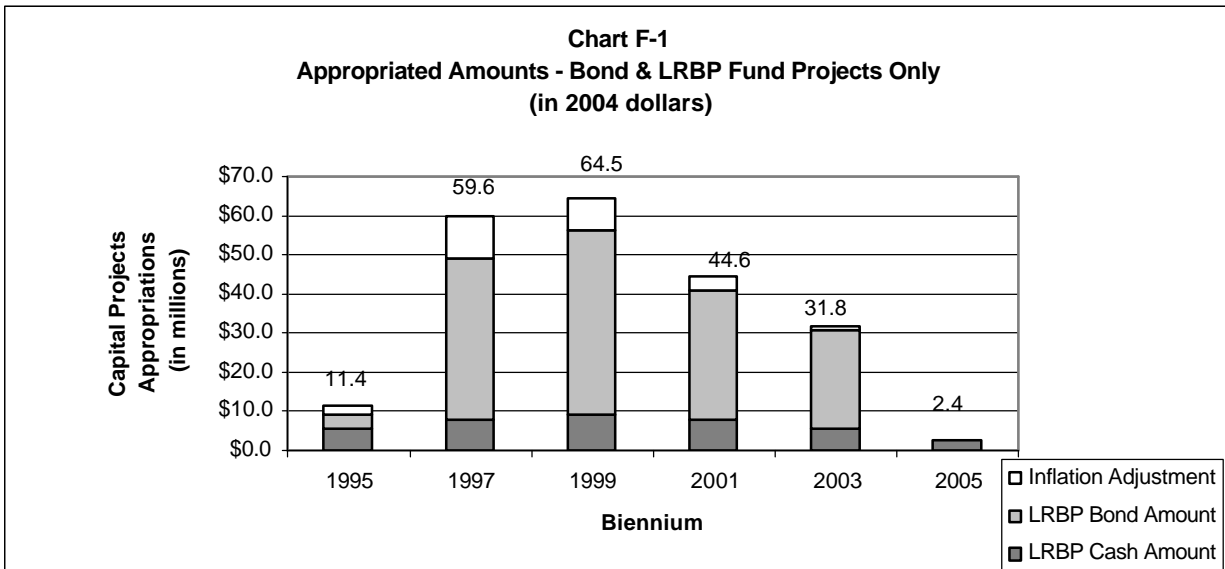


Long-Range Building Program

Purpose - The Long-Range Building Program was initiated in 1965 to provide funding for construction and maintenance of state buildings. The LRBP was developed in order to present a single, comprehensive and prioritized plan for allocating state resources for capital construction and maintenance of state-owned facilities. Primary statutory authority is Title 17, Chapter 7, part 2, MCA.

Executive Recommendation -

- **Volume 3 of the Governor's 2005 biennium Executive Budget** contains the complete LRBP project applications and recommended project descriptions, which total \$46,234,312. All recommended projects are listed on Table F-2.
- **HB 5** contains \$2,381,500 LRBP, \$22,035,000 state special revenue, \$11,189,212 federal special revenue, and \$10,628,600 other funds for a total of 36 projects and \$46,234,312 in the cash bill.
- Highest priorities in the cash recommendations for the 2005 biennium are safety and deferred maintenance projects statewide.
- Due to the continuing revenue shortfall, the executive recommends extension of the “temporary” reduction of coal severance tax revenue from 12 percent to 10 percent, the same percentage cut which was authorized by the August 2002 Special Session. The proposed building program reflects a \$1.226 million reduction for the 2005 biennium, subject to passage and approval of the legislation. See Chart F-1 below for a comparison of recent bond and LRBP fund capital projects appropriations.
- The total LRBP debt service is budgeted at \$12.258 million in FY 2004 and \$11.667 million in FY 2005, compared with a high of about \$20.8 million in FY 1995.



Since the Last Session -

- During the August 2002 Special Session, the revenue to the LRBP account was reduced by \$644,000 in FY 2003 through passage and approval of HB 10 and the funds were deposited to the general fund. Six previously authorized projects were reduced in HB 10 to achieve the savings.
- Since last session, the Architecture and Engineering Division has completed expansions at Pine Hills Correctional Facility and the Montana Women’s Prison and the renovation of Renne Library at Montana State University. Construction has started for the new Reception Unit at the Montana State Prison and is nearing completion at the Bozeman Armed Forces Reserve Center. Construction disputes for the Capitol Renovation and Montana State Hospital Expansion have been resolved.

Language Recommendation -

The following language will be included in the introduced version of **HB 5**:

“The department of fish, wildlife and parks, the department of military affairs, and the department of transportation are authorized to transfer money appropriated in this bill among fund types.”

Long-Range Building Program

“The appropriation of \$600,000 to the department of administration for capitol complex land acquisition is the last priority for use of the capital land grant revenue during the 2005 biennium and is dependent upon the availability of increased revenue.”

Funding -

- Cigarette tax revenue is projected at \$3.269 million for the 2005 biennium.
- Coal severance tax revenue is projected at \$6.128 million.
- State buildings energy savings transfers by the DEQ are \$404,295.
- See Table F-1 below for presentation of the LRBP account revenue estimates for the 2005 biennium.

Table F-1

**REVENUE ESTIMATE
LONG-RANGE BUILDING PROGRAM ACCOUNT
PROJECTIONS AS OF NOVEMBER 11, 2002
2005 BIENNIUM**

Estimated Beginning Cash Balance (July 1, 2003)	(\$1,022,054)
Revenues:	
Cigarette Tax	\$3,269,000
Coal Severance Tax	6,128,000 a)
Interest Earnings	251,100
Supervisory Fees	202,192
DEQ Transfer - Energy Savings	<u>404,295</u>
Total Revenues	<u>10,254,587</u>
Funds Available	9,232,533
Expenditures:	
Operating Costs - A & E Division	(2,371,082)
Debt Service - 1996D, 1997B, and 1999C Issues	<u>(4,476,245) b)</u>
Total Expenditures - Excluding Capital Projects	<u>(6,847,327)</u>
Funds Available For Capital Projects	2,385,206
Funding Proposals	
Capital Construction Program - LRBP Projects Only	(2,381,500)
Balance Remaining	<u><u>\$3,706</u></u>

a) Based on declining revenue and the proposed extension of the "temporary" reduction of severance taxes from 12% to 10%
b) CST portion only - less the funding switch to the GF

Long-Range Building Program

Table F-2

Long-Range Building Program

Priority	Agency	Project Description	Funding Sources				Total
			LRBP	State Special	Federal Special	Other Funds	
1	Statewide	Roof Repairs & Replacements	956,000	0	0	0	956,000
2	UM--Butte	Replace Electrical Primary Radial System	170,500	0	0	190,000	360,500
3	Statewide	Code/Deferred Maint. & Disability Access	550,000	0	0		550,000
4	Statewide	Repair/Replace Deteriorated Campus Infrastructure	400,000	0	0	0	400,000
5	DOA	Capitol Renovation Arbitration	305,000	0	0	0	305,000
6	DOA	State Public Health Laboratory, Phase 2	0	0	1,474,000	0	1,474,000
7	DOA	Repair Front Stairs at State Capitol	0	0	0	530,000	530,000
8	DOA	Capitol Complex Land Acquisition	0	0	0	600,000	600,000
9	COR	Dairy Expansion--Corr Enterprises, MSP	0	0	0	725,000	725,000
10	UM	General Spending Authority	0	0	0	3,500,000	3,500,000
11	DPHHS	Demolish Dormitory at MT Veteran's Home	0	0	0	231,600	231,600
12	DPHHS	Renovate Historic "Old Main" Building at MT Veteran's Home	0	0	0	2,252,000	2,252,000
13	MDOT	New Equipment Storage Facilities, Statewide	0	3,000,000	0	0	3,000,000
14	MDOT	Facility Maintenance, Repair and Small Projects, Statewide	0	2,000,000	0	0	2,000,000
15	DMA	Federal Spending Authority	0	0	2,000,000	0	2,000,000
16	DMA	Re-roof Armories Statewide	0	0	90,212	0	90,212
17	FWP	Future Fisheries Program	0	910,000	0	0	910,000
18	FWP	Fishing Access Site Maintenance	0	275,000	0	0	275,000

Long-Range Building Program

Table F-2, cont.

Long-Range Building Program

Priority	Agency	Project Description	Funding Sources				Total
			LRBP	State Special	Federal Special	Other Funds	
19	FWP	Fishing Access Site Protection	0	600,000	0	0	600,000
20	FWP	Fishing Access Site Acquisition	0	550,000	200,000	0	750,000
21	FWP	Hatchery Maintenance	0	575,000	575,000	0	1,150,000
22	FWP	Community Fishing Ponds	0	0	50,000	0	50,000
23	FWP	FWP Dams Repair	0	500,000	0	0	500,000
24	FWP	Habitat Montana	0	6,900,000	0	0	6,900,000
25	FWP	Upland Game Bird Program	0	2,300,000	0	0	2,300,000
26	FWP	Wildlife Habitat Maintenance	0	800,000	0	0	800,000
27	FWP	Migratory Bird Stamp Program	0	225,000	0	0	225,000
28	FWP	Bighorn Sheep Enhancements	0	75,000	0	0	75,000
29	FWP	Motorboat Recreation Site Improvements	0	1,250,000	0	0	1,250,000
30	FWP	Cultural & Historical Park Improvements	0	800,000	0	0	800,000
31	FWP	Federal Land & Water Conservation Fund Grants	0	0	2,900,000	0	2,900,000
32	FWP	Federal Trails Grants	0	0	1,900,000	0	1,900,000
33	FWP	Federal Off Highway Vehicle Trails Grants	0	375,000	0	0	375,000
34	FWP	Federal Wallop/Breaux Projects	0	0	1,500,000	0	1,500,000
35	FWP	Administrative Facilities Repair & Maintenance	0	800,000	0	0	800,000
36	FWP	Montana Wildlife Rehabilitation and Nature Center Complex	0	100,000	500,000	2,600,000	3,200,000
TOTAL LONG RANGE BUILDING PROGRAM			\$2,381,500	\$22,035,000	\$11,189,212	\$10,628,600	\$46,234,312

Treasure State Endowment Program

Purpose - The Treasure State Endowment Program (TSEP), administered by the Department of Commerce, is a coal tax-funded program designed to assist communities with infrastructure financing as authorized by Montana voters with passage of Legislative Referendum 110 in 1992. The program is defined in Title 90, Chapter 6, part 7, MCA. Goals for the program include:

- create jobs for Montana residents;
- promote economic growth in Montana by helping to finance the necessary infrastructure;
- encourage local public facility improvements;
- create a partnership between the state and local governments to make necessary public projects affordable;
- support long-term, stable economic growth in Montana;
- protect future generations from undue fiscal burdens caused by financing necessary public works;
- coordinate and improve infrastructure financing by federal, state, local government, and private sources; and
- enhance the quality of life and protect the health, safety, and welfare of Montana citizens.

Executive Recommendation -

- **Volume 4 of the Governor's 2005 biennium Executive Budget** contains the department's evaluation of each of the TSEP applications and the detailed recommendations.
- Under current law, about \$17.2 million in net endowment interest will be available for TSEP grant awards for the 2005 biennium.
- The executive is recommending that TSEP receive only \$8.742 million or a little more than half of the available interest and that coal severance tax trust fund flow be amended beginning July 1, 2003, so that 75 percent of the amount in the coal severance tax bond fund, instead of the current 50 percent, would be transferred to TSEP until June 30, 2013. For the short-term loss over the 2005 and 2007 biennia, the TSEP program would realize a long-term gain in the amount available for grants.
- The executive is recommending in proposed legislation that a portion of the 50 percent currently available for TSEP, or about \$8.458 million for the 2005 biennium, be diverted to replace the general fund in the K-12 school facility payments currently paid for with general fund. The plan frees up a little over \$4 million general fund each year, which the executive recommends using to begin three-year enrollment averaging in FY 2005 in order to even out revenues for schools in the face of declining enrollments.
- **HB 11** contains the list of projects recommended for TSEP grants funding. For the 2005 biennium, there was a record-number 55 applications submitted, requesting \$21,902,149 in TSEP grants funds. The recommended projects are listed on Table F-3.
- The department and the executive are recommending a 1.00 FTE civil engineer for the TSEP due to the increasing number of projects and technical engineering issues related to the preliminary engineering studies and emergency projects.
- Finally, a few of the previously authorized projects that are requesting to change the scope of their project or that have not yet moved to construction may be brought back to the Legislature for further consideration.

Since the Last Session -

- Since the 2001 Legislature met, the department has started administering two new types of TSEP grants: preliminary engineering grants and emergency grants.
- The TSEP *Application Guidelines* were extensively revised and now contain a provision that allows the department to recommend an award greater than \$500,000.

Treasure State Endowment Program

Table F-3					
TSEP Applicants and the Amount of Dollars Recommended					
Rank	Applicant	Type of Project	Amount Requested	Proposed Grant Award ¹	Cumulative Proposed Award
1	Lewis & Clark County	Bridge	170,575	170,575	170,575
2	Judith Basin County/Geyser District	Water	330,000	330,000	500,575
3	Madison County	Bridge	249,058	174,529	675,104
4	Chinook	Wastewater	500,000	500,000	1,175,104
5	Sweet Grass County	Bridge	235,954	235,954	1,411,058
6	Stillwater County	Bridge	500,000	500,000	1,911,058
7	Power-Teton County District	Water	500,000	500,000	2,411,058
8	Richland County	Bridge	351,625	351,625	2,762,683
9	Stanford	Water	500,000	500,000	3,262,683
10	Hamilton	Water	500,000	500,000	3,762,683
11	Troy	Water	500,000	500,000	4,262,683
12	Scobey	Wastewater	500,000	500,000	4,762,683
13	Missoula	Wastewater	500,000	500,000	5,262,683
14	Blaine County	Bridge	480,400	322,782	5,585,465
15	Upper-Lower River Road District	Water & Wastewater	500,000	500,000	6,085,465
16	Polson	Water	500,000	500,000	6,585,465
17	Conrad	Water	500,000	500,000	7,085,465
18	Glendive	Stormwater	139,133	139,133	7,224,598
19	Sheavers Creek District	Water	500,000	500,000	7,724,598
20	Gallatin County	Bridge	500,000	500,000	8,224,598
21	Gardiner/Park County District	Water	500,000	500,000	8,724,598
22	Philips Co Green Meadows District	Water	112,500	112,500	8,837,098
23	Geraldine	Water	500,000	500,000	9,337,098
24	Missoula County	Wastewater	499,335	499,335	9,836,433
25	Ramsay County District	Water	255,000	255,000	10,091,433
26	Cooke City-Park County District	Water	500,000	500,000	10,591,433
27	Worden-Ballentine District	Water	500,000	500,000	11,091,433
28	Wolf Point	Wastewater	500,000	500,000	11,591,433
29	Ryegate	Water	478,700	478,700	12,070,133
30	Cascade County	Bridge	230,840	230,840	12,300,973
31	Libby	Water & Wastewater	500,000	500,000	12,800,973
32	Beaverhead County District (Wisdom)	Wastewater	500,000	500,000	13,300,973
33	Hill County	Bridge	175,803	175,803	13,476,776
34	Jordan	Water	459,883	459,883	13,936,659
35	Pablo-Lake County District	Wastewater	500,000	500,000	14,436,659

Treasure State Endowment Program

Table F-3, cont.					
TSEP Applicants and the Amount of Dollars Recommended					
Rank	Applicant	Type of Project	Amount Requested	Proposed Grant Award ¹	Cumulative Proposed Award
36	Ekalaka	Wastewater	212,697	154,197	14,590,856
37	Pondera County	Bridge	137,500	137,500	14,728,356
38	Black Eagle District	Wastewater	214,200	214,200	14,942,556
39	Lake County Solid Waste District	Solid Waste	500,000	500,000	15,442,556
40	Sheridan County	Bridge	210,775	210,775	15,653,331
41	Whitefish	Water	500,000	500,000	16,153,331
42	Belgrade	Wastewater	500,000	500,000	16,653,331
43	Yellowstone County	Bridge	172,710	172,710	16,826,041
44	St. Ignatius	Wastewater	500,000	500,000	17,326,041
45	Lockwood District	Water	500,000	500,000	17,826,041
46	Columbia Falls	Water & Wastewater	220,000	220,000	18,046,041
47	Pleasant View Homesites District	Water	210,140	210,140	18,256,181
48	Butte-Silver Bow	Water	403,006	403,006	18,659,187
49	Three Forks	Water	327,000	327,000	18,986,187
50	Big Sky District	Wastewater	500,000	500,000	19,486,187
51	Helena	Stormwater	500,000	500,000	19,986,187
52	Homestead Acres District	Water	147,815	147,815	20,134,002
53	Columbus	Stormwater	500,000	500,000	20,634,002
54	Miles City	Water	500,000	500,000	21,134,002
55	Meadowlark District	Wastewater	477,500	0	21,134,002
Total			21,902,149	21,134,002	21,134,002

¹ The amount recommended if there are sufficient monies to fund the project.

Reclamation and Development Grant Program

Purpose - The Reclamation and Development Grants Program (RDGP) was established by the Montana Legislature in 1987 to enable funding for projects that indemnify the people of Montana for the effects of mineral development on public resources and that meet other crucial needs serving the public interest and the total environment of the citizens of Montana. Administered by the Department of Natural Resources and Conservation (DNRC), the RDGP fulfills this mission by funding projects that (1) repair, reclaim, and mitigate environmental damage to public resources from nonrenewable resource extraction, and (2) develop and ensure the quality of public resources for the benefit of all Montanans. The RDGP Act is Title 90, Chapter 2, part 11, MCA.

Executive Recommendation -

- **Volume 5 of the Governor's 2005 biennium Executive Budget** contains the complete project evaluations and funding recommendations for the RDGP. Table F-4 on the following page lists the recommended projects.
- **HB 7** presents the reclamation and development grant recommendations, which total \$2,995,24997 for the 14 of the requested 26 projects for which there is expected to be funding.
- Project grants are matched by about \$8 million in non-RDGP funds from a variety of state, federal, private and local sources.
- Due to the 50 percent reduction in funds available following special session action, a significant portion of the remaining available funds are statutorily-required to be spent: \$600,000 for the Montana Board of Oil and Gas and \$800,000 in abandoned mines priorities. This leaves about \$1 million for all other projects.
- Representative mineral development-related projects include reclamation and cleanup of the Washington, Drumlummon and Bluebird Mines, evaluation of coal bed methane development, and numerous oil and gas wells located throughout Montana.
- Non-mineral projects include restoration of artesian aquifers and the rehabilitation of a public water supply system.

Since the Last Session -

- During the August Special Session, HB 10 cut the revenue for RDGP grants by 50 percent and it will take three years for the program to recover.
- During the interim, DNRC received 26 RDGP grant applications requesting \$7,251,983 in RDGP funding in the 2005 biennium. These projects were reviewed and ranked by a team of specialists.
- Most of the project work has been reclamation of abandoned hard rock mines, hazardous waste sites, and plugging and site restoration of orphaned oil and gas wells.

Reclamation and Development Grant Program

Table F-4				
2005 Biennium Reclamation and Development Grants				
Ranked Order	Applicant	Project Name	Recommended Amount	Cumulative Amount Recommended
1	Montana BOGC	2003 Northern District Plug & Abandonment	\$300,000	\$300,000
2	Montana BOGC	2003 Southern District Plug & Abandonment	\$300,000	\$600,000
3	Montana DNRC	Planning Grants	\$150,000	\$750,000
4	Montana DEQ	Washington Mine & Millsite Reclamation	\$300,000	\$1,050,000
5	Big Horn CD	State-Line Groundwater Monitoring Network for Tongue and Powder River Watersheds	\$300,000	\$1,350,000
6	Sunburst, Town of	Sunburst Water Supply Renovation	\$185,249	\$1,535,249
7	Montana BOGC	Fate & Transport of Impounded Coal Bed Methane Water	\$200,000	\$1,735,249
8	Montana DEQ	Drumlummon Tailings, Goldsil - Argo Millsite & Mine Waste Reclamation	\$300,000	\$2,035,249
9	Toole County	2003 Plugging & Abandonment Aid to Small Independent Operators	\$240,000	\$2,275,249
10	Montana DEQ	Blue Bird Mine Reclamation	\$200,000	\$2,475,249
11	Sheridan County CD	Protecting Natural Resources by Reclaiming Oilfield Brine Contaminated Soils	\$150,000	\$2,625,249
12	Montana Governor's Office	Growing Carbon "Applying Market-Based Conservation Through Carbon Sequestration"	\$150,000	\$2,775,249
13	Fergus County CD	Central Montana Aquifer	\$150,000	\$2,925,249
14	Judith Basin CD	Judith Basin Aquifer Restoration & Conservation	\$70,000	\$2,995,249

Renewable Resource Grant & Loan Program

Purpose - The Renewable Resource Grant and Loan Program offers funding for projects that conserve, manage, develop, and preserve renewable resources to provide economic and other benefits of the state's natural heritage. The Department of Natural Resources and Conservation (DNRC) administers the program, which is provided for in Title 85, Chapter 1, part 6, MCA. Governmental entities may apply to the program to obtain funding for community resource-related projects. Project eligibility covers a wide spectrum including irrigation system rehabilitation, stream restoration, watershed management, public water and sewer systems, and resource assessment projects.

Executive Recommendation -

- **Volume 6 of the Governor's 2005 biennium Executive Budget** contains the complete project evaluations and funding recommendations for all grant and loan applications. Table F-5 below shows the recommended projects.
- **HB 6** presents the renewable resource grants recommendations for legislative action.
- Grant funding is limited to \$3.8 million and would provide funding for the first 38 of the 73 applications.
- Funding is recommended in the bill for 62 projects, in order of priority, for a total of \$6 million, in keeping with the DNRC policy of including all projects that meet minimum technical and financial feasibility requirements.
- The highest priority grant will be to rehabilitate and upgrade wastewater facilities in Scobey.
- Other projects include North Fork of the Smith and other dam rehabilitation, Yellowstone River Floodplain management projects in three separate counties, watershed restoration projects, including the headwaters of Ashley Creek in the Flathead River Basin, irrigation rehabilitation projects, and numerous proposals for municipal water and sewer systems.
- **HB 6** recommends provision of \$125,000 in emergency grants to communities for projects that present immediate threats to public health.
- **HB 8** presents the renewable resource bonds and loans recommendations from applications that total \$2,312,995 in new requests.

Since the Last Session -

- As of October 2002, the DNRC entered into grant agreements with 42 of the 46 grantees that received appropriations from the 57th Legislature for a total of \$4,300,741 approved to date.
- Six grants were awarded for emergency repairs to municipal water systems or exploration for water for municipal water systems and for fire-related rehabilitation in the Bitterroot Valley.
- Thirty-eight project planning grants were issued.
- Twenty-two private grants were issued for a total of \$39,451.

Renewable Resource Grant & Loan Program

TableF-5			
2005 Biennium Renewable Resource Grant and Loan Program			
	<u>Sponsor Project</u>	<u>Recommended Amount</u>	<u>Cumulative Total</u>
1	Scobey, City of - Wastewater System Improvements	100,000	100,000
2	Dawson County - Yellowstone River Floodplain Mgmt	100,000	200,000
3	Flathead Basin Commission - Ashley Creek Headwater Restoration	99,700	299,700
4	Missoula, City of - Rattlesnake Neighborhood Sewer Collection System	100,000	399,700
5	North Powell CD - Blackfoot River Habitat, Water Quality & Restoration	62,600	462,300
6	MT Agriculture, Dept. of - Monitoring Well Network for the Assess. of Ag Chemicals	100,000	562,300
7	Paradise Valley Irrigation District - Hillside Lateral	100,000	662,300
8	Ramsay County WSD - Water System Improvements	100,000	762,300
9	Missoula County - Mullen Road Corridor Sewer Project - Phase I	100,000	862,300
10	Park County - No Park Cnty Water Resources Protection & Mangmt Plan	100,000	962,300
11	Sheaver's Creek WSD - Water System Improvements	100,000	1,062,300
12	Stanford, Town of - Water System Improvements	100,000	1,162,300
13	Hamilton, City of - Water Distribution System	100,000	1,262,300
14	Park County Cooke City Water District - Water System Improvements	100,000	1,362,300
15	Milk River Joint Board of Control - St. Mary Siphon Expansion Joint Replacement	100,000	1,462,300
16	Buffalo Rapids - Refit of Glendive Pumping Plant	100,000	1,562,300
17	Mill Creek Irrigation District - Mill Lake Dam Rehabilitation	100,000	1,662,300
18	MT DNRC/Water Resources Div - Seepage Monitoring Project- DNRC Dams	97,646	1,759,946
19	Sidney Water Users Irrigation District - Increasing Irrigation Efficiency	100,000	1,859,946
20	Stillwater County - Yellowstone River Floodplain Mngmt within Stillwater Cnty	100,000	1,959,946
21	Yellowstone County - Yellowstone River Floodplain Mangement	100,000	2,059,946
22	Worden Ballantin Yellowstone County WSD - Water Distribution System	100,000	2,159,946
23	Ryegate, Town of - Water System Improvements	100,000	2,259,946
24	Malta Irrigation District - Replacement and Modification of Check Structures	100,000	2,359,946
25	Judith Basin County - Geysers Water System Improvements	100,000	2,459,946
26	Blackfeet Tribe - Oki Mamii (Hello Fish)	23,581	2,483,527
27	Sheridan, Town of - Water System Improvements	100,000	2,583,527
28	Pablo-Lake County WSD - Wastewater Treatment System	100,000	2,683,527
29	Fort Belknap Irrigation District - Sugar Factory Lateral Project	100,000	2,783,527
30	MT DNRC/Water Resources Div - North Fork of the Smith River Dam Rehab	100,000	2,883,527
31	Conrad, City of - Raw Water Intake & Pump Station Improvements	100,000	2,983,527

Renewable Resource Grant & Loan Program

TableF-5			
2005 Biennium Renewable Resource Grant and Loan Program			
	<u>Sponsor Project</u>	<u>Recommend ed Amount</u>	<u>Cumulative Total</u>
32	Lewis & Clark County WQPD - Groundwater Sustainability in North Hills Area, Helena	100,000	3,083,527
33	Power Teton County WSD - Water System Improvements	100,000	3,183,527
34	Phillips County Green Meadows WSD - Water System Improvements	100,000	3,283,527
35	Chinook Division Irrigation JBC - Fresno Dam-Gate Leaf Seals	100,000	3,383,527
36	Upper/Lower River Road WSD - Water System Improvements	100,000	3,483,527
37	Gallatin Local WQD - Dedicated Monitoring Well Network for the Gallatin Valley	99,883	3,583,410
38	Troy, City of - Water System Improvements	100,000	3,683,410
39	MT Corrections, Dept of - Rehabilitation of Prision Ranch Dam	100,000	3,783,410
40	Fort Shaw Irrigation District - Water Quality & Quantity Improvement - Phase III	89,122	3,872,532
41	Butte-Silver Bow - Basin Creek Dams 1 & 2	100,000	3,972,532
42	Hill County - Beaver Creek Dam Outlet Works Repair	100,000	4,072,532
43	Melstone, Town of - Water Conservation Project	99,929	4,172,461
44	Glasgow Irrigation District - Vandalia Diversion Dam Rehabilitation- Phase III	100,000	4,272,461
45	Richland County CD - Irrigation Potential of GW Underlying the Lower Yellowstone Valley	85,212	4,357,673
46	Milk River Joint Board of Control - Nelson Reservoir Pumping Design/Construction-Phase I	100,000	4,457,673
47	Pablo-Lake County WSD - Water Distribution System	100,000	4,557,673
48	Cut Bank, City of - Water System Improvement	100,000	4,657,673
49	Pleasant View Homesites County WSD - Water System Improvements	100,000	4,757,673
50	Gardiner-Park County WD - Water System Improvements	100,000	4,857,673
51	Huntley Project Irrigation District - Anita Reservoir Dam Safety Repairs	100,000	4,957,673
52	Whitefish, City of - Water Distribution System	100,000	5,057,673
53	Black Eagle Water District - Wastewater	50,000	5,107,673
54	MT Mines & Geology, Bureau of - Irrigation Technical Assistance Project	99,925	5,207,598
55	Geraldine, Town of - Water System Improvements- Phase II	100,000	5,307,598
56	Harlem Irrigation District - Lower Harlem Irrigation Canal Improvements- Phase I	100,000	5,407,598
57	Meadowlark WSD - Wastewater Collection System	100,000	5,507,598
58	Columbia Falls, City of - 4th Avenue West Water & Sewer	100,000	5,607,598
59	Columbus, Town of - Stormwater Improvement	100,000	5,707,598
60	Libby, City of - Johnston Acres Water System Improvements	100,000	5,807,598
61	Three Forks, City of - Water System Improvements	100,000	5,907,598
62	Lake County Solid Waste District - Solid Waste Transfer Station	100,000	6,007,598

Cultural and Aesthetic Grant Program

Purpose - The Cultural and Aesthetic Grant Program began in the 1979 biennium for protection of works of art in the state capitol and for other cultural and aesthetic projects as provided in 15-35-108, and Title 22, Chapter 2, part 3, MCA. Initially administered by the Montana Historical Society, the C&A program was transferred to the Montana Arts Council in the 1985 biennium and continued to be funded by the interest from a statutory trust that receives coal severance tax revenues. Project applications are submitted to the MAC for review and ranking by the 16-member Cultural and Aesthetic Projects Advisory Committee, half of whom are appointed by the MAC and half by the MHS.

Coal severance tax revenue of 0.63 percent is statutorily allocated to the capitol art protection trust fund for partial funding of the recommended grants. About two-thirds of the projects are arts projects and one-third are history and other cultural projects. Projects offer programs that draw tourists to them, that encourage tourists to stay longer or to spend more because of them.

Executive Recommendation -

- **HB 9** contains all the projects recommended by the advisory committee for funding in the amount of \$804,150. Projects are organized into four categories: special projects less than \$4,500, special projects, operational support, and capital expenditure grants.
- The revenue estimate for cultural trust interest earnings for the 2005 biennium is \$575,000.
- Montana Arts Council administration and services [appropriated in HB 2] are recommended for \$311,323.
- Montana Historical Society is appropriated in HB 9 the first \$30,000 for Capitol Complex works of art.
- The remaining balance of \$233,677 will be used for C&A projects in HB 9.
- There also is \$499,150 of general fund in HB 9 to continue support of the C&A projects. The total revenue available for grants is expected to be about \$732,827. Table F-6 below shows all of the requested and recommended grants.
- Language in HB 9 provides a mechanism for spending the funds within the total revenue available.
- **Volume 7 of the Governor's 2005 biennium Executive Budget** contains the C&A project applications and advisory committee assessment information. Limited copies of this volume are printed for use by members of the Long-Range Planning Appropriations Subcommittee.

Since the Last Session –

- The MAC received 98 requests for grant funding totaling \$2.5 million which were reviewed and ranked by the Cultural and Aesthetic Projects Advisory Committee.
- The 2001 Legislature appropriated \$223,575 general fund for grants in FY 2003. The Montana Arts Council offered \$25,000 of that as part of the reductions pursuant to 17-7-140, MCA. Then in the August Special Session, the remaining \$198,575 general fund appropriation for FY 2003 grant projects was replaced with lodging facility use tax revenue in HB 8.
- In addition, the flow into the cultural and aesthetic trust fund of \$203,000 for FY 2003 was diverted to the general fund. This action resulted in a FY 2003 reduction of about \$6,000 in interest income.

Cultural and Aesthetic Grant Program

TABLE F-6				
2005 Biennium Cultural Trust Applications & Recommendations				
<u>Grant No.</u>	<u>Request</u>	<u>Request</u>	<u>Rank</u>	<u>Recommendation</u>
<u>SPECIAL PROJECTS < \$4500</u>				
1010	Montana Storytelling Roundup	\$4,500.00	1	\$4,500.00
1009	Miles City Speakers Bureau	\$4,500.00	2	\$4,500.00
1003	Friends of Chief Plenty Coups Association	\$4,500.00	3	\$4,500.00
1001	Council for the Arts, Lincoln	\$2,500.00	4	\$2,500.00
1012	Sunburst Community Service Foundation	\$4,500.00	5	\$2,700.00
1008	International Choral Festival	\$4,300.00	6	\$4,000.00
1011	Montana Wool Growers Association	\$4,350.00	7	\$3,700.00
1002	Crow Tribe	\$4,500.00	8	\$2,250.00
1006	Hobson Community Library	\$4,500.00	9	\$2,500.00
1007	homeWORD	\$4,500.00	10	\$0.00
1004	Heron Players	\$3,000.00	11	\$0.00
1005	Historic Montana Publishing	\$4,500.00	12	\$0.00
1000	City of Townsend	\$4,400.00	13	\$0.00
<u>SPECIAL PROJECTS</u>				
1029	Montana Committee for the Humanities	\$61,920.00	1	\$27,000.00
1023	KUFM-TV, Montana PBS	\$25,000.00	2	\$18,000.00
1039	Whitefish Theatre Company	\$20,000.00	3	\$12,000.00
1032	Montana Performing Arts Consortium	\$54,000.00	4	\$20,000.00
1035	Rattlesnake Productions	\$30,000.00	5	\$15,000.00
1030	Montana Historical Society	\$24,915.00	6	\$12,000.00
1033	Montana Preservation Alliance	\$41,100.00	7	\$15,000.00
1027	MonDak Historical and Art Society	\$4,500.00	8	\$4,500.00
1020	Grandstreet Theatre	\$30,000.00	9	\$10,000.00
1013	Art Mobile of Montana	\$19,475.00	10	\$12,500.00
1018	Glacier Orchestra & Chorale	\$29,500.00	11	\$10,000.00
1015	Bozeman Symphony	\$34,000.00	12	\$10,000.00
1028	Montana Alliance for Arts Education	\$21,000.00	13	\$10,000.00
1038	V I A S, Inc	\$25,000.00	14	\$10,000.00
1021	Hockaday Museum of Art	\$40,000.00	15	\$13,000.00
1036	Rimrock Opera	\$26,000.00	16	\$10,000.00
1026	Missoula Symphony Association	\$14,000.00	17	\$7,000.00
1034	Paris Gibson Square	\$15,908.00	18	\$8,000.00
1019	Going-To-The-Sun Institute	\$22,500.00	19	\$8,000.00
1040	Yellowstone Ballet Company	\$7,000.00	20	\$3,500.00
1016	Feathered Pipe Foundation	\$13,016.00	21	\$2,000.00
1022	Huntley Project Museum of Irrigated Agriculture	\$32,815.00	22	\$4,000.00
1031	Montana Mandolin Society	\$30,000.00	23	\$1,000.00
1014	Asylum Pictures	\$50,000.00	24	\$0.00
1037	Sandpiper Gallery	\$38,350.00	25	\$0.00
1025	Missoula Cultural Council	\$32,000.00	26	\$0.00
1017	Federation of Fly Fishers	\$20,000.00	27	\$0.00
1024	Mainstreet Uptown Butte, Inc.	\$2,500.00	28	\$0.00

Cultural and Aesthetic Grant Program

TABLE F-6, cont.
2005 Biennium Cultural Trust Applications & Recommendations

<u>Grant No.</u>	<u>Request</u>	<u>Request</u>	<u>Rank</u>	<u>Recommendation</u>
OPERATIONAL SUPPORT				
1078	Schoolhouse History and Art Center	\$25,000.00	1	\$16,000.00
1050	Custer County Art Center	\$32,000.00	2	\$20,000.00
1083	Writer's Voice (Billings YMCA)	\$32,000.00	3	\$20,000.00
1058	Great Falls Symphony Association Inc.	\$24,000.00	4	\$18,000.00
1061	MAGDA	\$30,000.00	5	\$15,000.00
1059	Holter Museum of Art	\$50,000.00	6	\$16,000.00
1073	Museum of the Rockies	\$60,000.00	7	\$15,000.00
1072	MT Agricultural Center & Museum	\$24,000.00	8	\$12,000.00
1082	Western Heritage Center	\$40,000.00	9	\$15,000.00
1045	Billings Symphony Society	\$45,000.00	10	\$15,000.00
1069	Montana Repertory Theatre	\$70,000.00	11	\$15,000.00
1079	Shakespeare in the Parks	\$35,000.00	12	\$15,000.00
1081	VSA arts of Montana	\$12,000.00	13	\$12,000.00
1041	Alberta Bair Theater	\$40,000.00	14	\$15,000.00
1046	Butte Center for the Performing Arts	\$30,000.00	15	\$15,000.00
1062	MCT, Inc.	\$50,000.00	16	\$15,000.00
1060	Intermountain Opera	\$33,450.00	17	\$12,000.00
1065	Montana Assoc of Symphony Orchestras	\$20,000.00	18	\$8,000.00
1057	Garnet Preservation Association	\$22,000.00	19	\$12,000.00
1084	Yellowstone Art Museum	\$83,000.00	20	\$16,000.00
1077	Rocky Mountain Ballet Theater	\$13,300.00	21	\$6,000.00
1066	Montana Ballet Company	\$10,000.00	22	\$5,000.00
1075	Myrna Loy Center	\$40,000.00	23	\$16,000.00
1047	Butte Symphony Association	\$30,500.00	24	\$15,000.00
1080	Vigilante Theatre Company	\$22,000.00	25	\$11,000.00
1053	District 7 HRDC Growth Thru Art	\$23,500.00	26	\$10,000.00
1074	Museums Association of Montana	\$37,070.00	27	\$12,000.00
1054	Emerson Cultural Center	\$61,790.00	28	\$10,000.00
1049	Carbon County Historical Society	\$20,000.00	29	\$8,000.00
1064	Montana Arts	\$30,000.00	30	\$10,000.00
1071	Mo-Trans Dance Company	\$12,850.00	31	\$5,000.00
1085	Young Audiences of Western Montana	\$12,000.00	32	\$8,000.00
1055	Gallatin County Historical Society	\$15,000.00	33	\$7,500.00
1076	Northwest Montana Historical Society	\$15,098.00	34	\$7,500.00
1068	Montana Dance Arts Association	\$7,500.00	35	\$3,000.00
1044	Billings Cultural Partners	\$10,000.00	36	\$2,500.00
1043	Big Horn Arts and Crafts Association	\$20,000.00	37	\$5,000.00
1048	Carbon County Arts Guild	\$20,000.00	38	\$6,000.00
1067	Montana Chorale	\$11,600.00	39	\$5,000.00
1042	Artslink, College of Arts & Architecture, MSU	\$10,000.00	40	\$0.00
1063	Miles City Preservation Commission	\$10,100.00	41	\$0.00
1052	Dept of Media & Theatre Arts	\$10,000.00	42	\$0.00
1051	Daly Mansion	\$43,500.00	43	\$0.00
1070	Montana Science Institute	\$36,000.00	44	\$0.00
1056	Garden City Ballet of Montana	\$20,000.00	45	\$0.00

Cultural and Aesthetic Grant Program

TABLE F-6, cont.				
2005 Biennium Cultural Trust Applications & Recommendations				
<u>Grant No.</u>	<u>Request</u>	<u>Request</u>	<u>Rank</u>	<u>Recommendation</u>
CAPITAL EXPENDITURE				
1086	Archie Bray Foundation	\$50,000.00	1	\$16,500.00
1091	Great Falls Civic Center	\$25,000.00	2	\$10,000.00
1093	Livingston Depot Foundation	\$20,000.00	3	\$10,000.00
1092	Lewistown Art Center	\$10,000.00	4	\$2,500.00
1087	Art Museum of Missoula	\$100,000.00	5	\$15,000.00
1088	Billings Preservation Society	\$19,708.00	6	\$10,000.00
1094	Moosehorn Club	\$2,000.00	7	\$2,000.00
1095	North Missoula Community Development Corporation	\$10,000.00	8	\$5,000.00
1097	Tobacco Valley Improvement Assoc. Board of Art	\$47,250.00	9	\$5,000.00
1089	Cascade Co Historical Society	\$25,000.00	10	\$5,000.00
1096	Philipsburg School District #1	\$25,000.00	11	\$0.00
1090	City of Helena	\$20,000.00	12	\$0.00
TOTAL REQUESTED/RECOMMENDED		\$2,472,265.00		\$804,150.00

Libby Bond Program

The U.S. Environmental Protection Agency (EPA) announced October 24, 2002, that the asbestos contamination in the Libby area has been officially listed on the National Priority List under the federal Comprehensive Environmental Response, Compensation and Liability Act (CERCLA). Governor Martz used the state's one and only "silver bullet" to ensure Libby was fast-tracked for listing and subsequent access to federal funding that would ensure timely cleanup of asbestos contamination. Contamination comes from asbestiform fibers found in a fairly unusual vermiculite ore body in the area that had been mined since the 1930s. The administration will recommend **HB 10** for passage and approval to provide the state funding match and related provisions to be administered by the Department of Environmental Quality.

Cleanup initially will consist of asbestos removal in yards and homes in both the Libby and Troy areas. Asbestos contamination occurred when workers from Troy and Libby came home with asbestos imbedded in their work clothes. The asbestos was released into the air and transferred to walls, floors, ceilings, and home furnishings and family members. Vermiculite also was used as a source of insulation for walls and attics. It then worked its way out through cracks and light fixtures. Yards became contaminated when vermiculite was brought home for use in residential yards and gardens. EPA has spent approximately \$55 million so far on emergency removal actions to eliminate immediate asbestos threats to public health in the Libby area. These removal actions addressed cleanup of the school track and various businesses in the area. Continued remedial action expenditures are expected to cost another \$60 to \$65 million in Libby and another \$10 million to \$15 million in Troy over the next few years.

In the absence of a viable potentially responsible party, the state is required under section 104 of CERCLA to provide a 10 percent match to remedial action expenditures and to provide for 100 percent of any subsequent cost associated with the operations and maintenance (O&M) of the remedy. Thus, the state needs to provide nearly \$8 million to match federal remedial expenditures on cleanup. The O&M costs required for this remedy are minimal, so these costs have not been broken out separately. However, Libby is not the only Montana site on the National Priority List; therefore, the department also is requesting another \$1 million in authority for contingency purposes.

These funds would be spent incrementally, with the bulk of the expenditure expected to occur during the 2005 biennium. The department will coordinate closely with EPA to determine cash flow needs and thus to sell bonds in increments and in amounts not to exceed actual need.

State participation in CERCLA is provided for in 75-10-600, et. Seq., MCA. In order to fund the state share for work to be undertaken at Libby and Troy, the department proposes to sell CERCLA bonds and to deposit these proceeds into the Hazardous Waste CERCLA account, as authorized under 75-10-623, MCA.

Current statute, 75-10-622, MCA, establishes a separate account for debt service payment for general obligation bonds issued under CERCLA authority. The department is proposing legislation that will flow RIGWA taxes to the debt service account in the amount necessary to pay the annual debt service payments.

If cost recovery from the potentially responsible party were to be successful at some point in the future, recovered state costs would be deposited into the CERCLA cost recovery special revenue account in the state special revenue fund established in 17-2-102, MCA. Money in the CERCLA cost recovery account must be transferred and is statutorily appropriated, as provided in 17-7-502(4), to the CERCLA debt service fund in each fiscal year in amounts not to exceed the amount necessary to make principal and interest payments on bonds and notes issued pursuant to 75-10-623, MCA, or to redeem those bonds.

State Buildings Energy Conservation Program

Purpose - The State Buildings Energy Conservation Program, operated by the Department of Environmental Quality (DEQ), was established by the 1989 Legislature to reduce operating costs in state facilities by identifying and funding cost-effective energy efficiency improvements. The program operates as a profit center for state government, saving money in agency operating budgets and making money for the Long-Range Building Program through investment in these improvements. Statutory authority is Title 90, Chapter 4, part 6, MCA.

Background -

- The state sells general obligation (G.O.) bonds, uses the bond proceeds to pay for energy efficiency improvements, then uses the resulting energy cost savings to pay the debt service on the bonds.
- Projects are designed so the cost savings exceed the bond debt service.
- There is incremental savings in the short term while the bonds are being repaid, and substantial savings after ten years, when the bonds are retired.
- Energy efficiency improvements include replacing old, inefficient boilers, upgrading inefficient lighting, increasing ventilation system efficiency, insulating buildings, and providing more effective temperature controls.
- DEQ contracts with private engineering firms to perform comprehensive energy analyses on state buildings and building complexes, and to recommend the energy improvements.
- After energy improvements are in place, the DEQ provides on-going training and technical assistance to facility staff to ensure that energy savings are maintained.
- Energy cost savings realized by participating agencies are transferred to a debt service account and used to retire the bonds.
- A portion of the proceeds from each bond issuance is set aside to fund analysis, design, and program administration for the next round of projects so the program is able to continue without additional federal or state funding.

Executive Recommendation -

- **HB 12** recommends issuing G.O. bonds not to exceed \$2.5 million for projects during the 2005 biennium.
- The State Buildings Energy Conservation Program will provide an estimated \$404,000 to the LRBP cash appropriation in HB 5.
- Approximately a dozen projects are in design, development or construction. All projects are coordinated with the Architect & Engineering Division, which is responsible for the Long-Range Building Program.
- The following projects are recommended for approval in HB 12:
 - Mitchell Building, Helena
 - Spratt Building, Warm Springs
 - Health Sciences Building, U of M Missoula
 - Montana Mental Health & Nursing Care Center, Helena
 - Montana State Prison, Deer Lodge
 - FWP Regional Headquarters, Kalispell and Missoula
 - Other projects that arise which will afford energy savings opportunities.