

TREASURE STATE ENDOWMENT PROGRAM

PROGRAM BUDGET COMPARISON

Figure 20 compares the 2021 biennium appropriated budget to the 2023 biennium appropriated budget by type of expenditure and source of funding.

Figure 20

Program Comparison - Treasure State Endowment Program				
Budget Item	Budget 2021 Biennium	Budget 2023 Biennium	Biennium Change	Biennium % Change
Budget Item	<u>Appropriated</u>	<u>Appropriated</u>	<u>Change</u>	<u>% Change</u>
Number of Grants Funded (infrastructure)	40	41	1	2.5%
Number of Grants Funded (bridge)	11	7	(4)	-36.4%
Infrastructure Grants Cost	\$17,757,847	\$23,577,698	\$5,819,851	32.8%
Bridge Grants Cost	4,962,316	3,169,451	(1,792,865)	-36.1%
Other Grants Cost	8,471,390	1,000,000	(7,471,390)	-88.2%
Total Costs	\$31,191,553	\$27,747,149	(\$3,444,404)	-11.0%
State Special	18,590,000	3,169,451	(15,420,549)	-83.0%
Bond Proceeds	12,601,553	0	(12,601,553)	-100.0%
ARPA 9901-602 (HB 632)	0	24,577,698	24,577,698	100.0%
Total Funds	\$31,191,553	\$27,747,149	(\$3,444,404)	-11.0%

PROGRAM DISCUSSION

The Treasure State Endowment Program (TSEP) 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 TSEP 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 TSEP is administered by the Department of Commerce (DOC). The TSEP 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.

SUMMARY OF LEGISLATIVE ACTION

The 67th Legislature appropriated \$27.7 million for TSEP in HB 11 and HB 14 for the 2023 biennium. The TSEP budget is \$3.4 million or 11.0% less than the 2021 biennium appropriation. From the total appropriations in the two bills, \$3.2 million funds seven bridge grants and \$23.6 million funds 41 water/wastewater grant requests. Other appropriations in the bill total \$1.0 million and consist of \$100,000 for emergency grants and \$900,000 for project planning grants.

The legislature also amended TSEP statute, adding the following to 90-6-710, MCA:

“(6) A local government may begin construction of the proposed infrastructure project after submitting an application to the department and prior to legislative approval of a grant award, if the local government:

- a) has secured the firm commitment of all funding necessary to finance the proposed project;*
- b) assumes all risk, liability, and financing for the proposed project; and*

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c) *acknowledges that any project expenses incurred prior to legislative approval of a grant award may be rendered ineligible by the department if the local government fails to meet any program requirements set forth in this part or the rules adopted by the department pursuant to subsection (4)."*

This change in the TSEP laws will allow local governments to apply for a TSEP grant and begin the planning and construction phases of the project before receiving legislative authorization for the grant. In testimony related to the statutory change, proponents argued that the new provision would only impact bridge projects, but all types of TSEP projects would be eligible to use this provision in the law as written.

The legislature adopted SB 258 which changed the name of the TSEP to the Montana Coal Endowment Program (MCEP). The name change will occur on October 1, 2021.

A complete list of the TSEP projects authorized by the 67th Legislature is seen in Figure 21.

Figure 21

Treasure State Endowment Program (TSEP)					
HB 11 and HB 14 - 2023 Biennium					
Rank	Applicant	Type of Project	Total Project Cost	Authorized Grant	Cumulative Total
<u>HB 11 - Bridge Program</u>					
1	Custer County	Bridge	\$757,230	\$378,615	\$378,615
2	Chouteau County	Bridge	637,412	318,706	697,321
3	Park County	Bridge	984,108	492,054	1,189,375
4	Powell County	Bridge	731,800	365,900	1,555,275
5	Cascade County	Bridge	2,083,365	750,000	2,305,275
6	Wibaux County	Bridge	1,056,353	526,176	2,831,451
7	Madison County	Bridge	676,000	338,000	3,169,451
Total HB 11 Bridge Projects			\$6,926,268	\$3,169,451	
<u>HB 11 - Infrastructure Program</u>					
1	Butte-Silver Bow, City-County of	Water	\$2,030,052	\$500,000	\$500,000
2	Thompson Falls, City of	Wastewater	6,948,000	750,000	1,250,000
3	Loma County W&S District	Water	911,600	455,800	1,705,800
4	Fort Smith W&S District	Wastewater	4,451,700	750,000	2,455,800
5	Hardin, City of	Wastewater	3,531,000	500,000	2,955,800
6	Lockwood W&S District	Wastewater	10,764,000	750,000	3,705,800
7	Phillips County-Buffalo Trail Water Dist.	Water	659,000	200,000	3,905,800
8	Alberton, Town of	Water	1,901,480	750,000	4,655,800
9	Ekalaka, Town of	Water	1,372,000	500,000	5,155,800
10	Lewistown, City of	Water	4,860,909	500,000	5,655,800
11	Harlowton, City of	Water	1,914,000	625,000	6,280,800
12	Joliet, Town of	Water	1,931,713	625,000	6,905,800
13	Deer Lodge, City of	Wastewater	1,100,000	500,000	7,405,800
14	Libby, City of	Wastewater	1,039,000	464,000	7,869,800
15	Manhattan, Town of	Wastewater	7,793,000	750,000	8,619,800
16	Fairfield, Town of	Water	2,423,000	625,000	9,244,800
17	Darby, Town of	Wastewater	1,853,596	625,000	9,869,800
Total HB 11 Infrastructure Projects			\$55,484,050	\$9,869,800	

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Figure 21 Continued

Rank	Applicant	Type of Project	Total Project Cost	Authorized Grant	Cumulative Total
<u>HB 14 - Infrastructure Program</u>					
18	Seeley Lake Sewer District*	Wastewater	\$6,528,500	\$750,000	\$10,619,800
19	Roundup, City of*	Water	1,770,000	750,000	11,369,800
20	Red Lodge, City of*	Storm Water	2,741,703	500,000	11,869,800
21	Choteau, City of	Water	4,160,000	625,000	12,494,800
22	Richey, Town of	Water	1,502,000	500,000	12,994,800
23	Wolf Point, City of	Wastewater	5,050,000	625,000	13,619,800
24	Circle, Town of	Water	1,503,200	625,000	14,244,800
25	Hill County RSID #21	Wastewater	521,000	260,500	14,505,300
26	Shelby, City of	Water	1,325,000	625,000	15,130,300
27	Cooke City Sewer District	Wastewater	5,156,105	500,000	15,630,300
28	Big Sandy, Town of	Storm Water	969,342	484,671	16,114,971
29	East Helena, City of	Wastewater	3,252,400	625,000	16,739,971
30	Winnett, Town of	Wastewater	2,003,500	625,000	17,364,971
31	St. Marie-North Valley County W&S Dist.	Water	1,500,000	625,000	17,989,971
32	Big Timber, City of	Water	1,505,000	625,000	18,614,971
33	Big Mountain County Sewer District	Wastewater	1,000,000	500,000	19,114,971
34	Three Forks, City of	Water	3,142,000	625,000	19,739,971
35	Flaxville, Town of	Water	1,248,800	625,000	20,364,971
36	Philipsburg, Town of	Wastewater	2,625,000	750,000	21,114,971
37	Sun Prairie County Water District	Water	595,795	275,000	21,389,971
38	Fort Benton, City of	Water	1,600,000	625,000	22,014,971
39	Valier, Town of	Wastewater	2,015,000	625,000	22,639,971
40	Livingston, City of	Wastewater	625,454	312,727	22,952,698
41	Sunburst, Town of	Water	1,290,214	625,000	23,577,698
Total HB 14 Infrastructure Projects			\$53,630,013	\$13,707,898	
Total Infrastructure Projects			\$109,114,063	\$23,577,698	
Total TSEP Projects			\$116,040,331	\$26,747,149	

Note: Some identical projects are listed in HB 11 and HB 14. The TSEP projects listed in HB 11 include three additional projects, as a normal program function, to allow the program to move down the list should a higher ranked project withdraw their request. The funding for individual projects will not be duplicated.

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FUNDING

Figure 22 shows the projected ending fund balance of the TSEP state special revenue account for the 2023 biennium. The TSEP account is projected to begin the 2023 biennium with a negative balance of \$644,144, which results from lower than anticipated earnings on the TSEP trust that funds the program. TSEP interest earnings are expected to be \$15.6 million for the 2023 biennium.

Figure 22

TSEP Fund Balance Analysis - 2023 Biennium Accounts 09044 and 02270					
	FY 2020 Actuals	FY 2021 Projected ³	FY 2022 Projected	FY 2023 Projected	2023 Bien.
Beginning Fund Balances	\$13,274,368	\$13,614,311	(\$644,144)	\$3,527,822	(\$644,144)
Trust Earnings ¹	9,252,925	8,932,530	8,155,665	7,411,664	15,567,329
Expenditures					
HB 2 TSEP Administration ²	654,787	694,967	814,248	812,456	1,626,704
Emergency Grants	30,000	70,000	0	0	0
Project Planning Grants	102,496	797,504	0	0	0
2021 Biennium & Prior Biennia Grants	8,125,700	21,628,513	0	0	0
2023 Biennium Grants	<u>0</u>	<u>0</u>	<u>3,169,451</u>	<u>0</u>	<u>3,169,451</u>
Total Expenditures/Appropriations	8,912,983	23,190,984	3,983,699	812,456	4,796,155
Projected Ending Fund Balance	\$13,614,311	(\$644,144)	\$3,527,822	\$10,127,031	\$10,127,031
¹ HJ 2 Projections					
² HB 2					
³ Assumes all appropriation authority is expended in FY 2021					

The legislature made several appropriations from the TSEP state special fund. The TSEP account supports \$1.6 million of administrative costs for the DOC. The administrative costs do not include increased costs from the HB 13 pay plan. TSEP appropriations in HB 11 for the 2023 biennium include an appropriation of \$3.2 million for bridge project grants from the state special account. The remaining program costs of \$24.6 million will be funded through an allocation of federal ARPA funds in HB 632. As a result, the account balance at the end of the 2023 biennium is projected to be \$10.1 million. The account balance will be retained in the TSEP state special revenue account and will be available for future appropriations.

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EXECUTIVE BUDGET COMPARISON

Figure 23 provides the legislative changes from the executive budget proposal.

Figure 23

Executive Budget Comparison - Treasure State Endowment Program				
Budget Item	Budget 2023 Biennium	Budget 2023 Biennium	Change	% Change
Budget Item	<u>Proposed</u>	<u>Appropriated</u>	<u>Change</u>	<u>% Change</u>
Number of Grants Funded (infrastructure)	41.0	41.0	0	0.0%
Number of Grants Funded (bridge)	7	7	0	0.0%
Infrastructure Grants Cost	\$23,577,698	\$23,577,698	\$0	0.0%
Bridge Grants Cost	3,169,451	3,169,451	0	0.0%
Other Grants Cost	1,000,000	1,000,000	0	0.0%
Total Costs	\$27,747,149	\$27,747,149	\$0	0.0%
State Special - HB 11	14,039,251	3,169,451	(10,869,800)	-77.4%
Bond Proceeds	13,707,898	0	(13,707,898)	-100.0%
ARPA 9901-602 (HB 632)	0	24,577,698	24,577,698	100.0%
Total Funds	\$27,747,149	\$27,747,149	\$0	0.0%

The legislature appropriated a TSEP budget that included no changes to the appropriation level of the executive proposal, but the legislature did change the source of funding. As seen in Figure 23, the legislature funded the water/wastewater grants and other grants (planning, emergency, etc.) with an allocation of HB 632 federal ARPA funds. The appropriation for bridge projects is funded from the TSEP state special revenue account.

OTHER LEGISLATION

- HB 632, Implementing the American Rescue Plan Act – This legislation provides funding in accordance with the rules, current and future, as determined by the federal government. The area of direct interaction with the TSEP include:
 - ‘Section 38. Coordination instruction -- House Bill No. 11. (1) If both House Bill No. 11 and [this act] are passed and approved, [section 1(1)] of House Bill No. 11 must read: "(1) There is allocated to the department of commerce \$9,869,800 for the biennium beginning July 1, 2021, from the funds appropriated in [section 2] of House Bill No. 632 to finance treasure state endowment program grants authorized by subsection (2).
 - "(2) If both House Bill No. 11 and [this act] are passed and approved, then [section 5] of House Bill No. 11 must read: "There is appropriated allocated \$100,000 to the department of commerce for the biennium beginning July 1, 2021, for the purpose of providing local governments, as defined in 90-6-701, with emergency grants for infrastructure projects, as defined in 90-6-701."
 - (3) If both House Bill No. 11 and [this act] are passed and approved, then [section 6] of House Bill No. 11 must read: "There is allocated \$900,000 from the funds appropriated in [section 2] of House Bill No. 632 to the department of commerce for the biennium beginning July 1, 2021, for the purpose of providing local governments, as defined in 90-6-701, with the infrastructure planning grants for infrastructure projects, as defined in 90-6-701."

- SB 258 – This legislation changed the name of the Treasure State Endowment Program to the Montana Coal Endowment Program (MCEP).