

# MONTANA COAL ENDOWMENT PROGRAM

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## Program Description

The Montana Coal Endowment Program (MCEP), administered by the Department of Commerce (DOC), is a state infrastructure finance program approved by Montana voters with the passage of Legislative Referendum 110 in June 1992. Grant funding for the program is derived from the interest earnings of the Montana Coal Endowment Trust. The executive recommendation for MCEP grants is contained in HB 11.

According to 90-6-702, MCA, the purpose of MCEP is to assist local governments in funding infrastructure projects that will:

- Create jobs for Montana residents
- Promote economic growth in Montana by helping to finance the necessary infrastructure
- Encourage local public facility improvements
- Create a partnership between the state and local governments to make necessary public projects affordable
- Support long-term, stable economic growth in Montana
- Protect future generations from undue fiscal burdens caused by financing necessary public works
- Coordinate and improve infrastructure financing by federal, state, local government, and private sources
- Enhance the quality of life and protect the health, safety, and welfare of Montana citizens

Infrastructure projects include drinking water systems, wastewater treatment facilities, sanitary sewer or storm sewer systems, solid waste disposal and separation systems, and bridges. The maximum grant award is \$750,000. Bridge projects are limited in the program to awards of up to 20.0% of the interest earnings from the MCEP trust in 90-6-710, MCA. As a result, the MCEP projects will be provided in two sections, one for bridge projects and another for infrastructure projects.

Eligible applicants include cities, towns, counties, tribal governments, consolidated local governments, county or multi-county water, sewer or solid waste districts, and other authorities as defined in 75-6-304, MCA. MCEP applications are submitted to the DOC on a biennial basis where they are evaluated according to seven statutory priorities. The seven statutory priorities focus on projects that:

- Solve urgent and serious public health or safety problems or that enable local governments to meet state or federal health or safety standards
- Reflect greater need for financial assistance than other projects
- Incorporate appropriate, cost-effective technical design and provide thorough, long-term solutions to community public facility needs
- Reflect substantial past efforts to ensure sound, effective, long-term planning and management of public facilities and that attempt to resolve the infrastructure problem with local resources
- Enable local governments to obtain funds from sources other than MCEP
- Provide long-term, full-time job opportunities for Montanans, provide public facilities necessary for the expansion of a business that has a high potential for financial success, maintain the tax base or encourage expansion of the tax base
- Are high local priorities and have strong community support

# MONTANA COAL ENDOWMENT PROGRAM

## Program Budget Comparison

Figure 11 summarizes the proposed executive budget for the program by biennium, type of expenditure, and source of funding.

Figure 11

Program Comparison - Montana Coal Endowment Program				
Budget Item	Budget 2023 Biennium	Budget 2025 Biennium	Biennium Change	Biennium % Change
Budget Item	<u>Appropriated</u>	<u>Proposed</u>	<u>Change</u>	<u>% Change</u>
Number of Grants Funded (infrastructure)	41	40	(1)	-2.4%
Number of Grants Funded (bridge)	7	11	4	57.1%
Infrastructure Grants Cost	\$23,577,698	\$23,843,500	\$265,802	1.1%
Bridge Grants Cost	3,169,451	6,176,213	3,006,762	94.9%
Other Grants Cost	1,000,000	1,000,000	0	0.0%
<b>Total Costs</b>	<b>\$27,747,149</b>	<b>\$31,019,713</b>	<b>\$3,272,564</b>	<b>11.8%</b>
State Special	3,169,451	31,019,713	27,850,262	878.7%
Bond Proceeds	0	0	0	0.0%
ARPA 9901-602 (HB 632)	24,577,698	0	(24,577,698)	0.0%
<b>Total Funds</b>	<b>\$27,747,149</b>	<b>\$31,019,713</b>	<b>\$3,272,564</b>	<b>11.8%</b>

## Executive Proposal

Figure 11 shows the executive proposal for appropriations of \$31.0 million for the 2025 biennium MCEP grants program, an 11.8% increase from the appropriations provided for the 2023 biennium. For the 2025 biennium, the MCEP program is requested in HB 11. The program funding is requested as follows:

- MCEP emergency grants appropriation of \$100,000
- MCEP project planning grants appropriation of \$900,000
- MCEP bridge grants appropriation of \$6.2 million
- MCEP infrastructure project grant appropriation of \$23.8 million

A complete list of the requested MCEP bridge and infrastructure projects, including the total project cost, and the recommended grant amount may be seen in appendix A-11 of this report. The details behind the grants requested for the 2025 biennium MCEP program along with a status of grants awarded in the 2023 biennium are presented in Vol. 4 of the Governor’s Executive Budget.

## Funding

The MCEP administrative costs and grant appropriations are funded with the interest earnings from a coal severance tax endowment trust. The MCEP trust is a “sub-trust” of the permanent coal severance tax trust. The corpus of the sub-trust is fixed at \$268.0 million. The interest earned from the trust is transferred into the state special revenue fund authorized in 90-6-701, MCA.

## MONTANA COAL ENDOWMENT PROGRAM

Figure 12

MCEP Fund Balance Analysis - 2025 Biennium Accounts 09044 and 02270					
	FY 2022 Actuals	FY 2023 Projected <sup>3</sup>	FY 2024 Projected	FY 2025 Projected	2025 Bien.
Beginning Fund Balances	\$15,061,556	\$17,830,303	\$15,762,223	(\$4,337,029)	\$15,762,223
Fund Balance Adjustment		\$15,156			
Trust Earnings <sup>1</sup>	9,076,714	10,795,013	11,722,290	12,306,782	24,029,072
Expenditures					
HB 2 MCEP Administration <sup>2</sup>	697,526	820,240	801,829	805,927	1,607,756
Emergency Grants			100,000	0	100,000
Project Planning Grants		431	900,000	0	900,000
Prior Biennia Grants	5,548,188	8,950,380	0	0	0
2025 Biennium Grants	<u>62,253</u>	<u>3,107,198</u>	<u>30,019,713</u>	<u>0</u>	<u>30,019,713</u>
Total Expenditures/Appropriations	6,307,967	12,878,249	31,821,542	805,927	32,627,469
<b>Projected Ending Fund Balance</b>	<b>\$17,830,303</b>	<b>\$15,762,223</b>	<b>(\$4,337,029)</b>	<b>\$7,163,826</b>	<b>\$7,163,826</b>
<sup>1</sup> HJ 2 Projections					
<sup>2</sup> HB 2					
<sup>3</sup> Assumes all appropriation authority is expended in FY 2023					

Figure 12 shows the projected ending fund balance of the Montana coal endowment state special revenue account for the 2025 biennium. The MCEP account is projected to begin the 2025 biennium with a balance of \$15.8 million. In the 2023 biennium, eligible water and wastewater infrastructure projects proposed for funding under the MCEP program were funded with federal American Rescue Plan Act (ARPA) funding rather than utilizing the investment earnings in the MCEP fund. This allowed for there to be a higher beginning fund balance for the 2025 biennium. For more information on trust earnings, refer to page F-5 of this report.

MCEP interest and earnings are projected to be \$24.0 million in the 2025 biennium. The executive budget proposal recommends several appropriations from the MCEP state special fund. First, there is a recommendation for appropriations of \$1.6 million for the administrative costs of the program in HB 2. Appropriations from the MCEP account that are requested in HB 11 include \$100,000 for the emergency grants program and \$900,000 for project planning grants. The total account costs of the infrastructure project grants are \$30.0 million. As a result, the fund is estimated to have a fund balance of \$7.2 million at the end of the 2025 biennium.

Montana Coal Endowment Program (MCEP)  
HB 11 - 2025 Biennium, Proposed

Rank	Applicant	County	Type of Project	Total Project Cost	Grant Requested	Cumulative Total
<u>HB 11 - Bridge Program</u>						
1	Beaverhead County	Beaverhead	Bridge	\$1,834,038	\$750,000	\$750,000
2	Yellowstone County	Yellowstone	Bridge	1,864,767	750,000	1,500,000
3	Lewis & Clark County	Lewis & Clark	Bridge	759,860	379,930	1,879,930
4	Big Horn County	Big Horn	Bridge	1,439,081	500,000	2,379,930
5	Park County	Park	Bridge	599,244	299,622	2,679,552
6	Gallatin County	Gallatin	Bridge	1,889,294	750,000	3,429,552
7	Broadwater County	Broadwater	Bridge	1,814,491	750,000	4,179,552
8	Petroleum County	Petroleum	Bridge	620,420	465,300	4,644,852
9	Wibaux County	Wibaux	Bridge	1,383,700	691,350	5,336,202
10	Madison County	Madison	Bridge	998,922	499,461	5,835,663
11	Stillwater County	Stillwater	Bridge	684,100	340,550	6,176,213
Total HB 11 Bridge Projects				\$13,887,917	\$6,176,213	
<u>HB 11 - Infrastructure Program</u>						
1	Cascade, Town of	Cascade	Wastewater	3,091,000	625,000	625,000
2	Havre, City of	Hill	Water	8,355,390	500,000	1,125,000
3	Dodson, Town of	Phillips	Water	3,250,300	500,000	1,625,000
4	Thompson Falls, City of	Sanders	Water	5,523,000	750,000	2,375,000
5	Twin Bridges, Town of	Madison	Water	2,040,000	750,000	3,125,000
6	Dutton, Town of	Teton	Water	4,079,000	625,000	3,750,000
7	Geraldine, Town of	Choteau	Water	2,643,000	500,000	4,250,000
8	Wolf Point, City of	Roosevelt	Wastewater	2,400,000	625,000	4,875,000
9	Forsyth, City of	Rosebud	Water	4,630,258	500,000	5,375,000
10	Saco, Town of	Phillips	Wastewater	1,695,000	500,000	5,875,000
11	Troy, City of	Lincoln	Water	1,555,000	750,000	6,625,000
12	Choteau, City of	Teton	Water	7,767,856	625,000	7,250,000
13	Craig County Water & Sewer District	Lewis & Clark	Wastewater	800,000	400,000	7,650,000
14	Red Lodge, City of	Carbon	Wastewater	1,325,000	500,000	8,150,000
15	Superior, Town of	Mineral	Wastewater	4,824,295	750,000	8,900,000
16	Libby, City of	Lincoln	Wastewater	2,363,000	460,000	9,360,000
17	Corvallis Sewer District	Ravalli	Wastewater	1,123,210	500,000	9,860,000
18	Shelby, City of	Toole	Wastewater	889,000	444,500	10,304,500
19	Hot Springs, Town of	Sanders	Wastewater	4,111,000	750,000	11,054,500
20	Hideaway Community County Water & Sewer District	Flathead	Wastewater	1,373,378	750,000	11,804,500
21	Belt, Town of	Cascade	Water	2,855,000	500,000	12,304,500
22	Bigfork Water & Sewer District	Flathead	Wastewater	4,115,000	500,000	12,804,500
23	Martinsdale Water & Sewer District	Meagher	Water	1,998,000	750,000	13,554,500
24	Victor WSD	Ravalli	Wastewater	1,283,000	500,000	14,054,500
25	Cooke Pass/Cooke City/Silvergata Co Sewer District	Park	Wastewater	3,933,186	750,000	14,804,500
26	Absarokee Water & Sewer District	Stillwater	Water	1,446,000	500,000	15,304,500
27	Boulder, City of	Jefferson	Water	2,458,000	500,000	15,804,500
28	Richey, Town of	Dawson	Water	1,850,000	500,000	16,304,500
29	Circle, Town of	McCone	Water	2,000,000	625,000	16,929,500
30	Kalispell, City of	Flathead	Water/Wastewater	2,104,695	750,000	17,679,500
31	Lockwood Water & Sewer District	Yellowstone	Water	3,010,000	750,000	18,429,500
32	Philipsburg, Town of	Granite	Water	7,255,955	625,000	19,054,500
33	Chester, Town of	Liberty	Wastewater	3,416,975	500,000	19,554,500
34	Hingham, Town of	Hill	Wastewater	3,610,455	750,000	20,304,500
35	Black Eagle-Cascade County W/S District	Cascade	Wastewater	1,329,620	414,000	20,718,500
36	Denton, Town of	Fergus	Wastewater	3,890,100	500,000	21,218,500
37	Drummond, Town of	Granite	Wastewater	3,548,470	500,000	21,718,500
38	Gallatin Canyon County Water & Sewer District	Gallatin	Wastewater	22,500,000	750,000	22,468,500
39	Townsend, City of	Broadwater	Water	11,131,098	750,000	23,218,500
40	Sunburst, Town of	Toole	Wastewater	2,245,000	625,000	23,843,500
Total Infrastructure Projects				149,819,241	23,843,500	
Total MCEP Projects				\$163,707,158	\$30,019,713	