MONTANA COAL ENDOWMENT PROGRAM

PROGRAM SUMMARY

Formerly known as the Treasure State Endowment Program (TSEP), the Montana Coal Endowment Program (MCEP) 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 MCEP 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 MCEP is administered by the Department of Commerce. The MCEP 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.

BUDGET & EXPENDITURE

The following chart and table show 2023 biennium MCEP budget and expenditure for FY 2022 through November 2021.
For the 2023 biennium, there were 7 bridge projects authorized under HB 11 with a budget of $3.2 million. While there have not yet been expenditures of that budget; 5 contracts have been executed for the projects.

Under HB 632, approximately $24.6 million of budget was established for MCEP, funded with federal American Rescue Plan Act (ARPA) funds. This budget includes: $9.9 million of water and wastewater projects that were originally requested under HB 11; $13.7 million of water, wastewater, and stormwater projects that were originally requested under HB 14; as well as $100,000 for emergency grants and $900,000 for planning grants. There has not yet been expenditure of these funds; however, 102 projects have been awarded, including 62 planning grants and 40 water, wastewater, and stormwater grants. Contracts are being executed on an ongoing basis; 7 contracts have been executed so far.

For projects authorized from prior biennia, $17.6 million of budget authority was remaining at the beginning of FY 2022. Approximately $4.3 million of that prior biennia budget has been expended as of November 30. A total of $3.0 million of expenditures were for projects authorized previously under HB 11, including $2.9 million for 22 infrastructure projects, $10,000 for a prior emergency grant, and $60,000 for 5 prior planning grants. Expenditures of $1.3 million for 12 water and wastewater projects authorized under HB 652 during the 66th legislative session were made through the end of November.

**FUND BALANCE**

The following chart shows the projected MCEP fund balance, based on 2021 biennium actuals and 2023 biennium projections.
The main impact to the fund balance in the 2023 biennium is the use of the ARPA funds for the water and wastewater infrastructure, emergency, and planning expenditures. The projected fund balance at the end of the 2023 biennium is approximately $12.1 million. As a result, in the 2023 legislative session there will be a larger than normal beginning fund balance available for appropriation in addition to the typical biennial revenue streams.

**DELIVERING LOCAL ASSISTANCE PROGRAM**

The Delivering Local Assistance Program (DLA) was a one-time-only local government infrastructure financing program, appropriated in HB 652 for the 2021 biennium, to provide funding for grants to local governments for infrastructure and school facility projects. The program is administered by the Department of Commerce.

The following chart and table show the budget that was established for the projects that was continued from the prior biennium, as well as the expenditures of those funds through November 30, 2021.

<table>
<thead>
<tr>
<th>Item</th>
<th>Budget</th>
<th>Expenditures</th>
<th>Balance</th>
<th>% Expended</th>
</tr>
</thead>
<tbody>
<tr>
<td>DLA - Prior Biennium</td>
<td>12,674,610</td>
<td>2,829,464</td>
<td>9,845,147</td>
<td>22%</td>
</tr>
<tr>
<td>Total Appropriations/Expenditures</td>
<td>12,674,610</td>
<td>2,829,464</td>
<td>9,845,147</td>
<td>22%</td>
</tr>
</tbody>
</table>

Of the approximately $12.7 million of budget established for those prior biennium projects from remaining budget, approximately $2.8 million or 22.3% of the budget has been expended. Approximately $2.3 million of the expenditures were for 11 school district facility projects, and $500,000 was expended for 7 local government infrastructure projects.