

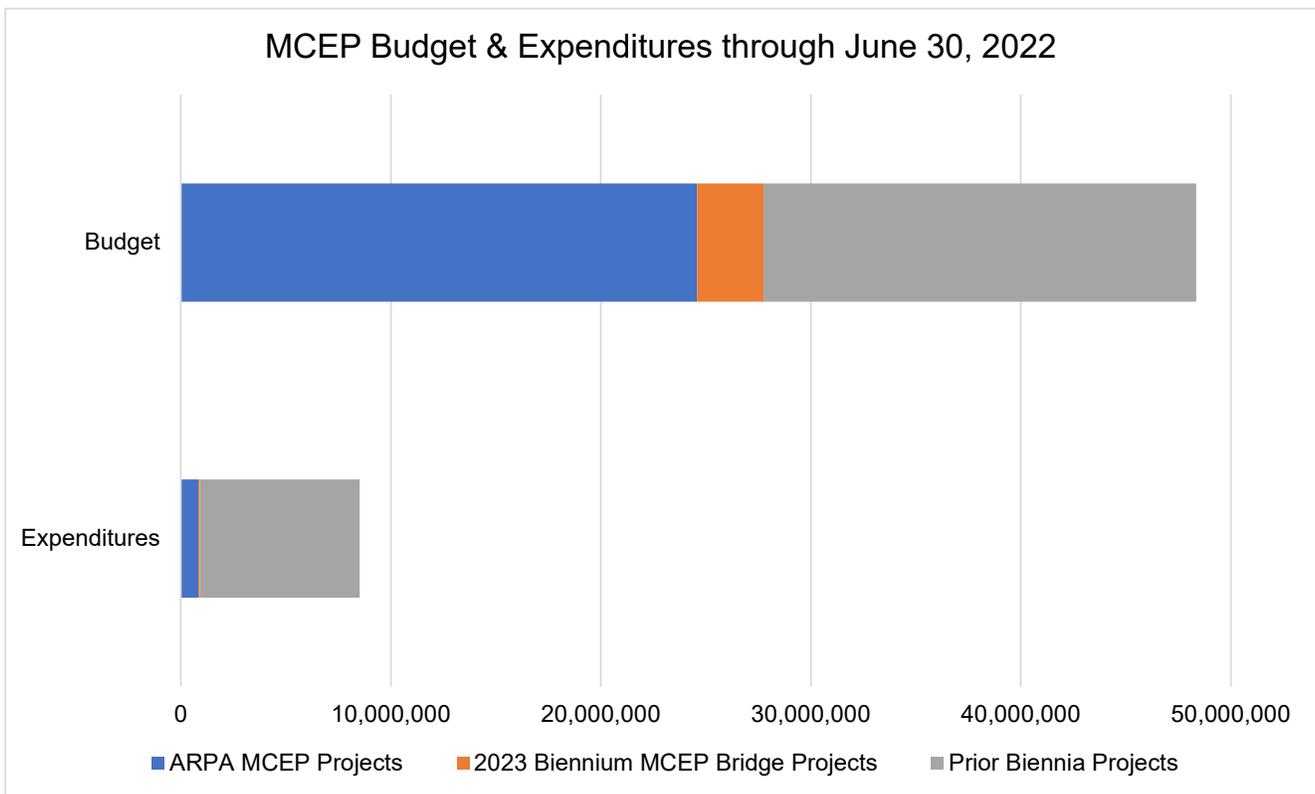
# MONTANA COAL ENDOWMENT PROGRAM

## PROGRAM SUMMARY

Formerly known as the Treasure State Endowment Program (TSEP), the Montana Coal Endowment Program (MCEP) is a local government infrastructure 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 MCEP 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 MCEP is administered by the Department of Commerce. The MCEP administrators recommend and the legislature authorizes grants through a process 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.

## BUDGET & EXPENDITURES

The following chart and table show 2023 biennium MCEP budget and expenditures for FY 2022 through June 30, 2022 (fiscal year-end).



MCEP Budget and Expenditures through June 30, 2022					
Item	Appropriations		Expenditures	Balance	% Expended
	HB 11, 14 & 632				
ARPA MCEP Projects	24,577,698		830,806	23,746,892	3.4%
2023 Biennium MCEP Bridge Projects	3,169,451		62,253	3,107,198	2.0%
Prior Biennia Projects	17,629,154		7,625,973	10,003,181	43.3%
Total Appropriations/Expenditures	45,376,303		8,519,031	36,857,272	18.8%

For the 2023 biennium, there were seven bridge projects authorized under HB 11 with a budget of \$3.2 million. There was approximately \$62,000 of expenditures for these projects.

Under HB 632, approximately \$24.6 million of budget was established for MCEP projects, funded with federal American Rescue Plan Act (ARPA) funds. This budget includes: \$9.9 million of water and wastewater projects that were originally requested under HB 11; \$13.7 million of water, wastewater, and stormwater projects that were originally requested under HB 14; as well as \$100,000 for emergency grants and \$900,000 for planning grants. Approximately \$831,000 was expended in FY 2022; however, 100 projects have been awarded, including 62 planning grants and 40 water, wastewater, and stormwater grants. One project was awarded, but withdrawn. Contracts are being executed on an ongoing basis.

For projects authorized from prior biennia, \$17.6 million of remaining budget authority was established at the beginning of FY 2022. Approximately \$7.6 million of that prior biennia budget was been expended in FY 2022. A total of approximately \$5.5 million of expenditures were for projects authorized previously under HB 11, including \$5.4 million for 28 infrastructure projects, \$10,000 for a prior emergency grant, and \$148,000 for 13 prior planning grants. Expenditures of \$2.1 million for 17 water and wastewater projects authorized under HB 652 during the 2019 legislative session were made through the end of June.

## FUND BALANCE

The following chart shows the projected MCEP fund balance, based on FY 2022 actuals and FY 2023 projections.

MCEP Fund Balance Analysis - 2023 Biennium					
Accounts 09044 and 02270					
	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Projected	2023 Bien.
Beginning Fund Balances (09044 and 02270)	\$13,274,368	\$13,614,310	\$15,061,556	\$17,845,460	\$15,061,556
Adjustment to Grant Funding	0	0	0	0	0
Beginning Fund Balances	\$13,274,368	\$13,614,310	\$15,061,556	\$17,845,460	\$15,061,556
Trust Earnings <sup>1</sup>	9,252,925	8,924,386	9,076,714	7,411,664	16,488,378
Expenditures					
HB 2 TSEP Administration <sup>2</sup>	654,787	618,539	697,526	820,240	1,517,766
Emergency Grants	30,000	25,397		0	0
Project Planning Grants	102,496	519,775		431	431
2021 Biennium & Prior Biennia Grants	8,125,700	6,313,430	5,548,188	8,950,380	14,498,568
2023 Biennium Grants	0	0	62,253	3,107,198	3,169,451
Total Expenditures/Appropriations	8,912,983	7,477,141	6,292,810	12,878,250	19,171,060
Projected Ending Fund Balance	\$13,614,310	\$15,061,556	\$17,845,460	\$12,378,875	\$12,378,875

<sup>1</sup>HJ 2 Projections

<sup>2</sup>HB 2

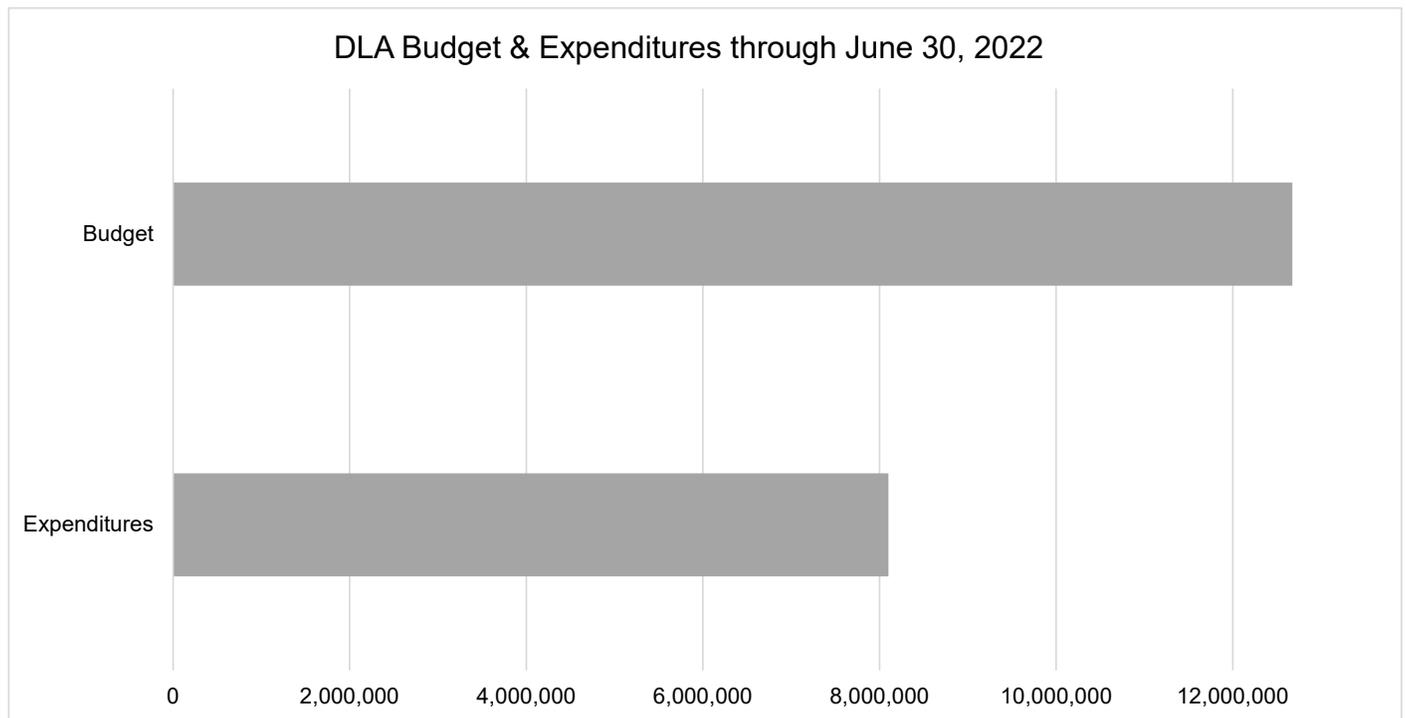
The main impact to the fund balance in the 2023 biennium is the use of the ARPA funds for the water and wastewater infrastructure, emergency, and planning expenditures. Revenues from investment earnings were also approximately \$921,000 greater than HJ 2 projections in FY 2022; FY 2023 revenue is estimated to be approximately \$7.4 million in HJ 2 (2021).

The projected fund balance at the end of the 2023 biennium is approximately \$12.4 million. As a result, in the 2023 legislative session there will be a larger than normal beginning fund balance available for appropriation in addition to the typical biennial revenue streams.

**DELIVERING LOCAL ASSISTANCE PROGRAM**

The Delivering Local Assistance Program (DLA) was a one-time-only local government infrastructure financing program, appropriated in HB 652 for the 2021 biennium, to provide funding for grants to local governments for infrastructure and school facility projects. The program is administered by the Department of Commerce.

The following chart and table show the budget that was established for the projects that was continued from the prior biennium, as well as the expenditures of those funds through June 30, 2022.



<b>Delivering Local Assistance (DLA) Budget and Expenditures through June 30, 2022</b>				
Item	Budget	Expenditures	Balance	% Expended
DLA - Prior Biennium	12,674,610	8,100,237	4,574,374	63.9%
<b>Total Appropriations/Expenditures</b>	<b>12,674,610</b>	<b>8,100,237</b>	<b>4,574,374</b>	<b>63.9%</b>

Of the approximately \$12.7 million of budget established for those prior biennium projects from remaining budget, approximately \$8.1 million or 63.9% of the budget was expended through fiscal year-end 2022.

Approximately \$5.6 million of the expenditures were for 20 school district facility projects, and \$2.5 million was expended for 12 local government infrastructure projects.