

MONTANA COAL ENDOWMENT REGIONAL WATER PROGRAM

PROGRAM SUMMARY

The 1999 Legislature created the treasure state endowment regional water system fund as a sub-trust within the coal tax permanent trust. The Montana Coal Endowment Regional Water Program (MCEPRW), 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:

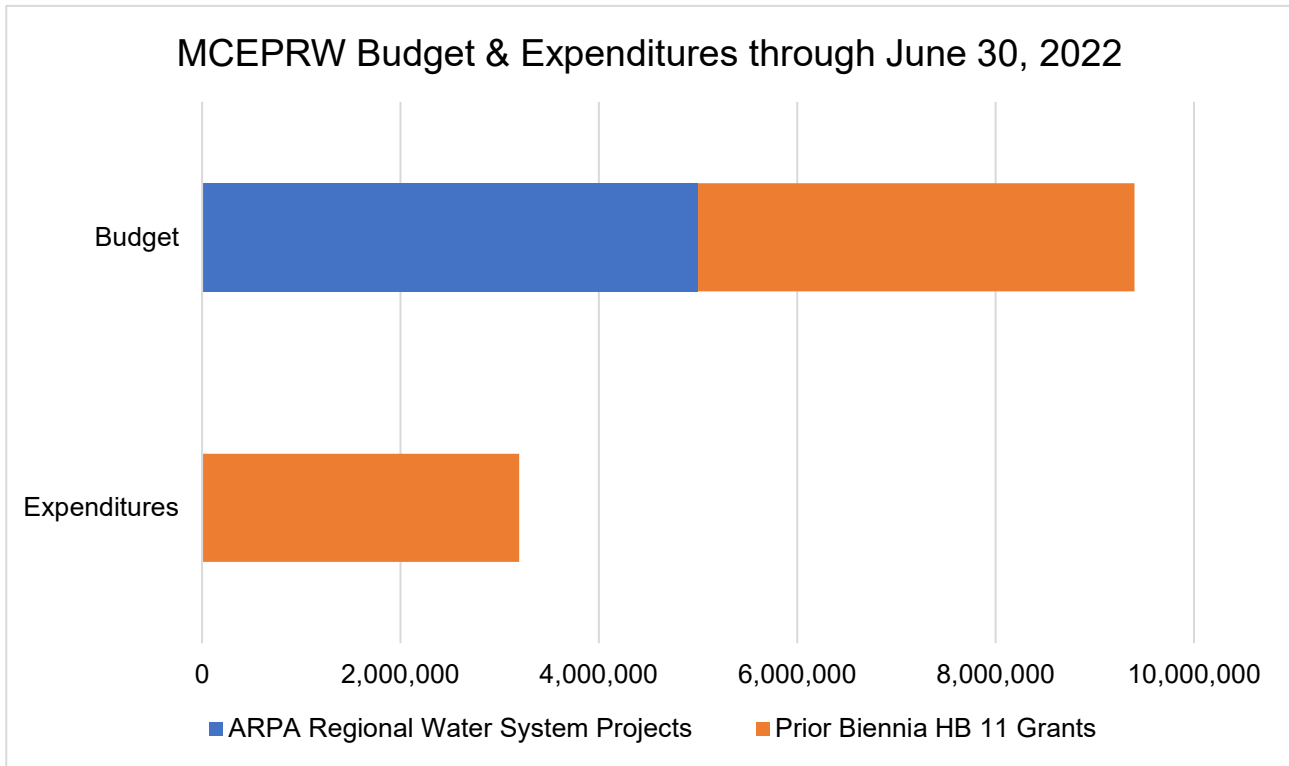
- An executed agreement with DNRC
- A DNRC approved management plan
- A financial accounting system that conforms to generally accepted accounting principles
- A detailed preliminary engineering report

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)

BUDGET & EXPENDITURES

The following chart and table show MCEPRW 2023 biennium budget and expenditures through June 30, 2022 (fiscal year-end 2022).



MCEPRW Budget and Expenditures through June 30, 2022				
Item	Appropriations		Balance	% Expended
	HB 11	Expenditures		
ARPA Regional Water System Projects	5,000,000	-	5,000,000	0.0%
Prior Biennia HB 11 Grants	4,400,034	3,197,493	1,202,541	72.7%
Total Appropriations/Expenditures	9,400,034	3,197,493	6,202,541	34.0%

There was \$5.0 million of budget established in the 2023 biennium for state regional water system projects funded by federal ARPA funds appropriated under HB 632. There was no expenditure of the 2023 biennium appropriations in FY 2022.

For prior biennia projects under MCEPRW, approximately \$4.4 million of budget remained at the beginning of FY 2022. The regional water system projects expenditures from these prior biennium appropriations totaled \$3.2 million in FY 2022.

FUND BALANCE

The following chart shows the projected MCEPRW fund balance, based on FY 2022 actuals and FY 2023 projections.

MCEP Regional Water System Fund Balance Analysis - 2023 Biennium					
Accounts 09047 and 02015					
	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Projected	2023 Biennium
Estimated Beginning Fund Balance	\$2,766,782	\$3,507,982	\$5,267,833	\$4,342,694	\$5,267,833
Fund Balance Adjustment (Reversions)				(\$338,868)	
				4,003,826	
Revenue Projections ¹					
Total Revenues	3,152,999	3,087,651	3,131,093	2,572,466	5,703,559
Expenditures					
Administration - DNRC ²	137,140	101,635	112,738	157,000	269,738
Regional Water Authority Admin. Grants ²	746,000	746,000	746,000	939,391	1,685,391
Prior Biennia Authority	1,528,659	480,166	3,197,493	1,257,781	4,455,274
2023 Biennium Grants	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures/Appropriations	2,411,799	1,327,801	4,056,231	2,354,172	6,749,271
Estimated Ending Fund Balance	\$3,507,982	\$5,267,833	\$4,342,694	\$4,222,120	\$4,222,121
¹ HJ 2					
² HB 2					

In FY 2022, expenditures for administrative costs and prior biennia projects were approximately \$4.1 million. Revenue in FY 2022 was approximately \$304,000 higher than HJ 2 projections. The MCEPRW fund is a sub-trust within the coal tax permanent trust; interest earnings from the sub-trust are available for appropriation by the legislature. Revenue for FY 2023 is from HJ 2 (2021) projections.

With the 2023 biennium grants being funded by federal ARPA funds and based on projected revenue and expenditure in FY 2023, there is projected to be an ending fund balance of approximately \$4.2 million for the MCEPRW. 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.