

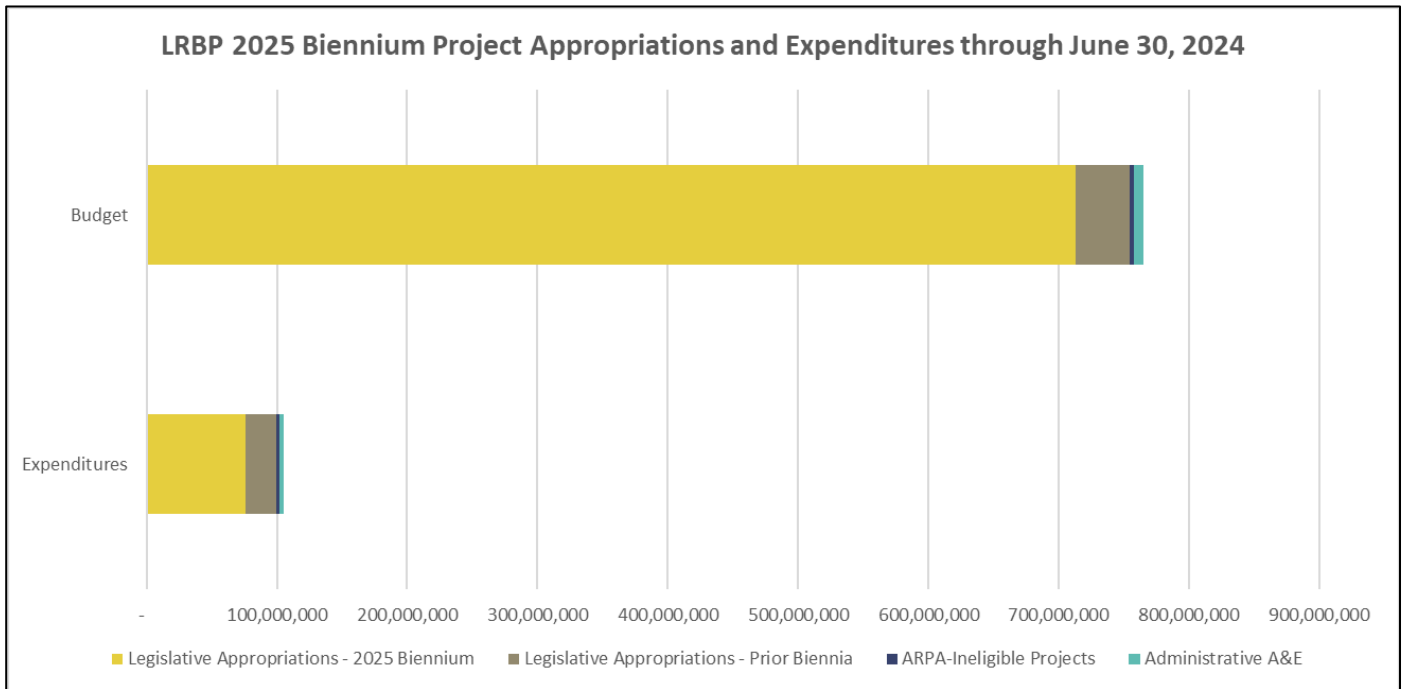
LONG-RANGE BUILDING PROGRAM

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).

2024 BUDGET & EXPENDITURE

The following chart and table show the 2025 biennium budget for the Major Repairs, Capitol Land Grant, and Capital Development components of the state’s LRBP program, as well as expenditure through June 30, 2024 (fiscal year-end).



LRBP 2025 Biennium Project Appropriations and Expenditures through June 30, 2024				
Item	Budget	Expenditures	Balance	% Expended
Legislative Appropriations - 2025 Biennium	713,179,276	76,336,493	636,842,783	10.7%
Legislative Appropriations - Prior Biennia	41,420,091	23,546,897	17,873,194	56.8%
ARPA-Ineligible Projects	2,660,039	2,112,000	-	100.0%
Administrative A&E	7,808,624	3,100,000	4,708,624	39.7%
Total Appropriations/Expenditures	765,068,030	105,095,390	659,424,601	13.7%

In FY 2024, \$105.1 million was expended from the 2025 biennium legislative budget of \$765.1 million.

The 68th Legislature authorized a LRBP budget in HB 5, HB 817, HB 856, and HB 872 that consists of 204 projects with total costs of \$786,502,926, along with establishing future operations and maintenance (O&M) appropriations of \$15.9 million into the respective agency base budgets. Included in the total costs, HB 5, HB 856, and HB 872 also provide appropriations of capital improvement funds to several agencies and programs.

In total, approximately \$102.0 million was expended for LRBP projects in FY 2024.

FUND BALANCE

Major Repairs Account

While not the largest source of funding for capital projects, 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 dedicated revenues of the LRBP major repairs account include:

- 2.6% distribution of cigarette tax revenue
- 12.0% distribution of coal severance tax revenue
- HB 2 appropriated general fund transfer (transfers to bring annual major repairs spending to the level of 0.6% of the current replacement value of all LRBP eligible buildings)

The following table shows the fund balance for the major repairs account; it includes actuals for FY 2024 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 Actual	FY 2025 Projected	2025 Biennium Projected
Calculated Beginning Fund Balance	\$12,395,792	\$21,249,949	\$31,703,271	\$74,811,247	\$31,703,271
Adjustments to Fund Balance	2,698	20,000	0	0	0
Beginning Fund Balance	12,398,490	21,269,949	31,703,271	74,811,247	31,703,271
Revenues ¹					
Cigarette Tax	1,613,814	1,198,876	1,205,910	1,502,871	2,708,781
Coal Severance Tax	7,987,649	11,052,801	8,571,648	7,602,169	16,173,816
Interest Earnings	21,934	747,450	2,511,880	1,036,596	3,548,476
Supervisory Fees	117,422	3,672	143,536	225,000	368,536
Energy Savings Transfer		0	0	119,514	119,514
HB 2 Major Repairs Transfers ²	8,589,879	9,341,581	8,495,149	9,254,790	17,749,939
HB 5 OTO Transfer from CD Fund ³	0	0	41,420,091	0	41,420,091
Total Revenues	18,330,698	22,344,380	62,348,214	19,740,940	82,089,154
Expenditures					
Operating Costs-A & E Division ⁴	2,150,000	2,200,000	3,100,000	2,827,246	5,927,246
HB 5 (2023) Project Management & Supervision	0	0	0	2,000,000	2,000,000
Prior Biennia Projects	4,077,333	1,581,228	10,966,876	9,950,357	20,917,233
ARPA-Ineligible Projects ⁵	778,210	842,936	2,112,000	2,856,853	4,968,853
Current Biennium Projects - HB 5	2,484,513	7,282,858	3,007,800	64,352,300	67,360,100
2025 Biennium Projects - HB 817	0	0	52,605	2,447,395	2,500,000
Non-budgeted 64298/64398 Accounts	(10,817)	4,036	957	0	957
Total Expenditures/Appropriations	9,479,239	11,911,058	19,240,238	84,434,151	103,674,389
Estimated Ending Fund Balance	\$21,249,949	\$31,703,271	\$74,811,247	\$10,118,036	\$10,118,036
¹ HJ2 Projections ² Beginning in the 2023 Biennium - HB 2 Appropriated Transfer ³ \$41.4 million transfer from the capital development fund included in HB 5 ⁴ HB 2 ⁵ 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 2024 by \$344,248. Revenue from the coal severance tax also came in lower than projected by \$565,031. Interest earnings came in higher than projected by approximately \$1.5 million. Revenue in FY 2024 totaled \$12.4 million. As authorized in HB 2 and in accordance with statute, there was transfer of general fund of \$8.4 million to the major repairs fund in FY 2024 and a one-time transfer of \$41.4 million from the capital development fund to the major repairs fund as authorized in HB 5.

Expenditures for FY 2024 totaled \$19.2 million from the fund. This includes \$3.1 million for projects authorized for the 2025 biennium under HB 5 and HB 817, \$11.0 million for projects authorized for prior biennia for which remaining authority was continued, and \$2.1 million for 7 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 was \$31.7 million. The major repairs ending fund balance is projected to be \$10.1 million.

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.

The following table shows the fund balance for the capitol land grant account; it includes FY 2024 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 Actual	FY 2025 Projected	2025 Biennium Projected
Beginning Fund Balance	\$5,777,027	\$4,941,698	\$2,896,330	\$6,363,305	\$2,896,330
Revenues ¹					
Land Grant Interest & Earnings	1,341,034	220,040	2,342,697	1,435,250	3,777,947
Transfer from the CD Fund	<u>0</u>	<u>0</u>	<u>2,000,000</u>	<u>0</u>	<u>2,000,000</u>
Total Revenues	1,341,034	220,040	4,342,697	1,435,250	5,777,947
Expenditures					
Prior Biennia Projects ²	539,101	1,827,460	393,990	0	393,990
Fund Balance Adjustment	(7,576)	(8,979)	\$9,908		9,908
Current Biennium HB 5 Projects	<u>1,644,838</u>	<u>446,928</u>	<u>471,825</u>	<u>3,449,197</u>	<u>3,921,021</u>
Total Expenditures/Appropriations	2,176,363	2,265,409	875,722	3,449,197	4,324,919
Estimated Ending Fund Balance	\$4,941,698	\$2,896,330	\$6,363,305	\$4,349,358	\$4,349,358

¹HJ 2
²Assumes all appropriation authority is expended in FY 2023

Actual revenues in FY 2024 totaled approximately \$2.3 million. 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. HB 5 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 an expenditure in the capital development fund balance table.

Expenditures of approximately \$4.3 million were authorized for 2025 biennium projects under HB 5, with no budget established for projects authorized in prior biennia for which remaining authority was continued. Expenditures from the capitol land grant totaled \$875,722 in FY 2024, including \$471,825 under HB 5 and \$393,990 for projects authorized for prior biennia for which remaining authority was continued.

The resulting 2025 biennium ending fund balance is projected to be \$4.4 million.

Capital Development Account

The capital development account (CD), established in HB 553 in the 2019 Session, was developed to provide a base level of cash funding for state and Montana University System capital projects. The account, per 17-7-208, MCA receives funds from several sources including:

1. Appropriated general fund transfers from HB 2
 - a. 1.0% of the amount of the state general fund revenue, as determined on or before August 15 of the year preceding a legislative session less the:
 - i. general fund general obligation bond debt service, and
 - ii. projected general fund debt service for general fund general obligation bonds proposed in the executive budget.
 - b. Recommendations for the appropriated transfers may be increased or decreased by the executive or the legislature.
2. Overflow funding from the budget stabilization reserve fund (BSRF) as provided in 17-7-130 (6), MCA
 - a. If the balance of the BSRF exceeds an amount equal to 16.0% of all general fund appropriations in the second year of the biennium, then any funds in excess of that amount must be transferred to the capital development account until the amount in the capital development account in excess of the amount needed for appropriations from the capital developments account is equal to 12.0% of all general fund appropriations in the second year of the biennium.
3. Other deposits/transfers made by the legislature

The following table shows capital development (CD) fund balance; it includes FY 2024 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 Actual	FY 2025 Projected	2025 Biennium Projected
Beginning Fund Balance	\$ 228,302,398	\$ 342,095,435	\$ 697,781,259	\$ 682,616,717	\$ 697,781,259
Revenues					
BOI Investment Earnings	973,473	21,952,995	37,424,163	23,230,929	60,655,092
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
HB856 Sec.10 #5 - Capitol Complex Legis. Branch			5,000,000		5,000,000
Present law transfer of general fund - HB 2	<u>0</u>	<u>0</u>	<u>27,694,394</u>	<u>24,187,099</u>	<u>51,881,493</u>
Total Revenues	116,057,810	362,642,128	70,118,557	47,418,028	117,536,585
MBOI Investment Appr/Depr	(541,521)	170,496	136,496		
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	0	2,000,000
Prior Biennia Projects	0	0	12,186,031		12,186,031
Non-Qualifying ARPA 604 Projects	31,968	818,198	548,039		548,039
HB 817 Projects	0	0	3,033,284	175,407,547	178,440,831
HB 856 LRBP Projects	0	0	1,651,653	77,586,025	79,237,678
HB 872 - DPHHS Behavioral Health Initiative	0	0	0	75,000,000	75,000,000
Current Biennium Projects - HB 5	<u>1,691,284</u>	<u>6,308,602</u>	<u>24,580,497</u>	<u>278,590,628</u>	<u>303,171,125</u>
Total Expenditures/Appropriations	1,723,252	7,126,800	85,419,595	606,584,201	692,003,795
Estimated Ending Fund Balance	\$ 342,095,435	\$ 697,781,259	682,616,717	\$ 123,450,545	\$ 123,314,049

The account began fiscal year 2024 with a balance of \$697.8 million. Resulting from the significant fund balance and higher interest rates, interest earnings revenue for fiscal year 2024 was \$37.4 million. There was a general fund transfer of \$27.7 million authorized in HB 2 in fiscal year 2024. An additional transfer of \$5.0 million under HB 856 was authorized for the remodeling of the legislative space in the Capitol. Interest earnings, totaling \$37.4 million, exceeded HJ 2 projections by \$6.5 million in FY 2024.

Expenditures totaled \$84.9 million in FY 2024. This included \$24.6 million for projects authorized for the 2025 biennium under HB 5. Additionally, there were seven projects authorized in HB 14 (2021 Session) 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 not found to be eligible; HB 632, section 34(2) (2021 session), 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 developments long-range building program account. For those projects, approximately \$548,039 was expended in FY 2024. Finally, there was \$542,260 spent on the renovations of the legislative space in the Capitol.

The 2025 biennium projected ending fund balance for the CD fund is estimated at \$123.3 million.