

TREASURE STATE ENDOWMENT REGIONAL WATER PROGRAM

PROGRAM BUDGET COMPARISON

Figure 24 compares the 2021 biennium appropriated budget to the 2023 biennium appropriated budget by type of expenditure and source of funding.

Figure 24

Program Comparison - Treasure State Endowment Regional Water Program				
Budget Item	Budget 2021 Biennium	Budget 2023 Biennium	Biennium Change	Biennium % Change
	<u>Appropriated</u>	<u>Appropriated</u>	<u>Change</u>	<u>% Change</u>
Projects Funding	5,000,000	5,000,000	0	0.00%
Total Costs	\$5,000,000	\$5,000,000	\$0	0.00%
State Special	5,000,000	0	(5,000,000)	-100.00%
ARPA 9901-602 (HB 632)	0	5,000,000	5,000,000	100.00%
Total Funds	\$5,000,000	\$5,000,000	\$0	0.00%

PROGRAM DISCUSSION

The 1999 Legislature created the treasure state endowment regional water system fund as a sub-trust within the coal tax permanent trust. The Treasure State Endowment Program Regional Water System (TSEPRW), 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 (federally authorized)
- North Central Montana Regional Water Authority (federally authorized)
- Dry-Redwater Regional Water Authority
- Musselshell-Judith (Central) Regional Water Authority (federally authorized)

SUMMARY OF LEGISLATIVE ACTION

The legislature provided appropriations of \$5.0 million for TSEPRW for the 2023 biennium in HB 11, an amount equal to the level of appropriation provided by the 2019 Legislature. The funding is expected to be used for preliminary construction projects in the Dry-Redwater and Musselshell-Judith regional water systems.

While not included in LRP legislation, the legislature allocated \$10.0 million, \$2.5 million for each of the four regional water authorities, in HB 632, Section 5. The allocation is from the water and wastewater appropriation provided in HB 632, Section 2. These funds require a one-to-one match from other funds secured through grants or loans, possibly including the loans authorized in HB 8. For more information on loans in HB 8, see page F-50 of this report.

TREASURE STATE ENDOWMENT REGIONAL WATER PROGRAM

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

FUNDING

Figure 25 shows the estimate for the TSEPRW fund balance. The TSEPRW account is expected to begin the 2023 biennium with a balance of \$537,690. Interest and earnings in the 2023 biennium are projected to be \$5.4 million.

Figure 25

TSEP Regional Water System Fund Balance Analysis - 2023 Biennium					
Accounts 09047 and 02015					
	FY 2020 Actual	FY 2021 Projected	FY 2022 Projected	FY 2023 Projected	2023 Biennium
Estimated Beginning Fund Balance	\$2,766,782	\$3,507,982	\$537,690	\$2,355,347	\$537,690
Revenue Projections ¹					
Total Revenues	3,152,999	3,091,299	2,827,048	2,572,466	5,399,514
Expenditures					
Administration - DNRC ²	137,140	156,746	156,746	156,746	313,491
Regional Water Authority Admin. Grants ²	746,000	852,645	852,645	852,645	1,705,291
Prior Biennia Authority	1,528,659	5,052,200	0	0	0
2023 Biennium Grants	0	0	0	0	0
Total Expenditures/Appropriations	2,411,799	6,061,591	1,009,391	1,009,391	2,018,782
Estimated Ending Fund Balance	\$3,507,982	\$537,690	\$2,355,347	\$3,918,422	\$3,918,422

¹HJ 2
²HB 2

The legislature appropriated total DNRC administrative costs of \$313,491 from the TSEPRW account in HB 2. The administrative costs do not include increased costs from the HB 13 pay plan. HB 2 also includes \$1.7 million for administrative grants that fund the activities of the four regional water authorities. HB 11 does not include an appropriation from the TSEPRW account, since the entire project budget is funded with an allocation of federal ARPA funds from HB 632. As a result, the account balance at the end of the 2023 biennium is projected to be \$3.9 million. The account balance will be retained in the TSEPRW state special revenue account and will be available for future appropriations.

EXECUTIVE BUDGET COMPARISON

Figure 26 provides the legislative changes from the executive budget proposal.

Figure 26

Executive Budget Comparison - Treasure State Endowment Regional Water					
Budget Item	Budget	Budget	Change	% Change	
	2023 Biennium	2023 Biennium			
	<u>Proposed</u>	<u>Appropriated</u>	Change	% Change	
Projects Funding	5,000,000	5,000,000	0	0.00%	
Total Costs	\$5,000,000	\$5,000,000	\$0	0.00%	
State Special	5,000,000	0	(5,000,000)	-100.00%	
ARPA 9901-602 (HB 632)	0	5,000,000	5,000,000	-	
Total Funds	\$5,000,000	\$5,000,000	\$0	0.00%	

TREASURE STATE ENDOWMENT REGIONAL WATER PROGRAM

The legislature adopted a budget for TSEPRW without changes in the level of appropriation recommended in the executive proposal. However, the legislature coordinated the TSEPRW budget with HB 632, funding the \$5.0 million of project costs with an allocation of federal ARPA funds in the 2023 biennium.

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 TSEPRW include:
 - “Section 5. Grants to regional water authorities -- matching funds - uses. (1) Of the appropriation made in [section 2] of coronavirus state fiscal recovery funds, \$10 million is allocated to the department of natural resources and conservation to provide each regional water authority a grant of \$2.5 million. (2) For a grant under this section, a regional water authority must provide one-to-one matching funds. (3) The regional water authority may use grant funds and loans secured by bonds to serve as matching funds for federal grants.”
 - ‘Section 38. Coordination instruction -- House Bill No. 11. (4) If both House Bill No. 11 and [this act] are passed and approved, then [section 7(1)] of House Bill No. 11 must read: "There is appropriated allocated \$5,000,000 from the funds appropriated in [section 2] of House Bill No. 632 to the department of natural resources and conservation for the biennium beginning July 1, 2021, to finance the state’s share of regional water system projects authorized in subsection (2) and as set forth in 90-6-715.”
- SB 258 – This legislation changed the name of the Treasure State Endowment Regional Water Program to the Montana Coal Endowment Regional Water Program (MCEPRW).