

# TREASURE STATE REGIONAL WATER PROGRAM

---

## Program Description

The 1999 Legislature created the treasure state endowment regional water system fund as a new sub-trust within the coal tax permanent trust. The program is administered by the Department of Natural Resources and Conservation (DNRC). The Treasure State Endowment Program Regional Water System (TSEPRW), established in 90-6-715, MCA, was created to:

*“...finance regional drinking water systems that supply water to large geographical areas and serve multiple local governments, such as projects in north central Montana, from the waters of the Tiber reservoir, that will provide water for domestic use, industrial use, and stock water for communities and rural residences that lie south of the Canadian border, west of Havre, north of Dutton, and east of Cut Bank and in northeastern Montana, from the waters of the Missouri River, that will provide water for domestic use, industrial use, and stock water for communities and rural residences that lie south of the Canadian border, west of the North Dakota border, north of the Missouri River, and east of range 39.”*

Two projects that have received federal authorization and now qualify for a match of federal funding are the Fort Peck Indian Reservation/Dry Prairie Regional Water System (Fort Peck/Dry Prairie) and the Rocky Boy’s Indian Reservation/North Central Montana Regional Water System (Rocky Boy’s/NC Montana).

A third project, the Dry-Redwater Regional Water System, would bring water to portions of Garfield, McCone, Richland, Prairie, and Dawson counties. The Dry-Redwater Regional Water Authority was established in FY 2006, and a project feasibility study was completed in FY 2007. A fourth project, the Musselshell-Judith Regional Water System (Central Montana Regional Water Authority), has not qualified for federal funding, but has received program approval from the state. Both of these projects are progressing through planning phases specified by the Department of Interior and could be federally authorized projects within the coming biennium.

The Regional Water Authorities prioritize the construction projects. Each system prioritizes projects based on several criteria but the top three are:

- Need (is there a boil order in the town or an urgent need for the construction)
- Feasibility (can the project move forward this biennium given the Regional Water System infrastructure already in place?)
- Cost & Funding (is the project affordable based on available funds? This is dependent on Federal and State funds and if the local community is prepared to pay their share)

## Program Budget Comparison

The following table summarizes the proposed executive budget for the program by biennium, type of expenditure, and source of funding.

Program Comparison - Treasure State Endowment Regional Water Program				
Budget Item	Budget 2013 Biennium	Budget 2015 Biennium	Biennium Change	Biennium % Change
Trust Balance (End of Biennium)	\$76,396,000	\$91,170,000	\$14,774,000	19.34%
Trust Earnings	5,971,667	6,949,000	977,333	16.37%
Projects Funding	<u>Appropriated</u> \$3,900,000	<u>Proposed</u> \$8,900,000	\$5,000,000	128.21%
<b>Total Costs</b>	<b>\$3,900,000</b>	<b>\$8,900,000</b>	<b>\$5,000,000</b>	<b>128.21%</b>
State Special	\$3,900,000	\$8,900,000	\$5,000,000	128.21%
<b>Total Funds</b>	<b>\$3,900,000</b>	<b>\$8,900,000</b>	<b>\$5,000,000</b>	<b>128.21%</b>

## Program Discussion

The executive budget proposal TSEPRW for the 2015 biennium will be presented in HB 11. As seen in the figure above, the executive proposes project funding of \$8.9 million in the 2015 biennium. The proposal is an increase

# TREASURE STATE REGIONAL WATER PROGRAM

of 128.2% from the 2013 biennium, but it is useful to remember that in the prior biennium, the legislature provided a transfer of \$1.0 million from the TSEPRW funds to the general fund.

A list of the TSEPRW projects, as prioritized by the regional water authorities, that could be funded through the appropriation in the 2015 biennium is seen in the figure to the right. The construction projects listed may change in priority as need, feasibility, and available funds change.

### Funding

The TSEPRW trust is a “sub-trust” of the permanent coal severance tax trust. The corpus of the sub-trust has grown since its formation in 1999 with distributions of 25% of the coal severance tax deposited into the coal tax trust (12.5% of the total coal severance tax). The trust balance is expected to be \$76.4 million by the end of the 2013 biennium and is expected to grow by \$14.8 million by the end of the 2015 biennium. The interest earned from the fund is transferred into the state special revenue fund authorized in Title 90, Section 6, part 7, MCA, to provide a match for federal and local monies for the purpose of developing large water systems.

Treasure State Endowment Regional Water Program Potential Regional Water Projects - 2015 Biennium	
	Estimated Cost (millions)
<b>Regional Water Authority / Proposed construction segment</b>	
<b>Dry Prairie Rural Water</b>	
Medicine Lake-to-Plentywood main line*	\$5.0
East Medicine Lake Phase II (rural connections)*	1.5
Nashua-to-Glasgow main line**	6.0
<b>Total Dry Prairie</b>	<b>\$12.5</b>
<b>North Central MT</b>	
Conrad-to-Brady main line*	\$4.5
Shelby-to-Cut Bank main line**	17.5
Core Pipeline, remaining State share*	0.6
<b>Total North Central MT</b>	<b>\$22.6</b>
<b>Dry-Redwater</b>	
Sidney-to-Lambert interim supply**	\$10.0
Sidney-to-Fairview interim supply**	4.0
<b>Total Dry-Redwater</b>	<b>\$14.0</b>
<b>Musselshell-Judith Gap</b>	
Two production wells at Judith Gap area well field**	\$3.0
550,000 gallon water storage tank**	2.0
Well field-to-Judith Gap main line (5 miles large diameter)**	5.0
Judith Gap-to-Harlowton branch line**	15.0
<b>Total Musselshell-Judith Gap</b>	<b>\$25.0</b>

\* Potential construction segments commencing in FY 2014

\*\* Potential construction segments commencing in FY 2015

TSEP Regional Water System Fund (02015) Fund Balance Projection 2015 Biennium	
Estimated Beginning Fund Balance (7/1/2013)	\$3,084,730
<b>Revenue Projections<sup>1</sup></b>	
2014 Interest Earnings	\$3,295,000
2015 Interest Earnings	<u>3,654,000</u>
<b>2015 Biennium Revenues</b>	<b>6,949,000</b>
<b>Proposed Expenditures</b>	
Administration - DNRC <sup>2</sup>	(174,000)
Regional Water Authority Admin. Grants <sup>2</sup>	(1,169,000)
Grant Appropriation	<u>(8,900,000)</u>
<b>Total Proposed Expenditures</b>	<b>(10,243,000)</b>
Estimated Ending Fund Balance - (6/30/2015)	<u>(\$209,270)</u>

<sup>1</sup>Based on LFD estimates

<sup>2</sup>Based on executive budget proposal HB 2

The figure to the left shows the fund balance calculation for the TSEPRW account for the 2015 biennium. The beginning fund balance is expected to be \$3.1 million at the beginning of the 2015 biennium. The trust earnings are expected to be \$6.9 million, as estimated by the Legislative Fiscal Division (LFD), in the 2015 biennium. Statutorily, the interest earnings of the trust may be used to fund the administrative expenses for the program, and the executive recommendation proposes a DNRC administrative appropriation of \$174,000 and a \$1.2 million grants appropriation for the administrative costs of the four regional water authorities, recommended in the general appropriation act. The appropriation of \$8.9 million is proposed for regional water project matching funds and would be included in HB 11 (note: individual projects are not authorized in this program).

LFD  
ISSUE

**FY 2015 Ending Fund Balance is Estimated to be Negative**

The TSEPRW fund balance is estimated to be significantly negative at the end of the 2015 biennium. The Montana Constitution, Article VIII, Section 9, requires:

*“Appropriations by the legislature shall not exceed anticipated revenue.”*

As illustrated above, the proposed appropriations would exceed the anticipated revenues. Because of this requirement, the Long-Range Planning subcommittee may wish to consider taking actions to provide a positive balance in the TSEPRW fund.