MINUTES

MONTANA HOUSE OF REPRESENTATIVES
54th LEGISLATURE - REGULAR SESSION

JOINT SUBCOMMITTEE ON LONG-RANGE PLANNING

Call to Order: By **CHAIRMAN ERNEST BERGSAGEL**, on April 10, 1995, at 9:00 a.m.

ROLL CALL

Members Present:
Rep. Ernest Bergsagel, Chairman (R)
Rep. Matt McCann (D)
Rep. Tom Zook (R)

Members Excused: None

Members Absent: Sen. B.F. "Chris" Christiaens (D)
Sen. Ethel Harding, Vice Chairman (R)

Staff Present: Nan LeFebvre, Office of the Legislative Fiscal Analyst
Jane Hamman, Office of Budget & Program Planning
Tracy Bartosik, Committee Secretary

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

Committee Business Summary:
Hearing: None
Executive Action: Policy Guidelines:
Department of Natural Resources and Conservation
Department of Commerce
Architecture & Engineering Division of the Department of Administration

Other Committee Business: Policy and program issues discussion

{Tape: 1; Side: A; Approx. Counter: 000; Comments: n/a.}

DISCUSSION ON TREASURE STATE ENDOWMENT PROGRAM

CHAIRMAN ERNEST BERGSAGEL informed the committee **REP. MATT McCANN** would be acting chairman for part of this meeting while he temporarily attended another meeting.

Mr. Robb McCracken, Manager, Local Government Assistance Division, Department of Commerce, submitted a handout to the committee detailing and reviewing suggestions and ideas brought forward by the committee this session regarding the Treasure State Endowment Program (TSEP). **EXHIBIT 1**

Mr. McCracken said that the memo indicates the three major recommendations the committee made during the hearings on the TSEP. These are:

1. That additional detail be provided regarding engineering and construction components of the projects, and the parts of the projects that would be funded by the TSEP grants. The Department of Commerce will modify the report format to accomplish this.

2. To do the financial analysis first. He said **REP. TOM ZOOK** suggested that the Department address this first because this seems to be the critical issue in determining whether TSEP grant money will be recommended, rather than first ranking the proposed project's relationship to the ten statutory priorities. He said that the issue of financial need is something that can also be made more clear in the application guidelines and through workshops, so that communities understand that this is the key consideration in the award of TSEP funding.

3. The suggestion to add some language in order that communities would receive credit for what they had done in the past in terms of good management practices, planning ahead, raising rates, and having a capitol improvements plan.

To accomplish the third item, **Mr. McCracken** said a community efforts criterium could be added to the ranking process. He said under current statute it could be done administratively, meaning the Department of Commerce could change their administrative rules and put in new language. **Mr. McCracken** referred to page two of Exhibit 1, and said that letters "a, b, and c" include the language the department is suggesting. He said they think the language would fit under what is currently statutory priority #4. This would give a weighing of 700 points out of 5,500 for the community effort criteria.

The second way to achieve this would be to amend the law, and HB 599 makes the desired change in terms of the Department's understanding of the committee's wishes. When the Governor's office was working on this bill, the Department of Commerce recommended that the community effort criterium be incorporated into statutory priority #4. **Mr. McCracken** said this approach was explained in the Department's March 21 memo to this committee.

CHAIRMAN McCANN asked how many projects the Department of Commerce feels were not addressed with the TSEP money, and how much more local infrastructure projects are in need of funding. **Mr. McCracken** replied that HB 599 would provide for an additional $5 million per fiscal year, $10 million per biennium, into just

TSEP alone, in addition to the funds the program already has. He said in terms of local needs in water and sewer facilities alone, the statewide needs are tremendous, and are in excess of $160 million, and possibly as much as $ 0.5 billion. HB 599 also expands the list of eligible facilities for the funding, including roads and public safety facilities.

CHAIRMAN McCANN questioned if Dillon would fare better next session as a result of this additional statute or policy. **Mr. McCracken** said if Dillon comes in next time, assuming they fix their sewer system as they are proposing, they will have raised their rates, and the combined rates, theoretically, would be much higher then when they originally came to this legislature. Add to that the new criterium and Dillon would probably compete much better. Their track record would be much better because of conscientiously working with those facilities and trying to solve those problems, plus they would get additional credit in the ten statutory priorities.

In response to a question raised by **John Tubbs, Bureau Chief, Department of Natural Resources and Conservation, Mr. McCracken** said, hypothetically, if the new community effort criteria had been present for this process, the recommendation for the city of Dillon's project would probably not have been any different. Their rates were so artificially low that they don't have much of a track record. Even though they would receive more points under that criteria, their user fee still would have been approximately half the target rate, and therefore, would not have shown a great enough need for the TSEP grant money.

Mr. Tubbs commented that was the "flavor" of the change. "If a community is still going to have, for example, a $5 per month total water and sewer rate, they aren't going to get grant money." The other side of that is, in the end, bigger issues are trying to get solved, and communities need on their own to plan for their capital improvement needs.

McCracken said the committee was concerned that in instances where a community has been responsible, raised rates over time, come up with a good engineering plan, and perhaps solved some other problems on their own, those communities should receive additional credit for those things. That is where the community effort criteria came from.

Nan LeFebvre, Office of the Legislative Fiscal Analyst (LFA), asked if Kalispell would have fared better if this criteria had been in place. **Mr. McCracken** said they still would have fallen short in terms of rate structure. **Dave Cole, Department of Commerce,** stated Kalispell probably would have done well on the community efforts criteria because they have been really proactive in terms of their public facilities program, but on financial need they still would have ranked very low.

Mr. Cole said one of the concerns that the Department proposed to address, with the amendments that were proposed in HB 599, was to increase the weight on financial need. This would eliminate the apparent contradiction of having projects which are ranked relatively high overall, but are not recommended for funding. The other thing the amendments would have done is to consolidate the first and second existing criteria, one which relates to health and safety, and the other to violation of federal and state standards. If effect, those two double compensate the situation. In most cases, if you have one that has been violated the other has also.

Mr. McCracken questioned if the $500,000 cap on the maximum amount of grant money was acceptable to the committee. **CHAIRMAN McCANN** said he would like to hear from **Jane Hamman, Office of Budget and Program Planning (OBPP)**, on this issue. **Ms. Hamman** said she felt comfortable with the cap being set at $500,000, unless HB 599 passed, in which case something else could be looked at. **CHAIRMAN McCANN** commented that if the committee came across a special situation, they could always change the cap anyway.

Ms. LeFebvre said there was considerable discussion in the Senate Finance and Claims Committee, in which members questioned why there were no loans made within this program for the 1997 biennium. **Mr. McCracken** said TSEP has a policy in which communities must provide a 50% match, and most provided more than that. This means they are already bringing their own money to the table. In relationship to that, most of the time that match money is borrowed, so there is a loan already in the financial package. He also said the Department feels there are already plenty of loan programs, especially regarding water and sewer projects. **Mr. McCracken** said the purpose of the TSEP program is the ability to make projects affordable to communities and, therefore, allow the loans already received by the community to move ahead. **Mr. Tubbs** said that the new Safe Drinking Water loan program, in offering the 4% loans, hopefully will allow communities to borrow a greater amount of their capital costs. It may also decrease the demand for TSEP dollars.

Mr. McCracken emphasized that all these programs work together. He said there is a coordinating committee in which everyone involved is in finance, regulations, technical assistance, and the different state agencies. **CHAIRMAN McCANN** asked if this coordination has existed from the very beginning. **Mr. McCracken** said yes, it has been in existence since 1983, and the coordinating committee meets every two months.

Mr. McCracken said there is a financial mechanism in the Treasure State Endowment Program that is called an annual debt service subsidy. He provided two handouts on this subject. **EXHIBIT 2 and 3** He said the annual debt service subsidy was proposed when TSEP was originally created. The idea was that perhaps the legislature would like to provide grants essentially on an installment plan--small grants over a period of time that could be used to write down the debt service on an underlying loan or bond. In reality, this idea has found no proponents in terms of communities or the private financial community. He stated that the Department has been in communities doing workshops since October of 1992, and no one they talked to expressed any interest in the debt service subsidy.

{Tape: 1; Side: B;}

Mr. McCracken referred to the last paragraph of Exhibit 2, which details the financial consultant's analysis on the debt service subsidy. He also said the local governments find the debt service subsidy complicated. He stated it also raises the question of the appropriateness of one legislative session creating a long-term commitment, which would obligate legislatures to pay an annual subsidy from TSEP funds 20 to 30 years in the future.

Ms. LeFebvre clarified that communities are aware this statute exists and are just not interested in using it. **Mr. McCracken** felt it would be wise to delete it from the statute, as it adds additional confusion to it.

Ms. Hamman, OBPP, asked if it was in the TSEP voter information material. **Mr. McCracken** said it wasn't detailed or explained, it was just one of the options in the original legislation.

CHAIRMAN BERGSAGEL returned to the meeting and assumed the Chair.

CHAIRMAN BERGSAGEL asked how the Department would determine if an applicant had practiced good management. **Mr. McCracken** again referred to the second page of Exhibit 2, letters a, b, and c.

Mr. Cole, Department of Commerce, stated the Department's preference would have been to explicitly put that criteria into one of the ten statutory priorities by amending the statute itself, but this the best they can do given the restraints of the current statute.

Ms. LeFebvre asked if the Department would be looking, in addition to including these recommendations into the next applicant cycle, to ask the subcommittee next session to do a committee bill to change the statute. **Mr. Cole** felt that would be the best long-term option for this program. **Ms. LeFebvre** clarified that the Department should then be able to report to the next legislature on the impact the changes had in terms of the applicant process and evaluations. **Mr. Cole** said that was correct.

<u>**Motion/Vote**</u>: **REP. McCANN** moved to enact policy guidelines that would meet the same criteria as in the memo to the Long-Range Planning Subcommittee of April 7, 1995, from the Department of

Commerce regarding the Treasure State Endowment Program. (see Exhibit 1) **The motion carried 3-0.**

DISCUSSION ON RENEWABLE RESOURCE GRANT AND LOAN PROGRAM

John Tubbs, Bureau Chief, Department of Natural Resources and Conservation (DNRC), provided a handout to the committee. **EXHIBIT 4** He said DNRC's current policy states that for projects submitted by applicants that are allowed to incur debt which may be repaid with either fees for services or with tax revenues, the grant may not be more than 25% of the estimated project cost, and not more than the $50,000 limit. **Mr. Tubbs** said this policy didn't always make sense for many communities on this session's list of applicants. He cited the city of Lewistown as an example. They were "knocked down" because they had a revenue source, but yet they still couldn't afford to borrow all of the money for their project. He said it is DNRC's recommendation to withdraw this policy. He also stated the Renewable Resource Grant and Loan Program's purpose is to serve as an incentive program to conserve natural resources in Montana.

Another issue **Mr. Tubbs** addressed was the $100,000 cap for applicants. He said DNRC feels comfortable with this cap, because is it a good limit and the legislature has the power to go beyond it if they feel it necessary. **Jeanne Doney, DNRC,** mentioned that the reason it is on the handout is that the auditor said DNRC should consider the inflation factor. DNRC's response was that it wasn't really a limit based on real world data, but that it was a comfortable level for the legislature. She said that what the grant level does is give a signal to the applicants on what kinds of projects and what level of funding is available, which is why DNRC wants that level set by the legislature.

CHAIRMAN BERGSAGEL said that because of the $100,000 limitation some of the smaller applications are given a chance to be dealt with. **Mr. Tubbs** said that the closer these grants get to the $500,000 level, the closer they come to competing with TSEP. Every $100,000 increment is going to cut the number of funded grants. **Ms. Doney** mentioned that the only exception to the limitation is the larger irrigation projects, which are more costly.

Jane Hamman, OBPP, asked if because of inflation, would it make sense to bring the level up to $150,000. **Mr. Tubbs** said in the end it would be fine to stick to the $100,000 level unless the State of Montana provides significant opportunities for reclamation and development.

Mr. Tubbs explained that the one area where some difficulty could be considered is the situation with Muddy Creek. It qualifies for reclamation and development funds because it represents a crucial state need. The Muddy Creek Project has millions of dollars worth of studies going into it, and it is the number one water quality problem in the state of Montana. Two hundred million tons of sediment per year go down Muddy Creek. If there was a $300,000 grant available through DNRC they would have come to this program. **Mr. Tubbs** also explained that this is only one project and exceptions to the cap do not present an overwhelming problem.

CHAIRMAN BERGSAGEL said that the $100,000 limit isn't statutory, and he likes the limit where it is because it allows the program to address the smaller projects, as those applicants may not be able to get assistance anywhere else. Also, if it was raised to $300,000, essentially there could be five or six loans which would consume the entire program funding. **Mr. Tubbs** said he tends to agree.

CHAIRMAN BERGSAGEL suggested language which would allow DNRC the authority to base the grant or loan program on the $100,000 level, but to be able to recommend a higher amount for certain projects. For example to say that because Muddy Creek is the number one problem in the state of Montana, DNRC recommends them at a higher amount than the cap. **Ms. Doney** said that would introduce a "crucial state need" criteria, and could create a problem because there would be many applicants then trying to prove their project met a crucial state need.

{Tape: 2; Side: A;}

Ms. LeFebvre asked if targeting the money so that a certain amount went to small projects and a certain amount went to larger ones would be a feasible option. **REP. ZOOK** stated doing that would set an arbitrary line, which usually disturbs people. **Mr. Tubbs** stated they actually had something like that previously and it did not work out well at all. **Ms. Doney** said it created a situation in which more people didn't get funded in order to find good projects in all those areas. She said the $100,000 cap also helps to keep the funding geographically spread.

Ms. Hamman, OBPP, asked if there is a database regarding the affordability issue which can be updated, and how is that issue being dealt with. **Mr. Rob McCracken** said there is a water rate and sewer rate database, which is updated periodically. This database is not as detailed as the affordability analysis. There is always an element of case-by-case when looking at financial situations because things change in these communities. One suggestion the Department received was to look at financial indicators which reflect community change. When there is change in a community, their rates change too. He said they have come up with a system that is reasonably accurate and treats people fairly. **Mr. Tubbs** said essentially what DNRC did this session was run all fourteen municipal projects through the same affordability criteria.

<u>Motion/Vote</u>: **CHAIRMAN BERGSAGEL** moved to recommend to the Department of Natural Resources and Conservation that they eliminate the policy which states that a grant may not be more than 25% of the total project cost or more than $50,000 for applicants who are allowed to incur debt. **Motion carried 3 to 0.**

Ms. Doney said the Department would work on a simplified application, do the best they can, and get feedback from this subcommittee next session.

DISCUSSION ON THE LONG-RANGE BUILDING PROGRAM

Ralph DeCunzo, Department of Administration, Architecture and Engineering Division (A&E), provided a handout detailing a statement of intent for a maintenance plan. He said the intent is for A&E to act as a facilitator--not developing any specific program or plan, but to encourage and help the agencies to develop one, and to ultimately put it together as part of the Long-Range Building Program. He said there are three components in the intent:

1. A standardized evaluation process. Each agency needs to evaluate their facilities in some standard way, but not necessarily the *same* way. He stated they brought seven agencies together that had the majority of the building projects, and it was clear they didn't all agree on the same way to do the actual prioritization.

2. Prioritization of the agencies' needs by the agencies.

3. A cost estimate based on that evaluation.

Mr. DeCunzo said one of the key things he has heard over and over from agencies is that they have gone through this exercise in the past, and it hasn't been very fruitful for them because there hasn't been any money there to fund it. He stated a consistent, reliable funding source needs to be developed or identified and then the agencies can be encouraged to work on that plan with the intent that a funding source would be tagged.

Mr. DeCunzo said a strong feeling which came out of the group of the seven agencies is that the Long-Range Building Program structure, and the way it is presented, should be modified so there is clearly a maintenance plan, and a revenue source to fund that plan. He felt that goal can be strived for to present a plan to the legislature, possibly within the framework of the legislation that exists currently. When the program came forward this session, maintenance was competing with new buildings, and the agencies would like to see maintenance competing with maintenance for funding.

Tom O'Connell, Administrator, Department of Administration, Architecture and Engineering Division, said that some agencies are fairly advanced in this process, and some have nothing put together. The intent is to meld those agency plans together into a comprehensive plan which would address standardized items.

Ms. Hamman, OBPP, commented there are also federal requirements which the Department of Military Affairs, and to some extent, the Department of Fish, Wildlife and Parks have, that need to be worked with so those agencies don't have to operate under two parallel systems.

REP. ZOOK asked if A&E is responsible for attaching a dollar figure to the maintenance plans, or if that is the responsibility of the agency. **Mr. DeCunzo** said that the agencies would be responsible for that under this intent. **REP. ZOOK** questioned whether the agencies have the expertise to do that. **Mr. DeCunzo** said most of them do, and those who are weak in that area would be assisted by A&E. He also said A&E would have the opportunity to look at the cost and the maintenance plan for agencies, and verify some of the costs. **Mr. DeCunzo** said if something doesn't look right, A&E can take a harder look at it and offer some suggestions.

REP. ZOOK asked if when talking about a funding stream, **Mr. DeCunzo** was referring to a dedicated funding stream. **Mr. DeCunzo** said he feels that is what the agencies would like to see; something they know would be there each and every session. **REP. ZOOK** wondered what would ensure that the agencies would use the funds wisely if they know there is a dedicated funding stream. **Mr. DeCunzo** said that is a good point, and essentially deals with A&E's credibility to the legislature and the agencies' credibility to A&E. He said his hope would be that A&E would be able to develop a relationship with the agencies, much like they do with the building program now, in that they would have an opportunity to spot check those requests. "It doesn't take too long to be able to look at a true maintenance request and know whether it has been 'loaded up' or not."

CHAIRMAN BERGSAGEL said next session, more than likely, there will be almost $10 million set aside for maintenance, which hasn't happened since 1985. He said one of the reasons he has been pushing for this is he wants to make sure what **REP. ZOOK** and **Mr. DeCunzo** just discussed doesn't happen.

Mr. O'Connell said he feels very comfortable abuse of the plan won't happen, simply because the backlog of maintenance items is so tremendous, it will take many years to get through it.

In response to a question by **Ms. LeFebvre, LFA, Mr. O'Connell** said the best incentive for agencies to include operations and maintenance costs in their request is for the committee to continue to ask for them.

Ms. LeFebvre asked how A&E would rank agency requests if agencies don't follow the established criteria. **Mr. DeCunzo** replied that he was hoping what is included in these minutes would show the committee's intent, and what A&E's direction should be. He said in terms of prioritizing requests, if there are some ground rules stating an agency needs to participate in this prioritization and cost evaluation, and those that don't will not be included in the maintenance plan, then that is a ground rule everyone needs to be aware of right off the bat. **CHAIRMAN BERGSAGEL** commented that the committee could not stop an agency which does not comply from coming in and presenting their request, but the committee can look skeptically upon that request.

CHAIRMAN BERGSAGEL said if agencies could be shown the value of a maintenance program, or at least the standardized evaluation process, he would hope they would comply simply because they could see a benefit from it. **Mr. DeCunzo** felt eventually agencies will, but it will take time, education, and incentive, and he feels the $10 million for maintenance will be a good incentive. **CHAIRMAN BERGSAGEL** said he has agreed to come here in the summer, and use his authority as chairman to encourage agencies to participate.

Ms. Hamman, OBPP, asked if there would be some kind of technical assistance in developing the standardized evaluation. **Mr. DeCunzo** said that is a consideration, and Montana State University has offered to help, given they have experience with their current facility conditioning program, but they have limited resources.

REP. McCANN stated he wishes to go on record in support of A&E's statement of intent.

Ms. Hamman clarified that it is not the committee's wish that if agencies don't participate in the evaluation within the next couple of years, they won't be eligible to participate in the results of HB 19.

Ms. LeFebvre asked if it was the committee's intent to strongly encourage requests that come before this subcommittee next session also adhere to the guidelines as much as possible.

CHAIRMAN BERGSAGEL stated he didn't believe they could do that because the role of the legislature can't be thwarted in that respect, however, an agency with a good maintenance program can ask to go through the evaluation process and point out how they complied with the guidelines.

{Tape: 2; Side: B;}

<u>Motion/Vote</u>: **CHAIRMAN BERGSAGEL** moved to adopt the statement of intent from the Architecture and Engineering Division of the Department of Administration. (See Exhibit 5). **Motion carried 3-0.**

ADJOURNMENT

Adjournment: 10:45 a.m.

ERNEST BERGSAGEL, Chairman

TRACY BARTOSIK, Secretary

EB/tb

LONG RANGE PLANNING

Joint Appropriations Subcommittee

ROLL CALL

DATE 2-10-95

NAME	PRESENT	ABSENT	EXCUSED
Rep. Ernest Bergsagel, Chairman	X		
Rep. Matt McCann	X		
Rep. Tom Zook	X		
Sen. Ethel Harding, Vice Chairman	X		
Sen. Chris Christiaens	X		

DEPARTMENT OF COMMERCE
LOCAL GOVERNMENT ASSISTANCE DIVISION

MARC RACICOT, GOVERNOR

1424 9TH AVENUE
PO BOX 200501

STATE OF MONTANA

(406) 444-3757

HELENA, MONTANA 59620-0501

EXHIBIT 1
DATE 4-10-95
HB

TO: **Joint Long-Range Planning Subcommittee:**

Ernest Bergsagel, Chairman
Representative Matt McCann
Representative Tom Zook
Senator Ethel Harding, Vice-Chairman
Senator "Chris" Christiaens

FROM: Dave Cole, Chief
Community Development Bureau

Robb McCracken, Manager
Treasure State Endowment Program (TSEP)

DATE: April 7, 1995

RE: Improvements or Modifications to Treasure State Endowment Program

During the Long-Range Planning Subcommittee's review of the TSEP applications in January, members of the committee offered several suggestions regarding the program.

1. Some suggestions regarded the format of the TSEP Legislative Report and the information provided for each proposed project. Members of the Committee recommended that we provide additional detail regarding the engineering and construction components of the project and the elements that would be funded with the TSEP grant. We will modify the report format to accomplish this.

2. Representative Zook recommended that we address the financial need issue first in our analysis since that appears to be the critical issue in determining whether TSEP funding will be recommended, rather than the summary of the proposed project's relationship to the ten statutory priorities. The issue of financial need is something we can also try to make more clear in our application guidelines and through our workshops so that communities understand that this is the key consideration in the award of TSEP funding.

3. In our March 21st memorandum to the Committee, we described the amendment we had proposed to the TSEP statute through HB 599 to recognize the TSEP applicant's past efforts to manage its public facilities responsibly over the long term and to solve infrastructure problems with

local resources. This issue was raised by Senator Swysgood during the TSEP hearings in regard to Dillon's TSEP application and was a concern apparently shared by members of the Subcommittee. If HB 599 is not passed, we will try to incorporate this concept within the fourth statutory priority ("Projects that result in a benefit to the public commensurate with the amount of financial assistance.")

We noted in our March 21st memorandum that many TSEP applicants have been confused by the intent of the current statutory language. We would propose to include the "community efforts" concept within the ranking of the fourth statutory priority through the TSEP application guidelines. The guidelines for the federally-funded Community Development Block Grant Program consider the following issues in ranking public facility applications on a "Community Efforts" criterion:

a. the community's past efforts to deal with the public facility problem through a long-term commitment to capital improvement planning and budgeting or by raising taxes, user charges or fee schedules to the maximum reasonable extent, considering local financial constraints;

b. that reasonable operation and maintenance budgets and practices have been supported by the community over the long-term, including adequate reserves for repair and replacement; and

c. that if there are indications that the community's problem is not of recent origin or has developed because of past inadequate operation and maintenance practices, the applicant has thoroughly explained the circumstances and described the actions that will be taken in the future to assure that the problem will not reoccur.

We could ask TSEP applicants to address these points in their response to the "Public Benefit" statutory priority #4. This is probably the best we could do to respond to this concern, within the contraints of the existing statute. Our preference would be to see adoption of the explicit language regarding "community efforts" as proposed in HB 599.

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DEPARTMENT OF COMMERCE
LOCAL GOVERNMENT ASSISTANCE DIVISION

MARC RACICOT, GOVERNOR

1424 9TH AVENUE
PO BOX 200501

STATE OF MONTANA

(406) 444-3757

HELENA, MONTANA 59620-0501

EXHIBIT 2
DATE 4-10-95
SB

TO: **Joint Long-Range Planning Subcommittee:**

Ernest Bergsagel, Chairman
Representative Matt McCann
Representative Tom Zook
Senator Ethel Harding, Vice-Chairman
Senator "Chris" Christiaens

FROM: Dave Cole, Chief
Community Development Bureau DC

Robb McCracken, Manager
Treasure State Endowment Program R Mc

DATE: April 7, 1995

RE: Use of Debt Service Subsidies in the Treasure State Endowment Program (TSEP)

To date, the only type of TSEP financial assistance requested by Montana communities for construction of local public facilities projects has been matching grants. The purpose of a matching grant is to make a local project affordable for citizens by reducing the total amount of funds that would need to be financed. One of the other forms of financial assistance authorized by the TSEP statute is "annual debt service subsidies".

As defined by TSEP's original sponsors, an annual debt service subsidy would provide TSEP funds to pay a fixed percentage of the community's annual debt service payment on a bond or loan over the life of the loan or bonding period. In effect, a debt service subsidy would be a grant made on an installment basis for a fixed period of time. The rationale for this approach was that by spreading the commitment of TSEP funds over the long term, the program would be able to fund many more infrastructure projects from each biennium's available TSEP allocation.

The provision of annual debt service subsidies is a unique concept for assisting local governments in financing public facilities that has not been tested in Montana (or elsewhere, to our knowledge). Private bonding firms and local governments have shown no interest in the concept during the last two TSEP application cycles. As a result, the Department of Commerce retained a financial consultant to determine if this concept could be a financially feasible and cost-effective means of reducing local user charges or assessments to reasonable and affordable levels.

"AN EQUAL OPPORTUNITY EMPLOYER"

The consultant's analysis and conclusions are described in the attached report. While he concludes that it would be possible to use debt service subsidies as a means of funding local public facility projects through TSEP, it appears that this funding alternative would "require the use of complicated and probably expensive methods to establish the subsidy mechanism, to structure subsidies as part of local government financial arrangements, and to administer subsidy payments." The use of debt service subsidies also raises the question of the appropriateness of one legislative session creating a long-term commitment which would obligate legislatures to pay an annual subsidy from TSEP funds 20 to 30 years in the future.

EXHIBIT # 3
DATE: 4/10/95
THE ORIGINAL OF THIS DOCUMENT IS STORED AT THE HIST. SOCIETY AT 225 N. ROBERTS, HELENA MT 59620-1201
PHONE NO: 444-2694

HOUSE OF REPRESENTATIVES
VISITOR REGISTER

Long Range Planning SUBCOMMITTEE DATE 4-10-95

DEPARTMENT(S) ______ DIVISION ______

PLEASE PRINT PLEASE PRINT

NAME	REPRESENTING	
Dave Cole	Local Gov't Assist. Div. Dept. of Commerce	
Robb McCracken	" (TSEP)	
Jim Edgcomb	" (TSEP)	
Newell Anderson	"	

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.

EXHIBIT 4
DATE 4-10-95
~~95~~

RENEWABLE RESOURCE GRANT AND LOAN PROGRAM

POLICY DISCUSSION

Department of Natural Resources and Conservation
and
Long Range Planning Subcommittee of Appropriations

54th Montana Legislature
April 7, 1995

- Current policies limit the dollars granted to each project. Should the $100,000 limit be increased?
- For projects submitted by applicants that are allowed to incur debt which may be repaid with either fees for services or with tax revenues, DNRC has recommended a grant of not more than 25 percent of the estimated project cost but not more than the $50,000 limit. Should DNRC continue these standards in making recommendations to the Subcommittee?
- Based on earlier conversations with the Subcommittee, DNRC will take steps to simplify the grant and loan application form; adequate information about the project will be gathered, if necessary, during the review process.

Goals:

DNRC's goals for administering the Renewable Resource Grant and Loan program relate to the solicitation of applications, the evaluation of applications to provide the legislature with a basis for the selection of projects that best support the purposes and stipulations of Title 85, MCA and the administration of grants and loans to comply with the conditions of the authorization and applicable laws.

1995 Recommendations:

The typical grant recommended by DNRC has been up to 25 percent of the total project cost, but no more than $50,000. The remainder of an applicant's funding request up to $200,000 was provided in a loan if the project sponsor has the ability to repay the loan's principal and interest

EXHIBIT 5
DATE 4-10-95
X

STATEMENT OF INTENT FOR A MAINTENANCE PLAN

The Architecture & Engineering (A/E) Division shall coordinate a major maintenance plan with all state agencies submitting requests for the 1998-99 biennium through the Long Range Building Program. Each agency shall participate with A/E to develop the guidelines for such a plan. The plan shall be derived from a standardized evaluation of needs and include the prioritization and cost estimate for each project.

It will be the responsibility of A/E to manage the development of this plan, facilitate coordination of the agencies in that development and recommend to Legislature a consolidated maintenance plan within the funds available.

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