

Language appropriations from other sources total \$18.3 million in four agencies: 1) Office of Public Instruction; 2) Commissioner of Higher Education; 3) Natural Resources and Conservation; and 4) DPHHS. Specifics of these language appropriations can be found in the narratives for each agency in Volumes 3 and 4 of the LFD 2015 Biennium Fiscal Report.

## **APPROPRIATIONS BY SOURCE OF AUTHORITY – LONG RANGE PLANNING**

The Long-Range Planning Subcommittee (LRP) analyzes and recommends appropriations and grant authorizations for capital projects to the legislature. The capital project budgets include investment in various forms of infrastructure including: the acquisition of lands, construction and major maintenance of lands and buildings, maintenance and development of water related infrastructure, reclamation activities, and information technology. More information related to the LRP budgets is found in Volume 4 Section F of the Legislative Fiscal Report.

### **LRP Budgets**

The Sixty-third Legislature approved total funds spending of \$325.5 million for the LRP budgets. For the 2015 biennium, the legislature appropriated funds for nine programs. The LRP programs include:

- Long-Range Building Program (LRBP) – acquisition, construction, and major maintenance of state owned lands and buildings
- State Building Energy Conservation Program (SBECP) – energy efficiency improvements to state owned buildings
- Long-Range Information Technology Program (LRITP) – major information technology build out and upgrade
- Treasure State Endowment Program (TSEP) – water infrastructure grants to local governments
- Treasure State Endowment Regional Water Program (TSEPRW) – matching funds for major regional water projects
- Renewable Resource Grant and Loan Program (RRGL) – water conservation grants and loans to local governments
- Reclamation and Development Grant Program (RDGP) – grants for the reclamation of lands degraded by severance activities
- Cultural and Aesthetic Grant Program (C&S) – arts and historical grants
- Quality School Facility Grants Program (Quality Schools) – grants for major maintenance of K-12 school facilities

The following provides a summary of the legislative appropriations for the LRP programs.

Long-Range Planning Budgets 2015 Biennium (in Millions)									
Program/ Bill	Apropriations				Non-Appropriations				General Fund Transfers
	Capital Project	State Special	Federal Special	Bonds/ Loans	Prop.	Authoriz.	Total	% Total	
LRBP (HB 5)	\$60.6	\$29.4	\$26.1	\$0.0	\$0.6	\$58.9	\$175.6	53.9%	\$49.6
SBCEP (HB 5)		3.5					3.5	1.1%	0.0
LRITP (HB 10)	17.4	3.1			0.4		20.8	6.4%	11.5
TSEP (HB 11)		35.0					35.0	10.7%	13.3
TSEPRW (HB 11)		17.0					17.0	5.2%	8.4
RRGL (HB 6 and 8)		29.5		24.7			54.2	16.6%	20.5
RDGP (HB 7)		6.2					6.2	1.9%	0.0
C&A (HB 9)		0.8					0.8	0.2%	
Quality Schools (HB 15)		12.4					12.4	3.8%	
Grand Total	<u>\$78.1</u>	<u>\$136.8</u>	<u>\$26.1</u>	<u>\$24.7</u>	<u>\$1.0</u>	<u>\$58.9</u>	<u>\$325.5</u>		<u>\$103.2</u>

As noted on the table above, expenditures from the columns titled Prop. (proprietary) and Authoriz. (authorizations) are not technically appropriations. Funding from non-budgeted proprietary funds (enterprise) funds does not require appropriation. Authorizations refer to non-state funds, typically university funds and donations. These items are shown on the table given that statute requires capital building projects with costs in excess of \$150,000 must be authorized by the legislature in the Long-Range Building Program.

### Legislative Action

Total legislative appropriations and authorizations for the LRP budgets are \$325.5 million. This is a 129% increase from the LRP budgets in the 2013 biennium and 9% lower than the executive budget proposal. There is no general fund appropriated in any of the LRP programs, however the legislature transferred \$103.2 million from the general fund into the various LRP funds, as seen in the figure above. The purposes and associated amounts of the general fund transfers include:

- Funding state building construction projects with cash - \$49.6 million
- Funding state information technology projects - \$11.5 million
- Expanding funding for local government infrastructure projects - \$25.1 million
- Funding the state's obligation for tribal water compacts - \$17.0 million

The LRP budgets contain a number of significant appropriations. Several highlights of the LRP budget include:

- Ten new building construction projects (LRBP-HB 5)
- A state information technology security project (LRITP-HB 10)
- Fully funding the state share of the Dry Prairie and North Central regional water projects (TSEPRW-HB 11)
- Providing an affordable loan for the local share of the Dry Prairie and North Central regional water projects (RRGL-HB 8)
- Final deposits for the state obligation of the Ft. Belknap and Blackfoot tribal water compacts (RRGL-HB 6)

### Eastern Montana Infrastructure

Local governments in proximity to the Bakken oil fields are struggling to provide the infrastructure and services needed for the growing populations that accompany oil and gas development. Populations grow as workers migrate to the area to find employment, causing serious impacts on local government infrastructure and services. Counties in the region have experienced inadequacies in water and wastewater infrastructure, roads and bridges, school facilities, housing, and law and healthcare services. All of these services come with significant costs. The costs of improvements to infrastructure and ongoing provision of public services generally exceeds the normal funding available to local governments.

To help local governments mitigate the increased demand for services, the Sixty-third Legislature passed HB 218, which would have provided \$35.0 million for grants to local governments in oil and gas development impacted areas (from FY 2013 through FY 2015). The legislation created a short-term grant program, structured similar to the

Treasure State Endowment Program (TSEP) and administered by the Department of Commerce. The legislation defined and targeted oil impact areas and the project eligibility for grants. The new program would have supported TSEP type infrastructure projects (water, wastewater, bridges) by providing grants for local government roads and buildings, along with limited grant funding for law enforcement, fire, emergency, and public health and welfare services. Ultimately, the Governor vetoed HB 218 and the legislature did not override the veto in polling.

\$15.3 million of infrastructure project funding was specifically provided for seven Eastern Montana counties, including Custer, Dawson, Fallon, Powder River, Richland, Roosevelt, and Sheridan Counties, through Long-Range Planning (LRP) programs. Infrastructure projects include water, wastewater, and irrigation system improvements; school facility upgrades; land and streambed reclamation; and a study of the impacts of oil and gas development on the state's waters. While most of the funding shown below is provided to local governments in the form of grants, \$6.0 million is a loan to the Dry Prairie regional water authority. The funding by LRP program is shown in the figure below:

Long Range Planning Eastern Montana Project Funding		
Program	Projects	Funding
Quality School Facilities	2	\$236,380
Reclamation & Development Grants	3	727,377
Renewable Resource Grants & Loans	9	6,800,000
Treasure State Endowment	4	2,500,000
Treasure State Endowment Regional Water	<u>1</u>	<u>5,000,000</u>
Total	19	<u>\$15,263,757</u>

While the funding from LRP programs will provide assistance to local governments in Eastern Montana, the need for infrastructure and services improvements will, in many cases, remain unmet in the near future. The 2015 Legislature will almost certainly face the need for funding assistance again in the next session. Until then, there are options for the financing of urgent water/waste water infrastructure projects with low interest loans offered through the revolving loan programs co-administered by the Department of Environmental Quality and the Department of Natural Resources and Conservation. For more information on HB 218 and the various grant programs mentioned above, refer to the Volume 4, Long-Range Planning section of the fiscal report.