Department of Military Affairs National Guard Land Purchase Fund
Proposed Transfer - $2.0 Million

Summary

Montana statute establishes a Montana National Guard land purchase state special revenue fund in which all money from the sale of an armory must be deposited.

There are two purposes of the fund outlined in statute:

- Any interest and income accruing on the account must be deposited in the general fund
- Money in the account may be used only for preparations to purchase or the purchase of land necessary for the Montana National Guard's mission and is expendable solely upon the authorization of the governor

According to the Department of Military Affairs, an armory sold in FY 2016 in Miles City and an in FY 2018 in Hamilton.

The table below provides information on the fund balance as of November 9, 2017.

Department of Military Affairs Montana National Guard Land Purchase State Special Revenue Fund - 2803			
	Actuals FY 2016	Actuals FY 2017	Current FY 2018
Beginning Fund Balance	$ -	$ 1,031,982	$ 925,054
Revenues	1,031,982	-	1,196,354
Capital Outlay Expenditures	-	(106,928)	-
Ending Fund Balance	$ 1,031,982	$ 925,054	$ 2,121,408

Proposed Legislation

The executive has proposed legislation allowing the transfer.

Fund Purpose

The Alternative Energy Revolving Loan Program was established to encourage Montana Homeowners and small businesses to use renewable energy. Loans are made for technologies appropriate to Montana at interest rates below the market average. The fund is managed by the Montana Department of Environmental Quality (DEQ).

Funds from the alternative energy revolving loan account may be used to provide loans to individuals, small businesses, units of local government, units of the university system, and nonprofit organizations for the purpose of building alternative energy systems

Revenues

Revenue is primarily from air quality penalties collected by the DEQ.

Use of funds

DEQ administers the loan program and covers staff salaries, travel, printing, promotional materials and office support for the program. In addition, DEQ contracts with a financial institution to complete credit checks, loan origination and monthly payment collection. Statute allows the program to use up to 10% of the outstanding loan balance for program administration.

For FY 2013-2017, 71% of the ending fund balance is in the form of long-term loans.

Ending Fund Balance: Actual & Forecast

Alternative Energy Revenue Loan Fund
Ending Fund Balance

	Actual FY 2013	Actual FY 2014	Actual FY 2015	Actual FY 2016	Actual FY 2017	Forecast FY 2018	Forecast FY 2019
Beginning Fund Balance	$3,650,622	$3,724,182	$4,028,554	$4,139,242	$4,531,656	$4,703,122	$5,152,414
Nominal Revenues							
Charges For Services	$42,600	($38,550)	$3,250	$3,200	$3,700	$5,904	$5,904
BOI Investment Earnings Class	99,461	107,247	82,866	98,253	115,050	183,573	183,573
Fines/Forfeits	27,817	377,160	167,171	443,150	230,022	367,023	367,023
Total Revenues	$169,877	$445,857	$253,287	$544,603	$348,772	$556,500	$556,500
Nominal Disbursements							
Personal Services	($42,184)	($74,886)	($74,612)	($74,980)	($99,687)	($60,276)	($61,310)
Operating Expenses	(54,133)	(66,599)	(67,988)	(77,209)	(77,619)	(46,932)	(47,738)
Total Disbursements	($96,317)	($141,485)	($142,599)	($152,189)	($177,306)	($107,208)	($109,048)
Ending Fund Balance							
Cash In Bank	$3,072	$19,571	$26,950	$22,260	$12,337	$20,533	$22,316
Receviables	10,036	17,479	5,522	608	1,087	8,470	9,206
Long Term Notes	2,883,667	2,587,420	2,818,207	3,256,997	3,544,887	3,680,451	4,000,073
STIP Investment	855,500	1,425,079	1,318,793	1,319,268	1,159,967	1,482,456	1,611,198
Libilities	(30,431)	(22,059)	(33,278)	(73,037)	(15,156)	(42,426)	(46,110)
Other	2,337	1,065	3,049	5,559	-	2,930	3,183
Ending Fund Balance	$3,724,182	$4,028,554	$4,139,242	$4,531,656	$4,703,122	$5,152,414	$5,599,866

Statutory Reference

Enabling Legislation: SB 506, 2001 Legislature
Establishment of Fund: 75-25-101, MCA

State Building Energy Conservation Program Accounts
Potential Transfer of up to $1.8 million

Fund Purpose

The State Building Energy Conservation Program (SBECP) is a revolving loan program that funds state agency energy conservation projects and recoups the costs from energy savings realized by the agency. The funds that are recouped are then used for new energy conservation projects in a revolving loan scenario.

The SBECP operates from four accounts: Two state special revenue accounts (including the state energy conservation ARRA account) and two capital projects accounts. When the "revolving loan program" was initiated, it was funded in large part through a grant from the federal government (ARRA) and a transfer from the state general fund. The program has tracked the use of the funds and kept the funds disaggregated based on the initial funding source. The program revenues are deposited into the state special accounts and projects are funded in the capital project accounts.

Revenues

Revenues of the fund are derived from loan payments on energy improvements in state agency facilities.

Use of funds

The funds revolve to fund new energy conservation projects for state agencies.

Available Funds Analysis

SBECP Accounts and Potential Revenue						
	Initially State Funds		Initially Federal Funds		Total Funds	
Beginning Cash Available Balance	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019
02955 State Energy Conservation ARRA Account (STIP Balance)			2,010,155		2,010,155	0
05147 ARRA Energy Conservation Capital Project Account (Fund Balance)			4,650,275		4,650,275	0
02370 Energy Conservation Repayment Account (STIP Balance)	0				0	0
05145 Energy Conservation Capital Proj. Acct. (Fund Balance)	1,097,918	0	0	0	1,097,918	0
Total Program Available Cash Balance	1,097,918	300,456	6,660,430	3,509,921	7,758,348	3,810,377
Account Revenues						
Projected Loans Repayment	372,429	363,667	1,680,614	1,535,722	2,053,043	1,899,389
Appropriations						
HB 2 - SBECP Administration	12,431	12,431	504,784	509,136	517,215	521,567
Long-Range Legislation - 05145 Continued	257,461				257,461	0
Long-Range Legislation - 54147 Continued			1,526,339		1,526,339	0
65th LEG Long-Range Legislation - 05145	900,000				900,000	0
65th LEG Long-Range Legislation - 05147	0	0	2,800,000	0	2,800,000	0
Total Appropriations	1,169,892	12,431	4,831,123	509,136	6,001,014	521,567
Ending Cash Available Balance (8+11-17)	300,456	651,692	3,509,921	4,536,507	3,810,377	5,188,199

In a review of the actual fund balance of the 02 (state special revenue) accounts, it is noted that the fund balances included $18.7 million in assets that are from receivables. The receivables are the value of the outstanding loans and interest and are not cash items. For that reason, the figure above does not include the fund balances for the state special revenue accounts and only provides the amount of money that is invested in short-term investments (STIP) less the account obligations for loan payments.

The following options are included for legislative consideration:

- Transfer the funds from the "initially state funds" account (specifically the FY 2018 balance in the 05145 account of $1.1 million and the $736,096 of projected loan repayments, totaling $1.8 million) to the general fund and fund projects in the "initially federal funds" (05147) account (note: switching funds could result in higher than anticipated project costs due to federal project contracting requirements)
- Create a one biennium "loan payment holiday" for those "loans" repaid with general fund (note: this action would reduce a portion of the projected loan repayments income and the program would need to enter into new contracts with the agency)

Statutory Reference

Establishment of Funds: 90-4-615, MCA - Energy conservation repayment account; 90-4-617, MCA - Energy conservation capital projects account

Legal Note: Because the funds designated as federal funds in the figure above originated from the American Recovery and Reinvestment Act (ARRA), federal laws must be followed in relation to contracting for energy conservation projects. The Department of Energy (DOE) has advised that ARRA funds used to capitalize a revolving loan fund for a building energy conservation program, as Montana did, maintain their federal character "in perpetuity." If the state were to end the revolving fund program, any remaining funds must be used by the state for an eligible purpose or otherwise returned to the DOE. DOE Notice 10-011.

Pending Long-Range Projects
Potential Transfers of up to $26.9 million

The list of projects contained in the figure below includes Long-Range projects that are not currently moving (or are pending). These projects have similar attributes and are included in this green-sheet as potential areas where transfers could be made from the various accounts.

Revenues

The funding associated with these projects were generally transferred into the various capital project funds from the general fund. The only project that was not funded with a general fund transfer is the Southwest Veterans' Home funds, where funding was derived from a distribution of cigarette tax revenue between FY 2010 And FY 2016.

Use of funds

The funds are dedicated to specific projects either in HB 5 or in HB 10.

Available Funds Analysis

Pending LRP Projects and Unused Funds

Prog.	Project	Account	State Funds Cash Balance	Appropriation Balance	Notes	Statutory Reference
Long-Range Building Program (LRBP)						
	SW Veterans' Home (HB 213-2009 and HB 296-2011)	02135	$4,684,954	$5,293,750	*Waiting for federal funding *In fundraising activities	Section 2, Chapter 461, Laws of 2009
	Science & Instruct. Tech Building Addition, MSU-Billings[1] (HB 5-2013)	05007	9,632,912	9,632,912	*In fund raising for project donations	17-7-205
Long-Range IT Program (LRITP)						
	DPHHS - MMIS Project[2] (HB 10-2011)	05135	5,243,831	8,422,963	*Continues in planning phase *Remaining funding in DOA CP Acct. *Some expenditures in FY 2018 *Funds in this account are for a number of DPHHS projects	-
	DOA LRITP Account	05090	7,341,588	3,179,167	*$1.4 million of authority, 3 projects, with no FY 2018 expenditures	-
Total Cash and Appropriations Balance			$26,903,285	$26,528,791		

All data from the beginning of FY 2018

[1]LRBP capital projects fund received a transfer of $10 million for the costs of this project

[2]LRITP capital projects account received a transfer of $3.5 million for the costs of this project

While these projects are pending, in most cases preliminary planning and design work has been done or is in the process for the project. The authority in the figure above represents the balance of the appropriation and funds after the costs of the planning work.

Since the appropriations for these projects are made in long-range bills, the appropriation authority continues until the projects are finished or the funds are completely expended. Were the legislature to transfer fund balance from the accounts, it would be advisable for the 2019 Legislature to reduce the associated appropriations by a like amount. In all cases, transfer of funding may have the effect of eliminating the project. As an alternative, the 2019 Legislature could choose to reimburse the projects for the purpose of project completion. Additionally, the 2017 SS Legislature may want to request that the budget director ask the Long-Range Building Program (LRBP), Department of Administration (DOA), and the Department of Public Health and Human Services (DPHHS) to refrain from spending the impacted appropriations; however the appropriations would remain on the books unless reduced or eliminated by the legislature at some point in time.

Statutory Reference

SW Veterans' home account – 02135: No statutory reference (for SW Veterans' Home transfer)
Long-Range Building Program Capital Projects account – 05007: 17-7-205, MCA (for Science & Instruct. Tech Building Addition funds transfer)
DPHHS capital projects account – 05135: No statutory reference
DOA capital projects account – 05090: No statutory reference

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TSEP Program Funds
Potential Transfer of up to $13.0 million

Fund Purpose

The Treasure State Endowment Program (TSEP), administered by the Department of Commerce, provides grants to local governments for drinking water systems, wastewater treatment facilities, sanitary sewer or storm sewer systems, solid waste disposal and separation systems, and bridges.

Revenues

Revenues of the fund are derived from the interest and income generated from a subtrust of the coal severance tax trust.

Funds and Cash Flow Analysis

TSEP Fund Balance Analysis (09004 and 02270)		
	FY 2018	FY 2019
09044-FY 2018 BFB (no accruals)	$19,482,154	0
02270-FY 2018 BFB (no accruals)	279,812	0
Total Fund Balances	19,761,966	(8,973,601)
Revenues - Interest and Earnings	9,152,242	8,968,435
Expenditures		
HB 2 Administration	649,866	657,920
Emergency and Planning Grants	1,000,000	0
Prior Biennia Grants Accrued	16,565,792	0
2017 Session Grants	19,672,151	0
Total Expenditures	37,887,809	657,920
Projected Ending Fund Balance	($8,973,601)	($663,086)

TSEP Cash Flow Analysis (09004 and 02270)		
	FY 2018	FY 2019
09044-FY 2018 BFB (no accruals)	$19,482,154	0
02270-FY 2018 BFB (no accruals)	279,812	0
Total Fund Balances	19,761,966	18,071,444
Revenues - Interest and Earnings	9,152,242	8,968,435
Expenditures		
HB 2 Administration	649,866	657,920
Emergency and Planning Grants	400,000	600,000
Cash Flow Requirements 2015B	4,078,025	3,738,189
Cash Flow Requirements 2017B	3,944,380	2,510,060
Cash Flow Requirements 2019B	1,770,494	6,295,088
Total Expenditures	10,842,764	13,801,258
Projected Ending Fund Balance	$18,071,444	$13,238,622

The TSEP income account (09044), which initially receives the interest and income from the TSEP subtrust, had a significant balance of $19.5 million at the beginning of the 2019 biennium. The program managers only draw funds from the income account as needed to pay grant costs, which are made on a reimbursement basis. However, the balance in the income account would be required to support the costs of current projects and administrative authority, as seen in the Fund Balance Analysis in the figure above.

TSEP projects take a long time to complete, and there are cases where cost reimbursements have continued for up to 10 years. The program requires that certain tasks (securing funds and a project manager, or start-up conditions) be accomplished by a deadline, which for the grants approved in the 2017 session is September 30, 2020 (15 months after the biennium end). However, once the project meets the start-up conditions it can take years to fully disburse the grant funds. The table above shows a cash flow analysis for the TSEP fund, based on cash flow needs by project and biennium for the past three biennia. This analysis suggests that at the end of the 2019 biennium, the program will have approximately $13.2 million of unused funds.

This cash flow analysis suggests that the legislature could transfer up to $13.2 million of funds from the TSEP income account without the current grants being compromised. However, that transfer would not eliminate existing grants and future commitment to disburse the corresponding grant reimbursements. Should the legislature choose to transfer these funds, the 2019 legislature would have less TSEP funds to appropriate for new grants to local governments, with future revenue into the account needed to make payments for the existing grants.

Statutory Reference

17-5-703, MCA