1996. Based on current projections for the prison and university bonds, total general fund debt service will increase by \$3.41 million in fiscal 1994, \$5.39 million in fiscal year 1995, and \$5.59 million in fiscal 1996 above the fiscal 1993 current debt service costs. The debt service projections for the new bonds

are based on level debt service for annual principal and semi-annual interest payments. Debt service payments could be held at current levels by delaying projects or by delaying principal payments for the new bonds until after fiscal 1997, when the current bonds are retired.

Cultural and Aesthetics Grants

The 1991 legislature appropriated \$1.3 million to fund 101 grants from the Cultural and Aesthetics state special revenue account. This account receives the interest from a non-expendable trust account established in section 15-35-

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108(3)(j) MCA, which receives its revenues from a portion of coal severance tax. Under current law, interest from the trust may only be used for cultural and aesthetic grants approved by the legislature and for administrative costs associated with the grants incurred by the Montana Arts Council and the advisory committee.

As Table 4 shows, \$295,335 of these grants have not been committed as of this date. In addition, grant agreements contain language stating funding is contingent upon availability of revenues and/or any subsequent action taken by the legislature. Unspent funds could be transferred to the general fund by statutory amendment.

Table 4
Cultural And Aesthetics Grants (House Bill 9)
Approved by 1991 Session

<u>Grants</u>	<u>Appropriated</u>	<u>Committed Nov. 30, 1991</u>	<u>Balance Remaining</u>
Cultural & Aesthetics	\$1,296,080	\$1,000,745	\$295,335

Water Development, Renewable Resources, and Reclamation - Grants Interest

Each session, the legislature authorizes grants to public and private entities from three accounts: water development,

renewable resources, and reclamation. As Table 5 shows, these accounts receive most of their funding from interest earned on the constitutionally established Resource Indemnity Trust (RIT). Funds in these accounts are used to fund state agency operations, as well as grant projects.

Table 5
Resource Indemnity Trust Interest Accounts
1993 Biennium

	<u>Reclamation/ Development</u>	<u>Water Development</u>	<u>Renewable Resource</u>
Beginning Balance	\$576,023	\$674,062	\$0
<u>Revenues</u>			
RIT Interest	7,733,095	5,043,323	1,344,886
Coal Tax		365,778	365,778
Loan Repayments		950,670	129,870
Bond Proceeds Interest			
Administrative Fees		50,000	
Project Revenues/Income/Savings		935,400	
TOTAL REVENUES	<u>\$7,733,095</u>	<u>\$7,345,171</u>	<u>\$1,840,534</u>
TOTAL FUNDS AVAILABLE	<u>\$8,309,118</u>	<u>\$8,019,233</u>	<u>\$1,840,534</u>
<u>Appropriations</u>			
Debt Service		\$1,229,694	\$380,231
House Bill 2			
DNRC	3,397,758	4,459,138	436,114
State Lands	1,675,540		
Health			
Water Courts		977,425	
State Library	<u>175,472</u>		198,273
Total House Bill 2	\$5,248,770	\$5,436,563	\$634,387
Reserved for Water Storage - SB 313*		\$338,244	\$206,479
Ending Balance/Avail for Grants	\$3,060,348	\$1,014,732	\$619,437
House Bill 6		889,812	1,276,966
House Bill 8	<u>4,160,773</u>		
Total Grants	\$4,160,773	\$889,812	\$1,276,966
TOTAL APPROPRIATIONS	<u>\$9,409,543</u>	<u>\$7,894,313</u>	<u>\$2,498,063</u>
ENDING FUND BALANCE	(\$1,100,425)	\$124,920	(\$657,529)

*Senate Bill 313 reserves 25 percent of the total amount available for grants from the Water Development and Renewable Resource accounts for water storage projects to be spent not prior to fiscal 1994.

In House Bill 6, the 1991 legislature authorized 13 new water development grants from the water development account totalling \$0.9 million and 18 renewable resource grants from the renewable resource account totalling \$1.3 million. In House Bill 8, the 1991 24 grants from the reclamation and development account, totalling \$4.2 million.

Table 6 shows the total grants authorized from each of these accounts during the last four regular sessions and the amount committed as of November 30, 1991.

The legislature could eliminate authorization for projects for which

contracts have not been signed, thus increasing the amount of funds that could be used to fund state agency operations or transferred to the general fund. Legislation would be needed to make either change.

The Executive Budget proposes to use \$133,050 from five unexpended water development, reclamation and renewable resource grants to offset general fund costs in Department of Natural Resources and Conservation. These grants are:

- 1) Carbon County/Roberts Water System - \$47,500;
- 2) Cascade Water System - \$50,000;
- 3) Cataract Creek Reclamation - \$21,565;
- 4) Grasshopper Creek Restoration - \$2,274; and
- 5) Cascade Landfill and Park - \$11,711.

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Table 6
Status of RIT Grants

<u>Grants</u>	<u>Appropriated</u>	<u>Committed Nov. 30, 1991</u>	<u>Balance Remaining</u>
Water Development			
1991 Session	\$889,812	\$322,903	\$566,909
1989 Session	631,668	478,400	153,268
1987 Session	591,712	519,212	72,500
1985 Session	1,688,400	1,588,400	100,000
Renewable Resources			
1991 Session	\$1,276,966	\$100,000	\$1,176,966
1989 Session	1,132,570	1,013,350	119,220
1987 Session	411,674	325,374	86,300
Reclamation			
1991 Session	\$4,160,773	\$341,550	\$3,819,223
1989 Session	2,896,522	2,896,522	0
1987 Session	3,740,961	3,644,445	96,516
1985 Session	<u>4,198,476</u>	<u>4,128,476</u>	<u>70,000</u>
Totals	\$21,619,534	\$15,358,632	\$6,260,902

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LBP Submitt

SUMMARY OF GRANTS TARGETED FOR GENERAL FUND REPLACEMENT -- RIT Interest

Carbon County (WD--Not Yet Contracted)
Roberts Water System Improvements

This grant was ranked #10 by the 1987 Legislature under the Water Development Program (H.B. 007). The project was approved for a \$47,500 grant and a \$142,500 loan. The department has contacted the applicant to determine the status of the project. The applicant has not developed any preliminary designs for the project and is not ready to enter into a grant agreement. Even though they have made little or no progress on the project, they still want the grant funds. The entire \$47,500 has been accrued for this biennium.

Cascade, Town of (WD--Terminated)
Water Distribution and Supply System Improvements

This grant was ranked #15 by the 1987 Legislature under the Water Development Program (H.B. 007). The project was approved for a \$50,000 grant and a \$150,000 loan. This project became a controversial issue in Cascade and federal funds have been withdrawn. The department has sent out a termination agreement to the City. This has not been returned. However, there are two letters in the file asking to terminate the project signed by the Mayor. The entire \$50,000 has been accrued for this biennium.

DFWP (RDG--Not Yet Contracted)
Cataract Creek Reclamation Project

This grant was ranked #10 by the 1987 Legislature under the Reclamation and Development Program (H.B. 006). The project was approved for a \$21,565 grant. Due to stricter clean up regulations and a lack of additional funding, DFWP has decided to terminate the project. We have contacted DFWP and they are preparing a letter to terminate the project. The entire \$21,565 has been accrued for this biennium.

Montana State University, Water Resources Center
Stream Restoration from Placer Mining on Grasshopper Creek
(RDG--Balance Remaining)

This project was ranked #2 by the 1985 Legislature (H.B. 0922). The project was approved for a grant of \$75,000. There were two contracts involved on this project. Work was done on the project and a balance remains. At this point, the project sponsor determined that additional reclamation would not improve the site and decided not to proceed with any additional work. There is a letter in the file to this effect, but there is no

termination agreement. The remaining \$2,274 has been accrued for this biennium.

Cascade, Town of (RRD--Terminated)

Landfill Rehabilitation and Park Development

This project was ranked #45 by the 1983 Legislature (H.B. 0897). The project was approved for a \$41,000 grant and a \$59,000 loan. A grant agreement was entered into and work done. However, the City violated the agreement by placing a large garbage bin on site, displacing the park. The department did not authorize any additional payments and a termination agreement has been sent to the City. The remaining \$11,711 has been accrued for this biennium.

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FRP. Subtotal

LONG RANGE PLANNING

Largest Capital Projects Budget

The 52nd Legislature approved \$142.17 million of capital projects for the 1993 biennium. This is by far the largest capital project program approved by any session of the Montana legislature. The 1993 biennium program exceeds the program approved for the 1983 biennium (the next largest biennial construction program) by \$76.27 million. Table 1 shows the total capital projects appropriated for the 1983 through the 1993 biennia.

Table 1
Capital Projects Appropriated by Legislature

Biennium	Total Projects	Capital Projects Funds	G.O. Bonds
1983	\$60,294,450	\$11,700,007	\$35,833,505
1985	65,897,869	10,870,292	39,334,695
1987	38,270,308	10,517,666	8,550,000
1989	17,686,787	6,246,547	0
1991	32,864,127	7,514,608	3,822,800
1993	142,165,699	8,032,298	61,260,830

House Bill 5

This bill appropriates \$133.50 million for capital projects in the 1993 biennium, including \$61.26 million in general obligation bonds for five construction projects (two for the Department of Institutions, two for the university system, and one for the Department of Military Affairs). Table 2 lists the projects contained in House Bill 5, showing the cost of each project by agency.

LONG RANGE PLANNING

Table 2
Capital Construction Program
1993 Biennium

Agency	Capital Projects Fund	General Fund	State Special Revenue	Federal Special Revenue	Other Revenue	LRBF Bond Proceeds	Total
ADMINISTRATION							
Hazardous Materials Abatement	\$617,500				\$150,000		\$ 767,500
Construction Litigation	345,000				50,000		345,000
Alternate Water Supply					123,014		123,014
Property Acquisition			\$500,000	\$1,000,000	500,000		2,000,000
Statewide Building Retrofit							
Total Department of Administration	\$962,500	\$0	\$500,000	\$1,000,000	\$823,014	\$0	\$ 3,285,514
COMMERCE							
Pavement - West Yellowstone Airport				\$ 465,957	\$ 51,773		\$ 517,730
FISH, WILDLIFE, & PARKS							
Remove Underground Storage Tanks			\$ 150,000				\$ 150,000
Headquarters Maint. & Improvements			85,000				85,000
Property Development			360,000				360,000
State Parks Development & Improve.			3,798,500	1,124,500			4,923,000
Fish Hatchery Maintenance			37,500	112,500			150,000
Fishing Access Site Improvements			286,000	858,000			1,144,000
Motorboat Access Site Facilities			67,000	201,000			268,000
River Restoration			219,000				219,000
Fishing Access Site Acquisition			881,000				881,000
Wildlife Habitat Maintenance			304,000				304,000
Wildlife Habitat Acquisition			4,923,356				4,923,356
Waterfowl Habitat Enhancement			399,500				399,500
Bighorn Sheep Habitat Acquisition			48,500				48,500
Total Dept. of Fish, Wildlife, & Parks	\$ 0	\$0	\$11,559,356	\$2,296,000	\$0	\$0	\$13,855,356
STATE LANDS							
Maint. & Improve. Projects	\$118,280			\$ 100,000			\$ 218,280
Construct Unit Office	235,000						235,000
Construct Greenhouses			191,900				191,900
Total Department of State Lands	\$353,280	\$0	\$ 191,900	\$ 100,000	\$0	\$0	\$ 645,180

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As Table 2 shows, \$3 million of general fund was appropriated to the university system. This appropriation was contingent upon passage and approval of House Bill 959, which has been signed by the Governor.

Major Projects

Fish, Wildlife, and Parks

There are two major projects included in the \$13.86 million appropriation for the department's capital projects: 1) \$4.92 million for the development and improvement of state parks; and 2) \$4.92 million for the acquisition of wildlife habitat from funds specifically earmarked for that purpose.

Military Affairs

The legislature appropriated \$16.31 million for additions and renovation of 19 state-owned armories throughout the state. The funding is almost entirely from federal sources, with \$150,000 coming from the capital projects fund. In addition, \$1.23 million was appropriated for the construction of the Libby armory. Funding for this project includes \$400,000 from general obligation bond proceeds and \$827,000 in anticipated federal funds.

Institutions

Two prison construction projects were approved for the Department of Institutions. For the \$20.24 million expansion of the men's prison at Deer Lodge, design costs (\$877,500) are funded from the capital projects fund and the remainder funded by general obligation bond proceeds of \$19.36 million. The estimated cost of this project was based on use of inmate labor in some of the construction work. House Bill 339 and House Bill 1005, which would have authorized the use of inmate labor for projects exceeding \$25,000, were not enacted by the legislature. Without the use of inmate labor, the additional construction cost are estimated to be \$1.67 million. Since no additional appropriation for these increased cost was added, some portion of the project may have to be scaled back to stay within the appropriation.

The second project was the women's correctional center for \$10.08 million. Prior to the 1991 session, the department requested bids from communities throughout Montana for proposals to build a 200-bed women's correctional center, which would be leased by the state. House Bill 528 enacted by the legislature placed in statute the criteria for the site selection of the facility and provided that the selection would be made by a committee composed of legislators, the public, and executive branch officials. During the session, the facility was reduced from 200 beds to 120 beds and entirely financed by general obligation bonds authorized in House Bill 5. Because no separate appropriation was made for the initial cost of \$562,400 to design and plan the facility, the Department of Administration plans to pay this cost with a general fund loan which will be repaid when the bonds are sold.

University System

Three major projects for the construction of new buildings in the university system were approved:

- 1) Engineering/Physical Science Building - Montana State University This project was included in the Executive Budget with a 15 percent match to be provided by the university. The legislature reduced the match to 12 percent and provided \$500,000 of general fund, contingent upon passage and approval of House Bill 959. This project is funded by: 1) \$1.17 million of capital projects funds;

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- 2) \$500,000 of general fund; 3) \$2.17 million of match funds from the university; and 4) \$18.40 million of bond proceeds from general obligation bonds.
- 2) Business Administration Building - University of Montana This building, which is designed to serve 1,181 students and 78 faculty, required a 15 percent match by the university in the Executive Budget. The legislature reduced this match to 12 percent. Funding for this project is \$604,705 of capital projects funds for the design work, \$1.86 million from the university as match, and \$13.02 million from general obligation bond proceeds.
- 3) Life Science Building - University of Montana This \$12 million project will be funded from federal funds which require no state match.

The Executive Budget recommended renovation of a vacant residence hall at Eastern Montana College at a cost of \$1.23 million funded by general obligation bonds and 15 percent matching funds from the college. The legislature eliminated this project to finance the match reduction for the other two university building projects.

The Executive Budget also included a new gymnasium for \$8 million at Northern Montana College to be financed by funds raised by the college. The legislature approved a scaled-down project funded by \$1.3 million of general fund and \$1.7 million of funds from other sources raised by the college. This \$3 million will make all necessary life safety repairs to the building which includes replacement of roofs and structural repairs to the swimming pool. In addition, other improvements, such as locker room repairs, will be made.

Contingency Language in House Bill 5

House Bill 5 contains several sections with contingency language. Following are the most significant:

Section 6 - Subpart (6) of this section allows \$490,000 of federal funds and \$163,333 of state special funds to be transferred between certain projects for the Department of Fish, Wildlife, and Parks if House Bill 386 and Senate Bill 415 are not passed and approved. Since House Bill 386 was vetoed by the Governor, this transfer can be made.

Section 14 - Subpart (3) of this section reappropriates funds for the Lake Elmo project which requires a dollar-for-dollar match with local funds. However, the funds for this specific project are reserved only through June 30, 1991. If matching funds have not been deposited by that date, the funds can be used by the department for any other state park improvements providing there are dollar-for-dollar matching local funds.

Section 15 - This section will allow the Department of Administration to use inter-entity loans for planning and design costs prior to receipt of bond proceeds. The department anticipates using these loans for planning and design of the Women's Correctional Facility and for the Montana Developmental Center construction project authorized in House Bill 963.

Section 16 - Subpart (2) of this section requires that the universities have the matching funds committed for the two building projects funded by bonds before any bond proceeds can be expended for construction.

Section 21 - Language was added to the bill making projects in House Bill 5 a higher priority than projects in other bills. So, House Bill 20, which appropriates capital project funds for Montana's contribution for the national memorial honoring women veterans

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LARO Submittal

LONG RANGE PLANNING

and servicemen at Arlington National cemetery, will be funded only if sufficient money is available in the account to fund all House Bill 5 projects.

Capital Projects Fund

The capital projects fund is referred to as the state's "Cash Building Program". The revenues in this fund include the return of the \$1 million of the funds appropriated for the Mansfield Center in the 1983 session. Since these funds were appropriated from the capital projects fund, when they are returned to the state they will be deposited into this account. It is anticipated the funds will be returned by the end of fiscal 1991.

The projected revenues include the additional two-cent increase in cigarette tax enacted during the 1989 session for the construction of a new veterans' home. Since the funds for this project have been set aside, the additional tax now goes into the capital projects fund to be used for state construction projects. Table 3 shows the projected fund balance for the 1993 biennium.

Table 3
Capital Projects Fund
Projected Fund Balance, 1993 Biennium

Estimated Beginning Cash Balance		\$1,159,125
Revenues		
Cigarette Tax	\$6,841,123	
Interest	629,150	
Supervisory Fees & Oth.	142,000	
Mansfield Center Funds	<u>1,000,000</u>	
Total Revenues		<u>\$8,612,273</u>
Funds Available		\$9,771,398
Expenditures		
HB 2 Architecture & Engineering Operations*	\$1,460,399	
HB 5 Capital Projects	8,032,298	
HB 20 Women's Memorial at Arlington	<u>20,000</u>	
Total Expenditures		<u>\$9,512,697</u>
Estimated Ending Fund Balance*		\$258,701

*Does not include pay plan increase.

LONG RANGE PLANNING

Other Legislation Impacting Capital Construction

House Bill 20 - This bill appropriates \$20,000 from the capital projects fund to the Department of Military Affairs as Montana's contribution toward the construction of the National Women in Military Service for America Memorial at Arlington National Cemetery.

House Bills 234 and 957 - The 1989 legislature passed House Bills 202 and 547, which increased the cigarette tax by two cents and authorized the expenditure of the additional revenue for planning and construction of a 100-bed veterans' home to be located in eastern Montana. House Bill 234 reappropriates \$1,991,987 from the capital projects fund and \$3,669,237 of federal funds for the construction of this veterans' home. House Bill 957 names the new facility the Eastern Montana Veterans' Home.

House Bill 500 - This bill establishes a Capitol Restoration Commission, which will seek private funds for on-going historical restoration and preservation of the Capitol Building.

House Bill 528 - House Bill 528 defines the process and criteria for the site selection of the Montana's Women's Correctional Facility.

House Bill 963 - This bill provides an appropriation to the Department of Administration of \$8,665,000 for construction projects at the Montana Developmental Center. The projects include a day activities building, food service building, six new cottages, and a vehicle storage building to be constructed on the north side of the river. The existing buildings on the north side will be either renovated or demolished. Since there was no specific appropriation for planning and design costs for this facility, the department will use an inter-entity loan to provide cash for these costs and repay the loan when funding becomes available. There are no plans for use of the campus and buildings on the south side of the river.

These projects will be funded by a loan from the Health Facilities Authority (HFA), which will issue bonds. The loan from HFA's bond proceeds, which is defined as a limited obligation, may be secured by a mortgage on the land and buildings at the center. The bill requires that all revenues collected for the facility (medicaid and third party reimbursement) be deposited into a special revenue account to be used for the loan repayment. Excess revenues in the account are to be transferred to the general fund. Currently, all revenue from these sources is deposited in the general fund.

The Department of Institutions estimates that increased federal funding due to depreciation costs of the new construction coupled with decreased operating costs will provide a savings to the general fund when the project is completed and the new buildings are in service.

House Bill 1008 - House Bill 1008 provides approximately \$886,000 of funding during the 1993 biennium for the parks maintenance projects appropriated in House Bill 5. The funding in the bill is provided by diverting two-thirds of the coal tax revenues currently going to the Parks Acquisition trust fund to a state special revenue account during the 1993 biennium. In the 1995 biennium, this revenue will again be deposited in the trust.

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LRP Submittal

Long Range-Building Plan

**Long Range-Building Plan
All Programs**

6107-05

Budget Item	FY92 Appropriated	FY92 Recommended	Difference	FY93 Appropriated	FY93 Recommended	Difference
FTE	0.00			0.00	0.00	0.00
Personal Services	0	0	0	0	0	0
Operating Expenses	0	0	0	0	0	0
Equipment	0	0	0	0	0	0
Capital Outlay	133500699	133,210,699	(290,000)	0	0	0
Total Costs	133,500,699	133,210,699	(290,000)	0	0	0
Capital Projects Fund	8,032,298	8,032,298	0	0	0	0
General Fund	3,000,000	2,760,000	(240,000)	0	0	0
State Special Revenue Fund	14,112,356	14,112,356	0	0	0	0
Federal Revenue	34823332	34,823,332	0	0	0	0
Other Revenue	12271883	12,221,883	(50,000)	0	0	0
LRBF Bond Proceeds	61260830	61,260,830	0	0	0	0
Total Funding	133,500,699	133,210,699	(290,000)	0	0	0

All of the recommended items for legislative action were appropriated in HB5. The 1991 Legislature approved a \$3 million general fund biennial appropriation for the Montana University System in HB 5. A total 8% reduction plan of \$240,000 was developed cooperatively by the Office of the Commissioner of Higher Education and Architecture and Engineering of the Department of Administration. The \$600,000 computer equipment purchase appropriation for Eastern Montana College is not reduced.

ITEM

Biennial

- **MSU Engineering/Physical Sciences Complex** (75,000)
 Matching support of \$500,000 for construction is reduced 15%.
- **Northern Montana College Gym** (82,500)
 \$1,300,000 for repair costs is reduced 6.4%
- **Deferred maintenance and equipment** (82,500)
 Unspecified maintenance and equipment projects are reduced 13.75%
- **Capitol Complex Parking Lot Improvements** (50,000)
 An appropriation of \$123,014 for the improvement of parking lots in the capitol complex is reduced to \$73,014. Postponing this work will enable a transfer of funds from the capitol land grant to the general fund. The remaining appropriation will be used for repair and maintenance of existing parking lots.

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L.R. [Signature]

STATUTORY APPROPRIATIONS

million. However, due to an ambiguity in the effective date of the bill, the Department of Administration has determined that the retirement benefit adjustment section was effective in fiscal 1991. The Department has not yet made the fiscal 1991 payment. Unless the law is amended, the department plans to make an additional payment in fiscal 1992 to provide the 1991 benefit, at a general fund cost of \$2.9 million.

The Executive Budget proposes legislation to eliminate this additional benefit payment.

Debt Service

Funds to pay the principal and interest due on general obligation debt issued by the state is statutorily appropriated from the general fund. As of July 1, 1991, the outstanding balance of existing debt was \$47.1 million. The general fund debt service costs of these bonds will be \$10.8 million in fiscal 1992 and \$11.8 million in fiscal 1993.

Refunding 1983 Series "A" Bonds

The Department of Administration (D of A) has explored the possibility of refunding the existing 1983 Series "A" bonds to reduce the debt service payments currently being made from the

general fund. A Montana investment firm prepared cost estimates for two alternative debt restructuring proposals. While restructuring existing general fund debt is not part of the Executive Budget, information on these two alternatives is presented below.

The state refunded its general obligation debt in 1983 when it issued the current Series "A" bonds.

Taxable bonds

Table 2 shows the impact of deferring the remainder of the 1993 biennium debt service costs (the February 1992 interest payment, August 1992 principal and interest payment; and February 1993 interest payment). This would reduce the 1993 biennium general fund costs by \$13.0 million. However, the cost to do this, as shown in the table, would be an additional \$6.0 million during the next three biennia. Under this proposal, taxable bonds would be issued to avoid paying a federal penalty. Federal law imposes a penalty for a second refunding of tax exempt bonds at a lower interest rate.

STATUTORY APPROPRIATIONS

Table 2
Interest Costs of Proposed Debt Restructure, Taxable Bonds
(Millions)

Fiscal Year	Current Series "A" Refunding Bonds 1983	Proposed Debt Restructure		
		Additional Debt Service	New Debt Service	Change in Debt Service
1992	\$2.10	\$0.00	\$0.00	(\$2.10)
1993	11.94	1.03	1.03	(10.91)
1994	12.64	1.03	13.67	1.03
1995	11.84	1.03	12.87	1.03
1996	11.48	1.03	12.51	1.03
1997	3.81	1.03	4.84	1.03
1998	0.57	7.44	8.01	7.44
1999	0.84	7.43	8.27	7.43
2000	0.84		0.84	0.00
2001	0.84		0.84	0.00
2002	0.84		0.84	0.00
2003	0.84		0.84	0.00
2004	0.84		0.84	0.00
2005	0.84		0.84	0.00
2006	0.83		0.83	0.00
2007	0.69		0.69	0.00
2008	0.69		0.69	0.00
2009	0.69		0.69	0.00
2010	0.62		0.62	0.00
2011	0.00		0.00	0.00
2012	0.00		0.00	0.00
2013	0.00		0.00	0.00
2014	0.00		0.00	0.00
	\$63.78	\$20.02	\$69.76	\$5.98

Source: Department of Administration

Tax-exempt bonds

Table 3 shows the effect of fully refunding the 1983 Series "A" bonds. Under this proposal, the refunding bonds would be tax exempt and, therefore, subject to a federal transferred proceeds penalty of approximately \$3.0

million. This penalty would be amortized as part of the principal and interest costs over the life of the bonds. As the table shows, there would be a \$10.1 million reduction in debt service payments in the 1993 biennium. However, total interest costs for these new bonds would be \$8.2 million more than the existing debt service payments.

STATUTORY APPROPRIATIONS

Table 3
 Interest Costs of Refunding 1983 Series "A" Bonds
 (Millions)

Fiscal Year	Series "A" Refunding Bonds 1983	New Debt Service	Change in Debt Service
1992	\$2.10	\$0.89	(\$1.21)
1993	11.94	3.01	(\$8.93)
1994	12.64	13.75	\$1.11
1995	11.84	12.96	\$1.12
1996	11.48	12.60	\$1.12
1997	3.81	4.93	\$1.12
1998	0.57	1.68	\$1.11
1999	0.84	1.95	\$1.11
2000	0.84	1.96	\$1.12
2001	0.84	1.95	\$1.11
2002	0.84	1.95	\$1.11
2003	0.84	1.95	\$1.11
2004	0.84	1.95	\$1.11
2005	0.84	1.95	\$1.11
2006	0.83	1.95	\$1.12
2007	0.69	1.81	\$1.12
2008	0.69	1.80	\$1.11
2009	0.69	1.81	\$1.12
2010	0.62	1.12	\$0.50
2011	0.00	0.00	\$0.00
2012	0.00	0.00	\$0.00
2013	0.00	0.00	\$0.00
2014	0.00	0.00	\$0.00
	\$63.78	\$71.97	\$8.19

Source: Department of Administration

The figures shown in both debt restructuring proposals are based on the assumption that the new debt would be issued prior to the February 1992 interest payment due on existing debt (\$2.1 million). If a decision were made to issue new debt, at least six to eight weeks would be necessary to complete the sale, according to D of A staff. Thus, it is unlikely that any debt restructuring could be completed in time to avoid making the February payment.

State's bond rating

The D of A is concerned that restructuring existing debt may negatively impact the state's bond rating, since national rating agencies may regard it as an attempt to issue debt to finance deficit spending.

Review 1/3/92
1/3/92
L.R.J. Subcomte

SCHOOL BONDING SUMMARY
1992 SPECIAL LEGISLATIVE SESSION
DEPARTMENT OF ADMINISTRATION

Historically, school districts have issued tax-exempt bonds secured by voter approved levies. Since the courts have rendered certain funding practices as inequitable, school districts have been unable to issue bonds for capital projects because they are unable to get an unqualified opinion from bond counsel.

The Joint Interim Subcommittee on School Funding suggested that a bill be drafted to accommodate school districts in their attempt to issue bonds for capital construction. One of the options being investigated is the issuance of tax-exempt bonds by the school districts backed by a State guarantee. The Department of Administration was asked to participate in this proposal. Following is a summary of the items discussed.

If the State were to guarantee a local school district's bonds, the easiest method is to pledge the full faith and credit of the state. Pledging a specific revenue source has several problems that cloud the pledge. Since there is a strong possibility that litigation could result in the State assuming the debt payments of the school district, the rating agencies would consider the guarantee as being a general obligation of the State. Basically, this means that the guarantee will be similar to the Legislature approving a new \$25 million (or whatever limitation is set) building with the general fund making the debt payments.

As mentioned above, the "contingent liability" of the State's pledge on the school district bonds would count towards the State's outstanding general obligation debt. However, if the equity issue (for capital construction) was settled in the future, there would be minimal liability for payment by the State. Under this scenario, the rating agencies would deduct out the amount of bonds outstanding with the State's guarantee when calculating the debt ratios for the State. Thus, even though the State would be guaranteeing to maturity the school district bonds issued between the effective date of passage of the bill and 1/1/93 (timeframe proposed in draft bill), the effect on the State's bond rating would be minimized once the equity issue was settled.

It had been suggested that the State guarantee be dropped off the school district issue after a set period of time. Bond ratings are given to the maturity of the bond issue. Therefore, the State's guarantee would be on the school district bonds, that were issued between the effective date of passage of the bill and 1/1/93, until maturity. If a school district refinanced its bonds in the future, the State guarantee could be dropped at that time. A State guarantee for a temporary timeframe would lessen the marketability of the bonds and probably not be a workable option.

The State guarantee on the school district bonds in and of itself would probably not impact the State's long term bond rating. Other factors rating agencies consider are:

- amount of debt outstanding and existing payment schedules
- economy of the State (ex. unemployment, health of basic industries - agriculture, tourism, etc.)
- overall budget of the state (growth of the state)
- administration and management of the State (ex. Governor's ability to make reductions in event of revenue shortfall)

If the school bonding proposal is approved by the Legislature, this amount will count toward new debt issuances. It is conceivable that the Legislature would need to prioritize the projects for school bonding, prisons, and university buildings.

Debt Threshold

The State's Financial Advisor has advised the State that the upper maximum threshold on new debt issuances is \$60-\$65 million. Debt beyond this level could jeopardize our current long term bond rating. The 1991 Legislature authorized \$61.3 million in new debt for the State.

A drop in Montana's bond rating from a "AA" to a "A+" could cost between 5-15 basis points in the interest borrowing rate. This equates to a cost of approximately \$500-\$1,500 annually per million dollars of bonds issued. Assuming a 20 year maturity on the newly authorized debt, this equates to additional interest costs of \$610,000 - \$1.8 million.

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