

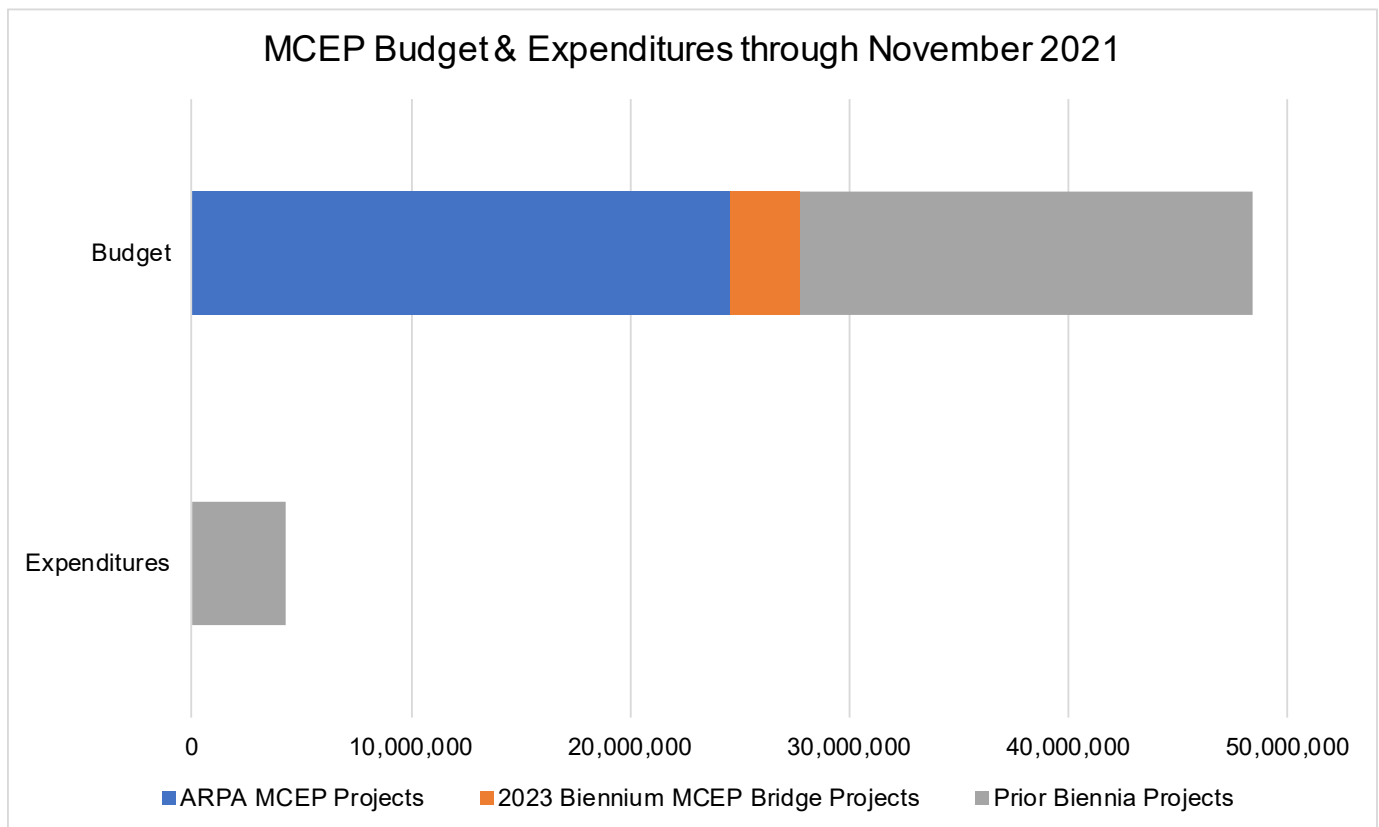
MONTANA COAL ENDOWMENT PROGRAM

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.



MCEP Budget and Expenditures through Nov. 30, 2021					
Item	Appropriations		Expenditures	Balance	% Expended
	HB 11, 14 & 632				
ARPA MCEP Projects	24,577,698	-	-	24,577,698	0%
2023 Biennium MCEP Bridge Projects	3,169,451	-	-	3,169,451	0%
Prior Biennia Projects	17,629,154	4,272,255	4,272,255	13,356,899	24%
Total Appropriations/Expenditures	45,376,303	4,272,255	4,272,255	41,104,048	9%

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.

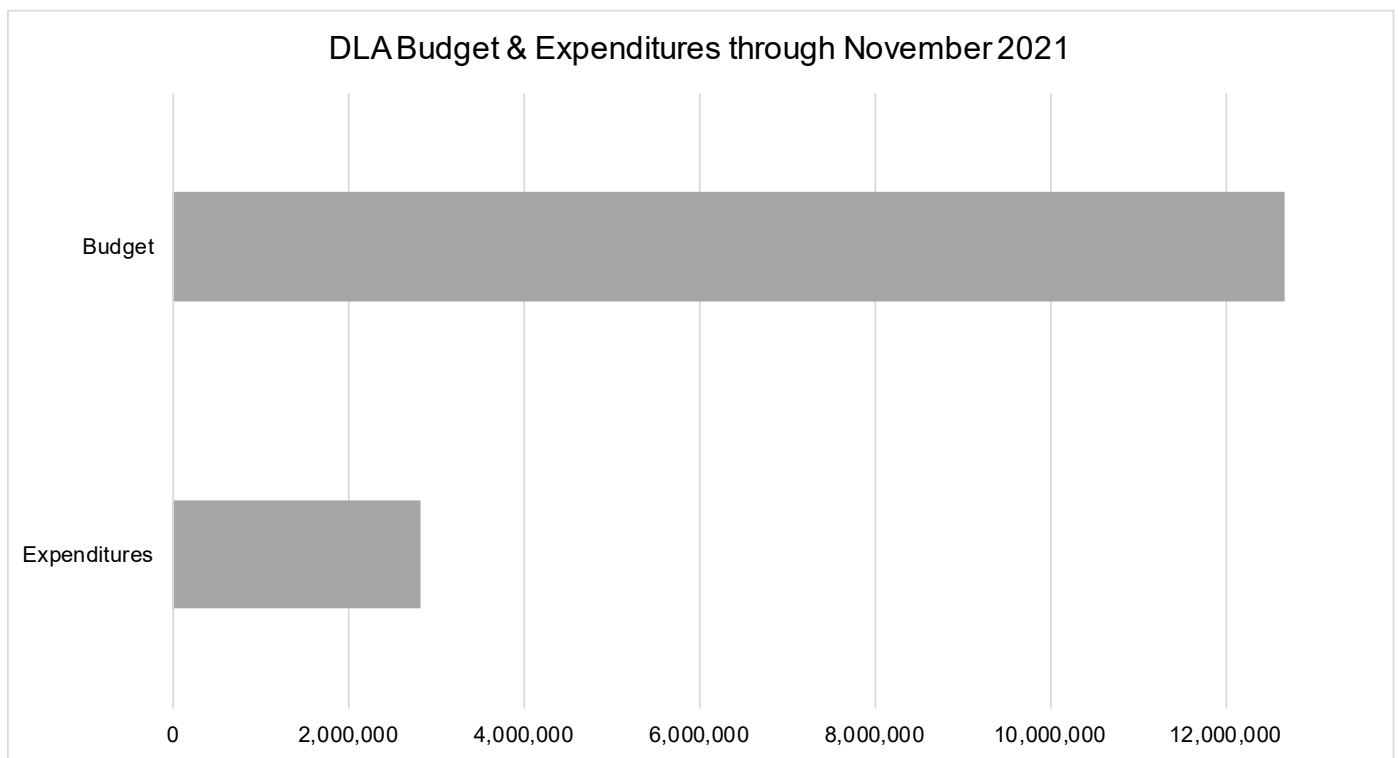
MCEP Fund Balance Analysis - 2023 Biennium					
Accounts 09044 and 02270					
	FY 2020 Actual	FY 2021 Actual	FY 2022 Projected	FY 2023 Projected	2023 Bien.
Beginning Fund Balances (09044 and 02270)	\$13,274,368	\$13,614,310	\$15,061,556	\$5,527,400	\$15,061,556
Trust Earnings ¹	9,252,925	8,924,386	8,155,665	7,411,664	15,567,329
Expenditures					
HB 2 TSEP Administration ²	654,787	618,539	815,739	820,240	1,635,979
Emergency Grants	30,000	25,397	0	0	0
Project Planning Grants	102,496	519,775	0	0	0
2021 Biennium & Prior Biennia Grants	8,125,700	6,313,430	13,704,631	0	13,704,631
2023 Biennium Grants	0	0	3,169,451	0	3,169,451
Total Expenditures/Appropriations	8,912,983	7,477,141	17,689,821	820,240	18,510,061
Projected Ending Fund Balance	\$13,614,310	\$15,061,556	\$5,527,400	\$12,118,824	\$12,118,824
¹ HJ 2 Projections					
² HB 2					

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.



Delivering Local Assistance (DLA) Budget and Expenditures through Nov. 30, 2021				
Item	Budget	Expenditures	Balance	% Expended
DLA - Prior Biennium	12,674,610	2,829,464	9,845,147	22%
Total Appropriations/Expenditures	12,674,610	2,829,464	9,845,147	22%

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.