

TREASURE STATE ENDOWMENT PROGRAM

Program Description

The Treasure State Endowment Program (TSEP) is a local government infrastructure-financing program approved by Montana voters with the passage of Legislative Referendum 110 in June 1992. Grant funding for the program is derived from investment earnings on coal severance tax funds. According to 90-6-702, MCA, the purpose of TSEP is to assist local governments in funding infrastructure projects. Eligible applicants include cities, towns, counties, and tribal governments, county or multi-county water, sewer, or solid waste districts. The TSEP is administered by the Department of Commerce (DOC). The TSEP administrators recommend and the legislature authorizes grants through a procedure that ranks the projects according to seven statutory priorities and relative financial need. Projects are generally funded in priority order, given the amount of interest earnings anticipated in the biennium.

Summary of Legislative Action

The 2015 Legislature appropriated \$18.9 million for TSEP in HB 11 for the 2017 biennium. From the total appropriations, \$4.0 million funds 9 bridge grants, \$13.9 million funds the highest ranked 24 infrastructure grants. Language included in the bill allows infrastructure projects ranked 25 through 27 to be funded if any of the higher ranked projects withdraw their request. Other appropriations in the bill would provide \$100,000 for emergency grants, and \$900,000 for project planning grants. The 2011 Legislature made changes to the TSEP program, requiring bridge projects to be ranked separately from infrastructure projects and limiting the funding for bridge projects to up to 20% of the interest earnings of the Treasure State Endowment trust, which in the 2017 biennium would equal \$4.0 million.

A complete list of the TSEP projects authorized by the Sixty-fourth legislature is seen on the following page. Given the legislature's intent to assess bridges separately, the bridge projects and infrastructure projects are shown by category.

Funding

The fund balance table below shows the projected ending fund balance of the TSEP state special revenue fund for the 2017 biennium. The TSEP fund is estimated to begin the biennium with a fund balance of \$262,532 following adjustments from projects authorized in the 2015 biennium. TSEP interest earnings are expected to be \$19.9 million for the 2017 biennium.

The legislature made several appropriations from the TSEP state special fund. First, \$1.2 million was appropriated for the administrative costs of the program in HB 2. Other appropriations in the TSEP bill are \$1.0 million. Finally, the legislature provided appropriations of \$17.9 million for TSEP grants.

By the end of the 2017 biennium, the TSEP state special fund is expected to have an ending fund balance of \$38,161.

Treasure State Endowment Fund (02270) Fund Balance Projection - 2017 Biennium			
Estimated Beginning Fund Balance (7/01/2015)			(\$116,468)
Changes from Prior Biennium Project Funding			379,000
Revised Estimated Beginning Fund Balance (7/01/2015)			\$262,532
Revenue Projections ¹	<u>2016</u>	<u>2017</u>	<u>Biennium</u>
Interest/Investment Earnings	\$9,835,767	\$10,073,951	\$19,909,718
2017 Biennium Revenues			19,909,718
Expenditures			
Administration - Commerce ²	(602,993)	(602,096)	(\$1,205,089)
Emergency Grants			(100,000)
Infrastructure Planning Grants			(900,000)
Bridge Grants			(3,988,000)
Infrastructure Grants			(13,941,000)
Total Expenditures			(20,134,089)
Estimated Ending Fund Balance - (6/30/2017)			<u>\$38,161</u>
¹ Based on HJ2 estimates			
² HB 2 Appropriations			

HB 11 - Treasure State Endowment Program (TSEP) 2017 Biennium							
	Rank	Applicant	Type of Project	Total Project Cost	Grants Authorized	Cummulative Total	
Bridge Projects	1	Hill County	1 Bridge	\$583,994	\$291,997	\$291,997	
	2	Custer County	2 Bridges	934,794	467,397	759,394	
	3	Sweet Grass County	1 Bridge	607,796	303,898	1,063,292	
	4	Yellowstone County	1 Bridge	1,296,952	648,476	1,711,768	
	5	Valley County	1 Bridge	988,216	494,108	2,205,876	
	6	Madison County	1 Bridge	3,315,499	750,000	2,955,876	
	7	Carbon County	3 Bridges	1,097,923	500,000	3,455,876	
	8	Fergus County	2 Bridges	675,188	337,594	3,793,470	
	9	Chouteau County	1 Bridge	414,381	207,184	4,000,654	
Total TSEP Bridge Projects				\$9,914,743	\$4,000,654	4,000,654	
Infrastructure Projects	1	Fallon County WSD	Wastewater	1,805,000	\$680,000	\$680,000	
	2	Polson, City of	Wastewater	18,989,081	750,000	1,430,000	
	3	Harlowton, City of	Water	1,570,000	750,000	2,180,000	
	4	Havre, City of	Stormwater	2,761,064	500,000	2,680,000	
	5	Bainville, Town of	Water	2,022,747	625,000	3,305,000	
	6	Crow Tribe of Indians	Wastewater	3,949,000	750,000	4,055,000	
	7	East Clark Street W & S District	Wastewater	1,073,700	536,850	4,591,850	
	8	Whitefish, Town of	Wastewater	1,141,000	500,000	5,091,850	
	9	Hysham, Town of	Water	2,598,825	625,000	5,716,850	
	10	Big Sandy, Town of	Water	1,531,823	750,000	6,466,850	
	11	Roundup, City of	Water	1,239,500	500,000	6,966,850	
	12	Laurel, City of	Water	5,487,747	500,000	7,466,850	
	13	Terry, Town of	Wastewater	1,900,000	750,000	8,216,850	
	14	Fromberg, Town of	Wastewater	3,319,000	750,000	8,966,850	
	15	Upper/Lower River Road WSD	Water & Wastewater	742,712	340,000	9,306,850	
	16	Westby, Town of	Wastewater	1,929,000	625,000	9,931,850	
	17	Hot Springs, Town of	Wastewater	895,000	103,000	10,034,850	
	18	Glasgow, City of	Water	7,566,129	500,000	10,534,850	
	19	White Sulphur Springs, City of	Wastewater	2,431,550	750,000	11,284,850	
	20	Lewistown, City of	Wastewater	1,013,300	500,000	11,784,850	
	21	Greater Woods Bay SD	Wastewater	25,600,000	750,000	12,534,850	
	22	Ten Mile Crk/Pleasant Valley SD	Wastewater	3,544,655	500,000	13,034,850	
	23	Thompson Falls, City of	Water	998,000	499,000	13,533,850	
	24	Butte-Silver Bow City/County	Wastewater	813,052	406,523	13,940,373	
	Projects below this line are conditionally recommended if higher ranked projects w ithdraw their grant request						
	25	Flaxville, Town of	Wastewater	1,445,000	625,000	14,565,373	
	26	Conrad, City of	Water	2,284,358	500,000	15,065,373	
27	Dillon, City of	Water	2,559,547	625,000	15,690,373		
Total TSEP Infrastructure Projects				\$101,210,790	\$13,940,373	13,940,373	
Total TSEP Program				\$111,125,533	\$17,941,027	\$17,941,027	

Executive Budget Comparison

The legislature appropriated the TSEP budget in HB 11, whereas the executive initially requested the TSEP budget in HB 5. The executive budget recommended \$18.9 million of appropriations from the interest earnings of the TSEP trust for the 2017 biennium and \$10.4 million of bond proceeds to extend funding to all grant applicants. The legislature appropriated the funding for 9 bridge grants and 24

Program Comparison - Treasure State Endowment Program				
Budget Item	Budget 2015 Biennium	Budget 2017 Biennium	Biennium Change	Biennium % Change
Trust Balance (End of Biennium)	\$245,090,000	\$271,760,000	\$26,670,000	10.9%
Trust Earnings	19,075,659	19,940,000	864,341	4.5%
Budget Item	Executive Budget 2017 Biennium	Legislative Budget 2017 Biennium	Change	% Change
Number of Grants Funded (infrastructure)	40	24	(16)	-40.0%
Number of Grants Funded (bridge)	11	9	(2)	-18.2%
	<u>Proposed</u>	<u>Appropriated</u>		
Infrastructure Grants Cost	\$11,799,510	\$13,941,000	\$2,141,490	18.1%
Bridge Grants Cost	3,988,000	3,988,000	0	0.0%
Other Grants Cost	1,000,000	1,000,000	0	0.0%
Bonded Grants Cost	10,407,568	0	(10,407,568)	-
Total Costs	\$27,195,078	\$18,929,000	(\$8,266,078)	-30.4%
State Special	\$16,787,510	\$18,929,000	\$2,141,490	12.8%
Bond Proceeds	10,407,568	0	(10,407,568)	-
Total Funds	\$27,195,078	\$18,929,000	(\$8,266,078)	-30.4%

infrastructure grants from the interest earnings of the TSEP trust. The legislature chose not to fund additional projects through bonded debt. Total funding for the TSEP program was reduced from the executive budget by \$8.3 million, or 30.4%. The reduction in total funding reduced 18 grant projects recommended by the executive.

Other Legislation

The Sixty-fourth Legislature did not enact any legislation that would directly impact the TSEP program.