

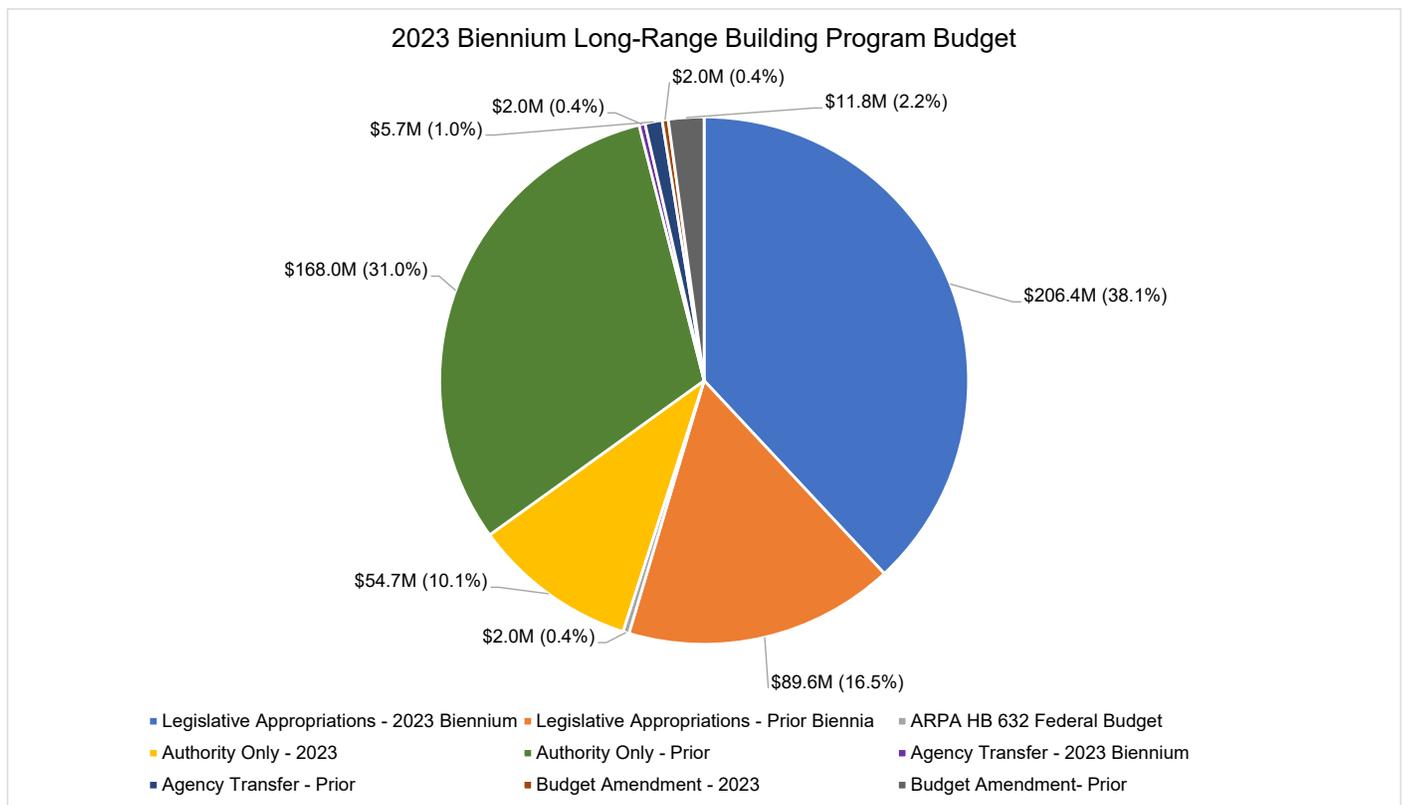
LONG-RANGE BUILDING PROGRAM

PROGRAM SUMMARY

In 1963, the legislature enacted the Long-Range Building Program (LRBP) to provide funding for construction, alteration, repair, and maintenance of state-owned buildings and grounds. The program was developed to present a single, comprehensive, and prioritized plan for allocating state resources for capital construction and repair of state-owned facilities. Historically, the LRBP has been funded with a combination of cash accounts and bonding. The various types of cash accounts include state and federal special revenue funds, other funds (such as university and private funds), and the capital projects funds (long-range building major repairs and capital development accounts). The LRBP is administered by the Department of Administration, Architecture and Engineering Division (A&E).

BUDGET BY TYPE

The following chart shows the different budget types established for the Long-Range Building Program for the 2023 biennium.



Long-Range Building Program Budget Type	2023 Biennium Budget	Prior Biennia Budget	Total
Legislative Appropriations (HB 5 & 14)	206,406,388	89,596,974	296,003,362
ARPA HB 632 Federal Budget	2,050,000	-	2,050,000
Authority Only	54,700,000	168,041,226	222,741,226
Agency Transfer	2,000,000	5,686,654	7,686,654
Budget Amendment	2,000,000	11,768,375	13,768,375
Total	267,156,388	275,093,228	542,249,616

The legislative appropriation is that which is established under HB 5 and 14 for the program. For the 2023 biennium, there was approximately \$206.4 million established for 83 projects. The legislative appropriation for projects approved in prior biennia is about \$89.6 million.

There were two projects authorized in the 2023 biennium funded with federal special revenue from the American Rescue Plan Act (ARPA) section 602 funding, which was appropriated under HB 632:

- A \$1.8 million project to replace the existing sewer treatment facility at the University of Montana’s Flathead Lake Biological Station
- A \$300,000 project for civil infrastructure upgrades to the Office of Public Instruction’s Montana Learning Center sewer collection system

Total budget of approximately \$2.1 million was established for these ARPA HB 632 projects.

The LRBP includes approximately \$54.7 million of projects for the 2023 biennium and \$168.0 million from prior biennia projects that are designated as “authority only”, which is in reference to funds for major construction projects that do not require appropriation, such as university funds, donations, and some internal service funds. Due to the sizable cost of the project and the potential of future costs to the state, those projects must be authorized by the legislature. Of the \$54.7 million in authority established for 2023, \$48.3 million is from university funds, and \$6.4 million is state special revenue from private sources.

Of the \$168.0 million in authority established for prior biennia projects, about \$123.8 million is for university-funded projects, and \$44.2 million is for projects funded with other non-appropriated funds, such as trust funds, enterprise funds, and internal service funds.

Agency transfers are transfers of budget from one agency to another; in this case, this is budget transferred from other agencies to A&E. There was \$2.0 million transferred in the 2023 biennium budget for State Building Energy Conservation Program (SBECP) projects; this budget was appropriated in HB 5, and then the budget was transferred from the Department of Environmental Quality to A&E for SBECP-related expenditure on long-range building projects. For prior biennia projects, \$5.1 million of budget was transferred for SBECP projects authorized in prior biennia. Additionally, \$515,000 of authority was transferred from Department of Military Affairs, and \$120,000 was transferred from the Department of Transportation to A&E.

Budget amendments for the LRBP are used to transfer a completed project’s remaining authority to another approved project within the same agency or for when an agency receives funds that were not available prior to session to be used on an approved project. There was one budget amendment, establishing \$2.0 million of federal special revenue authority, for the Butte-Silver Bow Readiness Center, which was authorized for the 2023 biennium. For prior biennia projects, budget amendments established approximately \$5.5 million of authority

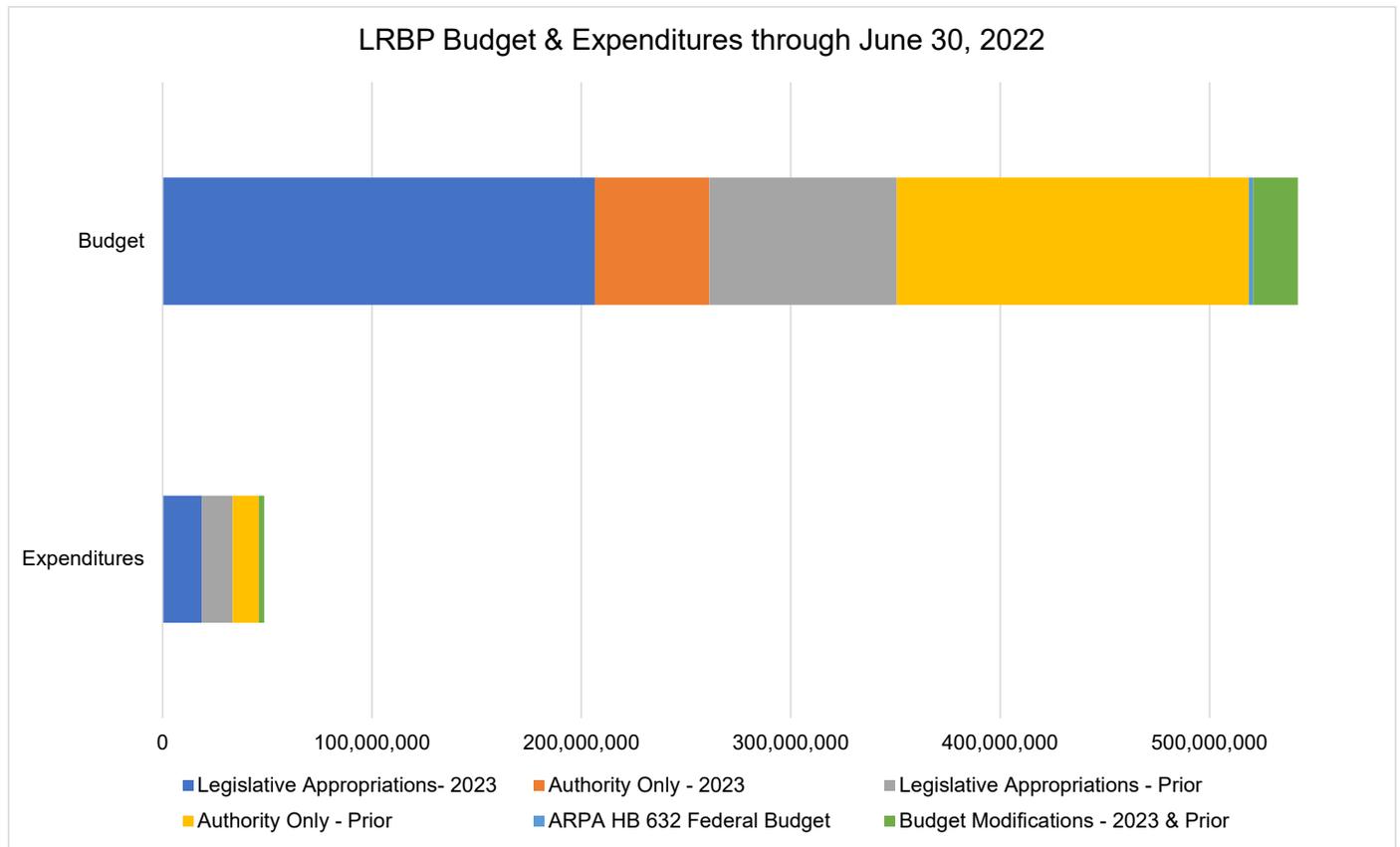
for A&E; there was also \$6.3 million of budget amendment authority transferred from A&E to the University of Montana for expenditure for the Museum of Arts and Culture.

Additionally, the LRBP program has administrative authority, which is not included in the pie chart, as it is not an appropriation. Administrative authority occurs when an agency allows A&E to expend funding, but the authority remains with the original agency. These projects are primarily related to planning and repair; for example, in the 2021 biennium, the Montana School for Deaf and Blind (MSDB) and the A&E signed an agreement, allowing A&E to expend up to \$141,000 to reroof campus cottages. If additional funding was needed for that project, A&E would have to work with the MSDB to come up with an agreement to either spend more of MSDB's authority or decrease the scope of the project.

For the 2023 biennium, \$46.8 million of this administrative authority was established for 2023 biennium LRBP projects, and \$57.3 million of budget was established for projects from prior biennia. There was also approximately \$25.7 million of administrative authority established, related to projects funded with federal COVID-19 funding.

2023 BUDGET & EXPENDITURES

The following chart and table show the 2023 budget for the LRBP program, as well as expenditures through June 30, 2022 (fiscal year-end).



LRBP 2023 Biennium Project Appropriations and Expenditures through June 30, 2022				
Item	Budget	Expenditures	Balance	% Expended
Legislative Appropriations - 2023 Biennium	206,406,388	18,903,507	187,502,881	9.2%
Legislative Appropriations - Prior Biennia	89,596,974	14,412,646	75,184,328	16.1%
ARPA HB 632 Federal Budget	2,050,000	77,627	1,972,373	3.8%
Authority Only - 2023	54,700,000	53,402	54,646,599	0.1%
Authority Only - Prior	168,041,226	12,605,291	155,435,935	7.5%
Budget Modifications - 2023 & Prior	21,455,029	2,558,253	18,896,776	11.9%
Total Appropriations/Expenditures	542,249,616	48,610,725	493,638,891	9.0%

The budget shown in the chart and table is that which was included in the pie chart in the previous section of this report. The budget modifications category includes both agency transfers and budget amendments.

In FY 2022, \$18.9 million was expended from the 2023 biennium legislative appropriations of \$206.4 million. Approximately \$12.2 million of that expenditure was for the Montana Heritage Center. For prior biennia, approximately \$14.4 million was expended in FY 2022 for 53 projects.

For “authority only” funded projects, \$53,000 was expended for 2023 biennium projects; for projects authorized in prior biennia, funded with “authority only”, approximately \$12.6 million was expended in FY

2022. Included in this expenditure was \$5.3 million of university funding for the Montana State University's American Indian Student Center.

For the administrative authority previously described, approximately \$3.4 million of the 2023 budget was expended, including both actual expenditures and accruals for future expenditures. For prior biennia projects, \$22.6 million of administrative authority was expended or accrued.

In total, approximately \$48.6 million of budget, excluding administrative appropriations, was expended for LRBP projects in FY 2022.

FUND BALANCES

Major Repairs Account

The following table shows the fund balance for the major repairs account; it includes actuals for FY 2022 and projections for FY 2023. The LRBP major repairs account is the primary source of funding for the major maintenance of general fund supported buildings in the state building program. The ending fund balance is shown to be negative \$2.2 million at the end of the 2023 biennium, based upon the 2021 session HJ 2 revenue estimate for FY 2023. With actual coal severance tax revenues significantly exceeding HJ 2 estimates in FY 2022, and continuing strong revenues to date in FY 2023, the actual ending fund balance for the biennium will likely improve. The account will never actually go negative, but instead a negative or positive ending fund balance will subtract or add to the new revenues available for appropriation in the 2025 biennium.

LRBP Major Repairs Account Fund Balance Analysis - 2023 Biennium					
Account 05007					
	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Projected	2023 Bien. Projected
Beginning Fund Balance	20,784,497	18,071,672	12,395,792	21,235,807	12,395,792
Adjustments to Fund Balance				<u>32,529</u>	
				21,268,336	
Revenues ¹					
Cigarette Tax	\$1,555,542	\$1,603,680	\$1,613,814	\$1,493,584	\$3,107,398
Coal Severance Tax	5,413,782	4,759,726	7,987,649	3,738,443	11,726,092
Interest Earnings	380,463	28,240	43,645	64,913	108,557
Supervisory Fees	77,261	477,104	117,422	288,186	405,608
Energy Savings Transfer	(120,252)	0	0	111,000	111,000
HB 2 Major Repairs Transfers ²	<u>11,500,000</u>	<u>432,000</u>	<u>8,589,879</u>	<u>8,941,581</u>	<u>17,531,460</u>
Total Revenues	18,806,797	7,300,750	18,352,409	14,637,707	32,990,116
Expenditures					
Operating Costs-A & E Division ³	2,292,121	2,250,000	2,172,339	2,417,763	4,590,102
Prior Biennia Projects ³	19,214,890	10,726,630	4,077,333	11,280,118	15,357,451
APRA-Ineligible Projects ⁴			778,210	5,931,790	6,710,000
2023 Biennium Projects	<u>0</u>	<u>0</u>	<u>2,484,513</u>	<u>18,408,200</u>	<u>20,892,713</u>
Total Expenditures/Appropriations	21,507,011	12,976,630	9,512,395	38,037,871	47,550,265
Estimated Ending Fund Balance	\$18,084,284	\$12,395,792	\$21,235,807	(\$2,164,357)	(\$2,164,357)
¹ HJ2 Projections					
² Beginning in the 2023 Biennium - HB 2 Appropriated Transfer					
³ HB 2					
³ Assumes all appropriation authority is expended in FY 2021					
⁴ There were 7 projects not eligible for ARPA funds; HB 632, section 34(1) re-establishes appropriation in the MR fund for that is how it was funded in the introduced version of HB5.					

The negative fund balance is largely a result of projects to be funded with ARPA funds that were later determined to be ineligible under the final federal guidance. There were seven projects, about \$6.7 million of expenditures, that were planned to be funded with ARPA section 604 funding; however, the projects were determined to be ineligible. Therefore, per HB 632 section 34(1), the appropriations were re-established in the major repairs account since that's how they were funded in the introduced version of HB 5.

Actual revenues for cigarette tax and coal severance tax both were higher than HJ 2 projections in FY 2022. HJ 2 projections are used for the revenue projections for FY 2023. Actual revenue collections may be different than those projections, which can affect the 2023 ending fund balance.

Capitol Land Grant Account

Capitol land grant (CLG) revenues, derived from trust lands designated in the Enabling Act for the state capitol complex, are used as a source of LRBP funding for capitol projects. Funding from this source may only be used for projects on the Montana Capitol Complex (10-mile radius from the Montana Capitol building) per the requirements of the Enabling Act. There is projected to be a negative ending fund balance of \$922,000 at the end of the 2023 biennium. As mentioned previously, the account will never actually go negative, but instead the negative balance indicates an imbalance between the projected revenues and total appropriation authority in the account.

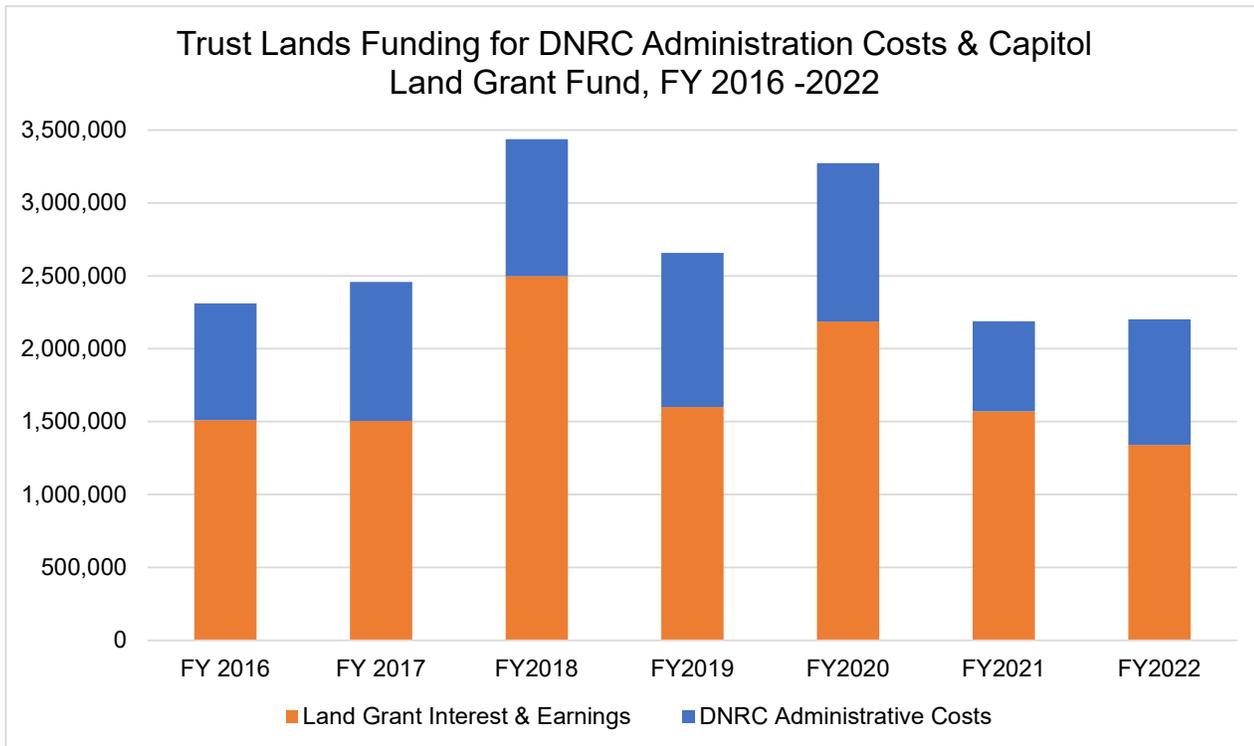
Capitol Land Grant Account Fund Balance Analysis - 2023 Biennium					
Account 05008					
	FY 2020 Actual	FY 2021 Actual	FY 2022 Projected	FY 2023 Projected	2023 Bien. Projected
Beginning Fund Balance	\$4,873,931	\$5,508,966	\$5,777,027	\$4,941,699	\$5,777,027
Revenues ¹					
Land Grant Interest & Earnings	<u>2,187,043</u>	<u>1,569,827</u>	<u>1,341,034</u>	<u>1,939,231</u>	<u>3,280,266</u>
Total Revenues	2,187,043	1,569,827	1,341,034	1,939,231	3,280,266
Expenditures					
Prior Biennia Projects	1,552,008	1,292,787	539,101	6,132,455	6,671,556
Fund Balance Adjustment		8,978	(7,576)		(7,576)
2023 Biennium HB 5 Projects	<u>0</u>	<u>0</u>	<u>1,644,838</u>	<u>1,670,663</u>	<u>3,315,500</u>
Total Expenditures/Appropriations	1,552,008	1,301,765	2,176,362	7,803,118	9,979,480
Estimated Ending Fund Balance	\$5,508,966	\$5,777,027	\$4,941,699	(\$922,187)	(\$922,187)
¹ HJ 2					

Actual revenues in FY 2022 totaled approximately \$1.3 million, which was \$474,000 less than HJ 2 projections. For FY 2023, the HJ 2 revenue projection is about \$1.9 million. Actual revenue collections may be different than those projections, which can affect the 2023 ending fund balance.

Revenues in the account are primarily derived from commodity leases on state trust lands designated in the Enabling Act. Revenue is transferred into the capitol land grant account from the trust land administration account, in accordance with 77-1-109, MCA. Additionally, in accordance with 77-1-108, MCA, a portion of the funding in the account is utilized by the Department of Natural Resources and Conservation (DNRC) for the

costs of administering state trust lands, including the cost of managing assets, including but not limited to real property and monetary assets. Over the last seven fiscal years, administration costs have averaged 34.5% of capitol land grant revenues, varying from 27.4% to 39.8% over that timeframe.

Given the volatility of commodity prices, revenues can vary from year to year, as shown in the following chart that includes the capitol land grant funding, as well as the DNRC’s funding for administration costs. The decline in FY 2022 compared to HJ 2 projection was primarily due to lower timber sales than was projected on these lands.



Capital Development Account

The following table shows the projected capital development (CD) account fund balance for the 2023 biennium.

Capitol Development Account Fund Balance Analysis - 2023 Biennium					
Account 05031					
	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Projected	2023 Bien. Projected
Beginning Fund Balance	\$0	\$0	\$228,302,398	\$342,636,957	\$228,302,398
Revenues					
Transfers from BSA - 8/2020	0	4,702,398	0	0	0
HB 2 Capital Development Transfer	0	0	0	0	0
HB 14 GF Transfer	0	58,600,000	0	0	0
SB 191 GF Transfer	0	165,000,000	0	0	0
BOI Investment Earnings	0	0	973,473	0	973,473
Transfers from BSR	<u>0</u>	<u>0</u>	<u>115,084,337</u>	<u>259,689,133</u>	<u>374,773,470</u>
Total Revenues	0	228,302,398	116,057,810	259,689,133	375,746,943
Expenditures					
Prior Biennia Projects	0	0	0	0	0
2023 Biennium Projects	0	0	1,691,284	76,412,509	78,103,792
Unissued Bond Reserve ¹	0	0	0	22,548,000	22,548,000
Non-qualifying ARPA 604 Projects ²	<u>0</u>	<u>0</u>	<u>31,968</u>	<u>37,468,032</u>	<u>37,500,000</u>
Total Expenditures/Appropriations	0	0	1,723,251	136,428,541	138,151,792
Estimated Ending Fund Balance	\$0	\$228,302,398	\$342,636,957	\$465,897,549	\$465,897,549
¹ This amount is not established as an appropriation in the account but is listed here to reserve the funds for the time that would offset bond authorization per the requirements of SB 191.					
² These projects were authorized in HB 632, but were found to be ineligible for federal funding under ARPA Sec. 604. In accordance with HB 632 Section 34, as these projects were found to be ineligible, the appropriation was established in the capital developments account.					

As seen in this figure, in FY 2022, the CD account received an overflow transfer of \$115.1 million from the budget stabilization reserve fund in FY 2022, as well as approximately \$973,000 of investment earning revenue, bringing total revenues in FY 2022 to approximately \$116.0 million.

In terms of FY 2022 expenditures, approximately \$1.7 million was expended for projects authorized during the 2021 session under HB 5 and 14. This included \$548,000 of expenditures for the Montana Department of Livestock/Department of Agriculture combined veterinarian diagnostic and agricultural laboratories, as well as \$854,000 for the Montana State University's Montana Agricultural Experiment Stations' (MAES) greenhouse laboratory.

Additionally, there were seven projects originally authorized in HB 14 that, in accordance with HB 632, were to be funded with American Rescue Plan Act (ARPA) section 604 federal funding, provided that those projects were found to be eligible by the Department of Treasury. Those projects were determined to be ineligible; HB 632, section 34(2), specifies that for those projects found to be ineligible, that a like portion of the funding for the projects shall be appropriated from the capital development account. For those projects, approximately

\$32,000 of capital development funding was expended in FY 2022 for the Department of Revenue's liquor warehouse expansion project.

In accordance with 17-7-130(5), MCA, when the budget stabilization reserve fund is full, a portion of the excess general fund revenue flows to the capital development fund.¹ As mentioned, in FY 2022, there was a transfer of general funds to the capital development fund of approximately \$115.1 million, and in August of FY 2023, there was an additional transfer of \$259.7 million.

For FY 2023 projected expenditures, there is continuing authority for the projects that were authorized in the 2023 biennium, as well as the projects that were ineligible for the ARPA section 604 funding. In addition, the CD fund balance analysis includes \$22.5 million of expenditures for unissued bond reserve is for bonds that have been authorized previously but not issued. In accordance with 17-7-209, MCA, which was revised during the 2021 session under SB 191, funds in excess of the amount needed for appropriations of the capital fund type must be used to delay, forego, or reduce the amount of an issuance of bonds authorized by the legislature. Therefore, the obligation for unissued bonds that have been authorized in prior legislative sessions are included for the capital development fund. The exact date of expenditure is unknown and will be dependent upon criteria that would have triggered issuance of the original bond authorizations, such as federal authorization related to the Fort Belknap water compact with associated state bond authority of \$9.5 million.

The current estimated ending fund balance is projected to be approximately \$465.9 million.

¹ For more information about FYE 2022 general fund revenues and transfers, please see the Legislative Fiscal Division's FYE 2022 Overview report: <https://leg.mt.gov/content/Publications/fiscal/2023-Interim/LFC/FYE2022-Report-FINAL.pdf>