



## LEGISLATIVE FINANCE COMMITTEE

### 61<sup>st</sup> Montana Legislature

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#### SENATE MEMBERS

KEITH BALES  
STEVE GALLUS  
DAVE LEWIS  
RICK RIPLEY  
DAVID WANZENRIED  
CAROL WILLIAMS

#### HOUSE MEMBERS

WILLIAM GLASER  
CYNTHIA HINER  
GALEN HOLLENBAUGH  
LLEW JONES  
JON SESSO  
JANNA TAYLOR

CLAYTON SCHENCK, Lead Staff  
DIANE MCDUFFIE, Secretary

# MINUTES

Please note: These are summary minutes. Testimony and discussion are paraphrased and condensed. Committee tapes are on file in the offices of the Legislative Services Division. **Exhibits for this meeting are available upon request. Legislative Council policy requires a charge of 15 cents a page for copies of the document.**

Please note: These minutes provide abbreviated information about committee discussion, public testimony, action taken, and other activities. The minutes are accompanied by an audio recording. For each action listed, the minutes indicate the approximate amount of time in hours, minutes, and seconds that has elapsed since the start of the meeting. This time may be used to locate the activity on the audio recording.

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To view the minutes, locate the meeting date and click on minutes. To hear the audio recording, click on the Real Player icon. Note: You must have Real Player to listen to the audio recording.

### **SUBCOMMITTEE MEMBERS PRESENT**

SEN. DAVE LEWIS  
SEN. CAROL WILLIAMS  
REP. CYNTHIA HINER  
REP. JANNA TAYLOR

### **STAFF PRESENT**

MATT STAYNER, Fiscal Analyst  
TARYN PURDY, Principal Fiscal Analyst  
SUSIE LINDSAY, Secretary

### **Visitors**

Visitors' list, Attachment #1.

### **COMMITTEE ACTION**

### **CALL TO ORDER AND ROLL CALL**

Roll noted. Attachment #2

## **AGENDA**

- 00:00:01 SEN WILLIAMS, Chair called the meeting to order. She asked the secretary to note the roll. The minutes were accepted as presented.
- 00:00:25 TONY PRIETE, Director of Dept of Commerce introduced his staff members that would present ARRA updates. Director Preite presented the number of contracts from June - August 2008 and from June - August 2009. June 2008 contracts were 77, whereas June 2009 were 152, July 2008 contracts were 22 and July 2009 numbers were 192, August 2008 had 17 contracts and August 2009 had 348 contracts.
- 00:04:25 KELLY CASILLAS, Deputy Chief Legal Council for the Dept of Commerce (DOC), as well as Administrator of the Quality Schools Grant Programs, stated that the DOC has three grant programs, however only two of those are funded with HB645 funds. She presented a report entitled HB645 Quality Schools Grant Program that discussed Deferred Maintenance and Energy Efficiency Improvements Payments and the Quick Start Energy Grant Program (EXHIBIT 1). The deferred maintenance and energy efficiency payments provided for all 441 school districts a portion of the nearly 20 million appropriation in Section 57 of HB645. Schools had to sign an assurance agreement with the Governor's office before they could apply through DOC for funding. The assurance agreements also covered all the other stimulus funds available to them from the federal government. 440 contracts between DOC and the schools have been processed, one school district did not sign the assurance agreement. \$4.4 million has been distributed to 74 school districts so far. 90% of the funds is given at the start of a project with the last 10% given at the time of completion.
- 00:06:54 MATT STAYNER, LFD Fiscal Analyst, presented information on the Quick Start Energy Grant Program. (EXHIBITS 2,3,4) The entire appropriation was awarded to the schools. Some questions were asked to clarify time lines, and Greg Petesch, Legislative Services Code Commissioner, offered a legal opinion in regard to the time line. Mr. Stayner reported that Mr. Petesch's opinion differed from the Department of Commerce's opinion.
- Mr. Stayner stated that slightly over \$2 million had been expended and he suggested that the committee would like to clarify the mechanisms in place to award money, such as rules for disbursement, how funding is then issued, and what happens to the funding that is not distributed under the grant program.
- 00:08:35 MS CASILLAS, reported on the Quick Start Energy Grant Program. \$14.95 million total appropriation was awarded within 8 weeks after the bill was signed on 14 May. The grants were awarded on a first come first served basis for either energy audits or energy improvements. 143 school districts received audit awards and about \$2.7 million in audit awards were given for schools to evaluate the potential energy savings. To date about \$1.5 million has been paid out in invoices. Ms Casillas stated that she did not expect that any of the audit awards would not be completed by Sept 30. All work done by Montana

firms or the Montana office of a firm. Contracted directly with pre-qualified auditors on behalf of the school, so they would not have to go through the procurement process. Those contractors are already pre-qualified through Department of Environmental Quality to perform audits. ACE in Belgrade, Billings and Missoula got \$185,000 award, CTA statewide performed \$711,000 of audits, DC Engineering in Missoula, \$200,000, GE Engineering in Kalispell \$165,000, McKinstry in Missoula, \$322,000, MKK in Billings \$146,000, Morrision-Maierle statewide \$232,000, WTR in Helena, Missoula \$543,000 and Black Box in Big Timber \$41,000, Energy and Sustainable Design Consultants in Billings for \$40,000, FICO in Great Falls for \$11,000, GBD in Great Falls for \$8500, L'Heureuz Page Werner in Great Falls for \$102,000, and Sustainable Buildings Systems in Billings for \$14,000.

The appropriation could also be used for energy efficient improvements. The Dept of Commerce awarded 99 school districts energy efficient improvement awards for \$12.2 million. Projects included upgrades to boilers, lighting, windows, HVAC or geothermal heat pumps. Awards ranged from \$2,000 in Malta for a lighting project, to \$564,000 to Billings public schools for rooftop units and insulation. To date, \$4.2 million in invoices have been paid and a further \$1.1 million in invoices arrived today. All work must be completed by 9/30. 91 of the 99 of the school districts have already completed or are just finishing up projects. Currently compiling information on the contractors involved in those projects. Ms. Casilla stated that 440 cumulative jobs have been saved or created by the Quick Start Program as of 9/24/09. She stated that the Quality Schools Facility Grant HB152 relates to the issue of time lines. The Quality Schools Facility Grant is not ARRA money, but Quick Start appropriation provides that any remaining funds will pour over to that program if any remain. Ms. Casilla stated that she did not think much money would be left.

- 00:13:53 SEN WILLIAMS asked Ms Casilla if in fact there were nine projects left that the department has not heard from. She wanted to know if the schools are a day late turning in invoices, would the invoices still be paid. Ms. Casilla responded that the program accept invoices after September 30, but work had to be completed by September 30, 2009.
- 00:14:52 DAVE COLE, Administrator of Community Development Division, oversees the local government grant program. The bill provided \$10 million in infrastructure grants to counties and \$10 million to cities and towns. He presented handouts for HB 645 County Grants Status Sheet, (EXHIBIT 5) and HB 645 Cities/Towns Grant Status Sheet (EXHIBIT 6). DOC has disbursed funds to 43 cities and towns and 32 counties. A total of over \$7 million. Contracts for 38 other local governments are currently going through legal and fiscal review within the department. The projects must be completed by 9/30/10. Each recipient must provide a budget and implementation schedule.
- 00:18:12 ANDY POOLE, State Tribal Economic Development Commission Projects (EXHIBIT 7), \$5 million appropriated, with 1.13% for administration of the program the grant funds then available would be \$4,943,500. State travel economic development commission which is a statutorily attached board to the DOC made a decision at the May meeting that it wanted to distribute the funds equally among the eight state recognized state tribal governments. The funds are distributed as presented in EXHIBIT 4.

- 00:20:31 SEN LEWIS asked Mr. Poole if staffing issues have been resolved to handle both the work load generated by HB645, as well as the regular work loads. Mr. Poole stated that the office is reorganizing workload to make resources available. He thinks a good solution has been met.
- 00:21:48 DAVE COLE, Administrator of Community Development Division, presented reports on the Department of Commerce Historic Preservation Grant Program (EXHIBIT 8) and Potential HB 645 Historic Preservation Projects (EXHIBIT 9). HB645 provided for grants to private or public entities for the preservation of sites within Montana. Montana is the only state that provided stimulus funds for historic preservation. Of the 4 million that was appropriated by HB645, 3 specific grants to the bill itself were provided to the Marcus Daly Mansion for \$50,000, St. Mary's Mission for \$40,000 and the Travelers Rest Historic Site in Lolo for \$180,000. Contracts were in place for St. Mary's and Marcus Daly, however the appropriation for the Travelers Rest Historic Site was transferred to the Department of Fish, Wildlife and Parks, since Travelers Rest is a state park. The legislature appropriated \$105,540 for program administration, which provided a one-half FTE to help administer the program. The balance remains of \$3,624,000 available for new historic preservation grants. The grants will permit up to \$250,000, with no matching funds required.
- 00:26:02 BRUCE BRENSDAL, Executive Director for the Board of Housing with the DOC, provided a report entitled MT Dept of Commerce Allocation of Low Income Tax Credits (EXHIBIT 10). Mr. Brensdal explained the low income tax credit program, how the economic recession affected the existing program, and how the stimulus funds assisted to help the Low Income Tax Credit program. With the changes made to the exchange program, 11 projects were finalized across the state, and a description of those projects is included on the report, as well as, amount of tax credits allocated to developers.
- 00:28:11 DIR PREITE, DOC, offered closing comments.
- 00:29:22 MR STAYNER stated that since the previous meeting the LFD had obtained an electronic file of the Governor's report, also, the OBPP indicated that the formula for counting FTEs differs from the understanding at the last ARRA meeting. The funding that came through HB645 supported the 2,088 hours that equal one FTE. When other job data is examined, the number of jobs may not match the actual job count from the Department of Labor. Mr. Stayner provided a report on jobs written by Barbara Smith. (EXHIBIT 11) Mr. Stayner reported on the HB645 Budget Change indicating the budget amendments to HB645 funds. (EXHIBIT 12)
- 00:33:49 TARYN PURDY stated that the Medicaid rate will be higher than anticipated. The previous rate was based on unemployment numbers for the state of Montana. However, the state may be entering a higher unemployment tier, so an additional .85% would be available. 1% equals \$8 million. This information is not confirmed yet.
- 00:35:08 REP TAYLOR asked if it would be confirmed by November. Ms. Purdy responded that she hoped that it would be confirmed by November.
- 00:35:26 DAVID EWER, Director of OBPP presented an update on the formula used for job count

data. He stated that the numbers for ARRA must be reported to the federal government by 10 October. DIR EWER stated that the job counts formula from the federal government has changed three times. In July the OMB offered the following guidance: take actual hours paid by ARRA money and translate it into a full time equivalent. Since July, additional guidance has been offered to just count jobs that were not lost. Dir Ewer likes the formula hours worked that are paid by ARRA funds divided by FTE equivalent. However, the Governor's office may use several measurement methods.

- 00:44:57 SEN WILLIAMS understands that no report from the Governor's office provided until October and no information until November, so she thinks the committee can wait until the December meeting to discuss the additional information.
- 00:45:42 SEN LEWIS stated that when the HB645 was originally passed the claim was that it would create 11,000 - 12,000 jobs. He thinks those numbers will be very difficult to reach. He cited an example of a road construction job that was funded with \$8 million in stimulus funds, and only employed 11 people.
- 00:49:22 DIR EWER stated without stimulus the state would have had higher unemployment. The stimulus is not designed to create jobs indefinitely. He stated that he thought the stimulus helped. The estimates the Governor's office will use will not be based on econometric models and therefore he thinks numbers may actually be smaller than originally thought.
- 00:51:05 REP TAYLOR wants to know spending to date.
- 00:51:38 DIR EWER stated that the money spent as of 8/31/09 is \$150 million or 9.85% of funds expended. DOL has spent 42 million, 76 million for DPHHS, DOT has spent 15 million, and DOC used 12 million. SEN WILLIAMS asked for a copy of his reports ahead of time, to be given to the Legislative staff prior to the meeting.
- 00:54:36 BONNIE LOVELACE, Program Coordinator from the Director's office of Department of Environmental Quality (DEQ), provided a Summary of ARRA Funds to be Distributed by the DEQ (EXHIBIT 13). The report is directly off the Governor's website. The silos programs are further along than the Department of Energy programs, since many of the Dept of Energy programs have to be built. DEQ identified shovel ready projects, in addition, a scoring process was used to determine projects that were funded. Some projects are overseen by DEQ, but the money actually goes through the DNRC. Reported that the DEQ is ready for the first federal reporting due in October. In addition, an oversight committee has been in place since February to make sure programs move forward. Contracts with providers require reporting of job numbers.
- 01:00:52 JUDY HANSON, Administrator of Permitting and Compliance Division of DEQ reported on the review process for application approval to use stimulus funds. She stated that the DEQ administers two application reviews, one for an open gravel pits and one for stream bed disturbances related to highway projects. To date the department has processed only 2 applications for gravel pits as most projects use existing pits. DEQ has begun processing stream disturbances applications, 26 applications for the first year, 17 in phase two projects, 8 submitted, 4 approved, 4 under review. In addition to highway money, the other permitting comprises the water & wastewater infrastructure plans.

Through HB645, at least 200+ projects for community water and wastewater infrastructure projects have applied for applications. A list of 280 community projects and DEQ has received 40-50% of applications. DEQ did not receive applications early in the process, possibly because communities may not have realized that they still had to go through the review process, even though the funding was from stimulus dollars. The DEQ has sent letters out to remind those entities that in fact environmental reviews do need to be completed. Since the letters have gone out, more applications have come in to the DEQ.

- 01:05:25 LOU MOORE, Chief of Energy and Pollution Prevention Bureau with the DEQ, presented a report titled Energy Efficiency and Conservation Block Grants (EXHIBIT 14). The report provided information on five projects that are funded under the ARRA. Energy efficiency block grants are federally regulated, however were not funded until ARRA actually provided the money. The Department of Energy provides block grant money is sent directly to the tribes, however, a second component offers grants to towns and counties through an application process. In addition, non-formula based grants are allocated from the Department of Energy to states for the state government to serve smaller communities. \$9.5 million comes to Montana through the non-formula process. The funding proposal for the \$9.5 million has not been awarded yet. 60% of the \$9.5 million must go to local governments. The Energy and Pollution Prevention Bureau's proposal asked for a higher percentage, effectively \$8 million to local governments. The remaining \$1.5 million will be for administration purposes. Anticipate the money will ultimately fund energy improvements, renewable energy systems, recycling programs, street lighting. The criteria for awarding grants will be that program must provide energy savings, energy sustainable and energy measurable. 175 within jurisdiction can apply. Limit of \$200,000 for each grant. Not requiring matching funds, but encouraging them to apply for utility funds if they can obtain them. After grant application process complete, only six months to implement the programs.
- 01:13:50 BRIAN SPANGLER, Program Manager with the Business and Community Assistance with the DEQ, submitted a report on Diesel Emissions Reduction Action (DERA) grants (EXHIBIT 15). DERA, obtained a state grant for \$1.73 million. The DEQ partnered with OPI to provide a school bus replacement program. Each school district has a depreciation fund that they may depreciate busses up to 50%. 31 new school busses were included in that program. DEQ used a scoring process that looked at level of emissions, amount of students, 22 school districts affected. 2,010 emissions in spring. Funding in the amount of \$700,000 provided for the re-powering of 4 coal hauling vehicles.
- 01:18:04 MR STAYNER stated that the \$700,000 grant for this program was not part of the original budget, but was added as a budget amendment to HB 645.
- 01:18:30 There was no public comment.
- 01:18:51 SEN WILLIAMS handed out a Dept of Transportation power point presentation (EXHIBIT 16) and stated that she would like to have the agency update the committee on the program at the next meeting.
- 01:20:24 SEN WILLIAMS directed the committee to give agenda items for the next meeting to

Barbara Smith. She suggested that the next meeting should take about two hours and be held during the next Legislative Finance Committee meeting.

01:22:16 MR STAYNER directed the committee to review a letter written by Barbara Smith, Fiscal Analyst with the Legislative Fiscal Division, that offered suggestions for further topics of discussion within the committee. (EXHIBIT17)

01:22:34 SEN WILLIAMS indicated that since the full Legislative Finance Committee directed the ARRA subcommittee to address items in HB645, and only additional stimulus information if time allowed, that further discussion with Ms Smith would be needed, as much had changed since the writing of the letter, EXHIBIT 17.

01:22:52 TARYN PURDY, asked the committee if the Fiscal Division could continue working within the confines of the decision that was made. Matt Stayner asked if a conference call could be scheduled if additional information became available.

01:23:16 SEN WILLIAMS agreed and adjourned the meeting at 3:45.