

MONTANA COAL ENDOWMENT REGIONAL WATER PROGRAM

PROGRAM BUDGET COMPARISON

Figure 24 compares the 2023 biennium appropriated budget to the 2025 biennium appropriated budget by type of expenditure and source of funding.

Figure 24

Program Comparison - Montana Coal Endowment Regional Water Program				
Budget Item	Budget 2023 Biennium	Budget 2025 Biennium	Biennium Change	Biennium % Change
	<u>Appropriated</u>	<u>Appropriated</u>	<u>Change</u>	<u>% Change</u>
Projects Funding	5,000,000	10,000,000	5,000,000	100.0%
Total Costs	\$5,000,000	\$10,000,000	\$5,000,000	100.0%
State Special	0	10,000,000	10,000,000	0.0%
ARPA 9901-602 (HB 632)	5,000,000	0	(5,000,000)	-100.0%
Total Funds	\$5,000,000	\$10,000,000	\$5,000,000	100.0%

PROGRAM DISCUSSION

The 1999 Legislature created the Montana coal endowment regional water system fund as a sub-trust within the coal tax permanent trust. The Montana Coal Endowment Program Regional Water System (MCEPRW), established in 90-6-715, MCA, was created to provide a state match for the receipt of federal and local funds for the four large regional water projects in the state. The program is administered by the Department of Natural Resources and Conservation (DNRC). Interest from the trust can be distributed as a match to federal and local funds to the regional water authorities that have met certain conditions including:

- An executed agreement with DNRC
- A DNRC approved management plan
- A financial accounting system that conforms to GAAP principles
- A detailed preliminary engineering report

The interest from the trust is also used to pay administrative costs to the DNRC and the four regional water authorities:

- Dry Prairie Regional Water Authority
- North Central Montana Regional Water Authority
- Dry-Redwater Regional Water Authority
- Musselshell-Judith (Central) Regional Water Authority

SUMMARY OF LEGISLATIVE ACTION

The legislature provided appropriations of \$10.0 million for the MCEPRW program for the 2025 biennium in HB 11. This funding provides the state's share of the regional water system projects. Figure 25 shows the locations of the four regional water systems.

MONTANA COAL ENDOWMENT REGIONAL WATER PROGRAM

Figure 25

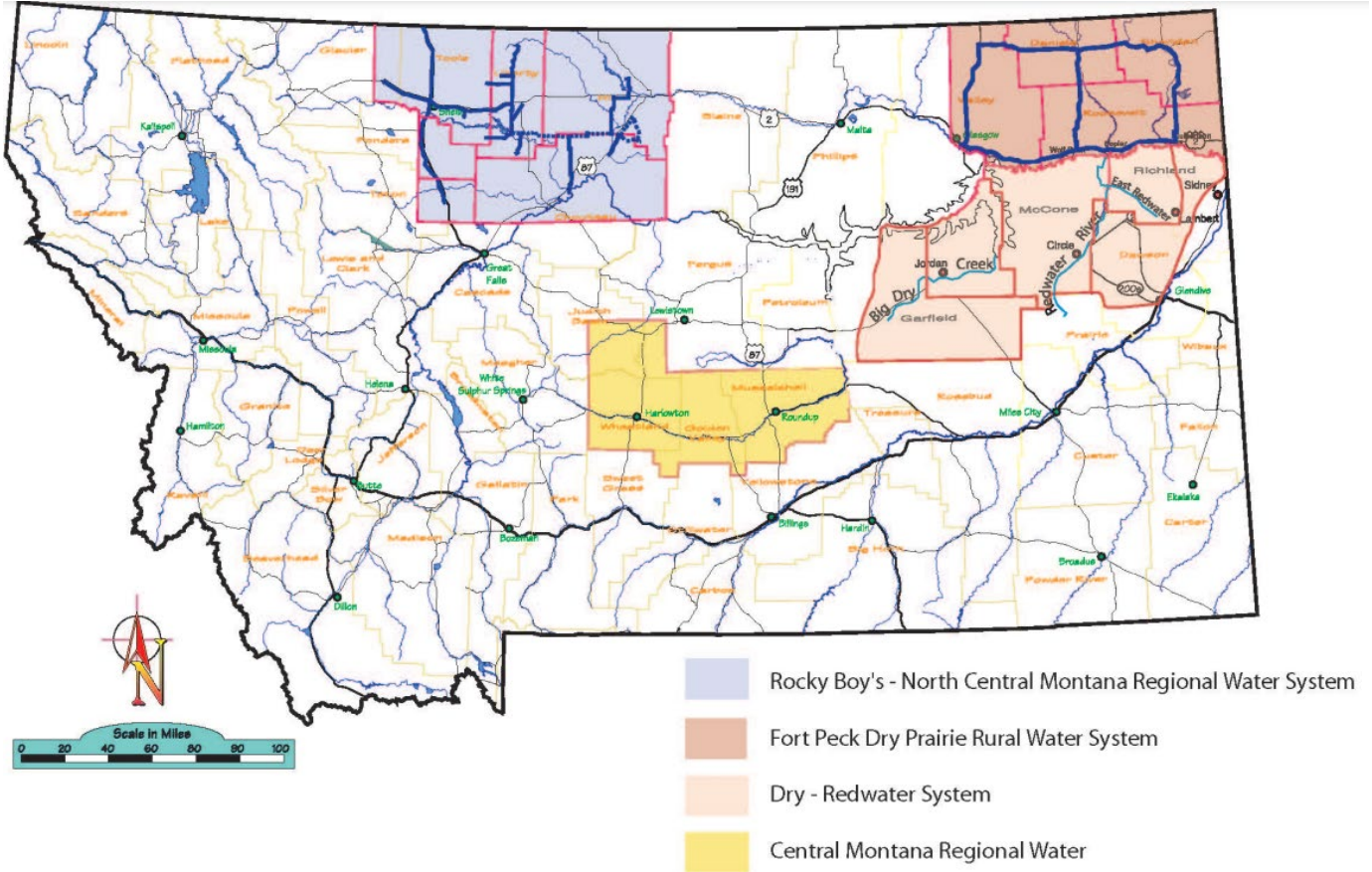


Image from the Department of Natural Resources & Conservation, Nov. 2022

FUNDING

The MCEPRW trust is a “sub-trust” of the permanent coal severance tax trust. The corpus of the sub-trust is fixed at \$98.1 million. The interest earned from the trust is transferred into the state special revenue fund authorized in Title 90, Section 6, part 7, MCA, to provide a match for the development of large “regional” water systems.

Figure 26 shows the estimate for the MCEPRW fund balance. The MCEPRW account is expected to begin the 2025 biennium with a balance of \$5.0 million. Interest and earnings in the 2025 biennium are projected to be \$7.5 million.

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Figure 26

MCEP Regional Water System Fund Balance Analysis - 2025 Biennium					
Accounts 09047 and 02015					
	FY 2022 Actual	FY 2023 Projected	FY 2024 Projected	FY 2025 Projected	2025 Biennium
Estimated Beginning Fund Balance	\$5,267,833	\$4,342,695	\$4,988,088	(\$2,629,270)	\$4,988,088
Fund Balance Adjustment		(338,868)			
Total		4,003,827			
Revenue Projections ¹					
Coal Subtrust Earnings	3,131,093	3,338,433	3,617,000	3,868,000	7,485,000
Expenditures					
Administration - DNRC ² & Regional Water Authority	112,738	157,000	342,435	346,806	689,241
Regional Water Authority Admin. Grants ²	746,000	939,391	891,923	891,923	1,783,846
Prior Biennia Authority	3,197,493	1,257,781	0	0	0
2025 Biennium Grants	0	0	10,000,000	0	10,000,000
Total Expenditures/Appropriations	4,056,231	2,354,172	11,234,358	1,238,729	12,473,087
Estimated Ending Fund Balance	\$4,342,695	\$4,988,088	(\$2,629,270)	\$1	\$1

¹HJ 2
²HB 2

The legislature appropriated total DNRC administrative costs of \$689,000 from the MCEPRW account in HB 2. HB 2 also includes \$1.8 million for administrative grants that fund the activities of the four regional water authorities. Appropriations in HB 2 and HB 11 for regional water systems totals \$12.5 million for the 2025 biennium. Funding is projected to be fully expended in the account for the 2025 biennium.

EXECUTIVE BUDGET COMPARISON

Figure 27 provides the legislative changes from the executive budget proposal.

Figure 27

Executive Budget Comparison - Montana Coal Endowment Regional Water Program				
Budget Item	Budget 2025 Biennium	Budget 2025 Biennium	Biennium Change	Biennium % Change
	<u>Proposed</u>	<u>Appropriated</u>	<u>Change</u>	<u>% Change</u>
Projects Funding	7,000,000	10,000,000	3,000,000	42.9%
Total Costs	\$7,000,000	\$10,000,000	\$3,000,000	42.9%
State Special	7,000,000	10,000,000	3,000,000	42.9%
Total Funds	\$7,000,000	\$10,000,000	\$3,000,000	42.9%

The legislature adopted a budget for the MCEPRW program with an increase of \$3.0 million or 42.9% greater than the executive proposal. The executive proposal had left a projected ending fund balance of approximately \$3.3 million in the account; the legislature adopted a budget that utilized that fund balance for projects.