

# LONG-RANGE BUILDING PROGRAM

## Program Description

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, as established in Title 17, Chapter 7, part 2, MCA, was developed in order to present a single, comprehensive, and prioritized plan for allocating state resources for the purpose of capital construction and repair of state-owned facilities. The program is administered by the Architecture and Engineering Division (A&E) of the Department of Administration (DOA). 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 LRBP capital project funds.

The LRBP appropriations are “continuing,” and unspent funds do not revert at the end of the biennium as experienced with most HB 2 appropriation. As provided in 17-7-212, MCA: “The remaining balances on capital projects previously approved by the legislature are re-appropriated for the purposes of the original appropriation until the projects are completed.” This condition allows the legislature to appropriate the full project cost in a single budget year.

## Program Budget Comparison

The following table compares the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Figure 5

| Program Comparison - Long-Range Building Program  |                              |                      |                     |                      |
|---|------------------------------|----------------------|---------------------|----------------------|
| Budget Item   | Budget<br>2021 Bien.         | Budget<br>2023 Bien. | Biennium<br>Change  | Biennium<br>% Change |
|   | Appropriated /<br>Authorized | Proposed             |                     |                      |
| LRBP Project Costs  | \$180,798,973                |                      | (\$180,798,973)     | -100.00%             |
| <i>Major Repairs</i>  | 0                            | 36,312,364           | 36,312,364          | -                    |
| <i>Capital Development</i>  | 0                            | 223,992,876          | 223,992,876         | -                    |
| LRBP Project Costs  | \$180,798,973                | \$260,305,240        | 79,506,267          | 43.97%               |
| Agency Project Appropriations <sup>1</sup>  | 23,600,000                   | 18,970,335           | (4,629,665)         | -19.62%              |
| FWP Capital Project Costs   | 42,433,400                   | 66,886,150           | 24,452,750          | 57.63%               |
| SBECF Project Costs   | 3,600,000                    | 3,700,000            | 100,000             | 2.78%                |
| <b>Total Costs</b>  | <b>\$250,432,373</b>         | <b>\$349,861,725</b> | <b>\$99,429,352</b> | <b>39.70%</b>        |
| Capital Projects  | \$33,580,973                 | \$78,878,627         | \$45,297,654        | 134.89%              |
| State Special   | 42,266,400                   | 57,733,625           | 15,467,225          | 36.59%               |
| Federal Special   | 58,136,000                   | 50,940,243           | (7,195,757)         | -12.38%              |
| Proprietary <sup>2</sup>  | 4,750,000                    | 0                    | (4,750,000)         | -100.00%             |
| Authorization <sup>2</sup>  | 72,149,000                   | 91,309,230           | 19,160,230          | 26.56%               |
| Bond Issue/Loans  | 39,550,000                   | 71,000,000           | 31,450,000          | 79.52%               |
| <b>Total Funds</b>  | <b>\$250,432,373</b>         | <b>\$349,861,725</b> | <b>\$99,429,352</b> | <b>39.70%</b>        |
| <small><sup>1</sup> includes major repairs and capital development appropriations made directly to various agencies</small> |                              |                      |                     |                      |
| <small><sup>2</sup> Does not require appropriation but requires approval of the legislature</small>                         |                              |                      |                     |                      |

## Program Discussion

As seen in Figure 5, the executive proposes a total LRBP budget of \$349.9 million for the 2023 biennium. This is \$99.4 million or 39.7% greater than the LRBP budget in the 2021 biennium. The executive proposal for the LRBP program will be appropriated in two bills, HB 5 and HB 14. Figure 5 highlights the major repairs appropriations, \$36.3 million, and the capital development appropriations, \$224.0 million, that are provided in

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the legislation for A&E. However, the agency appropriations are not disaggregated between major repairs and capital development. Total major repairs appropriations are \$57.1 million and total capital development appropriations are \$292.8 million, which total \$349.9 million. The total appropriations of the LRBP include the cash program (HB 5) of \$278.9 million, and the bond program (HB 14) of \$71.0 million. HB 5 also includes an appropriation of \$3.7 million for State Building Energy Conservation Program (SBECP), which is described beginning on page F-13.

The HB 5 proposal includes \$66.9 million of funding appropriated directly to Fish, Wildlife, and Parks (FWP). Funding in the FWP capital project program is used for improvements to parks and fishing access sites, land acquisition, and other FWP capital improvement projects. The funding used in FWP projects is typically generated through various fishing and hunting fees.

The LRBP also includes \$91.3 million of projects funded with non-state resource spending authority. The use of “authority” in the LRBP section is a reference to funds for major construction projects that do not require appropriation, but due to the sizable cost of the project and the potential of future costs to the state, must be authorized by the legislature. The request for authorizations would be a \$19.2 million increase when compared to the authorizations provided by the 2019 Legislature.

The funding breakdown as seen in Figure 5 shows that a total of \$71.0 million of the LRBP project costs would be funded with the proceeds of bond issues included in HB 14. The HB 14 proposal would provide funding for:

- An Eastern Montana land office facility and shop for the Department of Natural Resources and Conservation
- A veterinarian diagnostic lab, agricultural analytical lab, a forestry lab, and a research and wool lab at Montana university campuses
- An expansion of the Montana liquor warehouse for the Department of Revenue
- Enclosed walkways at the South West Veterans’ Home for the Department of Public Health and Human Services

### **HB 5 (cash program) Project Highlights**

Some LRBP project highlights included in HB 5 include:

- Major repairs to state buildings across the state of \$37.3 million in all funds
- A \$6.0 million renovation of the state health lab in Helena
- An appropriation of \$37.0 million that would authorize the use of funds in the Montana heritage center construction account to be used to continue the construction associated with the Montana Heritage Center/Betty Babcock Center
- Appropriations of \$5.2 million for seven equipment shops, bays, and storage buildings for the Department of Transportation
- An appropriation of \$6.0 million to construct barracks at Ft. Harrison
- A new training facility at the Montana Law Enforcement Academy
- Five authority-only approvals amounting to \$27.0 million for upgrades and renovations to buildings on university campuses

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A full list of the projects contained in the executive LRBP proposal, including appropriations by fund type and the list of major repairs projects, is found in appendix item A-1 of this report. Detailed project descriptions are provided in the [Vol. 3 of the Governor's Budget](#).

### New LRBP Budgeting Considerations

The actions of the 2019 Legislature created substantial changes to the LRBP. Now, there will be two types of projects to consider in the budget: major repairs and capital development. The project types are defined in 17-7-201(7) and (8) respectively as follows:

1. Major repair projects are defined as follows:
  - a. a renovation, alteration, replacement, or repair project with a total cost of less than \$2.5 million;
  - b. a site or utility improvement with a total cost of less than \$2.5 million; or
  - c. a new facility with a total construction cost of less than \$250,000.

Not eligible for funding as a major repair project are operational costs and regular, ongoing, and routine repairs and maintenance funded in an agency operating budget that would not extend the capacity, function, or lifespan of a facility (normal maintenance).

2. New facility is defined as follows:
  - a. an addition to an existing building, and;
  - b. the enclosure of space that was not previously fully enclosed.

The term does not include the replacement of state-owned space that is demolished or that is otherwise removed from state use if the total construction cost of the replacement space is less than \$2.5 million.

According to 17-7-222(2), MCA, new facilities or "capital development" projects may not be authorized unless the legislature has provided the minimum amount of major repairs funding. For more information see page F-5 of this report.

According to 17-7-210(1) the legislature may not authorize the construction of a new facility if the new facility requires an immediate or future increase in state funding unless it also appropriates funds for the increase in state funding for program expansion and operations and maintenance.

#### LFD

#### COMMENT

HB 5 includes an appropriation of \$37.0 million for the Montana Heritage Center / Betty Babcock Museum and proposes an extension of the distribution of the accommodation sales tax by one year. The project funding resulted from a 1.0% increase of the tax. The 2019 Legislature, in SB 338, calculated that enough funds could be raised for the project by providing a 20% distribution of the increased tax through Dec. 30, 2024.

In the legislation passed by the 2019 Legislature, there was no appropriation provided for the museum project. Instead, SB 338 provided the authority to construct the building. The executive proposal now recommends an appropriation to enable the project to continue to be constructed.

With uncertainty about the revenues of the accommodation sales tax, the executive proposes to increase the number of years of the tax flow by one year. However, the amendment to statute also provides that any funds not required for the cost of the project will be re-directed to the general fund.

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## Funding

### Long-Range Building Program Major Repairs Account (MR)

As shown in Figure 6, the LRBP-MR account will start the 2023 biennium with a fund balance of a negative \$0.5 million. Revenues deposited into the account include a 2.6% distribution of cigarette tax revenue, \$3.0 million, and a 12.0% distribution of coal severance tax revenue, \$10.5 million. The 2019 Legislature provided new funding for the LRBP. The LRBP-MR will now receive “appropriated transfers” of \$17.5 million beginning in the 2023 biennium. The transfers are provided as base funding for the A&E division in HB 2 and must be approved by the Sec. A subcommittee. Other income received in the LRBP-MR includes interest earnings on LRBP fund balances, supervisory fees paid to the A&E Division, and transfers of energy savings funds from the SBCEP.

**Figure 6**

| LRBP Major Repairs Account Fund Balance Analysis - 2023 Biennium<br>Account 05007 |                     |                      |                       |                      |                         |
|---|---------------------|----------------------|-----------------------|----------------------|-------------------------|
|   | FY 2020<br>Actual   | FY 2021<br>Projected | FY 2022<br>Projected  | FY 2023<br>Projected | 2023 Bien.<br>Projected |
| Calculated Beginning Fund Balance   | \$20,784,497        | \$18,084,284         | (\$3,409,608)         | (\$13,779,243)       | (\$3,409,608)           |
| Project Reversions  | 0                   |                      | \$1,953,369           |                      | \$1,953,369             |
| Proposed Project Deletion   | 0                   | \$0                  | \$970,100             |                      | \$970,100               |
| Adjustments to Fund Balance   | 0                   | (12,612)             | 0                     | 0                    | 0                       |
| Beginning Fund Balance  | 20,784,497          | 18,071,672           | (486,139)             | (13,779,243)         | (486,139)               |
| <b>Revenues<sup>1</sup></b>   |                     |                      |                       |                      |                         |
| Cigarette Tax   | \$1,555,542         | \$1,559,118          | \$1,531,056           | \$1,505,407          | \$3,036,463             |
| Coal Severance Tax  | 5,413,782           | 5,384,477            | 5,307,097             | 5,224,784            | 10,531,881              |
| Interest Earnings   | 380,463             | 36,594               | 64,913                | 64,913               | 129,825                 |
| Supervisory Fees  | 77,261              | 465,974              | 288,186               | 288,186              | 576,372                 |
| Energy Savings Transfer   | (120,252)           | 0                    | 111,000               | 111,000              | 222,000                 |
| General Fund Transfers <sup>2</sup>   | <u>11,500,000</u>   | <u>432,000</u>       | <u>8,589,879</u>      | <u>8,941,581</u>     | <u>17,531,460</u>       |
| Total Revenues  | \$18,806,797        | \$7,878,163          | \$15,892,131          | \$16,135,870         | \$32,028,001            |
| <b>Expenditures</b>   |                     |                      |                       |                      |                         |
| Operating Costs-A & E Division <sup>3</sup>                                       | 2,292,121           | \$2,490,591          | \$2,432,522           | \$2,445,224          | \$4,877,746             |
| Prior Biennia Projects <sup>3</sup>   | 19,214,890          | 26,868,852           | 0                     | 0                    | 0                       |
| 2023 Biennium Executive Proposal  | 0                   |                      | <u>26,752,713</u>     | 0                    | <u>26,752,713</u>       |
| Total Expenditures/Appropriations   | \$21,507,011        | \$29,359,443         | \$29,185,235          | \$2,445,224          | \$31,630,459            |
| <b>Estimated Ending Fund Balance</b>  | <b>\$18,084,284</b> | <b>(\$3,409,608)</b> | <b>(\$13,779,243)</b> | <b>(\$88,597)</b>    | <b>(\$88,597)</b>       |

<sup>1</sup>HJ2 Projections  
<sup>2</sup>Beginning in the 2023 Biennium - HB 2 Appropriated Transfer  
<sup>3</sup>HB 2  
<sup>4</sup>Assumes all appropriation authority is expended in FY 2021

The fund balance analysis takes into consideration the HB 2 administrative costs for the A&E Division of \$4.9 million, which indirectly paid through the LRBP-MR account. The total executive proposal for the LRBP capital projects fund is \$26.8 million for the 2023 biennium. The estimated ending fund balance for the LRBP fund is projected to be a negative \$0.1 million at the end of the 2023 biennium.

### Capitol Land Grant Capitol Projects Account

Capitol land grant (CLG) revenues, derived from trust lands designated in the Enabling Act for the state capitol complex, are a source of LRBP funding for capital projects in the capitol complex. Funding from this source must only be used for projects on the Montana Capitol Complex (interpreted in 2-17-811, MCA as a 10-mile radius from the Capitol building). As shown in Figure 7, the account is projected to start the 2023 biennium with a fund LFD Budget Analysis

## New Funding

17-7-222, MCA requires that major repairs to state buildings is funded yearly at a rate of 0.6% of the replacement value of existing LRBP eligible buildings. LRBP eligible buildings are defined as:

- Buildings owned by a state agency when the operation and maintenance are funded with state general fund
- Buildings that support the academic missions of the university system when the operation and maintenance are funded with current unrestricted university funds

To ensure that the required minimum amount of funding is available, there is an appropriated transfer to the MR account from the general fund, which is included as a present-law base appropriation in HB 2. For the 2023 biennium, the current replacement value of LRBP eligible buildings is \$2.2 billion.

The minimum major repairs funding requirement for the 2023 biennium equals \$13.4 million per year. To meet this funding requirement, the executive budget includes appropriated transfers of \$8.6 million in FY 2022 and \$8.9 million in FY 2023. The spending for major repairs must continue at this level to allow for spending on capital development projects.

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balance of negative \$606,979. The balance is negative because trust land earnings were less than anticipated in the budget adopted by the 2019 Legislature. The balance considers that all authority provided in prior biennia would be expended within that biennium.

Figure 7

| Capitol Land Grant Account Fund Balance Analysis - 2023 Biennium |                   |                      |                      |                      |                         |
|--|-------------------|----------------------|----------------------|----------------------|-------------------------|
| Account 05008  |                   |                      |                      |                      |                         |
|  | FY 2020<br>Actual | FY 2021<br>Projected | FY 2022<br>Projected | FY 2023<br>Projected | 2023 Bien.<br>Projected |
| Beginning Fund Balance   | \$4,873,931       | \$5,508,966          | (\$606,979)          | (\$5,714,476)        | (\$606,979)             |
| Revenues <sup>1</sup>  |                   |                      |                      |                      |                         |
| Land Grant Interest & Earnings                                   | 2,187,043         | 1,844,245            | 1,814,625            | 1,939,231            | 3,753,856               |
| Total Revenues   | 2,187,043         | 1,844,245            | 1,814,625            | 1,939,231            | 3,753,856               |
| Expenditures   |                   |                      |                      |                      |                         |
| Prior Biennia Projects <sup>2</sup>                              | 1,552,008         | 7,960,189            | 0                    | 0                    | 0                       |
| 2023 Biennium Executive Proposal                                 | 0                 | 0                    | 6,922,122            | 0                    | 6,922,122               |
| Total Expenditures/Appropriations                                | 1,552,008         | 7,960,189            | 6,922,122            | 0                    | 6,922,122               |
| Estimated Ending Fund Balance                                    | \$5,508,966       | (\$606,979)          | (\$5,714,476)        | (\$3,775,245)        | (\$3,775,245)           |

<sup>1</sup>HJ 2  
<sup>2</sup>Assumes all appropriation authority is expended in FY 2021

For several biennia, the capitol land grant account has become the only source of funding for major repairs in the capital complex. In the 2023 biennium, trust land earnings are projected to be \$3.8 million and the executive proposes \$6.9 million of projects from the fund. The projected ending fund balance for the capital land grant account is negative \$3.8 million. Note: In the December 15 final budget the executive recommends an amendment to HB 5 reducing appropriations from the capitol land grant account by \$3.6 million.

**LFD  
COMMENT**

The buildings of the capital complex are not included in the calculations for the LRBP-eligible minimum major repairs funding requirements of 17-7-222, MCA, 0.6% of the current replacement value (CRV). The operations and maintenance of the buildings are funded proprietary funds instead of general fund. The CRV of the buildings on the capital complex is \$358.3 million and if the minimum major repairs funding rate were applied, the calculation would suggest that \$2.1 million should be expended annually.

The executive has proposed major repairs funding which equates to 0.97% of the CRV in the 2023 biennium, an amount greater than the minimum requirement. However, the funding provided through the capital land grant account provides only 0.52% of CRV, or less than the minimum requirement. Relying exclusively on funding through the capitol land grant account may not meet the standards of 17-7-222, MCA on an ongoing basis.

**LFD  
COMMENT**

The major maintenance and capital land grant accounts will never go negative, instead the fund balance figures demonstrate that the executive proposals for appropriations in the accounts will exceed the anticipated revenues. The Legislative Fiscal Division (LFD) analysis makes use of the legislative HJ 2 revenue projections, which may be lower than the projections used by the executive when developing the budgets and resulting in a negative balance. The Section F subcommittee might consider the following options:

- Reduce the appropriations from the accounts in HB 5 and appropriate major repair projects in HB 14
- Reduce appropriations in HB 5 and fund fewer projects, which would lead to reduced major repairs funding and potentially impact appropriations recommended in the capital development budget
- Review unexpended capital land grant appropriations authorized in prior biennia and reduce or eliminate projects in an amount that is enough to balance the account
- Do nothing and leave the accounts with projected negative balances