EXHIBIT #2
DATE 1/26/09
HB 2

ECONOMIC STIMULUS INITIAL INFORMATION

A Report Prepared for the

House Appropriations and Senate Finance and Claims Committees

By

Legislative Fiscal Division

January 26, 2009

Legislative Fiscal Division

www.leg.mt.gov/css/fiscal

ECONOMIC STIMULUS AND THE BUDGET

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It is the goal of staff to provide information that will assist the legislature in understanding the full range of appropriation options due to the availability of these funds, and how the funds can be woven into the budgeting process. There are many important issues that are still unclear for many aspects of the proposals. While some information is available, it is still very sketchy and this initial document does not attempt to provide an inventory of this information at this time. However, the following is a listing of most of those aspects that staff is analyzing and compiling. It is followed by examples of a small portion of the information staff is currently compiling on known aspects of the proposals for selected areas of the budget.

However, please note that this list comes with a significant caveat. Information is coming in piecemeal, and if past experience holds true there will be many things not known until well after any stimulus bill(s) is passed. Therefore, this work will not only occur during the session, but may not be fully clear until well after the legislature adjourns.

- What are the maintenance of effort, supplantation, or matching requirements of the individual components?
  - Can the state "afford" money with additional matching requirements?
  - What bearing do maintenance of effort and non-supplantation requirements have on the legislature's ability to address any further reductions in revenue?
  - Can or should money be shifted from other areas of the budget to address these requirements, and what will be the impact on services?
- Will the funds go through the state budget, or will they be spent directly by the federal or local governments or individuals?
  - How much of the money will require a state appropriation? How much of the stimulus package will the legislature need to address?
  - For those funds that may go directly to other governmental entities or to individuals (such as tax relief), what impact does their receipt have on state government services and on the necessity or level of state funding required?
- What is the most appropriate vehicle for appropriating and conditioning the funds: 1) HB 2; 2) long-range bills; or 3) other appropriations bills?
- Are other revisions to statute necessary to ensure legislative input during the interim? When must these decisions be made?
  - Currently, if funds unknown during the legislative session become available during the interim, the Governor can add those funds thorugh the budget amendment process as long as they are for new services. Should the statute be changed to require legislative action?
  - What transmittal requirements must be met and how does that influence which committee can request the bill?
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  - What conditions on appropriations does the legislature wish to include?
  - What reporting requirements to which interim committees will be desired?
- Can we project or provide a reasonable assumption about the impacts of various tax relief proposals, and when these impacts would be felt?
  - Various tax relief proposals could not only have an impact on economic activity, but the structure of some relief could also have a direct bearing on state collections. However, those impacts are open to speculation and will have a delayed impact

- Can any of the funds be used to replace funds that could then be used to mitigate reductions to the budget that may be made due to worsening revenues? Can or should use of the one-time-only funds in the stimulus package be used to continue or expand ongoing programs?
  - The funds in the stimulus package are one-time-only (OTO), but there may be ways they can be used to mitigate other present law impacts and/or provide for other priorities of the legislature
- Could decisions on any of the other bills before the legislature have an impact on how the stimulus dollars would or could be used?
  - The legislature has a number of proposals before it, and the timing of those actions could impact the choices the state has for use of the stimulus dollars
- When will the impact of the funds be felt?
- Because Montana frequently lags behind the rest of the nation in recovery after a recession, can funds be held over if the recession lasts longer than the timeframes envisioned in the current legislation?
  - The relief aspects of the packages, including the increase in Medicaid support and extension of COBRA health insurance and unemployment benefits, have a time limit

BUDGET AREAS

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K-12 EDUCATION

At this point, more is known about potential allocations for the funds that are proposed to be provided for K-12. The following figures are anticipated Montana-specific allocations.

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  - Funds are to be used to renovate and modernize facilities in Indian districts
  - May be subject to non-supplant clause
  - School Improvement Programs
  - Funds are to be used to modernize technology in schools and technology training
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  - To be used for resources for homeless children and youth
  - State does not currently provide funds for this purpose
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  - Would be provided on a competitive basis to subsidize construction of charter school facilities
  - No current state involvement
- Teacher Incentive Funds
  - Financial incentives to teachers to raise student achievement
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- State Fiscal Stabilization Fund -- $79 billion (61 percent for education, remainder for all government services)
  - 61 percent is to be used to restore state aid to school districts to 2008 levels, with any remaining to Title I
  - If one-time-only money is counted, FY 2008 state aid to schools is larger than FYy 2009 and FY 2010 with 3 percent inflation; state proposed aid in FY 2011 with inflation is greater than FY 2008 aid

HIGHER EDUCATION

The American Recovery and Reinvestment Act of 2009 (House Appropriations)

- State Fiscal Stabilization Fund -- $79 billion (61 percent for education, remainder for all government services)
  - Higher education could receive an allocation from this fund (up to 39 percent of the state allocation from the state fiscal stabilization fund) at the discretion of the Governor
  - Section 13004 provides the public institutions of higher education that receives funds under this title shall use the funds for educational and general expenditures (current unrestricted fund), and in such a way as to mitigate the need to raise tuition and fees for in-state students
  - These funds could be appropriated in HB 2 to continue the College Affordability Plan for the 2011 biennium for the MUS and/or implement the College Affordability Plan for the 2011 biennium for the community colleges
- College Work Study -- $490 million
  - These funds are distributed directly to the campuses, not included in HB 2
  - A 25 percent non-federal match is required
- Increase Pell Grants -- $15.636 billion
  - These funds are distributed directly to the campuses/students, not included in HB 2
  - Would increase maximum (discretionary) Pell Grant by $500, from $4,360 to $4,860
- Mandatory Pell Grants -- $1.474 billion
  - These funds are distributed directly to the campuses/students, not included in HB 2
  - Would increase mandatory Pell Grant by $490, from $4,860 to $5,350
- Higher Education Repair and Modernization -- $6.00 billion
  - Allocated to states in proportion to the state's share of full-time equivalent undergraduate students
  - May be used for modernization, renovation, and repair
  - Priority given to institutions that serve high numbers of minority students, institutions impacted by major disaster, and institutions proposing to improve energy efficiency
  - The funds from this title could be appropriated in a capital construction/major maintenance bill (Long Range Building)
  - Student Loan Limit Increase
  - Increase unsubsidized loan limits by $2,000 for undergraduate students
  - No impact to the state budget
- Student Loan Lender Special Allowance Payments -- $10 million
  - Increases subsidy to private lenders
  - Provide stability in the student loan system
- National Institutes of Health – University Research Facilities -- $1.500 billion
  - Supports renovation and construction of university research facilities
  - The funds from this title could be appropriated in a capital construction/major maintenance bill (Long Range Building)
- National Institutes of Health – Research -- $1.500 billion
  - Biomedical research
  - Allocated by competitive peer review to universities nationwide
  - Funds to higher education would not typically be included in HB 2 but would require approval by the Board of Regents
- Manufacturing Extension Partnership and Technology Innovation Program -- $100 million
  - Competitive grants to small and medium-sized business, institutions of higher education
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- Research and Related Activities -- $2.5 billion
  - Basic research in fundamental science and engineering
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- National Science Foundation Education and Human Resources -- $100 million
  - Scholarship program to encourage science, technology, engineering, and mathematics majors and professionals to become K-12 math and science teachers
  - Funds provided to higher education institutions for scholarships, stipends
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- Energy Efficiency and Renewable Energy Research - $2.0 billion
- Grants to Institutional Entities for Energy Sustainability and Efficiency -- $1.0 billion
- Loans to Institutional Entities for sustainable energy infrastructure projects $500 million
- Basic Research Support from Department of Energy -- $2.00 billion
  - Any funds from the above sources to Montana postsecondary education institutions would not typically be included in HB 2 but would require approval by the Board of Regents

HUMAN SERVICES

- Provisions vary in starting point, but end December 31, 2010
- Medicaid impacts
  - 4.8 percent increase in the federal Medicaid will offset general fund, with additional relief tied to rates of unemployment
  - General fund offset by federal Medicaid match increases may not be used to directly or indirectly increase reserve or rainy day funds
  - State option to add family planning services as a regular state plan service rather than a waiver service
  - State option to provide Medicaid services to unemployed persons or persons receiving food stamps with incomes up to 200 percent of the federal poverty level funded entirely by federal Medicaid funds
- Supplemental Nutrition Assistance Program (SNAP- formerly Food Stamps)
  - 13.6 percent benefit increase
  - Funding for administration
- Increased federal grants
  - Aging services programs (meals on wheels, congregate meals)
  - AmeriCorps program to add additional members for national service
  - Child care development block grant to care for additional low-income children
  - Child and Adult Care Food Program expanded to evening meals
  - Child Support Enforcement restoration of incentive match funds funding switch from general fund to federal funds
  - Community Service Block Grants; 90 percent to local community action agencies
  - Emergency Food, shelter, housing grants
  - Health Information Technology
  - Home weatherization assistance for low-income families; increase eligibility to 200 percent FPL
  - IDEA Infants and Families early intervention services ages 0 – 2 and their families
  - Improvements for management information systems for the Women, Infant, and Children (WIC) program
  - Independent Living services for persons with disabilities
  - Low income energy assistance
  - Preventive Health and Health Services Block Grants, immunization programs, and evidence-based disease prevention
  - Vocational Rehabilitation services for persons with disabilities
- Moratorium on Medicaid and Medicare regulations, which will prevent some federally funded costs from shifting to the state and lowering provider reimbursement

- Policy Provision

- Medicare and Medicaid Regulations: The bill extends the moratorium on Medicaid and Medicare regulations through October 1, 2009

State Employee Group Benefits (Department of Administration)

- Federal cost share (65 percent) for payment of COBRA benefits for involuntarily terminated employees
  - Could increase the number of former employees choosing to purchase state employee group health insurance for up to 18 months after the involuntary termination
  - Extend COBRA coverage for workers 55 and older, and workers who have worked for an employer for 10 or more years until they become Medicare eligible or secure coverage through a subsequent employer

LONG RANGE PLANNING

- Watershed and Flood Prevention Operations - $175 million
  - Provide funds to local sponsors to design and build flood prevention and water quality improvements projects including dams, agricultural irrigation, and water supply and infrastructure to clean polluted water
  - These funds could displace TSEP and RRGL funding for water related projects (HB 11, HB 6) allowing projects that are not funded in the 2011 biennium to obtain TSEP and RRGL funding
- Rural Water and Waste Disposal Program - $1.5 billion
  - Help communities fund drinking water and wastewater treatment infrastructure, priorities for smaller and poorer communities (populations of 10,000 or less)
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- Research Science Building Construction Grants - $300 million
  - Competitive construction grant program for research science buildings
  - These funds could become available for the Montana University System, should the universities choose to apply for the grants and building authority would be required through the LRBP (HB
- Water and Related Resources - $500 million
  - The funding will provide for capital improvement projects under the jurisdiction of the Bureau of Reclamation including funds to provide clean, reliable drinking water to rural areas
  - These funds might be available for the regional water projects (HB 8) and the St. Mary's rehabilitation project
- State Energy Program - $3.4 billion
  - Provides grants to states and directs funding to state energy offices. Funding will provide resources for activities such as governmental building energy efficiency retrofits.
  - These funds could enhance or replace the recommended appropriations in the SBECP (HB 5)
- – Institutional Loan Guarantee Program - $500 million
  - Provides loan funding to institutional entities (Higher ed and public school districts) for indentifying , designing, and implementing sustainable energy infrastructure projects and provides grants for energy efficiency innovative technologies projects
  - These funds could displace funding in the SBECP budget and the QSFP budget, providing funding for other need projects
- University Research Facilities - $1.5 billion (also discussed in higher education above)
  - Funding for renovation and construction of university research facilities, awarded competitively through a request for applications
  - These funds could become available for the Montana University System, should the universities choose to apply for the grants and building authority would be required through the LRBP (HB
- K-12 Repair and Modernization - $1.4 billion
  - Provides funding for school modernization, renovation, and repair, allocated based on the FY 2008 Title I allocations
  - These funds could displace funding provided through the QSFP and allow state funds to be used for other projects (HB 152)

- Higher Education Repair and Modernization - $6 billion
  - These funds would be available for health and safety repairs, facility access modifications, and educational technology infrastructure and energy efficiency projects and would be distributed to the state by formula in proportion to states share of FTE undergraduate students
  - These funds could bring additional projects that would need to have authorization by the legislature through the LRBP
- Community Development Block Grants - $1 billion
  - Grant funding for local governments for housing, services, and infrastructure
  - These funds could displace TSEP and RRGL funding for water related projects (HB 11, HB 6) allowing projects that are not funded in the 2011 biennium to obtain TSEP and RRGL funding

OTHER AREAS

- Rural Broadband Infrastructure Development
  - Expansion of open-access broadband services in rural America
  - Could potentially impact the Department of Administration via grant review, award, and monitoring
- State Broadband Data and Development Grants
  - Competitive grants for eligible entities to develop and implement statewide initiatives to identify and track the adoption and availability of broadband services
  - Could potentially impact the Department of Administration via grant review, award, and monitoring
- Wireless and Broadband Development for Un-served and Underserved Areas
  - Subsidize the development of broadband and wireless services in un-served and underserved areas
  - Could potentially impact the Department of Administration via grant review, award, and monitoring
- Alternative Fueled Vehicles Pilot Grant Program
  - Encourage the use of plug-in electric drive vehicles or other emerging electric vehicle technologies
  - Could potentially impact the Department of Transportation if the State Motor Pool applied and was awarded a grant to be on of the 30 geographically dispersed project grant recipients (low probability)
- Diesel Emissions Reduction Act (DERA) Grants and Loans
  - Grants and loans to states and local governments for projects that reduce diesel emission
  - Technologies to retrofit emission exhaust systems, such as on school buses and other vehicles, replace engines and vehicles, and establish anti-idling programs
  - Could potentially impact the Department of Transportation if the Equipment Program applied and was awarded a grant
- Highway Infrastructure Investment
  - Ready-to-go, quick spending highway projects for which contracts can be awarded quickly
  - Would include resurfacing and pavement preservation projects, traffic signal system upgrades, bridge projects, and intelligent transportation systems
  - Distributed by formula with a portion of the funds within each State being sub-allocated by population areas
  - Set asides are also provided for on-the-training programs focused on minorities, women, and the socially and economically disadvantaged
  - Could impact the Department of Transportation in two ways:
    - Direct construction projects
    - Grant review, award, and monitoring for on-the-training programs for disadvantaged businesses
- Transit Capital Assistance

    - Purchase buses and equipment needed to provide additional public transportation service and to make improvements to intermodal and transit facilities
    - Could impact the Department of Transportation through review, award, and monitoring of transit grants
- Various Environmental Programs
    - Would be conducted by either the state or local governments
    - Among the various types of assistance are:
        - Non-Point Source Management
        - Clean Water State Revolving Fund
        - Drinking Water State Revolving Fund
        - Alternative Water Sources
        - Brownfields Grants
        - Watershed and Flood Prevention
        - Watershed Rehabilitation
        - Rural Water and Wastewater Disposal
        - Water and Related Resources Recovery Funding
        - State Energy Program
        - Restoration and Hazardous Fuel Reduction
        - Superfund Remedial Clean-Up Program
        - Leaking Underground Storage Tanks
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  - These funds could displace funding in the SBECP budget and the QSFP budget, providing funding for other need projects
- University Research Facilities - $1.5 billion (also discussed in higher education above)
  - Funding for renovation and construction of university research facilities, awarded competitively through a request for applications
  - These funds could become available for the Montana University System, should the universities choose to apply for the grants and building authority would be required through the LRBP (HB
- K-12 Repair and Modernization - $1.4 billion
  - Provides funding for school modernization, renovation, and repair, allocated based on the FY 2008 Title I allocations
  - These funds could displace funding provided through the QSFP and allow state funds to be used for other projects (HB 152)

- Higher Education Repair and Modernization - $6 billion
  - These funds would be available for health and safety repairs, facility access modifications, and educational technology infrastructure and energy efficiency projects and would be distributed to the state by formula in proportion to states share of FTE undergraduate students
  - These funds could bring additional projects that would need to have authorization by the legislature through the LRBP
- Community Development Block Grants - $1 billion
  - Grant funding for local governments for housing, services, and infrastructure
  - These funds could displace TSEP and RRGL funding for water related projects (HB 11, HB 6) allowing projects that are not funded in the 2011 biennium to obtain TSEP and RRGL funding

OTHER AREAS

- Rural Broadband Infrastructure Development
  - Expansion of open-access broadband services in rural America
  - Could potentially impact the Department of Administration via grant review, award, and monitoring
- State Broadband Data and Development Grants
  - Competitive grants for eligible entities to develop and implement statewide initiatives to identify and track the adoption and availability of broadband services
  - Could potentially impact the Department of Administration via grant review, award, and monitoring
- Wireless and Broadband Development for Un-served and Underserved Areas
  - Subsidize the development of broadband and wireless services in un-served and underserved areas
  - Could potentially impact the Department of Administration via grant review, award, and monitoring
- Alternative Fueled Vehicles Pilot Grant Program
  - Encourage the use of plug-in electric drive vehicles or other emerging electric vehicle technologies
  - Could potentially impact the Department of Transportation if the State Motor Pool applied and was awarded a grant to be on of the 30 geographically dispersed project grant recipients (low probability)
- Diesel Emissions Reduction Act (DERA) Grants and Loans
  - Grants and loans to states and local governments for projects that reduce diesel emission
  - Technologies to retrofit emission exhaust systems, such as on school buses and other vehicles, replace engines and vehicles, and establish anti-idling programs
  - Could potentially impact the Department of Transportation if the Equipment Program applied and was awarded a grant
- Highway Infrastructure Investment
  - Ready-to-go, quick spending highway projects for which contracts can be awarded quickly
  - Would include resurfacing and pavement preservation projects, traffic signal system upgrades, bridge projects, and intelligent transportation systems
  - Distributed by formula with a portion of the funds within each State being sub-allocated by population areas
  - Set asides are also provided for on-the-training programs focused on minorities, women, and the socially and economically disadvantaged
  - Could impact the Department of Transportation in two ways:
    - Direct construction projects
    - Grant review, award, and monitoring for on-the-training programs for disadvantaged businesses
- Transit Capital Assistance

    - Purchase buses and equipment needed to provide additional public transportation service and to make improvements to intermodal and transit facilities
    - Could impact the Department of Transportation through review, award, and monitoring of transit grants
- Various Environmental Programs
    - Would be conducted by either the state or local governments
    - Among the various types of assistance are:
        - Non-Point Source Management
        - Clean Water State Revolving Fund
        - Drinking Water State Revolving Fund
        - Alternative Water Sources
        - Brownfields Grants
        - Watershed and Flood Prevention
        - Watershed Rehabilitation
        - Rural Water and Wastewater Disposal
        - Water and Related Resources Recovery Funding
        - State Energy Program
        - Restoration and Hazardous Fuel Reduction
        - Superfund Remedial Clean-Up Program
        - Leaking Underground Storage Tanks
        - Diesel Emissions Reduction Act