

House Bill 6 (HB6) Impacts to TSEP Grants

Montana Department of Commerce
Community Development Division



Who does this apply to?

- Projects listed in HB 11 (2017 Regular Session)
 - Infrastructure projects 17-26
 - Bridge projects 7-9
 - Partial awards – Infrastructure 16, Bridge 6



House Bill 6 – November 2017 Special Session

Section 3. Fund Transfers. (1)(e) \$7.5 million from the treasure state endowment special revenue account provided for in 17-5-703(3)

- Bill became law without the Governor's signature on 11/26/17
- HB 6 is silent as to how it will affect HB 11 (2017 Regular Session)
- The Department must use HB 11 language and statutes to administer the 2019 biennium TSEP grants and account for the loss of available funding caused by the Legislative Mandated Reductions



HB 6 Impacts to TSEP grants

- The Department will not be able to fund all the projects the Legislature authorized in HB 11 (Regular Session) due to:
 - Current projected revenue for the TSEP account,
 - Outstanding TSEP account obligations, and
 - Cash in the TSEP account.
- HB 11 Section 1 (6). If sufficient funds are available, this section constitutes a valid obligation of funds...for the purposes of encumbering TSEP funds for the biennium beginning July 1, 2017...and dependent on startup conditions and on the availability of funds.
- According to Section 17-2-107, MCA, a fund may not have a negative cash balance at fiscal yearend.
- **On hold infrastructure projects 17-26 and bridge projects 7-9 (handout)**
 - <http://comdev.mt.gov/Portals/95/shared/TSEP/docs/Project/Funded/TSEPFinalHB11List05082017WEB.pdf>
- **Partial award infrastructure project 16 and bridge project 6**
 - Stanford: \$276,921 reduced award (reduced by \$223,079)
 - Carbon County: \$744,389 reduced award (reduced by \$5,611)



Financial Projections of TSEP Account

- Approximate starting balance in unobligated cash was not significant
- Projected Interest Revenue is stable
 - Sunset: No flow into the corpus (\$271,388,438)
- Projected revenue is not sufficient to fund the \$7.5 million general fund transfer and all HB 11 projects



Funding All HB 11 Projects

| FUNDING ALL APPROVED PROJECTS IN HB11 | | |
|---|--|----------------|
| 09044 STIP/Cash/AR | | 8,536,466.69 |
| 02270 STIP/Cash (\$7.5 million already transferred) | | 1,277,655.88 |
| STIP/Cash balance-12/31/17 | | 9,814,122.57 |
| Estimated additional revenue (2 years) | | 14,145,669.77 |
| Grants | | |
| 2018-2019 Project Grants | | 19,660,869.00 |
| 2018-2019 Planning Grants | | 900,000.00 |
| 2018-2019 Emergency Grants | | 100,000.00 |
| Accruals-12/31/17 | | 9,836,795.52 |
| Total Grant Obligations | | 30,497,664.52 |
| Administration (HB 2 Appropriation 2017 Reg Session) | | |
| 18/19 Biennium | | 1,009,568.87 |
| Revenue Excess (Deficit) | | (7,547,441.05) |



Possible Solutions for On-Hold Projects

- If revenues to the TSEP account come in higher than forecasted, or if higher ranked projects within the new funding line are withdrawn, the next projects on the list in order of ranked priority will be eligible for those funds.
 - In the event funds become available, the Department will notify projects in rank order in accordance with HB 11.
 - For example: if funding becomes available, the Department will be able to provide additional funding to Stanford to begin to meet original \$500,000 HB 11 award
- Continuation Letter - Easy and no-cost solution – template will be mailed to project representatives
 - Letter signed by applicant
 - Commerce has a template
 - 2019 Legislative process
 - Updated Budget
 - Updated Implementation Schedule
- Informational webinar for On-hold projects – February 8, 2018
- Part of Governor's Budget
 - Continuation projects go first
 - Separate and distinct section of HB 11 for the 2019 Session



FAQ's

1. *How will the Continuation process be handled?*
 - a) Applicant's must submit a Continuation letter no later June 15, 2018 (tentative application due date) with an updated budget and implementation schedule.
 - b) Commerce has template Continuation letters available for all On-hold projects.
 - c) Governor's budget will include the list of Continuation applicants (those on hold projects that submit a Continuation request) separate from the 2018 ranked applications and recommendations.
 - d) The Continuation process does not apply to projects that were contingently awarded in HB 11 (2017 session)

2. *If "on hold" projects submit a Continuation letter, can they also apply for a new TSEP project during the 2018 application cycle?*
 - a) TSEP guidelines limit applications to one application per applicant per funding cycle.



FAQ's.. continued

3. *Can local or other funds invested during the 2019 biennium be counted as match for a potential 2021 biennium funded project?*
 - a) Yes, if the “on hold” project was awarded during the 2019 legislative process - **Proceed cautiously and at community’s own risk**

4. *Can a community take out a loan or incur an increased loan through a Bond Anticipation Note or Grant Anticipation Note?*
 - a) That is up to the community, but there is no guarantee that TSEP funds will be available to reimburse any loans until after the 2019 legislative session.

5. *Will the Department reimburse an On-hold project, during the 2021 biennium that has incurred expenses based on the May 2017 award letter?*
 - a) The Governor’s office will be recommending language in HB 11 to allow for on-hold projects to be reimbursed any eligible costs back to May 08, 2017.



FAQ's... continued

6. *If costs are incurred (since award letter May 2017) or a community used “other sources of funds” to pay for eligible project expenses, will those costs still be reimbursable if a TSEP contract can be entered into for 2019 biennium funding?*
 - a) If sufficient funding becomes available during the 2019 biennium, yes.
 - b) If funding does not become available during the 2019 biennium, this will be the sole responsibility of the applicant.

7. *How will information be provided to on hold projects?*
 - a) Informational webinar for on hold projects and interested parties – **February 8, 2018**
 - b) Regular communication with on hold projects; project updates will be provided in TSEP report to the 2019 Legislature.

