

Comparison of Modified Budget to Year to Date Actual Expenditures FY 2016 HB 2 - State Resources			
	FY 2016		
	Modified Budget	Actual and Accruals	% Expended
Section A - General Government			
Legislative Branch	\$15,393,379	\$8,940,605	58.1%
Consumer Council	1,706,559	797,939	46.8%
Governor's Office	10,126,140	3,951,786	39.0%
Secretary of State	104,892	56,001	53.4%
Commissioner of Political Prac	681,125	420,554	61.7%
State Auditor's Office	13,400,734	7,309,136	54.5%
Department of Revenue	196,837,234	95,146,353	48.3%
Department of Administration	22,680,738	11,077,869	48.8%
Department of Commerce	33,303,553	7,905,046	23.7%
Department of Labor & Industry	85,045,363	43,020,101	50.6%
Department of Military Affairs	<u>49,235,631</u>	<u>22,808,894</u>	<u>46.3%</u>
Section A - General Government Total	428,515,348	201,434,285	47.0%
Section B - Health and Human Services			
Department of Public Health and Human Services	<u>2,087,396,095</u>	<u>1,137,408,420</u>	<u>54.5%</u>
Section B - Health and Human Services Total	2,087,396,095	1,137,408,420	54.5%
Section C - Natural Resources and Transportation			
Department of Fish, Wildlife, and Parks	83,839,525	46,296,567	55.2%
Department of Environmental Quality	66,671,802	29,728,163	44.6%
Department of Transportation	676,917,950	380,955,882	56.3%
Department of Livestock	12,604,916	7,135,405	56.6%
Department of Natural Resources and Conservation	70,108,347	33,287,031	47.5%
Department of Agriculture	<u>17,849,466</u>	<u>7,723,454</u>	<u>43.3%</u>
Section C - Natural Resources and Transportation Total	927,992,006	505,126,502	54.4%
Section D - Judicial Branch, Law Enforcement, and Justice			
Judicial Branch	50,483,875	27,221,193	53.9%
Board of Crime Control	13,134,004	5,375,963	40.9%
Department of Justice	98,674,313	56,037,309	56.8%
Department of Public Service Regulation	4,133,777	2,346,390	56.8%
Office of the Public Defender	34,956,501	20,594,100	58.9%
Department of Corrections	<u>203,739,222</u>	<u>120,320,470</u>	<u>59.1%</u>
Section D - Judicial Branch, Law Enforcement, and Justice Total	405,121,692	231,895,425	57.2%
Section E - Education			
35010 Office of Public Instruction	958,325,159	565,954,221	59.1%
51010 Board of Public Education	365,420	180,851	49.5%
51020 Commissioner of Higher Ed	331,603,260	211,317,804	63.7%
51130 School for the Deaf & Blind	7,373,045	4,268,308	57.9%
51140 Montana Arts Council	1,485,491	1,053,302	70.9%
51150 Library Commission	6,483,763	3,507,313	54.1%
51170 Historical Society	<u>5,699,820</u>	<u>3,411,362</u>	<u>59.9%</u>
Section E - Education Total	1,311,335,958	789,693,162	60.2%
Grand Total	\$5,160,361,099	\$2,865,557,794	55.5%

As shown in the previous figure, overall expenditure of state resources is at 55.5% of the total HB 2 state resources appropriated by the legislature compared to about 66.7% using fiscal year expenditure percentages. When looking at total state resources over 40.4% of the funding is allocated to the Department of Public Health and Human Resources (DPHHS). Together with DPHHS, the following agencies make up 82.3% of the remaining state budget:

- Office of Public Instruction – 18.5%
- Department of Transportation – 13.1%
- Commissioner of Higher Education – 6.4%
- Department of Corrections – 3.9%

State Special Revenues

At its December meeting, the LFC requested information on state special revenue funds including whether the revenues were providing sufficient resources for budgeted expenditures and if fund balances were increasing or decreasing. As part of the analysis, LFD staff reviewed state special revenues accounts with either revenues or expenditures averaging more than \$1.0 million a year over the last five years. The accounts that meet the criteria are shown in [Appendix E](#). Staff included discussion of state special revenue accounts that have declining revenues or changes in fund balance in the agency section narratives.³ The following figure summarizes the agencies, state special revenue accounts, and challenges related to either declining revenues or fund balance changes presented in the various narratives.

³ The Governmental Accounting Standards Board (GASB) is an independent organization that establishes standards of accounting and financial reporting for state and local governments. GASB is recognized as the official source of generally accepted accounting principles that, by statute, state agencies must use to present their financial activities. Effective June 30, 2015, GASB 68 Accounting and Financial Reporting for Pensions required state agencies to record their share of the net pension liability for the state's pension systems including Montana Public Employee Retirement System and Teachers' Retirement System pensions on their financial statements. Net pension liability is defined as the difference between the present obligation of pension systems to pay deferred earned benefits (total pension liability) and the assets currently available to pay pension benefits (net plan position).

It should be noted that employer contribution rates are set in statute, meaning state agencies pay the employer contribution to employee pensions required by statute not the amount calculated as their share of the net pension liability. Net pension liabilities recorded in the financial statements are not immediately due but the accounting entries reduce fund balance. As a result, several state special revenue accounts and proprietary funds show reduced or negative fund balances. The cash balances of the accounts are not impacted by the entries.

State Special Revenue Funds				
Highlighted in the Budget Status Update				
State Agency	Fund Description	5 yr Average Revenues	5 yr Average Expenditures	Analysis
Department of Revenue	Orphan Share Fund	\$3,139,905	\$0	Declining revenues
Dept of Environmental Quality		\$20,299	\$3,495,864	Declining revenues
Department of Justice	Environmental Contingency RIT	0	0	Declining revenues
Department of Revenue		35,851	0	
Dept Nat Resource/Conservation		466	24,680	
Dept of Environmental Quality		10,655	16,198	
Dept of Military Affairs		0	2,003	
MT Dept of Agriculture		0	10,545	
Total Environmental Contingency RIT		\$46,973	\$53,426	
Department of Revenue	Coal Sev. Tax Shared SSR	3,088,774	0	Declining revenues
Dept Nat Resource/Conservation		62	2,343,535	
Library Commission		2	554,502	
MT Dept of Agriculture		16	407,211	
Total Coal Severance Tax Shared SSR		\$3,088,854	\$3,305,248	
Commissioner of Higher Ed	Natural Resources Operations	0	173,564	Declining revenues
Department of Revenue		3,280,863	0	
Dept Nat Resource/Conservation		284,074	961,463	
Dept of Environmental Quality		582	1,891,638	
Judiciary		1,514	1,004,616	
Total Natural Resources Operations		\$3,567,034	\$4,031,280	
Department of Revenue	Natural Resources Projects	6,415,143	0	Declining revenues
Dept Nat Resource/Conservation		5,170,862	12,357,927	
Dept of Environmental Quality		0	0	
Total Natural Resources Projects		\$11,586,005	\$12,357,927	
Department of Justice	Highways Special Revenue	12,738,823	32,796,936	Fund balance challenges, declining revenues
Department of Transportation		267,248,512	254,555,795	
Dept. of Fish, Wildlife & Parks		400	806,385	
Long Range Building		0	1,791,872	
Total Highways Special Revenue		\$279,987,735	\$289,950,988	
Labor & Industry	Board Of Pharmacy	\$1,034,159	\$773,459	Fund balance challenges
Labor & Industry	Board Of Nursing	\$1,311,036	\$1,055,363	Fund balance challenges
Labor & Industry	Bd Of Nursing Home Admin	\$50,786	\$38,009	Fund balance challenges
Labor & Industry	Board of Athletic Trainers	\$21,632	\$19,077	Fund balance challenges
Labor & Industry	Building Codes State Spec Rev	\$3,932,679	\$3,549,669	Fund balance challenges
Department of Revenue	Tobacco Hlth and Medicaid Init	36,617,509	0	Fund balance challenges
Public Health & Human Services		718,456	44,888,807	
Total Tobacco Hlth and Medicaid Init		\$37,335,965	\$44,888,807	
Dept. of Fish, Wildlife & Parks	Wildlife Habitat	4,481,792	3,575,194	Fund balance challenges
Dept Nat Resource/Conservation	Fire Supression Fund	11,379,067	9,370,209	Fund balance challenges
Dept of Military Affairs		0	73,738	
Total Fire Suppression Fund		\$11,379,067	\$9,443,947	
Department of Revenue	Guarantee Fund	3,433,225	0	Declining revenues
Dept Nat Resource/Conservation		60,528,690	0	
Office of Public Instruction		5,970,036	70,410,246	
Total Guarantee Fund		\$69,931,950	\$70,410,246	
Department of Commerce	School Facility & Tech Account	3,944,324	7,331,990	Declining revenues
Office of Public Instruction		0	7,767,916	
Total School Facility & Tech Account		\$3,944,324	\$15,099,906	

Challenges for State Special Revenue Accounts That Impact Multiple Agencies

Many of the accounts within the state special revenue fund support multiple state agencies. The following section discusses three accounts, appropriated to multiple state agencies that have challenges due to declining natural resource revenues or have appropriations exceeding the working capital balance.

Accounts Receiving Resource Indemnity Trust (RIT) Related Revenue

The Constitution requires a resource indemnity trust with a \$100.0 million trust principle. Since the RIT threshold of \$100.0 million was met, the legislature has statutorily allocated three taxes previously transferred into the RIT to various state special accounts. The taxes include:

- o Resource indemnity and ground water assessment
- o Metalliferous mine
- o Applicable portions of oil and gas taxes

Resource Indemnity Funding: 2017 Interim										
Related Funds	02010 Oil & Gas	02022 Future Fish	02070 HazWas	02107 ECA	02162 EQPF	02216 Wa Sto	02289 GRW	02472 Orphan Share	02576 Operations	02577 Projects
FY 2016 Beginning Balance	\$473,775	\$1,629,454	\$436,105	\$695,114	\$4,008,139	\$586,695	\$21,607	\$8,359,250	\$828,762	\$2,043,439
FY 2016/2017 Revenues										
RIT Interest - Direct	462,277	796,888		124,459		355,598	478,133			5,100,085
RIGWA			863,133		910,485	150,000	732,000			1,726,266
Short Term Investment Pool - Interest	0		600		4,000	400		8,000		
Metal Mines Tax									1,726,706	
Oil and Gas Tax								3,503,699	2,399,242	2,565,342
Agency Generated Revenues					5,437,000	120,000				31,000
Adjustment for Excess Balance ¹	201	2,006				2,006	1,204			14,043
Other Income	100,000									
Legislative Transfer (SB418)									1,200,000	
2017 Biennium Projected Available Funds	\$1,036,253	\$2,428,348	\$1,299,838	\$819,573	\$10,359,624	\$1,214,699	\$1,232,944	\$11,870,949	\$6,154,710	\$11,480,175
Appropriations for FY 2016										
UM - Bureau of Mines							(666,000)		(249,731)	
DNRC	(250,000)					(349,759)			(611,268)	
DEQ			(666,714)		(3,891,352)			(3,511,265)	(2,063,453)	
AGR					(127,491)					
Other Agency										
HB 6 & HB 7 Appropriations										(10,857,235)
Zortman-Landusky Transfer								(1,200,000)		
Continuing Authority		(2,312,062)		(58,376)	(551,364)		(3,567,592)		(31,163)	
Reversion (Estimate)	152,810		35,504		179,649				549,595	
Anticipated Unused Appropriations										
Proj. Fund Balance Ending FY 2016	\$939,063	\$116,286	\$668,628	\$761,197	\$5,969,065	\$864,940	\$566,944	\$3,592,092	\$3,748,690	\$622,940
Appropriations for FY 2017										
UM - Bureau of Mines							(666,000)		(248,968)	
DNRC	(250,000)								(628,377)	
DEQ			(676,519)		(3,943,844)	(259,759)		(3,511,265)	(2,094,739)	
AGR					(127,558)					
HB 6 & HB 7 Appropriations										
Zortman-Landusky Transfer										
Reversion (Estimate)									(13,352)	
Anticipated Unused Appropriations										
Biennium Ending Fund Balance	\$689,063	\$116,286	(\$7,891)	\$761,197	\$1,897,663	\$605,181	(\$99,056)	\$80,827	\$763,254	\$622,940

Possible declining revenues in coal, oil, and gas have direct impacts on several state special revenue funds including those associated with the resource indemnity trust. These funds include the environmental contingency account, the orphan share, the natural resource operations account, and the natural resource projects account. The agencies impacted include the Departments of Fish, Wildlife, and Parks; Environmental Quality; and Natural Resources and Conservation. During FY 2016, agencies have made some changes switching funding away from RIT funds to other state special revenue funds.

Coal Severance Tax Shared Account

Declines in coal revenues impact the coal severance tax shared account. The coal tax shared account receives 5.46% of coal severance taxes and supports the Growth Through Agriculture Program at the Department of Agriculture, conservation districts at the Department of Natural Resources and Conservation, and local libraries at the State Library. The fund was balanced by the 2015 legislature but revenues are estimated to decline by 3.8% from the HJ2 estimate. The Office of Budget and Program Planning (OBPP) is working with agencies to reduce expenditures. As reduction plans are finalized by OBPP, the LFD will further report on the status of this fund.

Highway State Special Restricted Revenue Account (HSRA)

Revenues for the HSRA include:

- o Gasoline taxes
- o Diesel taxes
- o Gross vehicle weight fees
- o Federal indirect cost recoveries
- o Other revenues

As of the end of February revenues are forecasted to be slightly higher than projected in the HJR 2 estimates but are not enough to fully cover all existing authority.

The legislature appropriated HSRA funding to four state agencies:

- o Department of Transportation (MDT)
- o Department of Justice
- o Department of Fish, Wildlife, and Parks
- o Department of Administration for long-range projects on behalf of MDT

In December the LFD advised that with consideration of all appropriation authority, the appropriations provided to state agencies exceeded the working capital balance by \$32.7 million.

SECTION A – GENERAL GOVERNMENT

Legislative Branch

HB 2 Budget

The Legislative Branch budget has not been modified since December.

HB 2 Expenditures

The Legislative Branch budget is 58.1% expended as of the end of February compared to fiscal year expenditure percentages of 66.7%. The majority of the divisions have expenditures in line with fiscal year expenditure percentages.

Statutory Appropriations

Legislative Branch reserve account is used for major information technology projects, when approved by the Legislative Council. Any carry forward funding that is unexpended at the end of the biennium may be deposited into the account as well as any funding remaining from the feed bill. Fund balance as of February is \$1.8 million.

Consumer Counsel

HB 2 Budget

The Consumer Counsel budget has not been modified since December.

HB 2 Expenditures

Operating Expenses

The Consumer Counsel received a one-time-only \$250,000 state special revenue appropriation for caseload contingencies in operating expenses. The agency has not spent any of this appropriation to date which explains the 42.2% expended percentage at the end of February.

Governor's Office

HB 2 Budget

Contingency Base Funding

The Office of Budget and Program Planning (OBPP) has \$1.75 million remaining in contingency base funding. This appropriation is comprised entirely of general fund.

Personal Services Contingency Funds

OBPP has \$1.75 million unallocated in personal services contingency funding. This is a one-time-only appropriation made up of general, state special, federal special, and proprietary funds.

HB 2 Expenditures

Operating Expenses

Overall, operating expenses are 28.5% expended compared to fiscal year expenditure percentages of 66.7% through the end of February. This is largely due to the inclusion of the unspent contingency base funding and one-time-only personal services contingency funding, totaling \$3.5 million.

State Auditor's Office (SAO)

HB 2 Budget

The State Auditor's Office budget has not been modified since December.

HB 2 Expenditures

Operating Expenses

Expenses are 48.3% spent compared to 66.7% using fiscal year expenditure percentages. This is due to the inclusion of one-time-only funds related to the phase-out of the Insure Montana Program.

Equipment and Intangible Assets

As of the end of February the SAO has expended 33.9% of its equipment and intangible assets budget. This includes a \$20,000 one-time-only equipment appropriation. According to the SAO, a new server was purchased this month. Overall, large information technology equipment purchases are cyclical and the cost can vary substantially from when estimates are derived to when purchases are made.

Department of Revenue (DOR)

HB 2 Budget

Modified Budget

Program Transfers

DOR moved 1.00 FTE and \$42,388 in general fund from the Citizen Services and Resource Management Division to the Director's Office. The FTE was transferred to balance the workload in the Director's Office.

Operating Plan Changes

DOR transferred \$8,000 from operating expenses to equipment and intangible assets in the Property Assessment Division.

HB 2 Expenditures

The Department of Revenue has expended 48.3% of its appropriation authority through February of FY 2016. Expenditures for the majority of the divisions are in line with fiscal year expenditure percentages. The Department of Revenue has a budgeted proprietary program, the Liquor Control Division. To date, the Liquor Control Division has expended \$63.1 million of its \$140.9 million in HB 2 authority. The modified budget for the Liquor Control Division includes a language appropriation of up to \$138.0 million to maintain inventories, pay freight charges, and transfer profits and taxes to appropriated accounts. The division has thus far expended 44.6% of this appropriation.

Statutory Authority

To date, DOR has expended \$80.0 million or 33.7% of their statutory appropriation authority. The department's statutory appropriation authority is primarily for local assistance in the form of entitlement share payments and oil and gas payments to local governments. The majority of oil and gas payments do not occur until April through June, thus explaining the expenditure level of 33.7% to date.

Other Bills

SB 405, the Montana Health and Economic Livelihood Partnership (HELP) Act appropriated \$393,213 to the DOR in general fund authority for the 2017 biennium to administer the taxpayer integrity fee component of the HELP Act. This authority is considered base funding for the 2019 biennium budget. For FY 2016, \$31,719 will be used to fund 0.50 FTE in the Business and Income Taxes (BIT) division. In FY 2017, \$95,157 will be used for personal services and 1.0 FTE in BIT and \$266,337 will be used in the Director's Office for operating expenses.

Department of Administration (DOA)

HB 2 Budget

Modified Budget

Operating Plan Changes

The Architecture and Engineering Division transferred \$5,875 in operating expenses supported by state special revenues to equipment and intangible assets to purchase a large format scanner.

HB 2 Expenditures

DOA has expended 48.8% of its HB 2 state resources as of the end of February. Expenditures for both personal services and operating expenses are below fiscal year expenditure percentages.

Personal Services

Agency wide personal services expenditures as of February 2016 was 53.5% compared to 61.5% using fiscal year expenditure percentages or almost \$1.0 million less. Every division has lower expenditure on personal services in part due to vacant positions. About half of the vacant positions were within the Banking and Financial Institutions Division (BFIS). According to BFIS staff, three positions will be filled in the next few months.

Operating Expenses

Overall expenditures for operating expenses are below fiscal year expenditure percentages with 43.8% expended 66.7% through the fiscal year or about \$2.3 million less than fiscal year expenditure percentages would indicate. Two divisions, State Information Technology Services and the Montana State Lottery make up the majority of the differences. Operating expenses budgeted for the FirstNet grant in SITSD continues to lag projections with just \$75,514 of \$1,434,365 expended as of the end of February. The Montana State Lottery received \$549,000 in appropriations for new tickets and to support converting to a lottery contractor. This funding has only been 9% expended as of the end of February. In addition, while advertising costs were budgeted at \$604,770 through February expenditures have been \$190,037.

Non-budgeted Proprietary Funds

DOA has a number of functions that are supported by non-budgeted proprietary funds including information technology services, state employee group benefits, and state agency self-insurance. Each of the funds is experiencing some challenges.

State Information Technology Services Division (SITSD)

Currently expenditure exceed revenues for the proprietary fund supporting SITSD. By fiscal year end revenues are projected to increase above projected expenditures.

As of February 2016, SITSD has notified state agencies that changes in software licensing agreements and services will impact the SITSD rate charges for agencies including:

- o \$3.0 million for Oracle licensing and cloud services
- o \$0.2 million for Adobe unlimited licenses

State Employee Group Benefits Plan (SEGBP)

As of February 2016, the expenditures for the SEGBP exceeded revenues by \$3.1 million. In the next four months of FY 2016 the SEGBP should realize higher revenues due to the increase in the employer share contribution to employee benefit costs. Revenues and expenditures are measured for FY 2016, not for plan year 2015.

State Agency Self-insurance Account

As of February 2016, the fund balance in the state agency self-insurance account was \$10.5 million. Revenues exceeded expenditures by \$8.4 million. Claims expenses are less than average through February 2016. If this trend continues the state agency self-insurance account may be able to establish reserves which were depleted in previous biennia.

Statutory Appropriations

Declining revenues for coal severance taxes are projected to result in a reduction in contributions to the Montana Public Employee Retirement System of \$0.5 million. All other DOA statutory appropriations are consistent with expenditure trends.

Other Bills

The State Information Technology Services and the Architecture and Engineering Divisions manage long-range projects that are funded separately from the general appropriations act.

HB 10

The legislature appropriated long-range information technology funding to DOA for various projects. In December DOA transferred \$20.0 million to the Department of Public Health and Human Services for projects to enhance the combined healthcare information and Montana eligibility systems (CHIMES). The transfer includes \$2.0 million of general fund and \$18.0 million in federal funds are included in the transfer.

HB 403

The legislature appropriated \$4.0 million in state special revenue funds to DOA for fire protection measures, elevator maintenance, flooring replacement, and infrastructure repairs within the capitol complex. Deferred maintenance and repairs for the Old Governor's Mansion, statewide life safety and deferred maintenance, energy improvements, and statewide roof repairs and replacements of \$6.95 million were appropriated from Long-range Building Program funds.

Department of Commerce

HB 2 Budget

The Department of Commerce budget has not been modified since December.

HB 2 Expenditures

General fund expenditures are 47.7% at the end of February. The 2015 Legislature provided \$1.5 million as a restricted, biennial, one-time-only appropriation to the Community Development Division (CDD) for capital improvement grants which has not been expended. According to the Department of Commerce, the contracts for the funding have been awarded. Grants will be disbursed on a reimbursement basis. Department of Commerce anticipates with spring arriving the projects will begin soon.

Overall expenditures for the Department of Commerce are at 23.7% when compared to fiscal year expenditure percentages. Lower spending in three expenditure categories, personal services, operating expenses, and grants drive the lower expenditures.

Personal Services

To date, personal services within Department of Commerce are 50.3% expended or about \$0.5 million lower than fiscal year expenditure percentages. As of February 2, 2016 5.70 FTE or 11.4% of total FTE were vacant including 1.25 FTE in the Board of Horse Racing.

Operating Expenses

Operating expenses are 43.8% expended as of the end of February or \$2.3 million lower. While all divisions and programs have lower expenditures, two programs within the Office of Tourism and Business Development (OTBD) are driving the lower percentage. To date, actual expenditures for promotional activities funded by private support are \$40,377 or about 5.4% of the \$750,000 in appropriations. Many of the activities are seasonal in nature so that the majority of the private funds are collected and expended in the second half of the year.

In addition the Microbusiness Loan Program has \$536,105 in operating expense authority which as of the end of February has not been utilized. According to the Department of Commerce the program recently certified the Native American Development Corporation (NADC) as a microbusiness development corporation. The program anticipates that once the start-up conditions for NADC have been met loans of about \$480,000 will be processed.

Grants

The Department of Commerce generally receives applications for grants in the fall and makes grant awards in the spring. As a result, while the expenditures for grants appear low at this point in the budget cycle (14.9%), this is normal given the process used for awarding grants.

Statutory Appropriations

One of the statutory appropriations provided to the Department of Commerce is for the distressed wood products industry revolving loan fund. In FY 2016 budgeted statutory appropriations from the fund include:

- \$1.85 million in state special revenues with total expenditures of \$1.80 million including loans of \$1.775 million
- \$1.08 million in federal special revenues with total expenditures of \$1.03 million including loans of \$1.00 million

Other statutory appropriations include:

- Tourism promotion supported by lodging use facility taxes - 60.1% expended
- Research and commercialization supported by coal trust interest - 27.3% expended
- Big Sky Economic Development Program supported by income from the big sky economic development trust – 8.9% expended

Department of Labor and Industry (DOLI)

HB 2 Budget

Modified Budget

Operating Plan Changes

There were three adjustments that affected operating expenses. The first adjustment transferred \$17,089 each year of the biennium from operating expenses to debt service in the Employment Relations Division for a computer lease. This adjustment affected general and state special revenue funds. The second adjustment in the Commissioner's Office transferred \$10,000 from operating expenses to transfers. DOLI is transferring \$10,000 in state special revenues to the Department of Commerce to pay for a portion of expenditures related to the Montana Main Street Symposium. The final adjustment transferred \$951 in the Office of Community Services for each year of the biennium from operating expenses to debt service for a computer lease. This operating plan change affected general and federal special revenue funds.

Personal Services Contingency Funds

OBPP provided general fund from personal service contingency funds to the Office of Community Services. This transfer of \$41,000 was made to replace funding lost from a Homeland Security grant.

HB 2 Expenditures

DOLI HB 2 state resources are 50.6% expended compared to fiscal year expenditure percentages of about 66.0% at the end of February.

Personal Services

Personal services are 52.0% expended through the end of February, which is below fiscal year expenditure percentages of 61.5% or about \$4.6 million lower given the time elapsed in the budget year. There were 69.00 FTE vacant as of February 2, 2016. Of these positions, 12.00 FTE provided by the HELP Act remain vacant.

Operating Expenses

DOLI operating expenses are 52.7% expended, below fiscal year expenditure percentages at the end of February or \$3.9 million lower. According to DOLI this is in part because large bills related to technology services and other fixed costs are delayed a month.

Grants

Grants are 37.9% expended or \$2.4 million lower than would be anticipated given the time elapsed in the fiscal year. The lower expenditures percentage is due to the timing of the grant cycle, with the majority recorded in June.

State Special Revenues

Professional Boards

State statute outlines several responsibilities for DOLI regarding professional boards. Fees for administrative services are required to be commensurate with services provided. Additionally, the cash balance in the fund is not allowed to exceed twice the board's annual appropriation. As of the end of February, there are four boards that have cash balances in excess of statutory limits, the Board of Athletic Trainers, the Board of Nursing Home Administrators, the Board of Pharmacy, and the Board of Nursing. All four boards anticipate being below the threshold within the next year by either revenue reductions or increased expenditures.

Building Codes

In FY 2013 the fund balance in the building codes account began increasing and was at \$2.2 million at the beginning of FY 2016. DOLI has made fee reductions in one program, has started the process to reduce fees in another program, and is looking at potential fee reductions in other programs. These fee reductions will lead to a decrease in revenues which will in turn reduce or eliminate the growth of the fund balance.

Budget Amendments

DOLI had two budget amendments. One budget amendment for the Unemployment Insurance Division increases federal appropriation authority for a grant awarded by the United States Department of Labor. This grant will be used to collect on employer delinquent accounts and benefit overpayments. It also provides the ability to utilize an electronic employer response to process claims. These funds support 2.00 FTE, \$178,360 in personal services, and \$821,535 in operating expenses. The second amendment increased federal appropriation authority within the Office of Community Service. The \$17,350 grant to support operating expenses will be used to continue the implementation of the ready Montana community disaster simulation.

Department of Military Affairs

HB 2 Budget

Modified Budget

Operating Plan Changes

DMA transferred \$1,500 from grants to operating expenses within Disaster and Emergency Services for the federal hazardous materials grant.

HB 2 Expenditures

Grants

The Disaster and Emergency Services Division (DES) administers a number of grants related to emergency management and hazard mitigation. According to DMA, DES did not receive the grant funding at the level projected in the budget for the Homeland Security Grant Program and the FEMA Emergency Management Performance Grants that make up the bulk of the federal grant funding.

Statutory Appropriations

The Department of Military Affairs has number of statutory appropriations including \$4.26 million in general fund related to disasters.

SECTION B – DEPARTMENT OF PUBLIC HEALTH AND HUMAN SERVICES

Department of Public Health and Human Services (DPHHS)

HB 2 Budget

Modified Budget

Program Transfers

DPHHS transferred a total \$118,228 (\$42,675 in general fund). These include transfers of operating authority from the Business and Financial Services Division to the Director's Office, to cover the cost of Worker's Compensation Program fees (\$78,228) and from the Human and Community Services Division to the Quality Assurance Division for legal certification of child care providers (\$40,000).

Operating Plan Changes

One operating plan change with a fiscal impact occurred since the last budget update. State special revenue authority of \$5,600 was moved from operating expenses to equipment and intangible assets for the purchase of new card scanners for fingerprint background checks of medical marijuana providers managed by the Quality Assurance Division.

In addition, there were two operating plan changes adding modified FTE. The Addictive and Mental Disorders Division was approved by OBPP to add 34.12 modified FTE to operate and staff the forensic unit at the Galen facility; it will be funded from Montana State Hospital operations general fund authority established in HB 2. This change is due to the need to manage patient overflow, increase separation of clientele and increase the timeliness of evaluations. The Child and Family Services Division added 4.00 modified FTE to form the hierarchical structure in the newly developed region 6. These FTE will be funded using the personal services authority provided for permanent positions that have been unfilled during a portion of FY 2016.

Within the Human Resources Division \$7.9 million of state special authority was transferred from Medicaid Healthy Montana Kids (HMK) to non-Medicaid HMK services (for more details on this, see the separate report on Medicaid Monitoring).

HB 2 Expenditures

As of the end of February, DPHHS has spent \$1,137.4 million of its \$2,087.4 million in appropriations. This translates to 54.5% of the total agency budget 66.7% through FY 2016. The ratios of expenditures to appropriations agency-wide are in line with fiscal year expenditure patterns by both expenditure type and fund type.

Benefits & Claims

Benefits and claims expenditures are at 54.1% of the total appropriation; this is to be expected, as benefits and claims – especially in Medicaid which is the primary cost-driver in this category – experience a lag between utilization and actual reimbursement.

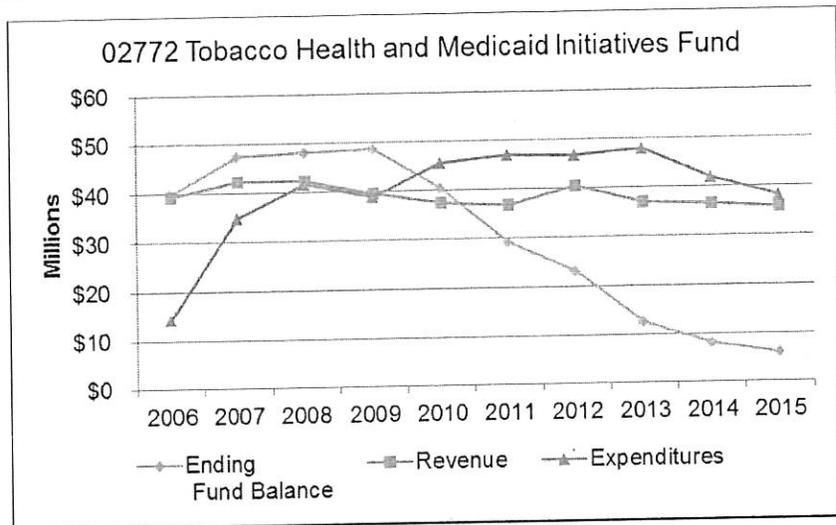
State Special Revenue

Tobacco Health and Medicaid Initiatives Fund

As can be seen in this chart, there was a fund balance in the tobacco health and Medicaid initiatives fund that quickly built revenues in FY 2006 and FY 2007. However, between FY 2009 and FY 2015, expenditures exceeded revenues and fund balance was spent down. It is expected that in future years, the expenditures will be more in line with actual revenues.

In FY 2016 the appropriation from this account is \$37.9 million, which is a continued decline from the \$38.3 million expended in FY 2015.

With projected FY 2016 revenues of approximately \$35.0 million, the legislature approved a expending fund balance, if all appropriation authority is utilized. The beginning fund balance for FY 2016 was \$6.0 million. The department is currently projecting unused appropriation authority of \$1.9 million in FY 2016.



Other Non-budgeted Funds

DPHHS received a private grant in the amount of \$4.6 million to develop and implement a "Montana Simulation in Motion" project providing simulation education to health providers. To manage this grant, 1.0 modified FTE has been added.

Statutory Appropriations

With the implementation of the HELP Act DPHHS now has statutory authority for both program administration and Medicaid benefits, including both general fund and federal funds. As of the end of February, statutory authority of \$41.4 million, including \$0.5 million of general fund has been established. In the documents used to establish this authority, the department has indicated they intended to establish authority for the first quarter of actual claims under the HELP Act, which would be the third quarter of FY 2016. Additional authority is expected to be established prior to fiscal year end. As for current expenditures, the department has recorded \$21.3 million for benefits.

Budget Amendments

Public Health and Safety Division has received continuing authority for 3.00 modified FTE from a continuing federal grant, which expires with the federal fiscal year. Because the federal fiscal year includes a quarter of the succeeding state fiscal year, this results in the inclusion of 3.00 modified FTE in FY 2016 and only 0.75 modified FTE in FY 2017.

Human and Community Services Division submitted an amendment for \$0.8 million in federal authority and the continuation of 1.50 modified FTE for the Montana Project Launch Initiative (MT-

PLI). MT-PLI implements mental health initiatives in areas of Gallatin and Park counties where the suicide rate is twice the national average and includes families living below 200% of the federal poverty level (FPL)

Developmental Services Division received a grant from the Substance Abuse and Mental Health Services Administration (SAMSHA) providing approximately \$0.8 million in federal funds in FY 2016. This award will be used to transition youth to stable environments, while dealing with traumatic and/or violent substance abuse issues related to mental health.

Other Bills

A separate complete report is available for Medicaid expansion as authorized under the HELP Act. The program is funded with a statutory appropriation rather than through HB 2.

SECTION C – NATURAL RESOURCES AND TRANSPORTATION

Department of Fish, Wildlife, and Parks (FWP)

HB 2 Budget

Modified Budget

Program Transfers

FWP moved \$70,185 in federal authority from the Administration Program to the Fisheries Program.

Operating Plan Changes

FWP made the following operating plan changes:

- Established 0.50 modified FTE for maintenance work at the Murray Springs Hatchery to be funded by Army Corps of Engineers federal special revenue.
- Moved \$11,200 in state special revenue from operating expenses to transfers for a cooperative agreement with Department of Natural Resources and Conservation for forestry work in the Three Mile Wildlife Management Area
- Moved \$8,450 in state special revenue from operating expenses to equipment for Hunter Education equipment in the Communication and Education Division
- Moved \$15,199 from grants to equipment in the Enforcement Division

Fiscal Year Transfer

FWP also consolidated a biennial appropriation of \$210,000 in state special revenue for snowmobile equipment in the Parks Division.

HB 2 Expenditures

FWP has expended 55.2% of its appropriations 66.7% of the way through the budget year. General fund is 35.7% expended. The general fund appropriation for aquatic invasive species has lower expenditures due to the seasonality of the activities. As fishing and boating activity increases, expenditures will increase accordingly.

Operating Expenses

Three divisions within FWP showed lower than expected expenditures in operating expenses. The department stated that the Parks, Communications and Education, and Administration Divisions all spent less due to seasonality, which is in line with previous fiscal years. As the summer approaches, spending will increase.

State Special Revenues

The wildlife habitat account income mostly comes from non-resident licenses, and can only be spent on easements and leases for wildlife habitat. Fund balance over the last several years has fluctuated due to easement purchases and leases. At the end of FY 2015 fund balance was \$13.5 million.

Budget Amendments

Information regarding FWP budget amendments can be found in Appendix C. The largest approved budget amendment was \$7.0 million in federal Pittman/Robertson funds to purchase part of the Haskill Basin conservation easement. This easement would encompass approximately 3,020 acres of wildlife habitat and more than 80% of the Whitefish city watershed.

Required Reports

FWP submitted a report on the Wildlife Mitigation Program. This program is a remediation program for the impacts of Libby and Hungry Horse dams. The report outlines the work done under the program as well as showing the financial position of the wildlife mitigation trust. The most recent report shows expenses against the wildlife mitigation trust were \$371,207 in FY 2015. Total income was \$120,047. The fund must retain a principal balance of \$8.0 million and the current balance is \$11.7 million.

Department of Environmental Quality (DEQ)

HB 2 Budget

Modified Budget

Operating Plan Changes

DEQ moved \$35,000 state special revenue from operating expenses to transfers to cover an Architecture and Engineering energy project.

HB 2 Expenditures

Operating Expenses

DEQ showed operating expenses lower than the anticipated calendar expenditure percentages. This is due to large one-time-only (OTO) appropriations such as the orphan share account and Zortman/Landusky and the seasonality of work. As remediation activities start up again in the spring and as projects are completed expenditures will align with appropriation authority.

State Special Revenues

The natural resources operations account is used by DEQ and the Department of Natural Resources and Conservation to fund the general administration of natural resource programs. It receives revenue from the interest off the resource indemnity trust (RIT), the resource indemnity ground water assessment (RIGWA), and 1.45% of the state share of the oil and gas taxes. Due to declining revenues, OBPP has requested DEQ and DNRC develop plans for adjusting expenditure. For additional information see the RIT chart on page 16.

Statutory Appropriations

DEQ has one statutory appropriation for petroleum tank release cleanup through the petroleum storage tank cleanup account in the state special revenue fund. This acts as a revolving fund that receives its revenue from the recovery of cleanup costs from liable parties. To date this fiscal year, the fund has paid \$1.6 million.

Department of Transportation (MDT)

HB 2 Budget

Modified Budget

Program Transfers

MDT transferred \$40,000 of federal special revenue operating expense authority from the Construction Program to the General Operations Program for the provision of fuel tax evasion grants.

Operating Plan Changes

MDT made \$125,468 in operating plan changes since December. The first change of \$81,968 was reviewed by the LFC in December, and moved authority from the grants to operating expenses. The change was made due to the results of an audit, which found that the use would be more accurately accounted for as an operating expense. The second change moved \$43,500 from the operating expenses to transfers out, and was related to a change in the way the federal government viewed payments to the Department of Justice, Highway Patrol Division, that then led to an accounting change.

HB 2 Expenditures

Operating Expenses

Operating expenses are 56.7% expended through February which is slightly less than the fiscal year expenditure percentage. MDT historically expends 58.5% of their operating budget through February. Two factors are slowing expenditures:

- The \$6.4 million West Yellowstone project is still in the planning phases
- MDT has reduced spending in an effort to preserve funds in the highway state special restricted account

State Special Revenues

The highway state special restricted revenue (HSRA) account is the primary state special revenue fund dedicated to the construction and maintenance of state roads and highways. In the December report, LFD advised HSRA would finish the 2017 biennium with a working capital balance that is \$32.7 million less than the level of appropriation authority considering all appropriations. Since December, the forecast for the working capital balance has not changed.

Staff provided a report/memo to the Revenue and Transportation Interim Committee at the March meeting, which is referenced as "Uses of HSRA Funding", along with charts outlining the HSRA working capital balance and projections on the revenues that could be generated by potential gasoline tax increases.

Federal Special Revenues

MDT received the finalized appropriation schedule for Fixing America's Surface Transportation (FAST) Act funding in January and is now able to obligate the funding to projects.

Budget Amendments

Since the December report, there has been one BA which changed authority from personal services to operating expenses within an existing federal grant. Further details are available in Appendix C.

Other Bills

MDT has \$4.9 million of new and continuing authority in FY 2016 provided in the Long-Range Building Program (LRBP) bills (HB 5 and HB 403) and the Long-Range Information Technology Program (LRITP) bills (HB 10). Through the end of February, MDT had expended \$1.5 million of the authority.

Department of Livestock (DOL)

HB 2 Budget

The Department of Livestock has not modified its budget since December.

HB 2 Expenditures

DOL expenditures of general fund is 43.3% as of the end of February. This is due to the Diagnostic Veterinary Laboratory utilizing fee based revenue and fund balance prior to accessing general fund. As the fund balance is reduced general fund will be required to continue laboratory operations.

Department of Natural Resources and Conservation

HB 2 Budget

Program Transfers

DNRC transferred \$50,086 from Conservation and Resource Development Division to the Director's Office and created 1.00 modified FTE for the Sage Grouse Program.

Operating Plan Changes

DNRC made the following operating plan changes:

- o Moved \$21,700 in general fund in the Director's Office from operating expenses to debt service to properly record long-term leases of equipment
- o Transferred \$30,000 in OTO general fund for Morrill Trust Administration in the Trust Land Management Division from operating expenses to personal services to pay for work of existing employees on trust lands. This movement is due to changing needs for different types of work on trust lands.
- o Moved \$63,567 in state special revenue authority from debt service into operating expenses and transfers in the Water Resources Division to meet state accounting policies and cover an operating shortage.
- o Transferred \$10,217 in state special revenue authority from operating expense to capital outlay in the Trust Lands Management Division to pay for a permanent private easement and land access agreement

HB 2 Expenditures

DNRC has expended 47.5% of its total HB 2 budget. The predominant reason of the lower level is the reduction in the pace of allocations of local assistance. Dependent on state special revenues this may change later in the fiscal year.

State Special Revenues

Coal Severance Tax Share Account

The coal severance tax shared account receives 5.46% of coal severance taxes and in DNRC may be used to support conservation districts. Due to declines in coal related revenues, the Office of Budget and Program Planning has requested impacted agencies develop plans for adjusting expenditure

Fire Suppression Fund

The fire suppression fund derives income from unused general fund appropriations, such as the excess of the Governor's emergency fund and a percentage of reversions. It is used to pay the state portion of fighting fires. The current condition of the fire suppression fund is shown in the table below.

Fire Suppression Fund Update March 2015			
	FY 2014	FY 2015	FY 2016
Beginning Fund Balance	\$115,155	\$42,502,103	\$38,357,577
Revenue			
Corporation Tax Transfer*	25,497,421	-	15,229,061
General Fund Reversion Transfer	13,338,027	3,653,421	21,596,093
Governor's Emergency Fund Transfer	943,867	-	13,484,448
Supplemental (HB3) Excess Transfer	11,912,088	-	-
Other Income	84,206	147,629	114,997
Total Revenue	51,775,610	3,801,050	50,424,599
Disbursements			
Personal Services	4,209,267	1,884,252	3,675,524
Operating Expenses	5,179,395	2,563,871	6,058,971
Equipment	-	340,000	-
Grants	-	2,951,000	-
Total Disbursements	9,388,662	7,739,123	9,734,495
Other Adjustments		(206,453)	
Ending Fund Balance (Unaudited)	\$42,502,103	\$38,357,577	\$79,047,681

*Corporation Tax Transfer ends after 2016

Statutory Appropriations

DNRC has a number of statutory appropriations. The oil and gas production damage mitigation account pays for the costs of reclamation of oil and gas drill sites when no liable party is solvent. In FY 2016, it has expended \$19,127. The Morrill Act state special revenue account is capped at \$80,000 each biennium and pays for the administration of Morrill Land grant trust lands as trust documents prohibit funding of Morrill Act land management from land proceeds. The total spent under this authority is \$4,691. Additionally, the costs of fire suppression, including the fire suppression fund and federal reimbursements are statutorily appropriated.

Budget Amendments

DNRC added \$113,894 in federal authority through budget amendments. Further details can be found in Appendix C.

Other Bills

DNRC had two other bills with appropriations.

- o HB 510 appropriated \$240,000 in general fund towards a local forest advisor. To date, \$2,354 has been expended. This is due to the position being hired at the beginning of February 2016
- o SB 256 appropriated \$5.0 million in state special revenue for sage grouse stewardship. To date, no money has been expended. However, the Sage Grouse Oversight Team finalized plans in February to use this appropriation.

Department of Agriculture

HB 2 Budget

Modified Budget

Operating Plan Changes

The Department of Agriculture had one operating plan change that moved \$91,432 in state special revenue authority for the coal tax shared account from transfers to grants. This change was made due to accounting rules. Funds will still be used for the Growth Through Agriculture Program.

HB 2 Expenditures

The Department of Agriculture has expended 43.3% of its HB 2 state resources through the end of February. The majority of the programs and budgeted expenditures are commensurate with the fiscal year expenditure percentages.

Operating Expenses

The Department of Agriculture showed \$1.0 million lower expenditures in the Agriculture Development Division for operating expenses compared to fiscal year expenditure percentages. This is due to seasonality of travel by departmental staff. Most travel is done during the spring causing a lag in expenditures.

Grants

Department of Agriculture also showed \$2.1 million lower expenditures in grants compared to fiscal year expenditure percentages. Both the Agriculture Science and Agriculture Development Divisions have grants which are mostly issued during the spring. It is this activity that causes the HB 2 state resources expenditures to lag behind the fiscal year expenditure percentages.

Budget Amendments

The Department of Agriculture had one budget amendment for federal authority to enhance competitiveness of Montana specialty crops which raised no concerns.

SECTION D – JUDICIAL BRANCH, LAW ENFORCEMENT JUSTICE

Judicial Branch

HB 2 Budget

Modified Budget

Operating Plan Changes

The Supreme Court Operations program transferred \$54,462 general fund from operating expenses to personal services to fund two 0.50 modified FTE. The FTE are drug court coordinators in the 8th Judicial District (Cascade County) adult and juvenile drug courts and replace contracted provision of the coordinator functions.

Budget Amendments

The District Court Operations Program received funding from the US Department of Health and Human Services, Substance Abuse and Mental Health Services Administration for treatment team member travel, operating costs, and client related services including treatment and drug testing. The funding is for the 13 Judicial District (Yellowstone County) veteran's and DUI courts.

Crime Control Division

HB 2 Budget

Modified Budget

Operating Plan Changes

The Crime Control Division transferred \$1.5 million in federal funds from grants to transfers to allow grant funding to be transferred to the Departments of Justice and Corrections for national criminal history improvement program projects.

HB 2 Expenditure

Expenditures of state and federal special revenue appear low because of typical delays associated with the grant process where funding is approved, grants are announced and applied for, the board determines allocations, and grants are awarded. Only after grants are awarded can the recipients begin making expenditures of the funds. Expenditure percentages to date are similar to those of previous years.

Department of Justice (DOJ)

HB 2 Budget

The Department of Justice budget has not been modified since December.

HB 2 Expenditure

Except for operating expenses in the Forensic Services Division (FSD), the Department of Justice expenditures are in line with fiscal year expenditure percentages.

All HB 2 general fund authority for operating expenses has been expended in the Forensic Services Division, with 61.0% of operating expense spending for consultant services and non-capitalized equipment purchase and repairs. With this authority expended, the FSD will face difficulties funding the cost of the lease for the Yellowstone crime laboratory. The agency reminded the LFC at its September meeting that HB 512 authorized but did not appropriate funds for the Yellowstone crime lab. As such the agency could face a funding shortfall as a result of funding the lease of the Yellowstone crime lab.

Several programs show low general fund expenditures and high state special and federal special expenditures for this time in the fiscal year due to the statutory requirement to expend non-general fund first.

Budget Amendments

The Division of Criminal Investigations received federal funding via eight budget amendments for investigator overtime and other incidental costs in support of various taskforces involving immigration, drug, violent crimes, and violations of the Adam Walsh Child Protection and Safety Act. The Division of Criminal Investigations also received state special funding via a budget amendment for investigative work on Internet crimes against children under an agreement with the Billings Police Department. Additionally, the Forensic Services Division received federal funding to reduce backlogs of forensic deoxyribonucleic acid (DNA). Further details can be found in Appendix C.

Office of State Public Defender (OPD)

HB 2 Budget

Modified Budget (Appendix A)

Program Transfers

A program transfer moved 2.50 FTE and \$255,000 general fund from the State Public Defender Program to the Conflict Coordinator Program. This transfer moves modified FTE and personal services contingency funding that was allocated to OPD, and applies to FY 2017 in the amounts of 6.00 FTE and \$615,000 general fund. This change was included as part of its required reports on program transfers that met statutory triggers for LFC review. The LFC raised no concerns with this transaction. Since the December meeting OBPP has approved this program transfer.

HB 2 Expenditure

As an agency, the Office of Public Defender expenditures are in line with fiscal year expenditure percentages. However, expenditures in the Conflict Coordinator program are at 86.0% of budget and will likely require a transfer of funding from other programs. Contract attorneys used for conflict cases, primarily the higher than anticipated dependent and neglect cases, are part of this high expenditure rate.

Department of Corrections

HB 2 Budget

Modified Budget

Program Transfers

The Department of Corrections moved \$29,838 general fund and 0.33 FTE from the Correctional Enterprises program to the Business Management Services Division to address human resources workload issues at Pine Hills and the central office.

HB 2 Conditional Language

HB 2 includes a limit of \$69 per bed-day for housing state-responsible inmates in county jails. The language allows the Governor's budget director to authorize an increase to no more than \$72.50 per bed-day and increase the appropriation proportionately. In accordance with this authority, the rate for the Yellowstone County detention facility has been authorized to increase to \$72.50 per bed-day and the FY 2016 general fund authority has been increased by \$34,986.

HB 2 Expenditure

The Department of Corrections expenditures are in line with fiscal year expenditure percentages. However, no expenditures have been made from the restricted appropriation for the Medical Copayment Program in the Clinical Services Division. Efforts toward establishing the Medical Copayment Program have been suspended while the Department of Corrections works on implementing the HELP Act.

Budget Amendments

The Department of Corrections received \$19,574 in federal funds from the U.S. Department of Justice to offset costs of housing alien criminal offenders. Further details can be found in Appendix C.

SECTION E – EDUCATION

Office of Public Instruction (OPI)

HB 2 Budget

The Office of Public Education budget has not been modified since December.

HB 2 Expenditures

The 2015 legislature appropriated \$635.4 million general fund for BASE Aid and \$133.5 million for other payments to local school districts. Year to date, \$475.8 million or 62% of the general fund appropriation has been distributed to local districts.

OPI estimates total BASE Aid payments to school districts for FY 2016 will be \$683.3 million. LFD forecasts total funding available from HB 2 and the guarantee account will total \$683.7 million or \$0.4 million higher than OPI's estimates for BASE Aid payments.

The guarantee account is statutorily appropriated for BASE Aid and offsets general fund. The LFD forecast includes estimates for the guarantee account to be lower than the HJR 2 estimate by \$0.5 million. Changes to the guarantee account estimates include lower than expected revenue from oil bonus payments offset by higher than expected grazing fees and revenue from timber. The table below details available funding and anticipated BASE Aid payments as estimated by the LFD.

Funding For BASE Aid FY 2016	
<u>Funding Sources</u>	Amount
HB2 General Fund Appropriation	\$635,378,204
Guarantee Account HJ 2	\$48,825,000
Lower Than Expected Oil Bonus Payments	(5,460,000)
Higher Than Expected Grazing Fees	3,500,000
Higher Than Expected Timber Revenue	1,000,000
Other Revenue Higher Than Expected	500,000
LFD Forecast Available from Guarantee Account	\$48,365,000
Total Funding for BASE Aid	\$683,743,204
<u>Forecast BASE Aid Payments</u>	
OPI Forecast for Total BASE Aid	\$683,348,470
Funding Available less OPI Forecast Payments	\$394,734

State Special Revenues

School Facility and Technology Account

LFD anticipates the available funding for school facility debt service will be \$1.8 million less than level appropriated. Funding from this fund offsets the need for districts to fund debt from local levied or non-levy revenue.

HB 2 appropriated from the school facility and technology account \$8.6 million to school facilities reimbursement for debt service payments. Other statutory appropriations from the fund include \$1.0 million for technology grants to school districts disbursed in July, and administrative costs, estimated

at \$181,653. LFD estimates that there will be \$6.8 million available for debt service reimbursements to local school districts, \$1.8 million less than appropriated due to lower revenues in the account.

The HB 2 appropriation would have provided districts with an 85.8% prorated reimbursement rate, at the level forecasted by LFD, reimbursements would be prorated at 68.0%.

Board of Public Education (BPE)

HB 2 Budget

The Board of Public Education budget has not been modified since December.

HB 2 Expenditures

Operating Expenses

In previous years the BPE paid legal fees out of vacancy savings and operating expenses. The 2015 Legislature appropriated \$30,000 general fund as a restricted, one-time-only appropriation for legal fees. Year to date the BPE has expended \$9,377 or 31.3% of the appropriation for legal fees. \$5,800 of legal fees has been expended for legal research into the ramifications of the Every Student Succeeds Act (ESSA) the new federal law pertaining to K-12 education policy. The balance of legal fees was expended on teacher licensure issues that come before the board.

Office of the Commissioner of Higher Education (OCHE)

HB 2 Budget

Modified Budget

Program Transfer

A program transfer of \$0.6 million in federal special revenue appropriation authority was moved into the GEAR Up Program (Gaining Early Awareness and Readiness) as scholarship expenditures were greater than anticipated.

Fiscal Year Transfers

OCHE transferred \$2.3 million in federal special revenue into FY 2016 from the FY 2017 appropriation within the GEAR UP Program. This program is entirely federally funded. This is due to the program needing additional budget authority in FY 2016 because the budget set last biennium was low since carry over funds were not included in the budget request. The agency stated that in FY 2017, it is anticipated that a program transfer of federal appropriation authority will be made from the Guaranteed Student Loan Program to the GEAR UP Program.

A fiscal year transfer of \$0.1 million in state special revenue within the Student Assistance Program was transferred into FY 2016 from the FY 2017 appropriation due to legal fees incurred in FY 2016 related to transitioning to a new program manager, as well as marketing expenses incurred in FY 2016 related to re-branding the state's 529 plan allowing for family educational savings accounts.

HB 2 Expenditures

The MUS educational units are funded by the legislature with a lump sum appropriation that is allocated between campuses at the discretion of the Board of Regents. Throughout each fiscal year the campuses work within their budget and closely with the Office of the Commissioner of Higher Education to maintain positive fund balances. The campuses are working towards submitting their

budget requests to the Board of Regents this May for the 2019 biennium. No state appropriation changes are anticipated to the 2017 biennium budget.

Transfers

One-time-only transfers related to the Research Initiative of \$15.0 million are the primary driver of general fund being 72.0% expended at this time. Since our last quarterly update, OCHE has transferred approximately \$920,000 of the remaining \$1.0 million research initiative funding. Researchers and representatives of the Montana University System have provided recent updates to the Board of Regents as well as the Education and Local Government Interim Committee. These presentations are available on the Montana University System's website, found here: http://mus.edu/research_initiative.asp

Benefits and Claims

Approximately 31.4% of benefits and claims are expended in the federally funded Guaranteed Student Loan Program through February 29. OCHE stated that as the program is winding down and expenditure remains below the allowable budget to build a reserve for expenditure in the program's remaining years.

Budget Amendments

OCHE received federal sub-grant funding from the Western Interstate Commission on Higher Education (WICHE) through the U.S. Department of Education of approximately \$69,000. This provides funding for phase III of the Interstate Passport Initiative. Led by academic leaders in the WICHE states, the purpose of the initiative is to advance policies and practices supporting friction-free transfer for students in the region. Phases of the project are expected to go through federal FY 2018. For more information on the Interstate Passport Initiative go to: <http://www.wiche.edu/passport/about> Further information on the budget amendment can be found in Appendix C.

Statutory Appropriations

STEM Scholarship

The 2015 Legislature created the Montana STEM (Science, Technology, Engineering, and Mathematics) Scholarship Program, effective July 1, 2015. The program is administered by the Board of Regents through the Office of the Commissioner of Higher Education. The purpose of the Montana STEM Scholarship Program is to provide an incentive for Montana high school students to prepare for, enter into, and complete degrees in postsecondary fields related to science, technology, engineering, mathematics, and health care, with the goal of increasing the number of STEM degree recipients participating in Montana's workforce.

The program received \$400,000 in the beginning of FY 2016 for the 2015-2016 academic year, \$213,000 of which has been spent to date. As lottery revenue to the state general fund exceeds the amount received in FY 2015 the excess funds will be transferred into the program to fund further scholarships.

Montana Arts Council

HB 2 Budget

The Montana Arts Council budget has not been modified since December.

HB 2 Expenditures

Personal Services

The agency will have two retirements, one in the current fiscal year (accountant) and one in FY 2017 (executive director). It is estimated that expenses related to these retirements will total \$69,000, \$15,600 in the current fiscal year and \$53,000 in the second year for the biennium. The agency has four options to cover these costs.

1. Appropriations for operations could be used to cover retirement costs or,
2. The agency could leave positions open to generate enough vacancy savings or,
3. The agency could appeal to the budget office for contingency funding or,
4. The agency could use any combination of the above.

As of this writing, the agency is evaluating their options to address the retirement costs.

Montana State Library

HB 2 Budget

The Montana State Library budget has not been modified since December.

HB 2 Expenditures

The legislature adopts a budget for federal grants based on agency estimates. As grants are awarded to the agency, federal funds are then allocated through operating plan changes to the budget. Year to date only 21.2% of the budget for grants have been awarded, all other expenditures are in line with historical expenditure percentages.

Budget Amendments

A budget amendment for a contract with US Army Corps to provide information management services for the Yellowstone river effects assessment has been approved. This includes federal funding of \$13,697 for personal services and \$4,033 for operating expenses.

Legislative Finance Committee

March 10-11, 2016

State Capitol Room 152

Budget Director Report

Dan Villa, OBPP

See attached Budget Status Report.

We're pleased that we were responsible as we were last legislative session, because we were able to keep a rainy day fund. We do agree with you that the economy is strong. But I would want to update the committee as to the difference between the February numbers and the March 10 numbers.

As you know, January/February are tough months for budgeting. Even in the 10 days between the end of February and March 10, we've seen a .5 percent budget increase. We are managing to such. We haven't revised the employment data for the last year when we had the highest labor participation in the state's history. Employment is continuing to be steady. We're also seeing tremendous wage growth, which has impacts on withholding and income tax revenues. From a revenue perspective, we're very close to each other. It's just a timing issue between the end of February and March 10. Since your staff touched on the expenditure side, I won't spend too much time on that but I look forward to taking questions about expenditures. We did see about a \$15M dip from oil/natural gas, which equates to about 6% of our General Fund revenues. That's why we keep a rainy day fund. But we think in large part the continued wage/income tax growth will offset the losses in natural resource types.

Sesso: We have a number programs that are natural resource based. What is the plan to backfill the loss of revenue?

Villa: Your staff should be seeing a series of reports on those anticipated shortfalls. We have contingency funds and then we'll have reductions in expenditures as well but we're on it and we have worked with agencies to address natural resource operations and the coal shared account. I'd say we've adequately addressed the shortfalls.

Sesso: When we look at this chart and the agencies dependent on the natural resource income, how do you balance out who has to take the hit while the General Fund revenues are steady? Do you ask us or do you spread the reductions across from the agencies not dependent on natural resource dollars?

Villa: We can balance that out in working with you and the legislature. All I can do in the interim is adjust appropriations or reduce expenditures. We manage it while you're gone and we bring solutions forward to you when you're here.

Jones: I was reading in the paper about MDT shortfalls for highway construction and how that resulted in hiring freezes and reprioritization of projects.

Villa: We've been having meaningful conversations for about a year with MDT and DOJ, so we'll be making appropriations and expenditures in line with that fund as well.

Moore: How does one explain that we're in a wage *growth* pattern while the natural resource industry is declining?

Villa: You have to look at where we're at in this point in time. We have diversified our economy in the last ten years. We've had significant growth in healthcare, business resources, tech, education, etc. so we have a broad and deep and resilient economy. Commodity drilling economies are in a freefall. But MT has strived to achieve a diversified economy in the last ten years and its paying off.

Lori Stratton

From: Larry Bonderud
Sent: Thursday, March 31, 2016 9:07 AM
To: Lori Stratton
Subject: Fwd: 2017 Bill Draft Requests
Attachments: 2017 Bill Draft Requests_March 2016.pdf; ATT00001.htm

Sent from my iPhone

Mayor Lar

Begin forwarded message:

From: Melissa Lewis <melissa@mlewisassoc.com>
Date: March 30, 2016 at 5:43:02 PM MDT
To: Larry Bonderud <larry@shelbymt.com>
Subject: 2017 Bill Draft Requests

Mayor,

Please see attached list of 2017 bill draft requests submitted to the MT Legislative Services Division by Montana's holdover senators/unopposed legislative candidates. The list is current as of March 7, 2016.

Melissa

Melissa Lewis
Melissa Lewis & Associates
Office: 406-422-0988
Cell: 406-465-8045
Fax: 406-437-9113
www.mlewisassoc.com

2017 MONTANA LEGISLATURE - 65th Regular Session
BILL DRAFT REQUEST REPORT BY REQUESTER
- For All Requesters (Includes All Requests) -

Requester: Ankney, Duane

LC0006	Provide penalties/incentives for closure of certain coal-fired generating units	Drafter: Nowakowski, S
	Latest Status: 09/11/2015 (C) Draft Request Received	
LC0031	Revise laws related to generator and transmission reliability service	Drafter: Nowakowski, S
	Latest Status: 03/03/2016 (C) Draft Request Received	

Requester: Buttrey, Edward

LC0018	Revise insurance laws for excluded drivers	Drafter: Walker, J
	Latest Status: 02/11/2016 (C) Draft Request Received	
LC0019	Generally revise liquor and gaming laws	Drafter: Walker, J
	Latest Status: 02/11/2016 (C) Draft Request Received	
LC0020	Generally revise liquor and gaming laws	Drafter: Walker, J
	Latest Status: 02/11/2016 (C) Draft Request Received	
LC0021	Generally revise local government laws	Drafter: Kurtz, L
	Latest Status: 02/11/2016 (C) Draft Request Received	
LC0022	Generally revise local government laws	Drafter: Kurtz, L
	Latest Status: 02/11/2016 (C) Draft Request Received	
LC0023	Generally revise military affairs laws	Drafter: Scurr, S
	Latest Status: 02/11/2016 (C) Draft Request Received	
LC0024	Generally revise healthcare laws	Drafter: O'Connell, S
	Latest Status: 02/11/2016 (C) Draft Request Received	
LC0025	Generally revise healthcare laws	Drafter: O'Connell, S
	Latest Status: 02/11/2016 (C) Draft Request Received	
LC0026	Generally revise labor laws	Drafter: Walker, J
	Latest Status: 02/11/2016 (C) Draft Request Received	
LC0027	Generally revise workforce development laws	Drafter: Murdo, P
	Latest Status: 02/11/2016 (C) Draft Request Received	

Requester: Caferro, Mary

LC0028	Generally revise mental health care laws	Drafter: O'Connell, S
	Latest Status: 02/19/2016 (C) Draft Request Received	

Requester: Connell, Pat

LC0010	Generally revise net metering laws	Drafter: Nowakowski, S
	Latest Status: 11/09/2015 (C) Draft Request Received	
LC0011	Generally revise net metering	Drafter: Nowakowski, S
	Latest Status: 11/09/2015 (C) Draft Request Received	

2017 MONTANA LEGISLATURE - 65th Regular Session
BILL DRAFT REQUEST REPORT BY REQUESTER
- For All Requesters (Includes All Requests) -**Requester: Connell, Pat**

LC0012	Clarify county commission quorum requirements	Drafter: Kurtz, L
	Latest Status: 11/09/2015 (C) Draft Request Received	
LC0014	Revise laws pertaining to homeowners' association reporting requirements	Drafter: Aldrich, G
	Latest Status: 02/26/2016 (C) Draft On Hold	
LC0016	Establish wildfire fuel reduction funding process	Drafter: Kurtz, L
	Latest Status: 02/01/2016 (C) Draft Request Received	

Requester: Hansen, Kris

LC0002	Create public charter schools	Drafter: Mccracken, P
	Latest Status: 09/08/2015 (C) Draft Request Received	
LC0003	Create the Montana education savings account program	Drafter: Mccracken, P
	Latest Status: 09/08/2015 (C) Draft Request Received	
LC0004	Create the Montana education savings account for special needs children	Drafter: Mccracken, P
	Latest Status: 09/08/2015 (C) Draft Request Received	
LC0005	A Provide for transportation infrastructure	Drafter: Johnson, J
	Latest Status: 09/08/2015 (C) Draft Request Received	
LC0007	Revise administrative procedures act	Drafter: Everts, T
	Latest Status: 09/14/2015 (C) Draft Request Received	
LC0008	Revise laws related to the legislature	Drafter: Fox, S
	Latest Status: 09/14/2015 (C) Draft Request Received	
LC0015	Generally revise education tax credit laws	Drafter: Coles, J
	Latest Status: 12/17/2015 (C) Draft Request Received	

Requester: Kary, Douglas (Doug)

LC0029	Generally revise motor vehicle laws	Drafter: Bohyer, D
	Latest Status: 02/19/2016 (C) Draft Request Received	

Requester: Keenan, Bob

LC0013	Repeal Montana Health and Economic Livelihood Partnership Act	Drafter: O'Connell, S
	Latest Status: 12/01/2015 (C) Draft Request Received	

Requester: Moore, Frederick (Eric)

LC0009	Revise K-12 school district expansion laws	Drafter: Mccracken, P
	Latest Status: 10/01/2015 (C) Draft Request Received	

Requester: State Administration and Veterans' Affairs Interim Committee

Report: LAW0500R
KEY: F -- Fiscal Note Indicated
A -- Appropriation
R -- Revenue

2017 MONTANA LEGISLATURE - 65th Regular Session
BILL DRAFT REQUEST REPORT BY REQUESTER
- For All Requesters (Includes All Requests) -

Page 3 of 3
March 07, 2016
01:43 PM

Requester: State Administration and Veterans' Affairs Interim Committee

LC0030 Generally revise election laws Drafter: Scurr, S
Latest Status: 02/26/2016 (C) Draft Request Received
By Request Of: State Administration And Veterans' Affairs Interim Committee

Requester: Swandal, Nels

LC0017 Generally revise veterinary practice laws Drafter: Murdo, P
Latest Status: 02/03/2016 (C) Draft Request Received

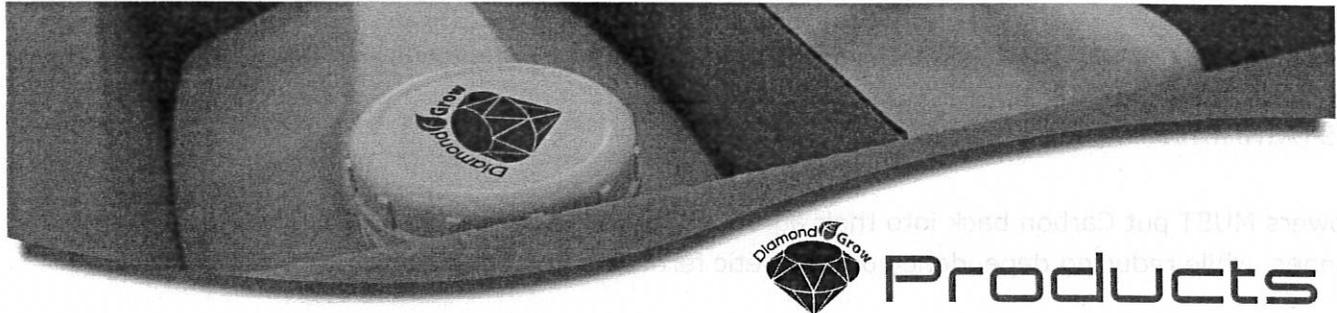
Requester: Vincent, Chas

LC0001 Generally revise tax laws Drafter: Coles, J
Latest Status: 10/27/2015 (C) Draft On Hold

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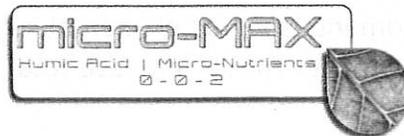
Wet Chemistry Activated: Humic & Fulvic Acid Product Line



Complimentary Bio-Stimulants



Humi[K] Micro-nutrient Blends (Powder)



Specialty Humi[K] Formulas (Liquid)





Why Use Humic products?

SUSTAINABILITY - Pure & Simple!

Growers **MUST** put Carbon back into their agronomy practices in an efficient and readily available manner, while reducing dependency on synthetic fertilizers and chemicals.

This is the only path to continued agricultural sustainability, otherwise the Carbon (Food for soil organisms) diminishes to zero and renders the addition of man-made synthetic nutrients pointless.

Unfortunately, with the advent of Anhydrous Ammonia fertilizer products after WWII and ever increasing use since then, growers have been "duped" into relying on an unsustainable method of adding energy into the soil food system, without the corresponding Carbon in proper proportion to the energy - i.e. Carbon to Nitrogen ratio. Soil organisms consume 10 times the Carbon for each unit of Nitrogen, so it's definitely not "rocket science" to understand where the lack of Carbon being utilized in post WWII agriculture has led us.

Humic products are extremely effective in combating salinity issues that arise from heavy use of synthetic fertilizers and well water degradation. Feeding soil bacteria massive amounts of Carbon (their primary food source) along with the Energy and Oxygen necessary to respire the food, stimulates massive root growth. Larger root system means more water and nutrients available for sugar production = Increased Yield.

Plant health is based on the ability to produce more carbohydrates than are consumed. The health, quality and yield are increased based on a surplus of carbohydrate.

Unfortunately, the overuse of fertilizers and chemicals made the soils more saline, limiting the plants ability to grow substantial root mass and therefore decreased the plants ability to uptake water and nutrients. Soil amendments such as elemental sulfur, gypsum, and other calcium materials do not help reclaim saline soils, but rather increase total salinity, further compounding the problems.

Modern farming practices, irrigation, drainage, cultivation, harvesting, compaction, heavy use of synthetic fertilizers and chemicals have contributed to the depletion of soil humus and beneficial



bacteria to a level where crop sustainability is severely threatened. Humic substances have historically been re-generated in the soil through such practices as crop rotation, planting legumes, green manure, and applying compost. These practices are time consuming, costly and today's economic pressures prevent growers from sustaining these practices.

Now, a sustainable method of adding significant amounts of clean activated Carbon back into our soils is readily available through Humic products from Humic Growth Solutions.

This is the classic dilemma of modern agricultural practices, maintaining productivity and sustainability. Prior to WWII, growers incorporated cover crops, manure and compost into their agronomy programs, which promoted healthier soils and beneficial biology. Natural balance is critical to sustainability and our ability to continue growing food.

Think about it - what is a seed made of? N, P or K? Definitely NOT! A seed(just like the plant) is 90+ % carbohydrate- C H & O (sugar) yes sugar! Less than 10% of a plant is so called nutrients (aka Salts) - that is fact! (Look at your last tissue sample analysis report)

What has post WWII agricultural practices focused on applying to your fields? N, P & K would be the answer, but that is exactly why you are now reading this.

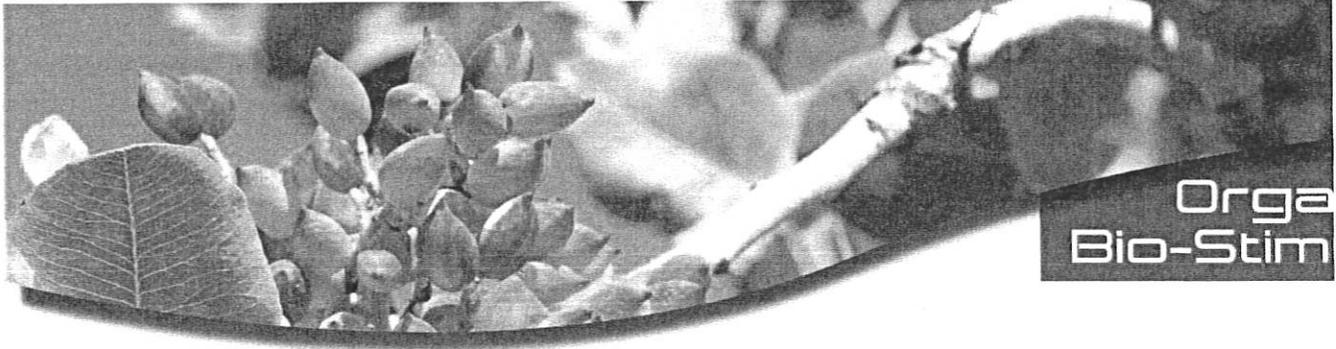
Humic substances add tremendous amounts of "natural" food for soil organisms in a cost-effective and sustainable manner, which also increases the Cation Exchange Capacity of the soil, another Huge benefit!

Water and Nutrient holding capacity is greatly enhanced with the addition of Humic products. Soil is better "conditioned" with the addition of Carbon through Humic. Modern farm cultural practices like plowing and rototilling have significantly decreased soil Carbon levels through the introduction of atmospheric oxygen which volatilizes off as carbon dioxide. Another Huge reason to incorporate Humic products into your agronomy program.

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The Wet Chemistry Experts: Humic Growth Solutions is a world leading manufacturer and supplier of organic bio-stimulant products. Specializing in the wet chemistry extraction of humic and fulvic acids, we offer our activated bio-stimulants in liquid concentrate, soluble powder and granule form.

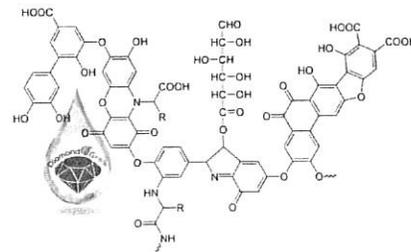
Our process begins with the highest quality raw materials micro-pulverized in their naturally dry form, precisely blended into our proprietary alkaline or acidic wet chemistry formulas and micro-quad filtered to separate out all insoluble material.

Our products are manufactured for worldwide distribution, with production capacity capable of meeting agricultural, horticultural, turf, ornamental, and hydroponic market demands around the globe.

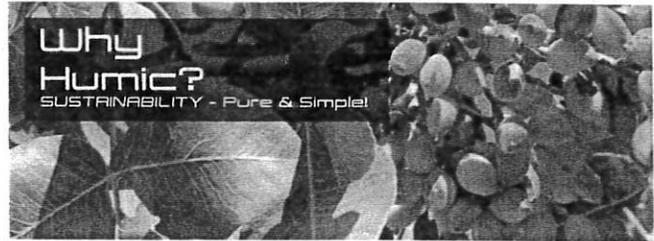


"Using our proprietary Wet Chemistry extraction process, we ACTIVATE the humic acid molecule making it more functional, enhancing it's abilities: CEC, Buffering, Chelation, and Complexation. Where as other methods of non-alkaline extraction do NOT activate those functional humic molecules, thus drastically reducing the benefits."

— HGS



Agricultural producers worldwide are seeking to reduce dependency on synthetic fertilizers and chemicals. Humic products, produced through our proprietary wet chemistry processes, provide an efficient and economical means to return carbon to the soil. Without the replenishment of carbon, the addition of man-made synthetic nutrients is pointless. The use of humic products is thus the best path to coveted agricultural sustainability.



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Jacksonville, Florida 32218
(p) (+001) 904-329-1012
(e) info@humicgrowth.com

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ENVIRONMENTAL REVIEW FORM

City of Shelby Water System PER

Shelby, MT

Prepared for:

City of Shelby

May 2016



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ALTERNATIVES

Alternatives have been presented in the PER to address the problems with the water facilities. A brief summary of the problems associated with the system is provided as follows:

Supply

Inadequate quantity of water is supplied for the future demands of the City of Shelby, City of Cut Bank and Devon.

Treatment

Undersized treatment system to meet the current and peak day demands of the City of Shelby, City of Cut Bank and Devon.

Storage

A 100,000 gallon elevated tank that is located on the northwest side of town near the border patrol station and the airport. The Airport Tank floats on the low pressure zone and is dependent upon the flow of water under the railroad and highway. The north area of Shelby is experiencing some growth with the addition of the border patrol station, a significant potential for growth exists near the airport and Lake Shel-oole. This tank cannot provide adequate volume or pressure in the area near the tank. The border patrol station was constructed in 2005 and had to install a booster pump for their fire suppression sprinkler system because of the low pressure. As indicated in the PER no construction alternatives were chosen.

Pumping Facilities

Undersized pumps at the existing Prison Tank Booster Station.

Distribution System

The existing distribution system is in fairly good condition. Some projects are planned by others to be completed in the near future. The PER is proposing to replace -280 LF of 16" water main near the existing South water storage tank.

1.1.1 Supply

A description of the reasonable alternatives to address the problems with the water supply facilities is included as follows.

- Alternative S1: No Action
- Alternative S2: Well Field Upgrades

The improvements for Alternative S2 would only affect previously disturbed areas, as water mains will be lowered where mains already exist, and water main extensions will take place in previously disturbed areas. It is anticipated that the proposed improvements would not have an adverse environmental impact.

1.1.2 Treatment

A description of the reasonable alternatives to address the problems with the treatment facilities is included as follows.

- Alternative T1: No Action



- Alternative T2: Upgrade the Existing Water Treatment Plant to 6-Bulb UV Treatment System
- Alternative T3: Upgrade the Existing Water Treatment Plant to 8-Bulb UV Treatment System

The improvements suggested with Alternates T2 and T3 would only affect internal operations to the plant. A new facility is not planned for construction. It is anticipated that the proposed improvements would not have an adverse environmental impact.

1.1.3 Pumping Facilities

A description of the reasonable alternatives to address the problems with the Prison Tank Booster Station facilities is included as follows.

- Alternative P1: No Action
- Alternative P2: Upsize the Existing Pumps

The improvements suggested with Alternate P2 would only affect internal operations to the booster station. A new facility is not planned for construction. It is anticipated that the proposed improvements would not have an adverse environmental impact.

1.1.4 Distribution System

A description of the reasonable alternatives to address the problems with the distribution system facilities is included as follows.

- Alternative D1: No Action
- Alternative D2: Reroute the South Tank Water Main

The improvements suggested with Alternate D4 would be constructed within existing City right of way. It is anticipated that the proposed improvements would not have an adverse environmental impact.

MITIGATION

With the implementation of the alternatives presented there are no expected environmental impacts that would result in a need for mitigation measures. All of the proposed improvements would be situated within existing City of Shelby right of way and streets or within existing structures or previously disturbed areas. The impacted areas do not contain areas defined as wetlands, areas of high groundwater, or areas of any other environmental concern.

IS AN EA OR EIS REQUIRED?

All of the proposed improvements associated with the preferred alternatives of the PER would be situated within existing City of Shelby right of way and streets or within existing structures. The impacted areas do not contain areas defined as wetlands, areas of high groundwater, or areas of any other environmental concern. Because of these reasons an EA or EIS is not required at this time.

PUBLIC INVOLVEMENT

The public has been encouraged to participate in the decision making process of the project. This Environmental Review Form and the Environmental Checklist (which make up the EA) was made available at City Hall by publication in the Shelby local newspaper, the Shelby Promoter. The advertisements will be published in the April 6, 2016 and April 13, 2016 editions of the newspaper. A public hearing will be held at the Shelby City Hall for public comment at the April 18, 2016 City Council



meeting. Once all public comments have been considered the City will determine if an Environmental Impact Statement (EIS) is necessary or if the EA adequately reflects the issues raised by the proposed action.

PERSON RESPONSIBLE FOR PREPARING

The person responsible for preparing this environmental review form is:

Bryan E. Vanderloos, PE

KLJ, Inc

OTHER AGENCIES

Other state, local, or federal agencies that have over-lapping or additional jurisdiction or environmental review responsibility include the following:

Montana Department of Environmental Quality

Department of Natural Resources and Conservation

Montana Fish Wildlife and Parks

U.S. Army Corp of Engineers

U.S Fish and Wildlife Service

Montana Historical Society

These agencies have all been asked to provide comments on the proposed action and the project will need approval from the Montana Department of Environmental Quality before implementation.

Bryan Vanderloos, EN Engineer

Authorized Representative, Title

3-23-16

Date

City of Shelby

Chairperson

Date

UNIFORM ENVIRONMENTAL CHECKLIST

As the engineer that prepared the preliminary engineering report, I Bryan Vanderloos,
(print name of engineer)
 have reviewed the information presented in this checklist and believe that it accurately identifies the environmental resources in the area and the potential impacts that the project could have on those resources. In addition, the required state and federal agencies were provided with the required information about the project and requested to provide comments on the proposed public facility project. Their comments have been incorporated into and attached to the Preliminary Engineering Report.

Engineer's Signature: Bryan Vanderloos Date: 3-23-16

Key Letter: N – No Impact B – Potentially Beneficial A – Potentially Adverse
 P – Approval/Permits Required M – Mitigation Required

PHYSICAL ENVIRONMENT	
<u>Key</u> N _____	<p>1. Soil Suitability, Topographic and/or Geologic Constraints (e.g., soil slump, steep slopes, subsidence, seismic activity)</p> <p>There are no soil suitability, topographic and/or geologic constraints anticipated for the proposed improvements. (Engineer)</p> <p><i>Comments and Source of Information:</i></p>
<u>Key</u> N _____	<p>2. Hazardous Facilities (e.g., power lines, EPA hazardous waste sites, acceptable distance from explosive and flammable hazards including chemical/petrochemical storage tanks, underground fuel storage tanks, and related facilities such as natural gas storage facilities & propane storage tanks)</p> <p><i>Comments and Source of Information:</i> No impact to or from hazardous facilities is anticipated. (Engineer)</p>
<u>Key</u> N _____	<p>3. Effects of Project on Surrounding Air Quality or Any Kind of Effects of Existing Air Quality on Project (e.g., dust, odors, emissions)</p> <p>There will be temporary dust generated from construction of the project that will be minimized with BMP's. There are no anticipated long term effects on surrounding air quality or any kind of effects to existing air quality. (Engineer)</p> <p><i>Comments and Source of Information:</i></p>
<u>Key</u> N _____	<p>4. Groundwater Resources & Aquifers (e.g., quantity, quality, distribution, depth to groundwater, sole source aquifers)</p> <p>It is anticipated that there will be minimal impacts to the groundwater resources and/or aquifers as a result of the proposed project. The impacts will occur over several years as more water is pumped from the well field aquifer to supply the City as it grows.</p> <p><i>Comments and Source of Information:</i> (Engineer)</p>
<u>Key</u> N _____	<p>5. Surface Water/Water Quality, Quantity & Distribution (e.g., streams, lakes, storm runoff, irrigation systems, canals)</p> <p>The proposed improvements will not impact surface water quality or quantity. (Engineer)</p> <p><i>Comments and Source of Information:</i></p>
<u>Key</u> N _____	<p>6. Floodplains & Floodplain Management (Identify any floodplains within one mile of the boundary of the project.)</p> <p>There are no known mapped FEMA flood plains delineated within the limits of the project. A letter has been sent to the Dept. of Natural Resources and Conservation requesting their comments regarding the proposed improvements. A floodplain permit will be required for portions of the proposed project. (Engineer)</p> <p><i>Comments and Source of Information:</i></p>
<u>Key</u> N _____	<p>7. Wetlands Protection (Identify any wetlands within one mile of the boundary of the project.)</p> <p>There are known wetlands delineated within one mile of the limits of the project. However, the proposed project improvements are within existing disturbed areas or existing structures and will not impact the known wetlands. A letter has been sent to the Dept. of Natural Resources and Conservation requesting their comments regarding the proposed improvements. If improvements were to impact wetlands, a permit from the Army Corps of Engineers would be required. (Engineer)</p> <p><i>Comments and Source of Information:</i></p>

Key Letter: **N** – No Impact **B** – Potentially Beneficial **A** – Potentially Adverse
P – Approval/Permits Required **M** – Mitigation Required

<u>Key</u> N	<p>8. Agricultural Lands, Production, & Farmland Protection (e.g., grazing, forestry, cropland, prime or unique agricultural lands) (Identify any prime or important farm ground or forest lands within one mile of the boundary of the project.)</p> <p><i>Comments and Source of Information:</i> No farmlands are anticipated to be impacted for this project. No prime or important farm ground or forest lands are located within one mile of the project. (Engineer)</p>
<u>Key</u> N	<p>9. Vegetation & Wildlife Species & Habitats, Including Fish (e.g., terrestrial, avian and aquatic life and habitats)</p> <p><i>Comments and Source of Information:</i> There will be temporary disturbance to the existing vegetation during the construction of the project. The disturbed areas will be re-vegetated as part of the project. Comments from Fish, Wildlife & Parks have been requested and included as part of the PER. It is anticipated that there will not be any impacts to wildlife species including fish. (Engineer)</p>
<u>Key</u> N	<p>10. Unique, Endangered, Fragile, or Limited Environmental Resources, Including Endangered Species (e.g., plants, fish or wildlife)</p> <p><i>Comments and Source of Information:</i> There are no known unique, endangered, fragile or limited environmental resources or endangered species that are anticipated to be impacted of this project. Comments from Fish, Wildlife & Parks have been requested and included as part of the PER. (Engineer)</p>
<u>Key</u> N	<p>11. Unique Natural Features (e.g., geologic features)</p> <p><i>Comments and Source of Information:</i> There are no known unique natural features that are anticipated to be impacted as a result of the proposed project. The State Historical Preservation Office (SHPO) was contacted and asked to comment as part of the PER. (Engineer)</p>
<u>Key</u> N	<p>12. Access to, and Quality of, Recreational & Wilderness Activities, Public Lands and Waterways (including Federally Designated Wild & Scenic Rivers), and Public Open Space</p> <p><i>Comments and Source of Information:</i> There are no anticipated impacts to the access or quality of recreational and wilderness activities, public lands and waterways, or public open spaces as a result of the proposed project. All work will be completed in existing or new City of Shelby utility easements. (Engineer)</p>
HUMAN POPULATION	
<u>Key</u> N	<p>1. Visual Quality – Coherence, Diversity, Compatibility of Use and Scale, Aesthetics</p> <p><i>Comments and Source of Information:</i> There is no anticipated visual quality impacts associated with the proposed project. (Engineer)</p>
<u>Key</u> N	<p>2. Nuisances (e.g., glare, fumes)</p> <p><i>Comments and Source of Information:</i> There is no anticipated nuisance associated with the proposed project. (Engineer)</p>
<u>Key</u> N	<p>3. Noise -- suitable separation between noise sensitive activities (such as residential areas) and major noise sources (aircraft, highways & railroads)</p> <p><i>Comments and Source of Information:</i> There may be some temporary noise associated with the project construction. The construction contract would limit the hours of operation to be between 7:00 AM to 7:00 PM. No other long term impacts to the existing noise levels in the vicinity of the project are anticipated. (Engineer)</p>
<u>Key</u> N	<p>4. Historic Properties, Cultural, and Archaeological Resources</p> <p><i>Comments and Source of Information:</i> There are no known historical properties, cultural, or archaeological resources that are anticipated to be impacted as a result of the proposed project. The State Historical Preservation Office (SHPO) was contacted and asked to comment as part of the PER. (Engineer)</p>

Key Letter: N – No Impact **B** – Potentially Beneficial **A** – Potentially Adverse
P – Approval/Permits Required **M** – Mitigation Required

<u>Key</u> N <hr/>	<p>5. Changes in Demographic (population) Characteristics (e.g., quantity, distribution, density)</p> <p>There are no anticipated changes to the demographic affected by the implementation of the proposed project. (Engineer)</p> <p><i>Comments and Source of Information:</i></p>
<u>Key</u> N <hr/>	<p>6. Environmental Justice – (Does the project avoid placing lower income households in areas where environmental degradation has occurred, such as adjacent to brownfield sites?)</p> <p>It is anticipated that the project will not place lower income households in areas where environmental degradation has occurred. (Engineer)</p> <p><i>Comments and Source of Information:</i></p>
<u>Key</u> B <hr/>	<p>7. General Housing Conditions - Quality, Quantity, Affordability</p> <p>Upgrades to the well field and distribution system will raise the quality and potentially the quantity of the housing located near the project. It is anticipated that the improvements will raise water rates. (Engineer)</p> <p><i>Comments and Source of Information:</i></p>
<u>Key</u> N <hr/>	<p>8. Displacement or Relocation of Businesses or Residents</p> <p>The proposed project will not require displacement or relocation of businesses and/or residents. (Engineer)</p> <p><i>Comments and Source of Information:</i></p>
<u>Key</u> B <hr/>	<p>9. Public Health and Safety</p> <p>The existing facilities present several health and safety threats, which the proposed project will either greatly reduce or eliminate. The City's existing treatment system cannot effectively treat the water demanded by the City and the existing water supply and pumping stations do not have the required capacity to meet the future water demand. (Engineer)</p> <p><i>Comments and Source of Information:</i></p>
<u>Key</u> A <hr/>	<p>10. Lead Based Paint and/or Asbestos</p> <p>The existing Airport tank was originally coated with lead based paint. The proposed project does not include removing the Airport tank. The City maybe required to perform additional water quality tests to document influence on the stored water. It is anticipated that the proposed project will not involve the handling of asbestos. (Engineer)</p> <p><i>Comments and Source of Information:</i></p>
<u>Key</u> N <hr/>	<p>11. Local Employment & Income Patterns - Quantity and Distribution of Employment, Economic Impact</p> <p>There are no anticipated long term impacts to local employment or income patterns directly attributed to the proposed project. The proposed project could potentially provide some local jobs during the duration of construction. (Engineer)</p> <p><i>Comments and Source of Information:</i></p>
<u>Key</u> N <hr/>	<p>12. Local & State Tax Base & Revenues</p> <p>There are no anticipated impacts to the local and state tax bases as a result of the proposed project. (Engineer)</p> <p><i>Comments and Source of Information:</i></p>
<u>Key</u> N <hr/>	<p>13. Educational Facilities - Schools, Colleges, Universities</p> <p>There is no anticipated impact to the educational facilities as a direct result of the proposed project. (Engineer)</p> <p><i>Comments and Source of Information:</i></p>
<u>Key</u> N <hr/>	<p>14. Commercial and Industrial Facilities - Production & Activity, Growth or Decline</p> <p>There is no anticipated impact to the commercial and industrial production activity as a direct result of the proposed project. (Engineer)</p> <p><i>Comments and Source of Information:</i></p>

Key Letter: N – No Impact **B** – Potentially Beneficial **A** – Potentially Adverse
P – Approval/Permits Required **M** – Mitigation Required

<u>Key</u> N	15. Health Care – Medical Services <i>Comments and Source of Information:</i> There is no anticipated impact to the health care facilities as a direct result of the proposed project. (Engineer)
<u>Key</u> N	16. Social Services – Governmental Services (e.g., demand on) <i>Comments and Source of Information:</i> There is no anticipated impact to social services as a direct result of the proposed project. (Engineer)
<u>Key</u> N	17. Social Structures & Mores (Standards of Social Conduct/Social Conventions) <i>Comments and Source of Information:</i> Any costs associated with the proposed project will be paid by government grants, loans, and equally by all residents through their water rates. All water rates will be increased proportionally to cover loan costs and fees. (Engineer)
<u>Key</u> N	18. Land Use Compatibility (e.g., growth, land use change, development activity, adjacent land uses and potential conflicts) <i>Comments and Source of Information:</i> The proposed project provides excellent use of available land. All improvements will be completed within City easements. (Engineer)
<u>Key</u> N	19. Energy Resources - Consumption and Conservation <i>Comments and Source of Information:</i> A minimal additional energy use may result as a result of the increased water demand on the system. (Engineer)
<u>Key</u> N	20. Solid Waste Management <i>Comments and Source of Information:</i> There are no anticipated impacts to solid waste management as a result of the proposed project. (Engineer)
<u>Key</u> N	21. Wastewater Treatment - Sewage System <i>Comments and Source of Information:</i> The proposed project will not be impacting the existing wastewater facilities. (Engineer)
<u>Key</u> N	22. Storm Water – Surface Drainage <i>Comments and Source of Information:</i> There are no anticipated impacts to storm water as a result of the proposed project. (Engineer)
<u>Key</u> B	23. Community Water Supply <i>Comments and Source of Information:</i> The proposed project will increase the water quantity into the water system, improve the water quality, improve booster station capacities, and improve sections of the distribution system. (Engineer)
<u>Key</u> N	24. Public Safety – Police <i>Comments and Source of Information:</i> There are no anticipated impacts to police as a result of the proposed project. (Engineer)
<u>Key</u> N	25. Fire Protection – Hazards <i>Comments and Source of Information:</i> There are no anticipated impacts to fire protection as a result of the proposed project. (Engineer)

Key Letter: N – No Impact **B** – Potentially Beneficial **A** – Potentially Adverse
P – Approval/Permits Required **M** – Mitigation Required

<p style="text-align: center;"><u>Key</u></p> <p style="text-align: center;">N</p> <hr style="width: 50%; margin: auto;"/>	<p>26. Emergency Medical Services</p> <p><i>Comments and Source of Information:</i> There are no anticipated impacts to emergency medical services as a result of the proposed project. (Engineer)</p>
<p style="text-align: center;"><u>Key</u></p> <p style="text-align: center;">N</p> <hr style="width: 50%; margin: auto;"/>	<p>27. Parks, Playgrounds, & Open Space</p> <p><i>Comments and Source of Information:</i> There are no impacts to parks, playgrounds, and open space as a result of the proposed project. (Engineer)</p>
<p style="text-align: center;"><u>Key</u></p> <p style="text-align: center;">N</p> <hr style="width: 50%; margin: auto;"/>	<p>28. Cultural Facilities, Cultural Uniqueness & Diversity</p> <p><i>Comments and Source of Information:</i> There are no known cultural facilities or cultural uniqueness that are anticipated to be impacted as a result of the proposed project. The State Historical Preservation Office (SHPO) was contacted and asked to comment as part of the PER. (Engineer)</p>
<p style="text-align: center;"><u>Key</u></p> <p style="text-align: center;">N</p> <hr style="width: 50%; margin: auto;"/>	<p>29. Transportation Networks and Traffic Flow Conflicts (e.g., rail; auto including local traffic; airport runway clear zones - avoidance of incompatible land use in airport runway clear zones)</p> <p><i>Comments and Source of Information:</i> There are no anticipated impacts to transportation networks or flows as a result of the proposed project. (Engineer)</p>
<p style="text-align: center;"><u>Key</u></p> <p style="text-align: center;">N</p> <hr style="width: 50%; margin: auto;"/>	<p>30. Consistency with Local Ordinances, Resolutions, or Plans (e.g., conformance with local comprehensive plans, zoning, or capital improvement plans)</p> <p><i>Comments and Source of Information:</i> The proposed project is consistent with all local ordinances, resolutions, and plans. (City of Shelby)</p>
<p style="text-align: center;"><u>Key</u></p> <p style="text-align: center;">N</p> <hr style="width: 50%; margin: auto;"/>	<p>31. Is There a Regulatory Action on Private Property Rights as a Result of this Project? (consider options that reduce, minimize, or eliminate the regulation of private property rights.)</p> <p><i>Comments and Source of Information:</i> There are no anticipated regulatory actions or private property as a result of the proposed project. (Engineer)</p>

NOTICE OF AVAILABILITY OF ENVIRONMENTAL ASSESSMENT
AND PUBLIC HEARING

The City of Shelby is preparing an application for a Treasurer State Endowment Program (TSEP) Grant from the Montana Department of Commerce (DOC). TSEP grants are a state action subject to the Montana Environmental Policy Act (MEPA). As required by the MEPA and DOC regulations, the City of Shelby has prepared a draft Environmental Assessment (EA) that evaluates the potential environmental effects and consequences of the proposed project. This notice announces the availability of the draft EA for public review and comments as well as the date and time of a Public Hearing regarding the proposed project.

The proposed action generally consists of well field, treatment system, booster station, and water transmission improvements between the Marias River well field and the City of Shelby. Copies of the draft EA are available for review at City Hall, 112 1st St S, Shelby MT 59474. The City of Shelby will consider all substantive comments received in response to the draft EA.

The City Council will hold a Public Hearing at 7:30 p.m. MST, on Monday, April 18, 2016 at City Hall in order to discuss the draft EA and present the preliminary engineering research for the proposed project.

At the Public Hearing the proposed project will be explained, including the purposes and proposed areas of the work, activities, budget, environmental issues, and TSEP grant issues. After the hearing, all comments will be reviewed and considered and the City of Shelby will decide that either:

1. An Environmental Impact Statement (EIS) is necessary;
2. The Environmental Assessment did not adequately reflect the issues raised by the proposed action and must be revised; or
3. An EIS is not necessary, and make a final decision on the proposed action (submitting the application for TSEP funding).

All interested persons will be given the opportunity and are encouraged to ask questions and to express their opinions regarding the proposed project and its environmental impacts.

Comments may be given orally at the hearing or submitted in writing before 5:00 p.m. MST on April 18, 2016. Written comments should be sent to: City of Shelby, 112 1st St S, Shelby, MT 59474. For further information contact Mayor Larry J. Bonderud, at City Hall or call (406) 434-5222.

PUBLISH: April 6th and April 13th

FURNISH AFFIDAVIT OF PUBLICATION

RESOLUTION NO. 1932

A RESOLUTION ACCEPTING THE DETERMINATION THAT (LEVEL OF ENVIRONMENT FINDING) IS APPROPRIATE FOR THE CITY OF SHELBY'S WELL FIELD AND WATER TRANSMISSION IMPROVEMENTS

WHEREAS, the City of Shelby has completed an assessment to identify potential environmental impacts to the well field and water transmission improvements between the Marias River well field and the City of Shelby;

WHEREAS, the draft Environmental Assessment (EA) was made available for public comment and the findings were presented and reviewed at the public meeting;

WHEREAS, no substantive public comment was received (or public comment was received and responded to);

WHEREAS, the City of Shelby has determined that the well field and water transmission improvement project will not significantly affect the quality of the human environment and accordingly the City of Shelby has determined an Environmental Impact Statement (or Environmental Assessment and EIS if project is Categorical Exclusion); is not necessary;

NOW, THEREFORE, BE IT RESOLVED by the City Council as follows:

That the City of Shelby, Montana adopts the final Environmental Assessment (EA) for the well field and water transmission improvement project.

PASSED AND ADOPTED BY THE CITY COUNCIL OF THE CITY OF SHELBY, MONTANA, AND APPROVED BY THE MAYOR THIS 18TH DAY OF APRIL, 2016.

LARRY J. BONDERUD, MAYOR

ATTEST:

JADE GOROSKI, FINANCE OFFICER

RESOLUTION NO. 1933

A RESOLUTION TO AUTHORIZE SUBMISSION OF A TSEP APPLICATION

WHEREAS, the City of Shelby is applying to the Montana Department of Commerce for financial assistance from the Treasure State Endowment Program (TSEP) for well field and water transmission improvements between the Marias River well field and the City of Shelby.

WHEREAS, the City of Shelby has the legal jurisdiction and authority to construct, finance, operate, and maintain the well field;

That the City of Shelby agrees to comply with all State laws and regulations and the requirements described in the TSEP Application Guidelines and those that will be described in the TSEP Project Administration Manual;

That the City of Shelby commits to provide the amount of matching funds as proposed in the TSEP application; and

That Larry J. Bonderud, Mayor, is authorized to submit this application to the Montana Department of Commerce, on behalf of the City of Shelby, to act on its behalf and to provide such additional information as may be required.

PASSED AND ADOPTED BY THE CITY COUNCIL OF THE CITY OF SHELBY, MONTANA, AND APPROVED BY THE MAYOR THIS 18TH DAY OF APRIL, 2016.

LARRY J. BONDERUD, MAYOR

ATTEST:

JADE GOROSKI, FINANCE OFFICER

ROCKY BOY'S / NORTH CENTRAL MONTANA REGIONAL WATER SYSTEM PROJECT NEWS

First Quarter 2016

IN THIS ISSUE:

FY16 Final Funding Announcement

What a WTP Would Mean to North Central Montana

Segment W3: Shelby to Cut Bank Construction Update

Core Pipeline Construction Update

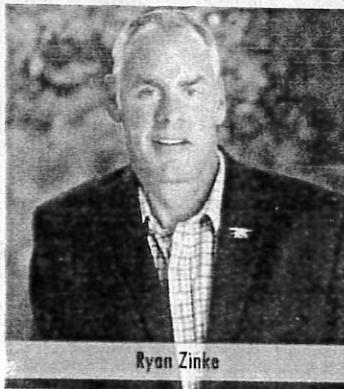
Tiber Raw Water Pipelines Construction

FY16 Final Funding Announcement

The Rocky Boy's/North Central Montana Regional Water System (NCRMWS) Project received \$4.625 million in Federal appropriations for Fiscal Year 2016 (FY16). An additional \$8.47 million was received out of the Rural Water Supply Program that was designated to be

distributed to authorized Bureau of Reclamation water supply projects, resulting in a total FY16 appropriation of \$13.095 million to the Rocky Boy's/NCRMWS Project. Sincere appreciation for the support and dedication to secure Federal appropriations is extended to House Representative

Ryan Zinke, Senator Steve Daines, Senator Jon Tester and the Bureau of Reclamation on behalf of the Chippewa Cree Tribe and the North Central Montana Regional Water Authority. ■



Ryan Zinke



Steve Daines



Jon Tester

What a WTP Would Mean to North Central Montana

Residents of Rocky Boy's Reservation and numerous communities in North Central Montana lack sufficient access to the most vital resource required by all living things - water. But there is a solution to deliver potable water to meet the needs of these residents: the Rocky Boy's/North Central Montana Regional Water System (RB/NCRMWS) Project.

Over the past decade, components of the RB/NCRMWS Project have been constructed, including over 20 miles of the Core System Pipeline, the Tiber

Intake Super Structure, several on-reservation pipelines, and numerous Non-Core System pipeline segments and facilities. However, the critical component of the project required to provide water, the Rocky Boy's Water Treatment Plant (WTP), has not yet been constructed.

The benefits of the Rocky Boy's WTP are numerous. Currently, many of the existing water systems providing water to residents in North Central Montana are anticipating that their systems will require significant capital improvements

in the near future. Rather than continuing to invest in aging systems that may still struggle to provide enough water, the Rocky Boy's WTP could be constructed to replace such systems. With recent issues in the news about lead in Flint, Michigan's drinking water and drought in California, it is important to recognize that the Rocky Boy's WTP would not only provide safe drinking water and drought resilience for much of North Central Montana, but also provide a more certain future for local jobs and economic development.

Check out the Rocky Boy's / North Central Montana Regional Water System Project Web Site: <http://www.rockyboynorthcentral.com/>

Continued on Page 4 ►

Segment W3: Shelby to Cut Bank Construction Update

Segment W3: Shelby to Cut Bank consists of a transmission pipeline ranging in size from 16 to 18 inches in diameter. The total length of the pipeline is about 23 miles, extending from the prison tank near Shelby to tank hill on the east side of Cut Bank. Facilities include a pump station near Ethridge, a storage tank, and metering facilities. Upon completion, the segment will provide supplemental water system capacity to the City of Cut Bank to address potential water supply shortages caused by drought conditions.

Downing Construction initiated work on the transmission pipeline last fall and made considerable progress prior to shutting down construction activities over the winter months. Given the relatively mild winter, Downing Construction resumed work on February 29th. The area of focus has been in the area just east of Cut Bank, where digging conditions are more difficult because of the presence of existing utilities and hard rock.

The focus of activities near Cut Bank was required by the construction contract to allow Cut Bank to make use of the pipeline system prior to completion of the entire project segment. To that end, the connection to the Cut Bank water system was successfully completed on March 7th. The construction photo shows the tapping sleeve and isolation valve that was installed to facilitate the connection to the Cut Bank water system.

Central Excavation has yet to mobilize to the site but substantial progress has been made with respect to the submittal of shop drawings for the pump station, storage tank, and metering facilities. Central Excavation intends to initiate construction work during the first week of April.

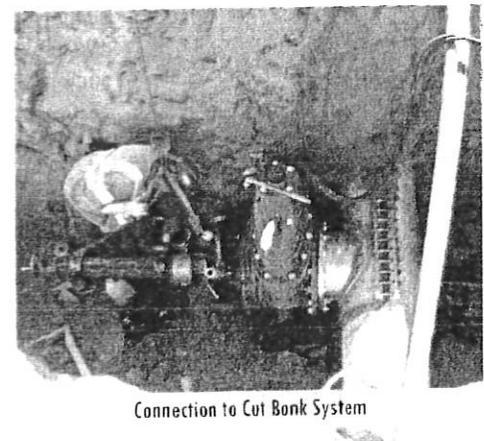
The project is scheduled for substantial completion in March of 2017, with final completion scheduled for June of 2017. ■



Transmission Pipeline Crossing Under 16-Inch Oil Pipeline



Pipeline Trenching and Installation



Connection to Cut Bank System

UPCOMING EVENTS

Rocky Boy's/North Central Montana Regional Water System Coordinating Committee Meeting

- May 24, 2016 - 10am
AE2S Office in Great Falls

North Central Montana Regional Water Authority Executive Committee Meetings

- Apr. 26, 2016 - 10am
AE2S Office in Great Falls
- May 24, 2016 - 1pm
AE2S Office in Great Falls

Quarterly Authority Meeting

- Jun. 28, 2015 - 1pm
Location: TBD

Rocky Boy's/ NCMRWS Operations, Maintenance, and Replacement - Joint Advisory Board Meeting

- May 24, 2016 - 8:30am,
AE2S Office in Great Falls

Core Pipeline Construction Update

Installation of the remaining section of the Segment #0 Core System Pipeline was completed by CCCC on September 21, 2015. Segment #0 is one of nine segments comprising the Core System Pipeline which is 36-inch diameter steel, cement mortar lined pipe that will connect Tiber Reservoir to the Rocky Boy's Reservation. Approximately 20 miles of the total 54 miles in length have been installed to date.

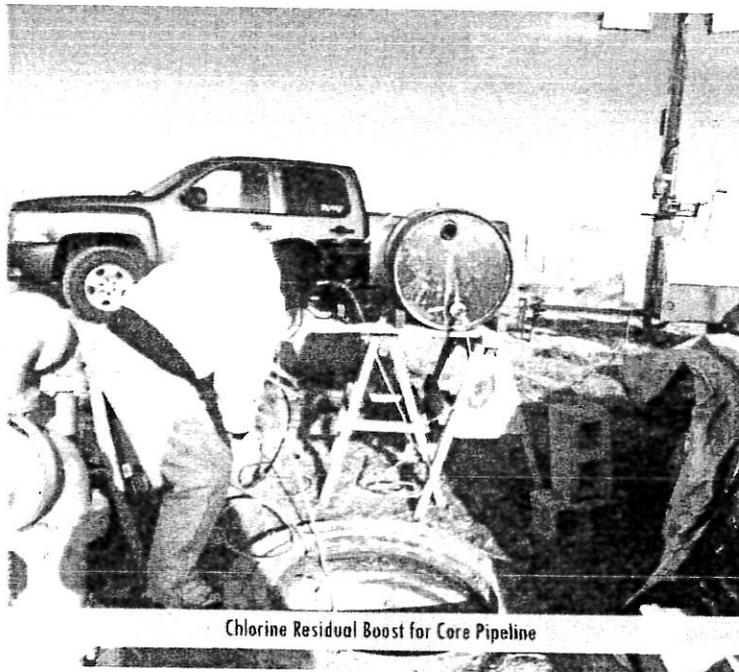
CCCC crews filled Segment #0 in coordination with the Tiber

County Water District (CWD). Water was super-chlorinated during filling which was complete on November 22, 2015 after which pressure testing began. Segment #0 was pressure tested in two sections designated as East and West. Successful pressure tests were completed on December 16 and December 29, 2015, respectively.

Following pressure testing, a Substantial Completion Certificate was issued for Segment #0. It is anticipated that

Segment #0 will be finished and ready to begin the 1-year warranty period in the spring of 2016 and a Final Completion Certificate will be issued.

Start-up of the cathodic protection system along Segment #0 occurred the first week of February 2016. Segment #0 through 3A were verified NACE protected. ■



Chlorine Residual Boost for Core Pipeline



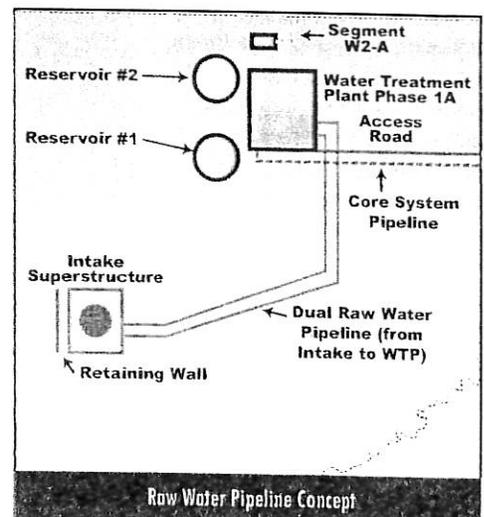
Cathodic Protection Start-Up

Tiber Raw Water Pipelines Construction

The Tiber Raw Water Pipelines Project will convey raw water from the existing Tiber Intake Structure to the future Rocky Boy's Water Treatment Plant. The primary components of the design consist of approximately one mile of twin 30-inch diameter steel raw water transmission mains, one mile operator access road, an extensive long-term erosion control plan, and an emergency shutoff control vault. Pipeline construction is expected to begin in spring of 2016 with completion scheduled by the end of the year.

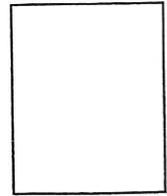
A mass earthwork effort will be required throughout the construction of the pipelines and access road. In addition to this

earthwork, the natural terrain presented other challenges in respect to pipe design and constructability. A key component to the pipeline, the emergency shutoff control vault, allows for isolation of the pipe lines should the need arise. In order to ensure efficient and reliable operation of the Intake Facility, an operator access road (approximately one mile) was designed in the Tiber Raw Water Pipelines Project. To reduce environmental impacts, an extensive erosion control plan was developed. Rip rap channels, articulated concrete mats, erosion control blankets, and hydroseeding were incorporated in the design to assist as part of the long-term sustainability of the area. ■



Raw Water Pipeline Concept

North Central Montana Regional Water Authority
 PO Box 2456
 Havre, MT 59501

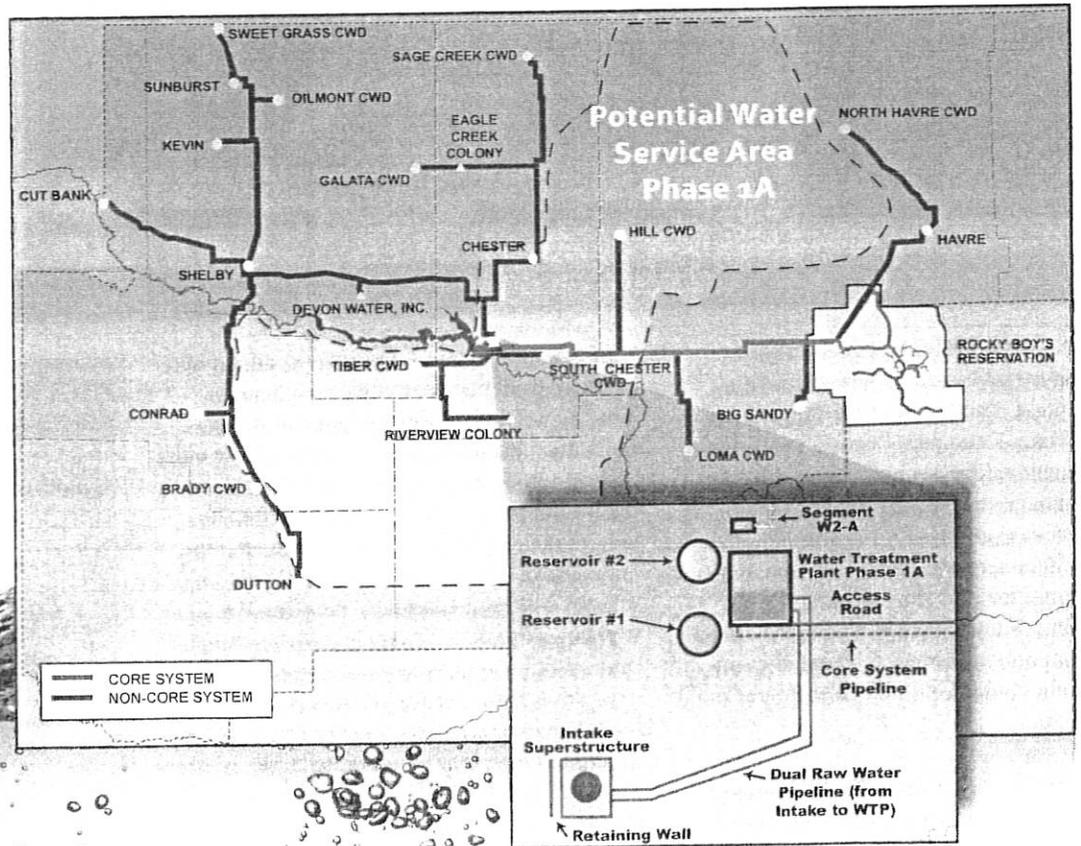


First Name Last Name
 Address
 City, State Zip

What a WTP Would Mean to North Central Montana (cont.)

As a Federally Authorized project, the RB/NCMRWS Project already represents that the US Government has been planning to resolve these critical water issues in Montana; however, these solutions require funding to be implemented.

A funding allocation to construct Rocky Boy's WTP would be a huge step in the process of solving North Central Montana's urgent and compelling water needs. Every American should have access to sufficient quantities of water, and the Rocky Boy's WTP serves as a symbol toward achieving that objective in our project area.



TEMPORARY PARKING PERMIT

Trailer Type	1998 Aljo 23' camper trailer
Name	Glenn Kurkowski
Address	111 E Richland Ave
Phone #	(406) 460-0290
Date(s) Valid	03/25/16—03/28/16
Permit Number	2016-002

Larry Bondarud MAYOR

CONDITIONS OF THIS PERMIT:

1. Valid *ONLY* for date(s) indicated.
2. Must be displayed while parked at all times.
3. The acceptance of this permit relieves the City of Shelby of any responsibility for damages to or loss of vehicle, its contents or accessories from any cause whatsoever.

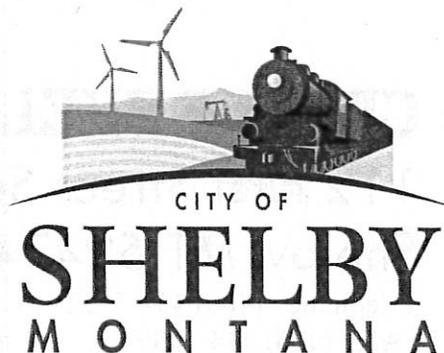
CITY OF SHELBY

112 First Street South
Shelby, MT 59474

Telephone: (406) 434-5222

FAX: (406) 434-2039

www.shelbymt.com



TEMPORARY PARKING PERMIT

<i>Trailer Type</i>	1998 Aljo 23' camper trailer
<i>Name</i>	Glenn Kurkowski
<i>Address</i>	111 E Richland Ave
<i>Phone #</i>	(406) 460-0290
<i>Date(s) Valid</i>	03/29/16—03/31/16
<i>Permit Number</i>	2016-003

Larry Bondarud MAYOR

CONDITIONS OF THIS PERMIT:

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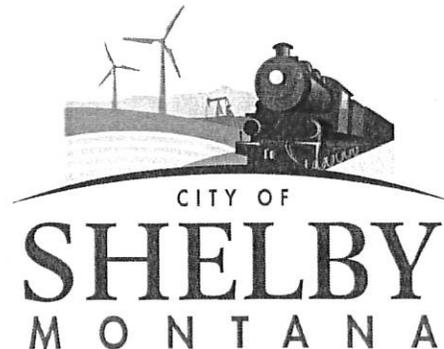
CITY OF SHELBY

112 First Street South
Shelby, MT 59474

Telephone: (406) 434-5222

FAX: (406) 434-2039

www.shelbymt.com



TEMPORARY PARKING PERMIT

Trailer Type	2009 Sprinter 30' camper
Name	Dave Matoon
Address	727 Granite Ave
Phone #	(406) 424-8629
Date(s) Valid	04/04/16—04/07/16
Permit Number	2016-004

Larry Bondrud MAYOR

CONDITIONS OF THIS PERMIT:

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