

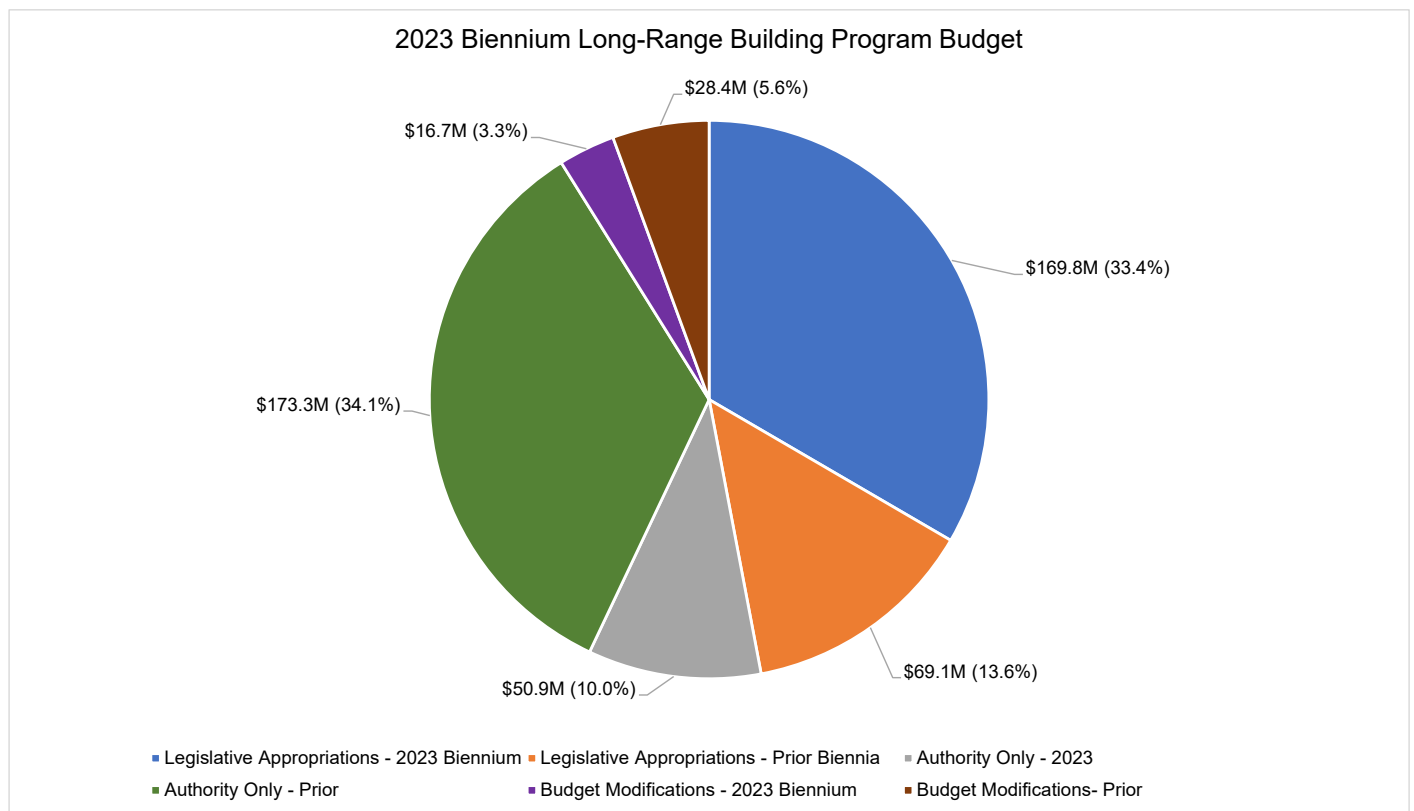
LONG-RANGE BUILDING PROGRAM

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 the 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.



The legislative budget is that which is established under HB 5 and 14 for the program. For the 2023 biennium, there was approximately \$169.8 million established for the program's budget, and for projects approved in prior biennia, the budget totaled about \$69.1 million.

The LRBP includes approximately \$50.9 million of projects for the 2023 biennium and \$173.3 million from prior biennia projects that are funded with non-state resource spending authority. The “authority only” funding is in reference to funds for major construction projects that do not require appropriation, such as university funds, donations, and some internal service funds, but 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 \$50.9 million budget established for 2023, \$46.3 million is from university funds, and \$4.6 million is state special revenue from private sources. Of the \$173.3 million established for prior biennia projects, about \$110.7 million of budget is for university-funded projects, and \$62.6 million is for projects funded with other non-budgeted funds, such as enterprise funds and internal service funds.

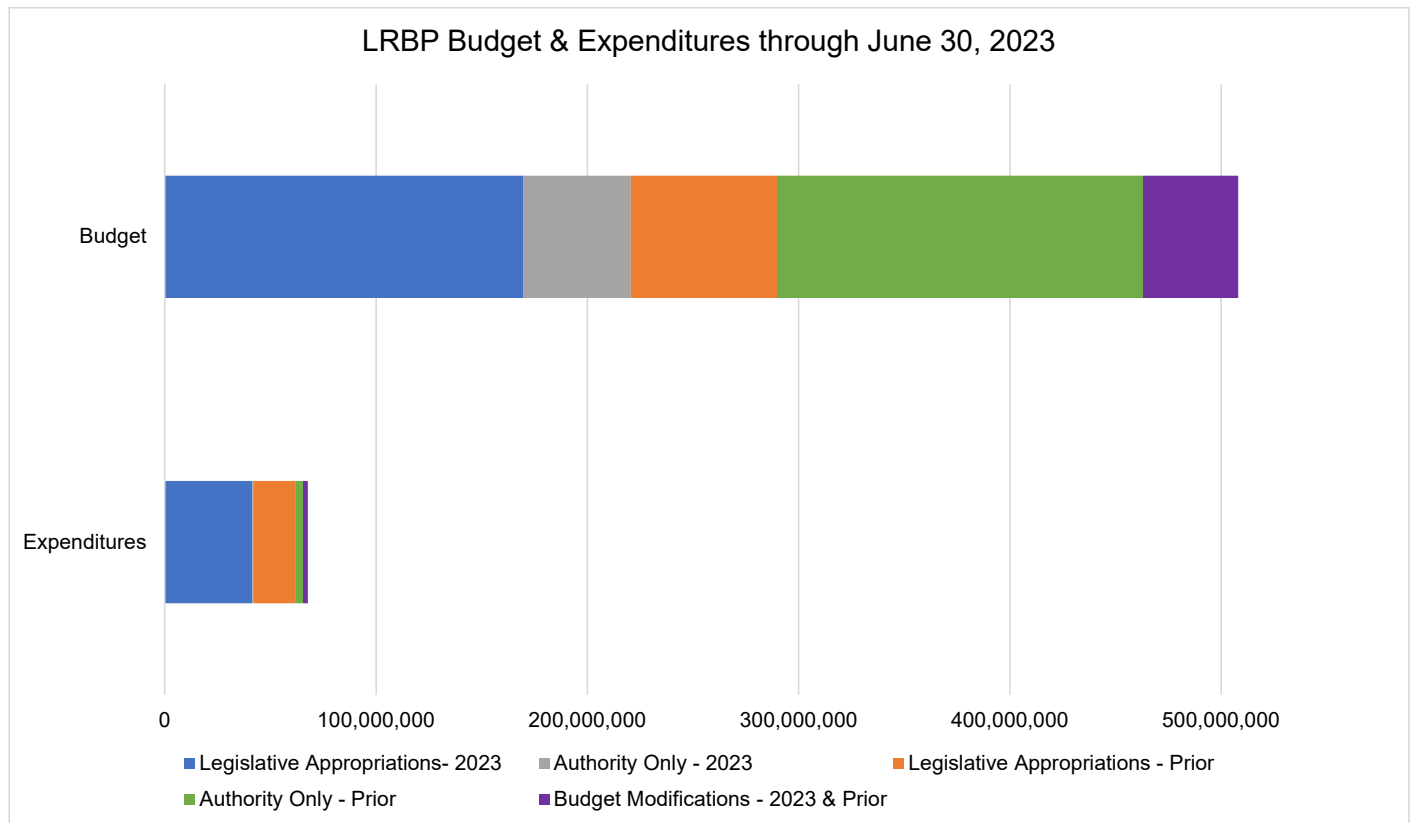
The budget modifications category includes a couple of different types:

- Agency transfers are transfers of budget from one agency to another. For prior biennia projects, \$5.9 million was transferred for State Building Energy Conservation Program projects. For the Montana Department of Transportation’s (MDT) Eureka sand and storage facility, \$43,000 was transferred
- Budget amendments are used to establish budget for additional revenue or to make changes to prior appropriations. For the 2023 biennium, \$16.7 million was established through budget amendment for nine projects with MDT and for the Department of Military Affairs’ Butte-Silver Bow Readiness Center. For prior biennia projects, budget amendments established approximately \$22.4 million of authority

Additionally, the LRBP has administrative authority, which is not included in the pie chart, as it is not an appropriation for the program, but rather comes from appropriations from agency budgets. Typically, this budget is for agreements between agencies, and the budget is allocated to the receiving agency, rather than transferred as with agency transfers. For the 2023 biennium, \$89.9 million of this budget type was established both for 2023 biennium projects and prior biennia project. There was also approximately \$70.3 million of administrative authority established, related to projects funded with federal COVID-19 funding.

2023 BUDGET & EXPENDITURE

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



LRBP 2023 Biennium Project Appropriations and Expenditures through June 30, 2023				
Item	Budget	Expenditures	Balance	% Expended
Legislative Appropriations - 2023 Biennium	169,750,968	41,467,831	128,283,137	24.4%
Legislative Appropriations - Prior Biennia	69,143,128	20,100,420	49,042,708	29.1%
Authority Only - 2023	50,862,511	395,776	50,466,735	0.8%
Authority Only - Prior	173,261,706	3,366,825	169,894,881	1.9%
Budget Modifications - 2023 & Prior	45,055,455	2,354,935	42,700,519	5.2%
Total Appropriations/Expenditures	508,073,768	67,685,787	440,387,980	13.3%

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 2023, \$41.5 million was expended from the 2023 biennium legislative budget of \$169.8 million. Approximately \$20.6 million of that expenditure was for the Montana Heritage Center.

For prior biennia, \$20.1 million was expended in FY 2023 for 103 projects or discrete phases of projects. For “authority only” funded projects, \$396,000 was expended for 2023 biennium projects; for projects authorized in prior biennia, approximately \$3.4 million was expended for those funded with “authority only” in FY 2023.

For the administrative authority previously described, approximately \$40.3 million of the budget for both current and prior biennia projects was expended, including actual expenditures and accruals for future expenditures.

In total, approximately \$108.0 million was expended for LRBP projects in FY 2023.

FUND BALANCE

Major Repairs Account

The following table shows the fund balance for the major repairs account; it includes actuals for the 2023 biennium and projections for the 2025 biennium. 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.

LRBP Major Repairs Account Fund Balance Analysis - 2025 Biennium					
Account 05007					
	FY 2022 Actual	FY 2023 Actual	FY 2024 Projected	FY 2025 Projected	2025 Bien. Projected
Calculated Beginning Fund Balance	\$12,395,792	\$21,268,345	\$31,703,271	(\$6,166,716)	\$31,703,271
Project Reversions	0	0	0	0	0
2021 Session Law - Scope Reduction ¹	0	0	700,000	0	700,000
Adjustments to Fund Balance	0	0	0	0	0
Beginning Fund Balance	12,395,792	21,268,345	32,403,271	(6,166,716)	32,403,271
Revenues ²					
Cigarette Tax	1,613,814	1,198,876	1,550,159	1,502,871	3,053,030
Coal Severance Tax	7,987,649	11,052,801	9,136,678	7,602,169	16,738,847
Interest Earnings	43,645	747,450	1,036,596	1,036,596	2,073,192
Supervisory Fees	117,422	3,672	225,000	225,000	450,000
Energy Savings Transfer		0	119,514	119,514	239,028
HB 2 Major Repairs Transfers ³	8,589,879	9,341,581	8,495,149	9,254,790	17,749,939
HB 5 OTO Transfer from CD Fund ⁴	0	0	<u>41,420,091</u>	0	<u>41,420,091</u>
Total Revenues	18,352,409	22,344,380	61,983,187	19,740,940	81,724,127
Expenditures					
Operating Costs-A & E Division ⁵	2,172,339	2,170,374	2,807,788	2,827,246	5,635,034
Prior Biennia Projects	4,077,333	1,581,228	25,912,286	0	25,912,286
ARPA-Ineligible Projects ⁶	778,210	842,936	0	0	0
Current Biennium Projects - HB 5	2,484,513	7,282,858	69,333,100	0	69,333,100
2025 Biennium Projects - HB 817	0	0	2,500,000	0	2,500,000
Fund balance adjustment	<u>(32,539)</u>	<u>32,058</u>	0	0	0
Total Expenditures/Appropriations	9,479,856	11,909,454	100,553,174	2,827,246	103,380,420
Estimated Ending Fund Balance	\$21,268,345	\$31,703,271	(\$6,166,716)	\$10,746,978	\$10,746,978

¹ HB 5 (2023) reduced the appropriation and project scope for a project authorized during the 2021 session - the MSU Billings Art Annex; scope was changed from an upgrades project authorized to a demolition project and the appropriation was reduced from \$1.2 million to \$500,000.

² HJ2 Projections

³ Beginning in the 2023 Biennium - HB 2 Appropriated Transfer

⁴ \$41.4 million transfer from the capital development fund included in HB 5

⁵ HB 2

⁶ There were 7 projects not eligible for ARPA funds; HB 632, section 34(1) re-establishes appropriation in the MR fund as this was the original funding source in the introduced version of HB5.

Actual revenue for cigarette tax was lower than HJ 2 projections in FY 2023 by \$387,000. Revenue from the coal severance tax, however, came in higher than projected by \$440,000. Interest earnings additionally came in

higher than projected by approximately \$711,000. Revenue in FY 2023 totaled \$13.0 million. As authorized in HB 2 and in accordance with statute, there was a transfer of general fund of \$9.3 million to the major repairs fund in FY 2023.

Expenditures for FY 2023 totaled \$11.9 million from the fund. This includes \$7.3 million for projects authorized for the 2023 biennium under HB 5 and HB 14 (2021), \$1.6 million for projects authorized for prior biennia for which remaining authority was continued, and \$843,000 for five projects which were originally authorized under HB 632 to be funded with federal funds. However, the projects were found to be ineligible for the federal funding, and in accordance with HB 632, section 34(1), the appropriations were established in the major repairs fund as that was the original source of funding for the project.

The beginning fund balance for the 2025 biennium totals \$31.7 million. Under HB 5 (2023), 2021 session law was revised to reduce the scope and appropriation for the Montana State University Billings Art Annex project, which will reduce obligation on the fund by \$700,000.

Revenue for the 2025 biennium totals \$81.7 million. HJ 2 (2023) projections for cigarette tax, coal severance tax, interest earnings, and other revenues total \$22.6 million. Additionally, HB 2 (2023) authorized a general fund transfer of \$17.7 million, in accordance with 17-7-222, MCA. HB 5 (2023) also provided for a transfer of \$41.4 million from the capital development fund to the major repairs fund. This transfer shows in the revenue portion of the major repairs fund balance table and as an expenditure from the capital development fund in the table on page 8.

Expenditures for the 2025 biennium are projected to total \$103.4 million. This includes \$69.3 million for projects authorized under HB 5 (2023), \$2.5 million for projects authorized under HB 817 (2023), and \$25.9 million for projects authorized during prior biennia for which remaining authority was continued, including remaining authority for 2023 biennium projects. Administrative costs are also funded from the major repairs account and are appropriated under HB 2 and 13. For the 2023 biennium, the budget for those costs is \$5.6 million.

The major repairs ending fund balance is projected to be \$10.7 million.

Capitol Land Grant Account

The following table shows the fund balance for the capitol land grant account; it includes 2023 biennium actuals and projections for the 2025 biennium.

Capitol Land Grant Account Fund Balance Analysis - 2025 Biennium					
Account 05008					
	FY 2022 Actual	FY 2023 Actual	FY 2024 Projected	FY 2025 Projected	2025 Bien. Projected
Beginning Fund Balance	\$5,777,027	\$4,941,698	\$2,896,330	(\$2,724,957)	\$2,896,330
Revenues ¹					
Land Grant Interest & Earnings	1,341,034	220,040	1,428,464	1,435,250	2,863,714
Transfer from the CD Fund	0	0	2,000,000	0	2,000,000
Total Revenues	1,341,034	220,040	3,428,464	1,435,250	4,863,714
Expenditures					
Prior Biennia Projects ²	539,101	1,827,460	5,128,730	0	5,128,730
Fund Balance Adjustment	(7,576)	(8,979)			
Current Biennium HB 5 Projects	1,644,838	446,928	3,921,021	0	3,921,021
Total Expenditures/Appropriations	2,176,363	2,265,409	9,049,751	0	9,049,751
Estimated Ending Fund Balance	\$4,941,698	\$2,896,330	(\$2,724,957)	(\$1,289,707)	(\$1,289,707)

¹HJ 2

²Assumes all appropriation authority is expended in FY 2023

Capitol land grant (CLG) revenues, derived from commodity leases on state trust lands designated in the Enabling Act for the state capitol complex, are used as a source of LRBP funding for capital projects. Funding from this account 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.

Actual revenues in FY 2023 totaled approximately \$220,000, which was \$1.4 million less than HJ 2 (2021) projections. Given the volatility of commodity prices, this revenue can vary from year to year; the decline in FY 2023, compared to HJ 2 projection, was primarily due to timber sales on these lands. Funds are 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.

Expenditures from the capitol land grant totaled \$2.3 million in FY 2023, including \$447,000 for projects authorized for the 2023 biennium under HB 5 and \$1.8 million for projects authorized in prior biennia for which remaining authority was continued.

The resulting 2023 biennium ending fund balance totaled \$2.9 million.

For the 2025 biennium, revenue from interest earnings is based on HJ 2 (2023) projections and totals \$2.9 million. HB 5 (2023) also authorized a transfer of \$2.0 million from the capital development fund to the capitol land grant fund. This transfer shows as revenue in the fund balance table above and as expenditure in the capital development fund balance table on page 7.

Approximately \$3.9 million of expenditure was authorized for 2025 biennium projects under HB 5 (2023). Additionally, a budget of \$5.1 million was established for projects authorized in prior biennia for which remaining authority was continued.

The 2025 biennium ending fund balance is projected to be negative \$1.3 million. Note that the fund will not actually go negative. This simply reflects that the fund has higher levels of appropriation than available funding, and some expenditure may be delayed until funds are available for expenditure.

Capital Development Account

The following table shows capital development (CD) fund balance; it includes 2023 biennium actuals and projections for the 2025 biennium.

Capital Development Account Fund Balance Analysis - 2025 Biennium					
Account 05031					
	FY 2022 Actual	FY 2023 Actual	FY 2024 Projected	FY 2025 Projected	2025 Bien. Projected
Beginning Fund Balance	\$ 228,302,398	\$ 342,636,956	\$ 698,152,284	\$ (7,499,272)	\$ 697,781,259
Fund Balance Adjustment			(371,025)		
			697,781,259		
Revenues					
BOI Investment Earnings	973,473	21,952,995	30,863,218	23,230,929	54,094,147
Transfers from BSR (Actuals for both 22 & 23)	115,084,337	259,689,133	0	0	0
General Fund Transfer (HB 5 2023)	0	6,000,000	0	0	0
General Fund - DPHHS BHI - HB 872 (2023)	0	75,000,000	0	0	0
Present law transfer of general fund - HB 2	0	0	23,137,457	24,187,099	47,324,556
Total Revenues	116,057,810	362,642,128	54,000,675	47,418,028	101,418,703
Expenditures					
Transfer to MR Fund	0	0	41,420,091	0	41,420,091
Transfer to Capitol Land Grants fund	0	0	2,000,000		2,000,000
Prior Biennia Projects	0	0	75,753,741	0	75,753,741
Non-Qualifying ARPA 604 Projects	31,968	818,198	4,800,000	0	4,800,000
HB 817 Projects	0	0	178,440,831	0	178,440,831
HB 856 LRBP Projects	0	0	78,695,418	0	78,695,418
HB 872 - DPHHS Behavioral Health Initiative	0	0	75,000,000	0	75,000,000
Current Biennium Projects - HB 5	1,691,284	6,308,602	303,171,125	0	303,171,125
Total Expenditures/Appropriations	1,723,252	7,126,800	759,281,206	0	759,281,206
Estimated Ending Fund Balance	\$342,636,956	\$ 698,152,284	(7,499,272)	\$ 39,918,756	\$ 39,918,756

As seen in this figure, the CD fund received an overflow transfer of \$259.7 million from the Budget Stabilization Reserve fund (BSRF) in FY 2023. When the BSRF is statutorily full, a portion of excess general revenue flows to the CD fund. Interest earnings, totaling \$22.0 million, exceeded HJ 2 (2021) projections by \$6.5 million in FY 2023. Under HB 5 (2023) and HB 872 (2023), the CD fund also received general fund transfers totaling \$81.0 million.

Expenditures totaled \$7.1 million in FY 2023. This included \$6.3 million for projects authorized for the 2023 biennium under HB 5 (2021). Additionally, there were seven projects 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 U.S. Department of Treasury. Those projects were not found to be eligible; HB 632, section 34(2), specifies that for those projects found to be ineligible, a like portion of the funding for the projects shall be appropriated from the capital developments long-range building program account. For those projects, approximately \$818,000 was expended in FY 2023 for the Department of Revenue's liquor warehouse expansion project.

The 2023 biennium ending fund balance for the CD fund totaled \$698.2 million.

For the 2025 biennium, revenue projections are based on HJ 2 (2023) estimates; interest earnings for the 2025 biennium are projected to total \$54.1 million. Also, under HB 2 (2023), the statutorily required transfer of general fund to the CD fund was adopted and totals \$47.3 million for the biennium.

Projected 2025 biennium expenditure totals \$759.3 million. This includes the following:

- Two transfers mentioned previously, the \$41.4 million transfer from the CD fund to the major repair fund and the \$2.0 million transfer to the capitol land grant
- Under HB 5 (2023), \$303.2 million was appropriated for 2025 biennium projects
- Under HB 817, \$178.4 million was appropriated for long-range building projects at the Montana State Prison. HB 817 directs that these projects must be first priority and directs the Department of Administration to move at all deliberate speed to have the projects under contract by September 30, 2023
- For the Department of Public Health and Human Services' behavioral health initiative, \$75.0 million was appropriated under HB 872. There was a general fund transfer to the CD fund that occurred in FY 2023 to fund these projects
- Two long-range building projects, the renovation of capitol complex offices/implementation of the remote office workspace study (ROWS) for \$50.0 million and state capitol building improvements for \$28.7 million, were authorized under HB 856 in the 68th legislative session
- For projects authorized from prior biennia for which remaining authority was continued, \$75.8 million was established for the FY 2024 budget
- The University of Montana Western Block Hall renovation project was authorized under HB 632 (2021) to be funded with ARPA funds, provided that the project was determined eligible by the U.S. Department of Treasury. The project was not found eligible, and therefore, in accordance with the provisions of HB 632, the project is instead funded with CD funds. For FY 2024, \$4.8 million was established for the project

The 2025 biennium ending fund balance is currently projected to be \$39.9 million.