

LONG-RANGE PLANNING BUDGET STATUS REPORT

SUMMARY

Long-Range Planning (LRP) projects take significant amounts of time to complete, regardless of the program through which any given project is funded. Because the projects often take two or more biennia to complete, it is not unusual at this point in the biennium to have few expenditures related to the most recent actions of the legislature. As a result, the figures and data included in this section will provide a look at the FY 2018 expenditures through February from prior biennia authority as well as those from the 2019 biennium.

Long-Range Planning Programs Appropriations/Expenditures through February / Funding Changes							
Program	Prior Bien. Project Appropriations ¹	2019 Bien. Project Appropriations	Total Project Authority	Prior Bien. Project Expenditures	2019 Bien. Project Expenditures	Total Expenditures	Project Authority Balances
Long-Range Building Program ²	\$254,710,662	\$98,799,272	353,509,934	\$62,224,260	\$26,092,324	\$88,316,583	\$265,193,351
State Building Energy Conservation Prog.	1,783,799	3,700,000	5,483,799	1,529,458	31,119	1,560,577	3,923,223
Treasure State Endowment Program	16,565,792	20,672,151	37,237,943	6,730,510	0	6,730,510	30,507,433
Treasure State Regional Water Program	2,029,952	4,943,389	6,973,341	994,195	0	994,195	5,979,146
Natural Resources Projects	6,226,453	10,160,769	16,387,222	2,074,137	74,802	2,148,939	14,238,283
Renewable Resource Grants & Loans	2,963,659	4,781,640	7,745,299	1,454,388	61,141	1,515,529	6,229,770
Reclamation & Development Grants	3,262,794	5,379,129	8,641,923	619,749	13,661	633,410	8,008,513
Cultural & Aesthetic Grant Program	143,427	470,000	613,427	132,703	104,030	236,733	376,694
Grand Total	\$279,676,286	\$135,045,581	\$414,721,867	\$72,155,804	\$26,271,156	\$98,426,960	\$316,294,907

¹Prior biennia appropriations include statutorily continued authority and accrued authority

²Long-Range Building Program numbers include both state and non-state appropriations/authority and expenditures, as well as any budget modifications

Items in the grey rows provide program detail

Through February, LRP programs have expended \$26.3 million, or 19.5%, of their 2019 biennium modified authority and \$98.4 million, or 23.7%, of their total authority. From the 2019 biennium authority, expenditures of \$21.9 million was expended on (or accrued for) Montana University System buildings (funded with non-state resources). As shown in the table, two of the seven LRP programs have not started to expend their 2019 biennium appropriation as of the end of February. Details on each of the programs are included in the following pages of this report.

FUNDING STATUS

The adjacent table details the actions during the 2017 Special Session, where \$15.0 million of funding was transferred from various LRP program accounts to the general fund. The table provides the status of the program accounts, with updated fund balances for the beginning of the FY 2018 and the projected fund balance after the transfers. The legislature authorized \$15.0 million of transfers from LRP

Special Session Impacts on LRP Fund Balances			
Program Funding Sources	2019 Bien. Anticipated Ending Account Balance ¹	Transfers to GF	New Anticipated Account Balance
Long-Range Building Program	\$619,492	\$5,000,000	(\$4,380,508)
State Building Energy Conservation Prog. (2 accts.)	5,188,199	450,000	4,738,199
Treasure State Endowment Program (2 accts.)	(663,086)	7,500,000	(8,163,086)
Treasure State Regional Water Program (2 accts.)	(329,848)	0	(329,848)
Natural Resources Projects	1,220,056	2,050,000	(829,944)
Cultural & Aesthetic Grant Program	108,598	0	108,598
Grand Total	\$6,143,411	\$15,000,000	(8,856,589)

¹Revised from session work by the actual FY 2018 beginning fund balance

program funds to the general fund, but did not eliminate any projects nor reduce appropriations as a part of that action. Given the nature of the LRP (projects take a long time to complete), it was demonstrated that all the programs where transfers would result in a negative program account balance in the 2019 biennium would be able to cash flow projects through the biennium based on historic spending patterns. However, most of the programs have indicated that their management principles preclude entering into contracts for projects without having the funding on hand (or based on future revenues), or in effect disallowing the ability to cash flow projects. These instances are noted in the program reports. Ultimately, the LRP subcommittee will be working with \$15.0 million less revenue available for new projects in the 2021 biennium.

LRP PROGRAM REPORTS:

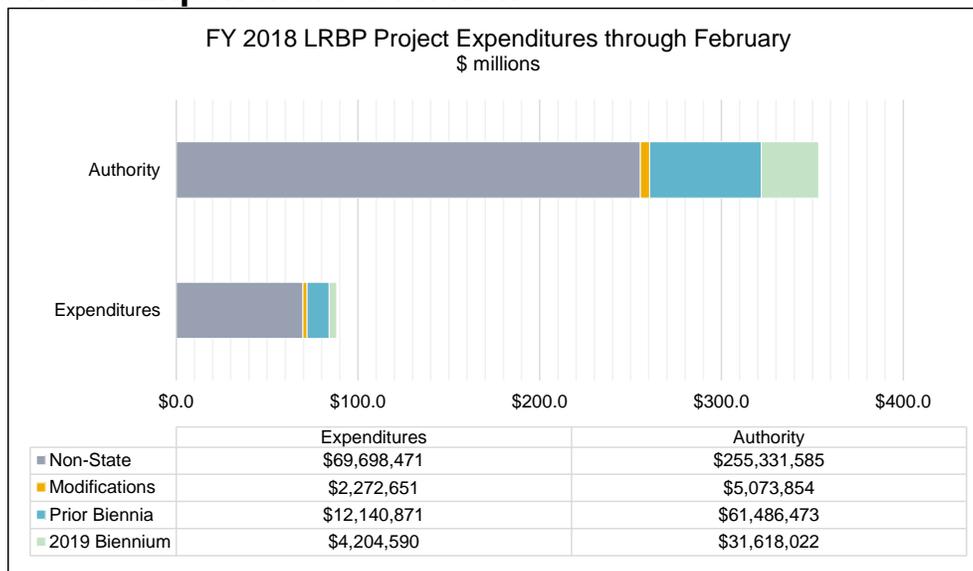
With the exception of the LRBP, the (grant) program expenditures discussed and displayed in the following reports include only actual expenditures. The expenditures of the LRBP include actual expenditures combined with accruals, in the same fashion as the HB 2 agency reports.

LONG-RANGE BUILDING PROGRAM (LRBP)

Budget and Expenditure Highlights

- Through February, \$26.1 million, or 26.8%, of the 2019 biennium HB 5 authority (including non-state resources) has been expended on projects in the LRBP
- \$61.5 million of prior biennia state resources authority was continued into FY 2018, from which \$12.1 million was expended
- \$5.0 million was transferred on Dec. 15, 2017, from the LRBP program account to the general fund as a result of actions taken during the special session
- To mitigate the impacts of the transfer, the LRBP may be able to move qualified (projects on the Capitol Complex) project authority to the capitol land grant account in the 2019 biennium
- No appropriations were reduced and no projects were eliminated in the special session actions
- Other than the potential of delays in bidding large projects to ensure ample availability of funds, the program does not anticipate issues with the funds transfer unless the anticipated level of revenues does not materialize as expected

Appropriation and Expenditure Overview



- The chart above includes all unexpended LRBP budget authority remaining on the books through FY 2018, as well as the appropriations provided by the 2017 legislature
- The LRBP expended a total of \$88.3 million of the available \$353.5 million of total authority through February 2018
- Non-state authority (\$255.3 million) and expenditures (\$69.7 million) represents the largest component of expenditure in FY 2018
 - The related projects are primarily funded through various university accounts
 - The totals may include authority for the use of donations in building projects, where no appropriation is required
 - Modifications to the non-state authority and the associated expenditures are included in the non-state totals

- The 2019 biennium authority (\$31.6 million) consists of LRBP authority held within the agency, which are funded through capital project funds, state special revenues, and federal special revenues
- Total expenditures of \$88.3 million through February 2018 include:
 - \$4.2 million from project costs appropriated for the 2019 biennium and funded with state resources
 - \$12.1 million from project costs from prior biennia and funded with state resources
 - \$2.3 million from budget modifications which include administrative authority, appropriation transfers, and LRBP budget amendments
 - The total for budget modifications includes modifications that have been continued from prior fiscal years and the modifications in FY 2018 for all state resources (not including the university system modifications)
 - Modifications include \$1.5 million of authority initially provided to the State Building Energy Conservation Program (SBECP) in the 2017 session and transferred to the LRBP for the purposes of energy conservation projects
 - \$69.7 million of project costs funded with university funds and donations
- Notable FY 2018 expenditures (includes actual and accruals) from prior biennia authority include:
 - \$30.0 million for the construction of the new Engineering Building on the Bozeman campus (approved in the 2015 session), which is scheduled to be completed in January 2019
 - \$4.0 million for the construction of the Auto-Tech Center on the MSU Northern campus (approved in the 2013 and 2015 sessions), which is scheduled to be completed in May 2018
 - \$1.5 million of expenditures for life safety and deferred maintenance (approved in the 2015 session) that funded systems replacements at Tietz Hall on the Bozeman campus and a roof replacement project at the MSU Billings campus

Current Biennium Projects

The figure below shows the authority, provided in HB 5 of the 2017 session, for the LRBP. The figure includes the authority held by the LRBP and does not include the appropriations or authority provided directly to agencies for capital projects in HB 5.

LRBP 2019 Bien. LRBP (HB 5) Authority with FY 2018 Expenditures through February						
Agency	Project	Project Total	Authority Transfers	Modified Authority	Expenditures Through Feb.	Balance
<u>Funded with State Resources</u>						
DOA	Life Safety & Deferred Maintenance, Capitol Complex	\$3,500,000		\$3,500,000		\$3,500,000
DOA	Life Safety & Deferred Maintenance, Statewide	5,500,000		5,500,000	815,217	4,684,784
DOA	Utility Rebate Funds, Statewide ¹	1,843,522		1,843,522	107,268	1,736,254
FWP	L&C Caverns State Park - Electrical Upgrades	2,200,000	(2,200,000)	0		0
FWP	Admin Facilities Major Maintenance	2,999,500	(1,200,000)	1,799,500	96,422	1,703,078
DNRC	Forestry Division Mechanic Shop, Missoula	300,000		300,000		300,000
DPHHS	MMHNCC Boiler Replacement and Heating System Upgr	2,500,000		2,500,000	2,244,530	255,470
DPHHS	Southwest Veteran's Home - Revised Authority	1,375,000		1,375,000		1,375,000
DOJ	Montana Law Enforcement Academy	8,100,000		8,100,000	106,303	7,993,697
DMA	Female Latrines	400,000		400,000	30,793	369,208
DMA	Roof Replacements, Statewide	3,300,000		3,300,000	730,793	2,569,207
MUS	Deferred Maintenance, MUS	3,000,000		3,000,000	73,265	2,926,735
Total State Resources		\$35,018,022	(\$3,400,000)	\$31,618,022	\$4,204,590	\$27,413,432
<u>Funded with University Funds and/or Donations</u>						
DPHHS	Southwest Veteran's Home - Revised Authority	\$9,831,250		\$9,831,250		\$9,831,250
MUS	Liberal Arts Building Renovation, UM	6,000,000		6,000,000		6,000,000
MUS	Clinical Psychology Addition, UM	4,000,000		4,000,000		4,000,000
MUS	Neural Injury Center, UM	7,000,000		7,000,000		7,000,000
MUS	Education Building Expansion, UM	20,000,000		20,000,000	13,506,615	6,493,386
MUS	MAES Livestock Complex, MSU	10,000,000		10,000,000		10,000,000
MUS	Living Learning Center, MT Tech	8,500,000		8,500,000	8,000,000	500,000
MUS	Natural Resources Research Center Addition, MT Tech	350,000		350,000	350,000	0
MUS	Barnard Hall Renovation, MSU Bozeman	1,500,000	(1,500,000)	0		0
Total University Funds and Donations		\$67,181,250	(\$1,500,000)	\$65,681,250	\$21,856,615	\$43,824,636
Grand Total		\$102,199,272	(\$4,900,000)	\$97,299,272	\$26,061,205	\$71,238,068

¹\$156,478 of the Utility Rebate Funds appropriation was expended in FY 2017

From the appropriations and authority provided by the 2017 legislature, the program has expended \$26.1 million, or 26.8% of the modified authority in FY 2018 through February. In FY 2017, the LRBP expended \$156,478 of the appropriation for Utility Rebate Funds, reducing the HB 5 appropriation of \$2.0 million to \$1.8 million as carried into FY 2018. The following are transactions and expenditures of note:

- \$4.9 million of authority was transferred from the LRBP to agencies (FWP and MUS)
- \$2.2 million of expenditures were for the boiler and heating systems upgrades at the Montana Mental Health Nursing Care Center (MMHNCC), which is under contract and will be completed in January 2019
- \$8.0 million has been expended on the Living Learning Center at MT Tech, which is under contract and construction will be completed in January 2019
- The upgrades at the Montana Law Enforcement Academy have entered into the planning phase with expenditures of \$106,303

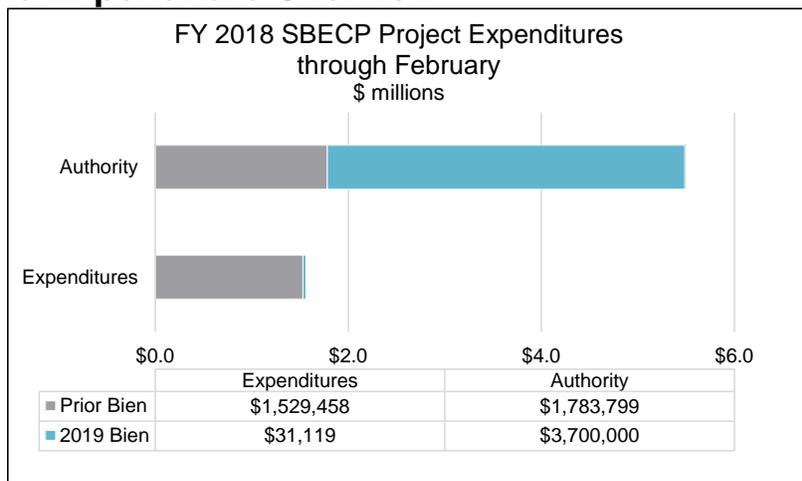
Required Reports: N/A

STATE BUILDING ENERGY PROGRAM (SBECP)

Budget and Expenditure Highlights

- In the 2019 biennium, the legislature provided SBECP with \$3.7 million of authority, of which \$1.5 million of the authority has been transferred to the LRBP
- From the 2019 biennium authority 0.8% has been expended through February
- The SBECP is unusual since the program transfers the authority provided by the legislature to the LRBP for expenditure

Appropriation and Expenditure Overview



Through February, the LRBP has made \$1.6 million of expenditures from a total of \$5.5 million of authority for SBECP projects. Notable expenditures included:

- Through February, there has been \$31,119 of expenditures against the \$3.7 million of the 2019 biennium authority, and most expenditures have been related to prior biennia authority
- \$1.1 million for DPHHS, which was expended on the boiler replacement at MMHNCC, and system and lighting upgrades at the Montana State Hospital
- \$391,805 for Corrections, most of which was expended on HVAC improvements at the secure housing facility at the Women’s State Prison in Billings
- \$42,989 of agency improvements, most of which was used for improvements at the Montana data center
- \$30,000 for the University System, most of which was expended on improvements at the metals tech facility at MSU Northern

During the special session, the legislature transferred \$450,000 from the SBCEP state special capital projects fund (05145) to the state general fund. The legislature did not reduce any of the SBCEP appropriations or eliminate any projects in special session actions. The transfer of funds is not expected to impact spending in the 2019 biennium.

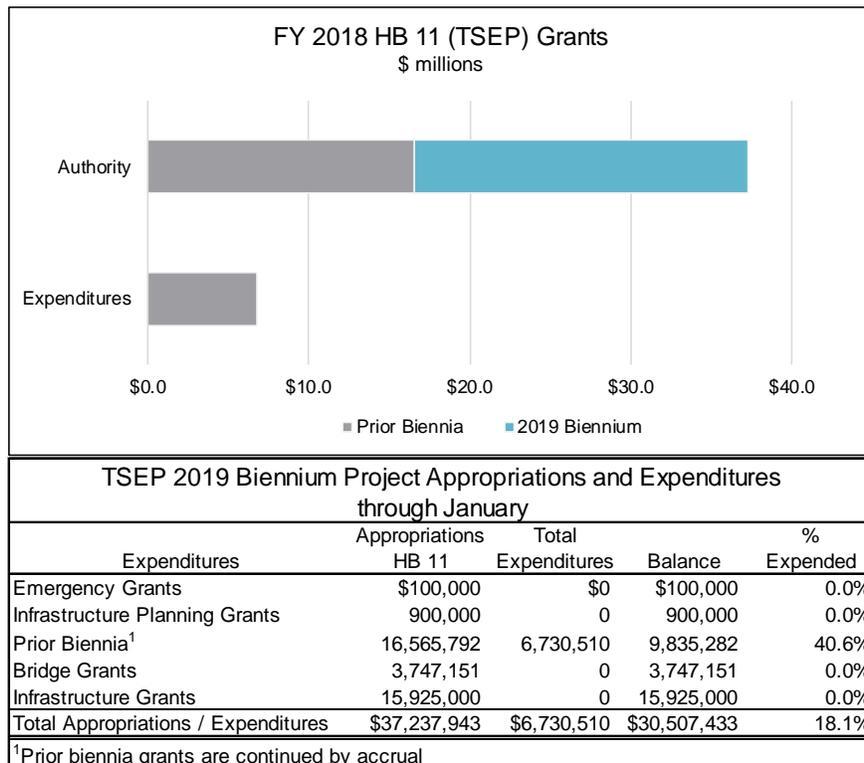
Required Reports: N/A

TREASURE STATE ENDOWMENT PROGRAM (TSEP)

Budget and Expenditure Highlights

- Through February, none of 2019 biennium authority has been expended
- \$7.5 million was transferred on Dec. 15, 2017 from the TSEP program to the general fund during the special session
- No appropriations were reduced and no projects were eliminated in actions during the special session
- TSEP sent out letters to the 15 lowest ranked grant awardees (including the 3 conditional grant awardees) informing them that their grants would not be funded unless higher ranked grants withdrew or revenues exceeded expectations

Appropriation and Expenditure Overview



- All of the FY 2018 TSEP expenditures of \$6.7 million through February were from prior biennia authority, as accrued
- As long-range projects, it is not unusual for TSEP grant funding from the current biennium authority to be low in the first year of the biennium
- Early in the 2019 biennium, TSEP was asked by the executive not to start issuing grants, so payments for TSEP grants have been delayed in comparison to prior biennia

During the special session, the legislature authorized a transfer of \$7.5 million from the TSEP program to the state general fund. The legislature did not reduce any of the TSEP appropriations or eliminate any projects in actions during the special session. The transfer of funds would create a negative balance in the

TSEP program funds if all the current and outstanding appropriation authority is fully expended. As a result, the TSEP sent 15 letters to lower ranked grant awardees informing them that they would not be funded in the 2019 biennium unless higher ranked grant awardees withdraw their request or revenues exceed expectations. In the letter, the affected local governments are encouraged to send a letter requesting funding in the 2021 biennium, instead of to having to resubmit a full application.

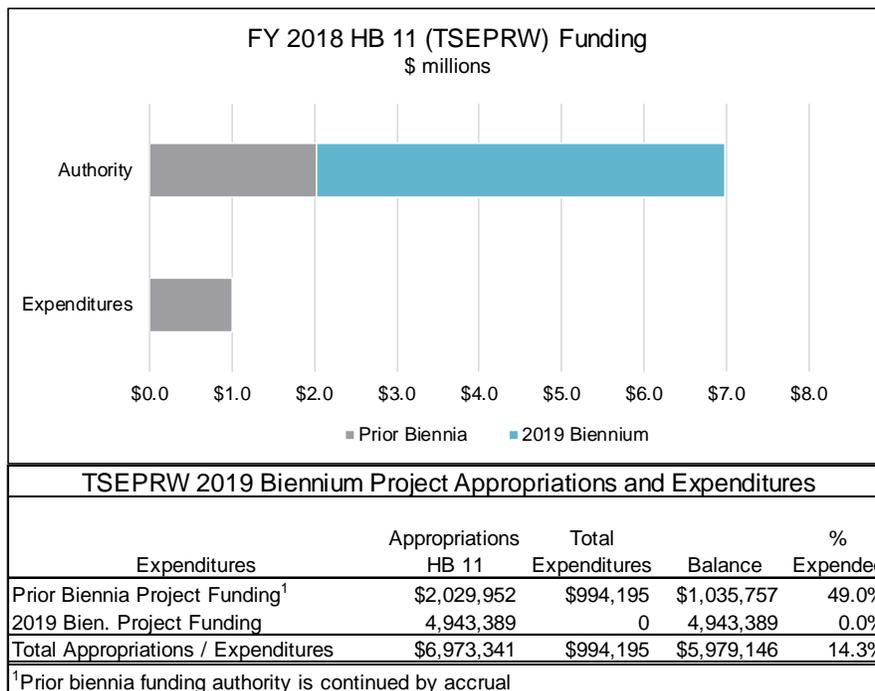
Required Reports: No emergency grants issued at the time of this writing

TREASURE STATE REGIONAL WATER PROGRAM (TSEPRW)

Budget and Expenditure Highlights

- Through February, no expenditures have been made from 2019 biennium authority
- The special session did not impact the TSEPRW program

Appropriation and Expenditure Overview



- Expenditures of \$994,195 are made against prior biennia authority (as accrued)
- No expenditure from 2019 biennium authority
- No special session impacts

NATURAL RESOURCE PROJECT ACCOUNT

Budget and Expenditure Highlights

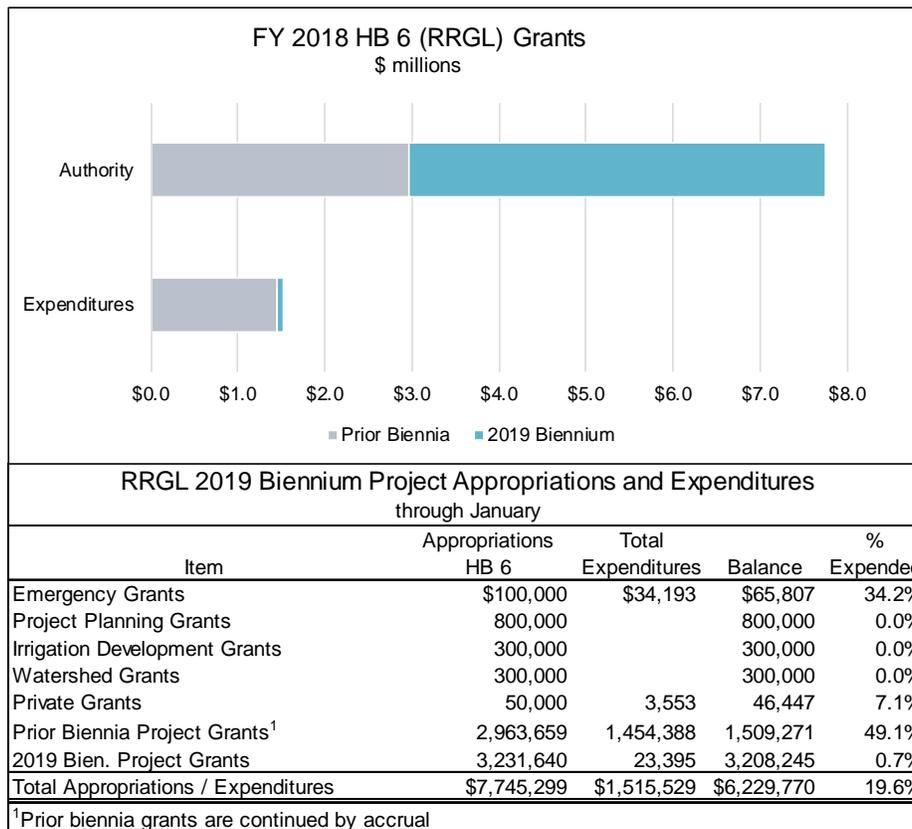
- The natural resource project account funds numerous grant programs in the Department of Natural Resources and Conservation (DNRC), including the Renewable Resource Grants and Loans Program (RRGL) and the Reclamation and Development Grants Program (RDGP)
- During the special session, the legislature transferred \$2.05 million from the natural resources projects account to the state general fund
- The legislature did not reduce any of the associated appropriations nor eliminate projects in actions during the special session
- The transfer of funds would create a negative fund balance in the natural resources program account if all the current and outstanding appropriation authority were fully expended

- As a result, the program has sent letters to lower ranked grant awardees letting them know that they would not be funded in the 2019 biennium unless higher ranked grant awardees withdraw their requests or revenues exceed expectations
- The affected local governments will compete for grant ranking in the 2021 biennium programs along with the applicants

Renewable Resource Grants Program (RRGL) Budget and Expenditure Highlights

- RRGL has expended 1.3% of their 2019 biennium authority through February
- RRGL sent out letters to the eight lowest ranked grant awardees informing them that their grants would not be funded unless higher ranked grants withdrew or revenues exceeded expectations

Appropriation and Expenditure Overview



- 2019 biennium authority used to date include emergency grants of \$34,193, private grants of \$3,553 and three project grants with expenditures of \$23,395
- Early in the 2019 biennium, RRGL was asked by the executive not to start issuing grants, so payments for RRGL grants have been delayed in comparison to prior biennia
- \$1.5 million was expended from prior biennia authority, as accrued

During the special session, the legislature transferred \$2.05 million from the natural resources projects account to the state general fund. The legislature did not reduce any of the RRGL appropriations nor eliminate any projects in actions during the special session. The transfer of funds would create a negative balance in the natural resources projects account if all the current and outstanding appropriation authority is fully expended. As a result, the RRGL sent eight letters to lower ranked grant awardees informing them that they would not be funded in the 2019 biennium unless higher ranked grant awardees withdraw their request or revenues exceed expectations. The affected local governments will need to compete for grants in the 2021 session, along with the other grant applicants.

Required Reports:

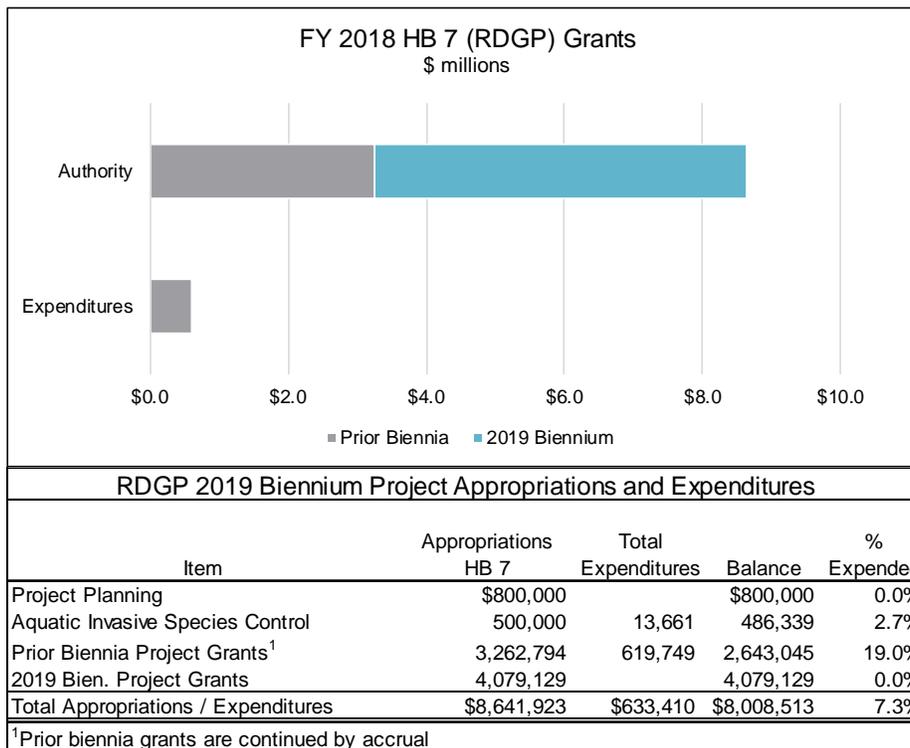
The following is a report on emergency grants as required in 85-1-605 (4), MCA. To date, \$35,000 in emergency grants have been authorized by the Renewable Resource Grant Program and one grant is pending.

Renewable Resources Emergency Grants 2019 Biennium		
Sponsor	Project Title	Amount
South Wind Water/Sewer District (WSD)	Water emergency repairs	\$12,000
Greenfields Irrigation District (ID)	Repairs to Johnson Drop Structure	8,000
Canyon Creek ID	Emergency repair of Canyon Lake Dam	15,000
Dodson, Town of	Water emergency repairs (2017/18 winter)	pending
Total to date		\$35,000

Reclamation and Development Grants Program

- RDGP has expended \$13,661 of their 2019 biennium authority through February
- RDGP sent out letters to the 3 lowest ranked grant awardees informing them that their grants would not be funded unless higher ranked grants withdrew or revenues exceeded expectations

Appropriation and Expenditure Overview



- RDGP has expended \$13,661 on an Aquatic Invasive Species grant authorized for the 2019 biennium
- Early in the 2019 biennium, RDGP was asked by the executive not to start issuing grants, so payments for RDGP grants have been delayed in comparison to prior biennia
- \$619,749 was expended from prior biennia authority, as accrued

During the special session, the legislature transferred \$2.05 million from the natural resources projects account to the state general fund. The legislature did not reduce any of the RDGP appropriations or eliminate any projects in actions during the special session. The transfer of funds would create a negative balance in the natural resources projects account if all the current and outstanding appropriation authority is

fully expended. As a result, the RDGP sent 3 letters to lower ranked grant awardees informing them that they would not be funded in the 2019 biennium unless higher ranked grant awardees withdraw their request or revenues exceed expectations. The affected local governments will need to compete for grants in the 2021 session, along with other grant applicants.

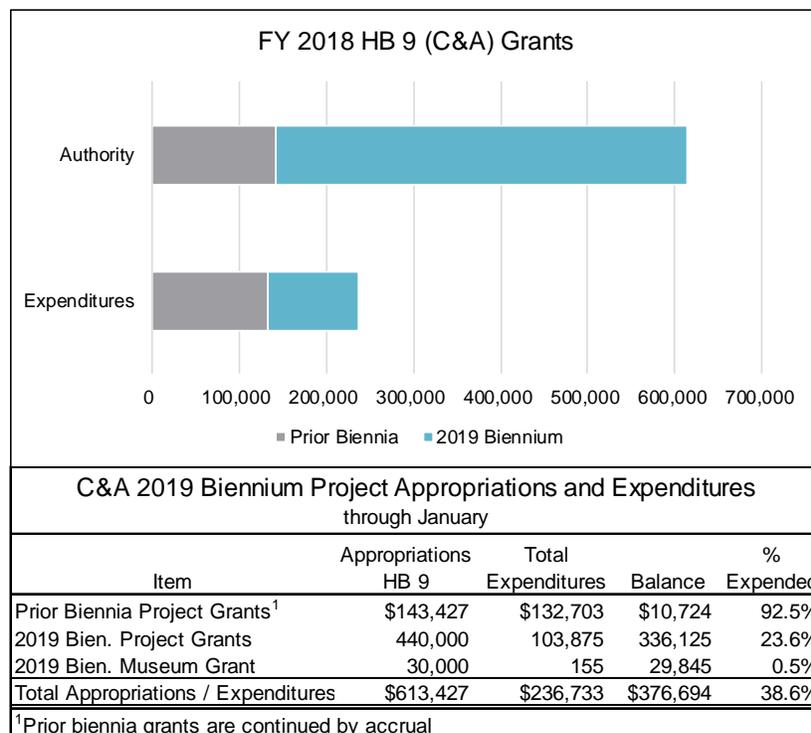
Required Reports: N/A

CULTURAL AND AESTHETIC GRANTS PROGRAM (C&A)

Budget and Expenditure Highlights

- Through February, \$104,030, or 22.1%, of the 2019 biennium HB 9 appropriations have been expended
- The special session did not impact the C&A program

Appropriation and Expenditure Overview



- 23.6% of the 2019 biennium C&A grants authority has been expended through February
- \$132,703 was expended from prior biennia authority as accrued and the balance of the prior biennia accrual was reverted to the fund balance
- The Museum Grant, shown in the figure above is appropriated to the Historical Society, and \$155 was expended through February
- No special session impacts

Required Reports: N/A