

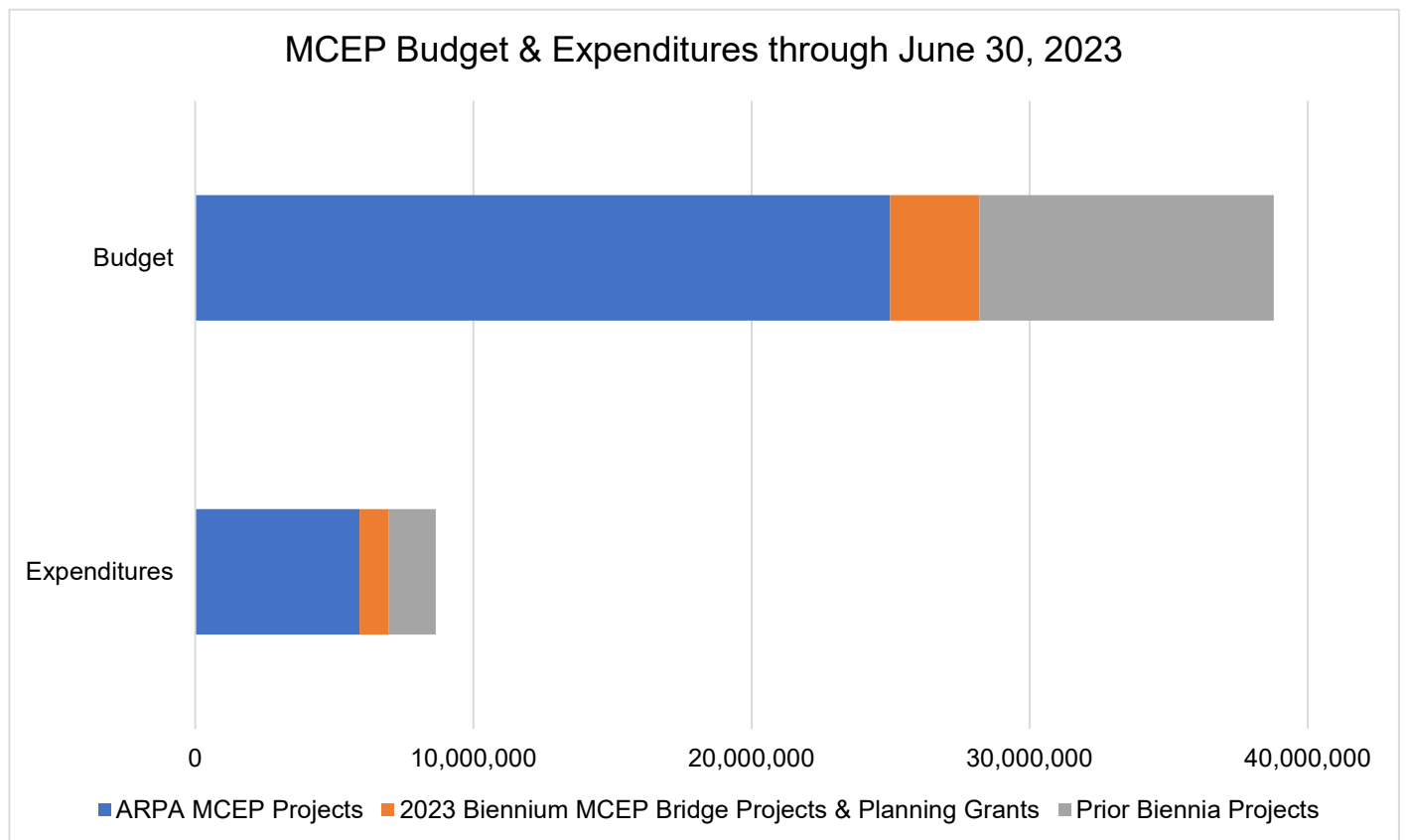
MONTANA COAL ENDOWMENT PROGRAM

PROGRAM SUMMARY

Formerly known as the Treasure State Endowment Program (TSEP), the Montana Coal Endowment Program (MCEP) is a local government infrastructure-financing 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 & EXPENDITURE

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



FY 2023 MCEP Budget and Expenditures through June 30, 2023				
Item	Budget - HB 11, 14 & 632	Expenditures	Balance	% Expended
ARPA MCEP Projects	24,984,872	5,908,355	19,076,517	23.6%
2023 Biennium MCEP Bridge Projects & Planning Grants	3,206,698	1,030,978	2,175,720	32.2%
Prior Biennia Projects	10,585,250	1,710,761	8,874,489	16.2%
Total Appropriations/Expenditures	38,776,820	8,650,094	30,126,726	22.3%

Under HB 632, approximately \$25.0 million of budget was established for MCEP, 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 \$5.9 million of this authority was expended in FY 2023.

For the 2023 biennium, there were seven bridge projects authorized under HB 11 with a budget of \$3.2 million and three bridge planning grants established for the 2023 biennium from the MCEP fund. Expenditure in FY 2023 of this authority totaled approximately \$1.0 million.

For projects authorized from prior biennia, \$10.6 million of remaining budget authority was established at the beginning of FY 2023 for projects authorized under HB 11 (2019 and 2021) as well as HB 652 (2019). Approximately \$1.7 million of that prior biennia budget was expended in FY 2023. This includes \$1.3 million for 13 projects grants and 1 planning grant authorized under HB 11 (2019 and 2021). It also includes expenditure of \$393,00 for eight water and wastewater projects authorized under HB 652 (2019).

FUND BALANCE

The following chart shows the projected MCEP fund balance, based on 2023 biennium actuals and 2025 biennium projections.

MCEP Fund Balance Analysis - 2025 Biennium					
Accounts 09044 and 02270					
	FY 2022 Actuals	FY 2023 Actuals	FY 2024 Projected	FY 2025 Projected	2025 Bien.
Beginning Fund Balances	\$15,061,556	\$17,830,303	\$25,604,376	(\$3,870,853)	\$25,604,376
Fund Balance Adjustment	<u>0</u>	<u>15,156</u>	<u>0</u>	<u>0</u>	<u>0</u>
		17,845,459	25,604,376	(3,870,853)	25,604,376
Coal SubTrust Earnings ¹	9,076,714	10,849,707	11,722,290	12,306,782	24,029,072
Expenditures					
HB 2 MCEP Administration ²	697,526	741,188	824,692	852,343	1,677,035
Fund balance adjustment		538			
Emergency Grants	0	0	100,000	0	100,000
Project Planning Grants	0	15,000	900,000	0	900,000
Prior Biennia Grants	5,548,188	1,303,086	9,163,113	0	9,163,113
2025 Biennium Grants	<u>62,253</u>	<u>1,030,978</u>	<u>30,209,713</u>	<u>0</u>	<u>30,209,713</u>
Total Expenditures/Appropriations	6,307,967	3,090,790	41,197,518	852,343	42,049,861
Projected Ending Fund Balance	\$17,830,303	\$25,604,376	(\$3,870,853)	\$7,583,586	\$7,583,586
¹ HJ 2 Projections					
² HB 2					

The main impact to the fund balance for the 2023 biennium is the use of the ARPA funds for the water and wastewater infrastructure, emergency, and planning expenditures. This allowed a higher beginning fund balance to be available for appropriation during the 2023 legislative session.

Revenues in FY 2023 were approximately \$55,000 greater than HJ 2 (2021) projections. Expenditures for FY 2023 totaled \$3.1 million. This includes expenditure for bridge projects authorized for the 2023 biennium totaling \$1.0 million and \$1.3 million for projects and planning grants that have authorized for prior biennia. Expenditure for program administrative costs, authorized under HB 2, totaled \$741,000 in FY 2023.

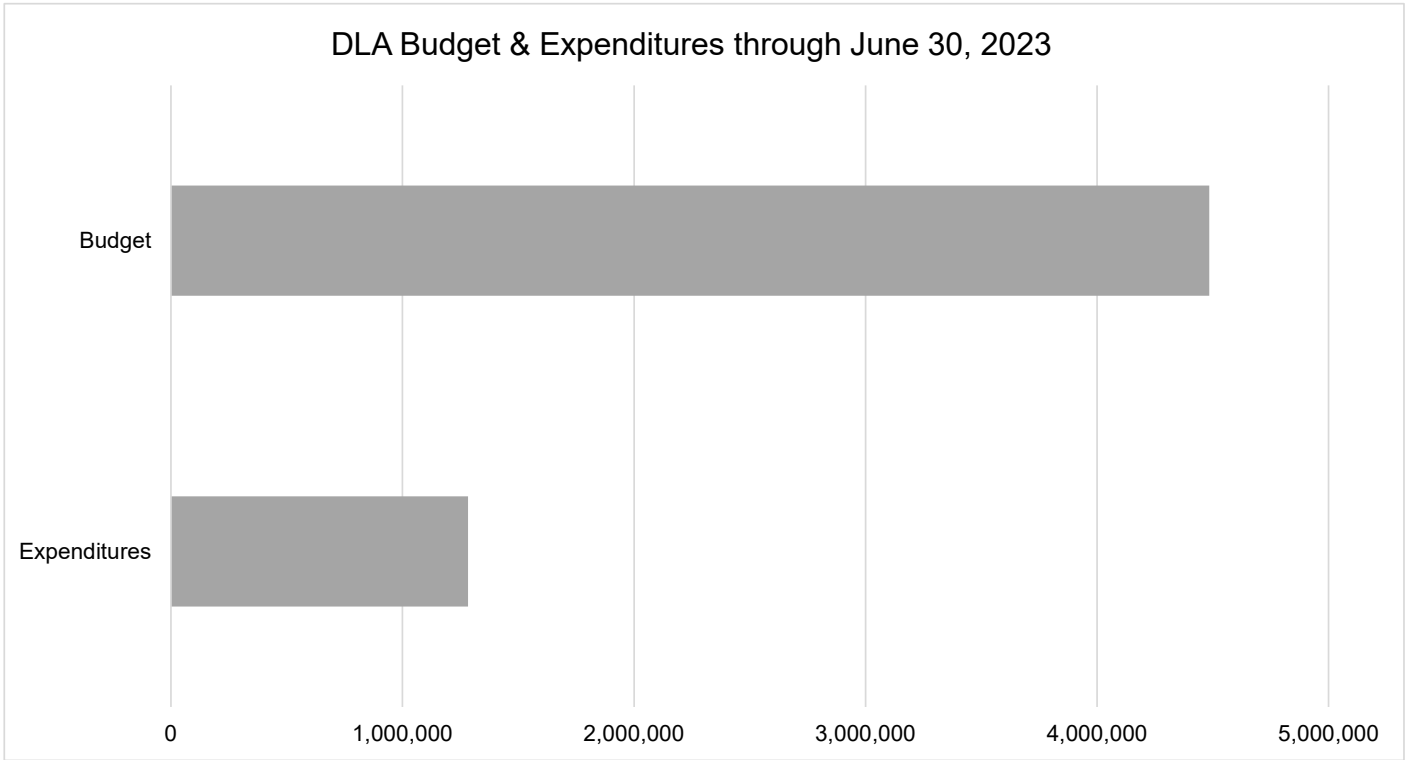
Revenue shown in the table for the 2025 biennium is based on HJ 2 (2023) projections and totals \$24.0 million. For expenditure, the 68th Legislature appropriated \$30.2 million for MCEP project grants and \$1.0 million for other grants under HB 11 for the 2025 biennium. Under HB 2 and HB 13 (2023), approximately \$1.7 million was appropriated for program administrative costs. For prior biennia grants, a budget of \$9.2 million was established for FY 2024. The resulting projected ending fund balance at the end of the 2025 biennium is \$7.6 million.

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 impacted by natural resource development. 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, 2023.

DLA Budget & Expenditures through June 30, 2023



Delivering Local Assistance (DLA) Budget and Expenditures through June 30, 2023				
Item	Budget	Expenditures	Balance	% Expended
DLA - Prior Biennium	4,484,019	1,282,792	3,201,226	28.6%
Total Appropriations/Expenditures	4,484,019	1,282,792	3,201,226	28.6%

Under HB 652 (2019), \$21.5 million was originally appropriated for the DLA program, including \$10.8 million for local government infrastructure projects and \$10.8 million for school district infrastructure projects. For FY 2023, of the authority remaining, approximately \$4.5 million of budget was established for the program, and \$1.3 million or 28.9% of the remaining authority was expended through fiscal year-end 2023. Approximately \$1.3 million of the expenditure was for four local government infrastructure projects, and \$26,000 was for three school district facility projects. The remaining balance of \$3.2 million was accrued for future expenditure on projects.