



School Funding Interim Commission

64th Montana Legislature

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TO: School Funding Interim Commission
FROM: Pad McCracken, Research Analyst
RE: Grant program for facilities
DATE: April 27, 2016

Attached to this memo for your reference are the statutes related to the current Quality Schools Facility Grant Program (QSFGP) with language highlighted that I see connecting to your comments at the April commission meeting. I will also email you links to the program application and administrative manual. I just reviewed that discussion and notes from the small group breakouts on facilities. Following in **bold** are concerns or desired improvements with the current QSFGP that were voiced; following each concern are possible ways of addressing the concern in a revised or new grant program. There are certainly other possible approaches. The outline below is intended to stimulate discussion; if the commission is interested in a bill draft for June, further discussion would help provide more specific direction for a bill draft.

- 1. The QSFGP places districts in competition with one another; some districts have applied multiple times and not been awarded; small districts are at a disadvantage**
 - Could create formula grant model in which each district has a formula-driven allocation, but must apply for grant to receive funds; can let funds accumulate and earn interest until needed and applied for (Sen. Facey idea)
 - Could examine the application process and statutory requirements of current program to simplify, streamline, make more objective
- 2. The amount of total funding available is limited; it does not make significant dent in accumulated deferred maintenance needs**
 - Could increase amount of state funding dedicated to program (project grant appropriations have ranged from \$0 to about \$11 million since inception with most years about \$5-6 million); could secure a dedicated, predictable revenue stream like TSEP
 - Could leverage investment by requiring a local match--state dollars flow in proportion (perhaps equalized proportion?) to local dollars levied in building reserve

- Could require as condition of grant district updating 2008 Facility Inventory and district prioritization of projects to address deferred maintenance
- Could utilize state revenue trigger to allocate increased funding to program in first and/or second fiscal year of biennium (SB 416, 2015, used trigger)

3. Applications require time, energy, and money with unreliable payoff

- Under a formula grant model as described above, a district's allocation could be distributed based on several yes/no questions such as:
 1. Has district updated 2008 facility inventory?
 2. Is grant request for project prioritized on updated inventory? (Priorities could be established similar to existing QSFGP--safety, deferred maintenance, educational program needs, energy efficiency, etc.)
 3. Has district shown commitment to addressing prioritized projects through building reserve levy (or commitment of impact aid dollars and/or nonlevy revenue?)?
 4. Has district shown commitment by developing a long-term, cost-effective facilities' plan?
- Could examine the application process and statutory requirements of current program to simplify, streamline, make more objective
- A dedicated, predictable funding stream could improve overall program reliability

4. Desire greater objectivity in prioritization and increased local commitment

- Could create statutory prioritization matrix and/or sliding scale match requirement utilizing metrics based on:
 1. Facility inventory classification of proposed project (safety, damage/wear out, codes and standards, etc.);
 2. District financial capacity and effort (TV/ANB, Impact Aid and nonlevy revenue, reserves, % of GF max budget, current mills levied compared to statewide median, building reserve levy and bond election history, etc.)
- Could require local match like TSEP

5. Would like the grant program administered by a department other than Commerce

- If program application process is streamlined, more objective, and/or no longer requires prioritization of grantees, is this concern addressed?
- Would having legislative involvement earlier in the process help?
- If not, is there another state agency to administer? (Dof A? OPI? Other?)
- If not, create a new granting entity?

Part 8

Quality Schools Facility Grant Program

Part Compiler's Comments:

Preamble: The preamble attached to Ch. 377, L. 2009, provided: "WHEREAS, in keeping with Montana's constitutional requirements for school funding and the Montana Supreme Court's decision in Columbia Falls Elementary School District No. 6 v. State, 2005 MT 69, 326 Mont. 304, 109 P.3d 257 (2005), the 2005 Legislature directed that a school funding system providing a "basic system of free quality public elementary and secondary schools" must include, among other things, consideration of funding for school facilities; and

WHEREAS, in its December 2005 Special Session, the Legislature appropriated \$2.5 million from the general fund to the Department of Administration for the completion of a condition and needs assessment and energy audit of K-12 public school facilities; and

WHEREAS, in the May 2007 Special Session, the Legislature established a school facility improvement account in the state special revenue fund to provide money to schools to implement the recommendations of the school facility condition and needs assessment and energy audit following its completion and provided for the transfer of money into the account to be used as determined by the 2009 Legislature; and

WHEREAS, the Department of Administration has completed its conditions and needs assessment and energy audit of Montana's K-12 public schools and has made recommendations for improvements related to safety and energy conservation and to extend the life of school facilities; and

WHEREAS, the Department of Commerce efficiently and effectively administers the Treasure State Endowment Program to assist local governments in funding infrastructure projects; and

WHEREAS, the Legislature seeks to commit ongoing state resources to school facilities by establishing a program to administer the award to public school districts for school facility project grants, matching planning grants, and emergency grants using the Treasure State Endowment Program as a model."

Severability: Section 20, Ch. 377, L. 2009, was a severability clause.

Effective Date: Section 21, Ch. 377, L. 2009, provided that this part is effective April 28, 2009.

90-6-801. Short title. This part may be cited as the "Quality Schools Facility Grant Program Act".
History: En. Sec. 1, Ch. 377, L. 2009.

90-6-802. Purpose. (1) The purpose of this part is to establish a mechanism to distribute grants to public school districts for school facility and technology projects from the school facility and technology account established in 20-9-516. The account is to be used to assist schools in addressing major deferred maintenance, energy efficiency, critical infrastructure needs, emergency facility needs, and technological improvements and establishes an ongoing flow of state revenue into the account. Grants must be distributed for projects that:

(a) enhance the quality of life and protect the health, safety, and welfare of Montana's public school students;

(b) ensure the successful delivery of an educational system that meets the accreditation standards provided for in 20-7-111;

(c) extend the life of Montana's existing public school facilities;

(d) promote energy conservation and reduction;

(e) integrate technology into Montana's education framework to support student educational needs for the 21st century; and

(f) are fiscally responsible by considering both long-term and short-term needs of the public school district, the local community, and the state.

(2) The department may charge reasonable administrative costs for administering the grant program. Costs must be paid from the account established in 20-9-516.

History: En. Sec. 2, Ch. 377, L. 2009; amd. Sec. 4, Ch. 325, L. 2013.

Compiler's Comments:

2013 Amendment: Chapter 325 inserted (2) authorizing reasonable administrative costs; and made minor changes in style. Amendment effective July 1, 2013.

90-6-803. Definitions. As used in this part, the following definitions apply:

- (1) "Account" means the school facility and technology account provided for in 20-9-516.
- (2) "Department" means the department of commerce established in 2-15-1801.
- (3) "Emergency" means the imminent threat or actual occurrence of an event causing immediate peril to life, property, or the environment that can be averted or minimized with timely action.
- (4) "Program" means the quality schools facility grant program established in 90-6-809.
- (5) "Public school district" means a district as defined in 20-6-101 or a K-12 school district as defined in 20-6-701.
- (6) "School" has the meaning provided for in 20-6-501.
- (7) "School facility project" means a project to support a basic system of free quality public elementary and secondary schools under 20-9-309 that involves:
 - (a) construction of a school facility;
 - (b) major repairs or deferred maintenance to an existing school facility;
 - (c) major improvements or enhancements to an existing school facility; or
 - (d) information technology infrastructure, including installations, upgrades, or improvements to an existing school facility or facilities.

History: En. Sec. 3, Ch. 377, L. 2009.

90-6-804 through 90-6-808 reserved.

90-6-809. Quality schools facility grant program -- legislature to authorize grants -- types of grants available. (1) There is a quality schools facility grant program funded by the account.

(2) As provided in 90-6-810, the legislature shall authorize the following types of financial assistance to public school districts under this part:

- (a) grants to public school districts for school facility projects;
- (b) matching planning grants to public school districts for the planning of school facility projects; and
- (c) emergency grants to public school districts for a school facility project that is necessitated by an emergency.

History: En. Sec. 4, Ch. 377, L. 2009.

90-6-810. Procedure for approval of projects -- role of department and governor -- approval by legislature. (1) The department shall:

- (a) receive proposals for school facility projects from public school districts;
- (b) assist public school districts in preparing cost estimates for projects;
- (c) as appropriate, consult with other state agencies, including but not limited to the department of administration and the office of public instruction;
- (d) with the exception of emergency grants and matching planning grants, prepare and submit to the governor a list of recommendations as to projects and the form and amount of financial assistance for each project, prioritized in accordance with the requirements of 90-6-811;
- (e) report to each regular session of the legislature the status of all school facility projects for which grants were approved by a previous legislature but have not been completed;
- (f) award matching planning grants, in accordance with rules adopted by the department, to public school districts for the planning of school facility projects within the limits of legislative appropriations for this purpose. The department shall prioritize the award of matching planning grants in accordance with the requirements of 90-6-811. The department shall report to the governor and the legislature regarding each matching planning grant awarded during a biennium.

(g) award emergency grants to public school districts in accordance with rules adopted by the department and within the limits of legislative appropriations for this purpose. The department shall report to the governor and the legislature regarding each emergency grant awarded during a biennium.

(2) The governor shall review the projects recommended by the department under subsection (1)(d) and submit to the legislature a list of recommendations as to projects and the form and amount of financial assistance for each project.

(3) (a) The legislature shall:

(i) consider the governor's recommendations, approve grants to public school districts for school facility projects, and appropriate money to the department from the account to fund the grants that have been approved, after the deduction of administrative expenses by the department; and

(ii) authorize funding and appropriate money to the department from the account to be awarded to public school districts by the department for matching planning grants and emergency grants, after the deduction of administrative expenses by the department.

(b) Grants approved by the legislature are dependent on the availability of funds and will be made available by the department in the order that the grant recipient satisfies the conditions described in 90-6-812.

History: En. Sec. 5, Ch. 377, L. 2009.

90-6-811. Priorities for projects -- application of criteria -- consideration of project attributes -- adjustments for educationally relevant factors. (1) In preparing recommendations to the governor under 90-6-810, the department shall apply the following criteria to applications for school facility projects in the listed order of priority giving preference to school facility projects involving repairs to existing facilities over projects involving construction of new facilities:

(a) projects that solve urgent and serious public health or safety problems or that enable public school districts to meet state or federal health or safety standards;

(b) projects that address deferred maintenance by repairing or replacing existing building components that are inoperable or difficult to service or that lack minimum integrity;

(c) projects that enhance a public school district's ability to offer specific services related to the requirements of the accreditation standards provided for in 20-7-111;

(d) projects that provide long-term, cost-effective benefits through energy-efficient design;

(e) projects that incorporate long-term, cost-effective benefits to school facilities, including the technology needs of school facilities; and

(f) projects that enhance educational opportunities for students.

(2) In applying the criteria under subsection (1), the department shall consider the following attributes of a school facility project application:

(a) the need for financial assistance;

(b) the fiscal capacity of the public school district to meet the conditions established in 90-6-812;

(c) past efforts to ensure sound, effective, long-term planning and management of the school facility and attempts to address school facility needs with local resources;

(d) the ability to obtain funds from sources other than the funds provided under this part; and

(e) the importance of the project and support for the project from the community.

(3) Before making its recommendations to the governor, the department may make adjustments to its ranking of the projects based on the educationally relevant factors established in 20-9-309. Before making any adjustments, the department may consult with the office of public instruction concerning the educationally relevant factors.

History: En. Sec. 6, Ch. 377, L. 2009; amd. Sec. 10, Ch. 325, L. 2013.

Compiler's Comments:

2013 Amendment: Chapter 325 in (1) at end after "priority" inserted language requiring the department to give preference to projects involving repairs to existing facilities; in (1)(b) substituted current language concerning deferred maintenance for "projects that provide improvements necessary to bring school facilities up to current local, state, and federal codes and standards"; in (2) after "shall consider" deleted "without preference or priority"; and made minor changes in style. Amendment effective July 1, 2013.

90-6-812. Conditions for grants. Disbursement of grant funds by the department for projects approved by the legislature under 90-6-810 is subject to the following conditions:

- (1) A grant agreement must be executed between the department and the grant recipient.
- (2) The scope of work and budget for the project must be consistent with the application submitted by the grant recipient, reviewed by the department, and approved by the legislature. The department will consider requests to reduce the scope of a project in accordance with rules adopted by the department.
- (3) The grant recipient shall document that any matching funds required for completion of the project or to conduct project planning are firmly committed.
- (4) The grant recipient must have an established financial accounting system that the department can reasonably ensure conforms to generally accepted accounting principles.
- (5) The project must adhere to the design standards required by applicable regulatory agencies. Recipients of program funds for projects that are not subject to any design standards shall comply with generally accepted industry standards.
- (6) The grant recipient shall satisfy other specific requirements considered necessary by the department to accomplish the purpose of the project as described in the application to the department.

History: En. Sec. 7, Ch. 377, L. 2009.

90-6-813 through 90-6-817 reserved.

90-6-818. Disbursement of funds -- department discretion when actual expenses are less than projected expenses. (1) The department shall disburse grant funds on a reimbursement basis as grant recipients incur eligible project expenses.

(2) If actual project expenses are lower than the projected project expenses, the department may, at its discretion:

- (a) direct an outright or partial reduction in the amount of grant funds provided to the grant recipient;
- or
- (b) allow the use of the remaining authorized program grant amounts for the completion of additional school facility improvements directly related to the approved school facility project that will further enhance the school facility.

History: En. Sec. 8, Ch. 377, L. 2009.

90-6-819. Department to adopt rules. The department shall adopt rules necessary to implement this part, including but not limited to rules regarding:

- (1) application guidelines and deadlines;
- (2) the evaluation process and ranking of applications;
- (3) grant award conditions, including requirements for matching funds;
- (4) scope and procedures for the award of matching planning grants and emergency grants;
- (5) amendments to grant awards; and
- (6) grant administration, including but not limited to requirements for:
 - (a) the project's startup;
 - (b) compliance with other federal, state, or local laws, regulations, or requirements;
 - (c) financial management related to the project;
 - (d) property acquisition;
 - (e) project and grant management;
 - (f) project monitoring; and
 - (g) project closeout procedures.

History: En. Sec. 9, Ch. 377, L. 2009.