

MONTANA COAL ENDOWMENT PROGRAM

PROGRAM BUDGET COMPARISON

Figure 19 compares the 2023 biennium appropriated budget to the 2025 biennium appropriated budget by type of expenditure and source of funding.

Figure 19

Program Comparison - Montana Coal Endowment Program				
Budget Item	Budget 2023 Biennium	Budget 2025 Biennium	Biennium Change	Biennium % Change
Budget Item	<u>Appropriated</u>	<u>Appropriated</u>	<u>Change</u>	<u>% Change</u>
Number of Grants Funded (infrastructure)	41	40	(1)	-2.4%
Number of Grants Funded (bridge)	7	12	5	71.4%
Infrastructure Grants Cost	\$23,577,698	\$23,843,500	\$265,802	1.1%
Bridge Grants Cost	3,169,451	6,366,213	3,196,762	100.9%
Other Grants Cost	1,000,000	1,000,000	0	0.0%
Total Costs	\$27,747,149	\$31,209,713	\$3,462,564	12.5%
State Special	3,169,451	31,209,713	28,040,262	884.7%
Bond Proceeds	0	0	0	0.0%
ARPA 9901-602 (HB 632)	24,577,698	0	(24,577,698)	0.0%
Total Funds	\$27,747,149	\$31,209,713	\$3,462,564	12.5%

PROGRAM DISCUSSION

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 (DOC). 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.

SUMMARY OF LEGISLATIVE ACTION

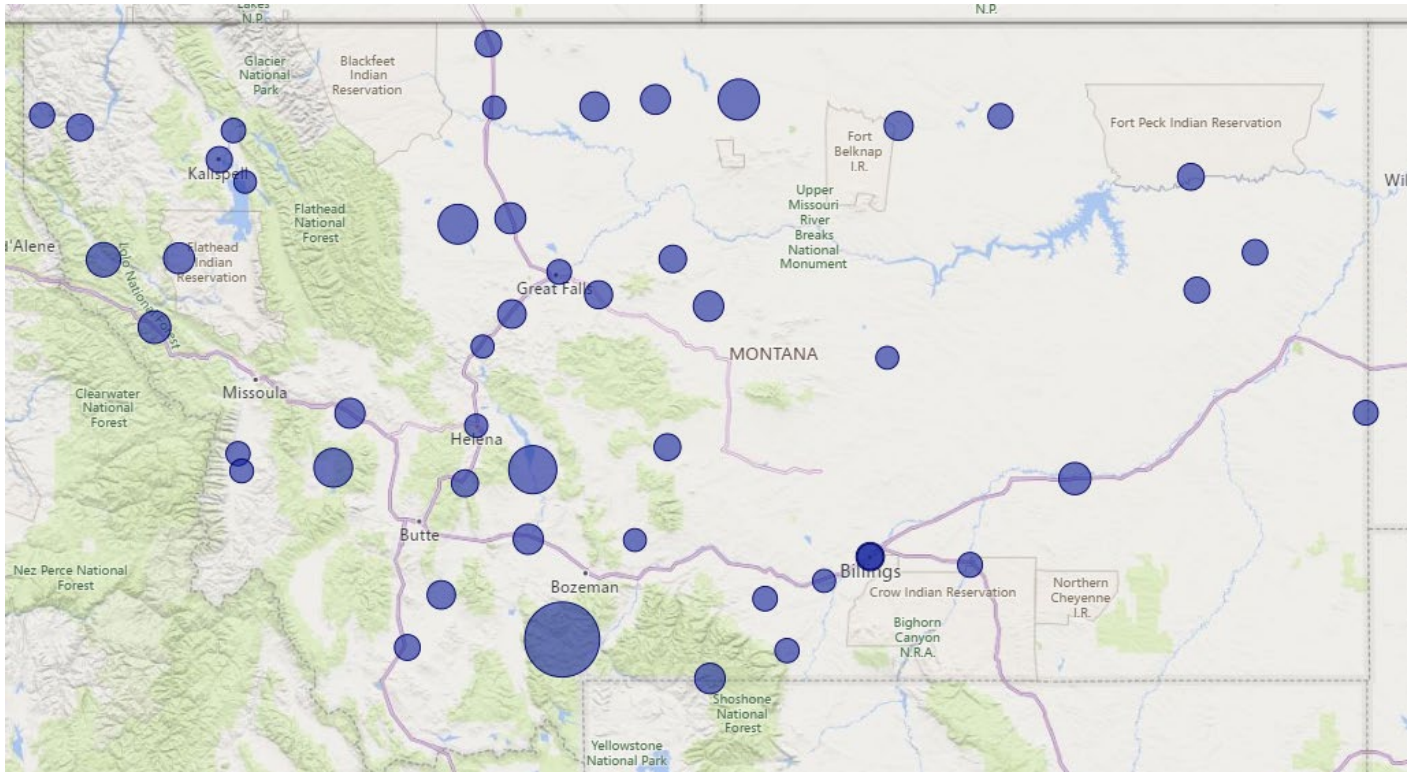
The 68th Legislature appropriated \$31.2 million for MCEP in HB 11 for the 2025 biennium. The MCEP budget is \$3.5 million, or 12.5% greater than the levels of appropriation in the 2023 biennium. The 2023 biennium infrastructure projects were funded with federal American Rescue Plan Act funding; projects authorized in the 2025 biennium are funded with state special revenue. The fund type switch is shown in the bottom portion of Figure 19. From the total appropriations, \$6.4 million funds 12 bridge grants, and \$23.8 million funds 40 water/wastewater grants. Other appropriations in the bill total \$1.0 million and consist of \$100,000 for emergency grants and \$900,000 for project planning grants.

Figure 20 shows a map of the projects authorized in HB 11; the funding, denoted by the size of the marker in the map, reflects total cost of each project and includes both state and matching funds. A complete list of the MCEP projects authorized by the 68th Legislature is seen in Figure 21. Note that funding for the MCEP Regional Water

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program, which is also included in HB 11, is not included in the map. Projects will be identified during the biennium, and the regional water authorities will work with the DNRC for approval and funding of those projects.

Figure 20



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Figure 21

Montana Coal Endowment Program (MCEP)						
HB 11 - 2025 Biennium						
Rank	Applicant	County	Type of Project	Total Project Cost	Grant Requested	Cumulative Total
<u>HB 11 - Bridge Program</u>						
1	Beaverhead County	Beaverhead	Bridge	\$1,834,038	\$750,000	\$750,000
2	Yellowstone County	Yellowstone	Bridge	1,864,767	750,000	1,500,000
3	Lewis & Clark County	Lewis & Clark	Bridge	759,860	379,930	1,879,930
4	Big Horn County	Big Horn	Bridge	1,439,081	500,000	2,379,930
5	Park County	Park	Bridge	599,244	299,622	2,679,552
6	Gallatin County	Gallatin	Bridge	1,889,294	750,000	3,429,552
7	Broadwater County	Broadwater	Bridge	1,814,491	750,000	4,179,552
8	Petroleum County	Petroleum	Bridge	620,420	465,300	4,644,852
9	Wibaux County	Wibaux	Bridge	1,383,700	691,350	5,336,202
10	Madison County	Madison	Bridge	998,922	499,461	5,835,663
11	Stillwater County	Stillwater	Bridge	684,100	340,550	6,176,213
12	Town of Drummond	Granite	Bridge	190,000	190,000	190,000
Total HB 11 Bridge Projects				\$13,887,917	\$6,366,213	
<u>HB 11 - Infrastructure Program</u>						
1	Cascade, Town of	Cascade	Wastewater	3,091,000	625,000	625,000
2	Havre, City of	Hill	Water	8,355,390	500,000	1,125,000
3	Dodson, Town of	Phillips	Water	3,250,300	500,000	1,625,000
4	Thompson Falls, City of	Sanders	Water	5,523,000	750,000	2,375,000
5	Twin Bridges, Town of	Madison	Water	2,040,000	750,000	3,125,000
6	Dutton, Town of	Teton	Water	4,079,000	625,000	3,750,000
7	Geraldine, Town of	Choteau	Water	2,643,000	500,000	4,250,000
8	Wolf Point, City of	Roosevelt	Wastewater	2,400,000	625,000	4,875,000
9	Forsyth, City of	Rosebud	Water	4,630,258	500,000	5,375,000
10	Saco, Town of	Phillips	Wastewater	1,695,000	500,000	5,875,000
11	Troy, City of	Lincoln	Water	1,555,000	750,000	6,625,000
12	Choteau, City of	Teton	Water	7,767,856	625,000	7,250,000
13	Craig County Water & Sewer District	Lewis & Clark	Wastewater	800,000	400,000	7,650,000
14	Red Lodge, City of	Carbon	Wastewater	1,325,000	500,000	8,150,000
15	Superior, Town of	Mineral	Wastewater	4,824,295	750,000	8,900,000
16	Libby, City of	Lincoln	Wastewater	2,363,000	460,000	9,360,000
17	Corvallis Sewer District	Ravalli	Wastewater	1,123,210	500,000	9,860,000
18	Shelby, City of	Toole	Wastewater	889,000	444,500	10,304,500
19	Hot Springs, Town of	Sanders	Wastewater	4,111,000	750,000	11,054,500
20	Hideaway Community County Water & Sewer District	Flathead	Wastewater	1,373,378	750,000	11,804,500
21	Belt, Town of	Cascade	Water	2,855,000	500,000	12,304,500
22	Bigfork Water & Sewer District	Flathead	Wastewater	4,115,000	500,000	12,804,500
23	Martinsdale Water & Sewer District	Meagher	Water	1,998,000	750,000	13,554,500
24	Victor WSD	Ravalli	Wastewater	1,283,000	500,000	14,054,500
25	Cooke Pass/Cooke City/Silvergate Co Sewer District	Park	Wastewater	3,933,186	750,000	14,804,500
26	Absarokee Water & Sewer District	Stillwater	Water	1,446,000	500,000	15,304,500
27	Boulder, City of	Jefferson	Water	2,458,000	500,000	15,804,500
28	Richey, Town of	Dawson	Water	1,850,000	500,000	16,304,500
29	Circle, Town of	McCone	Water	2,000,000	625,000	16,929,500
30	Kalispell, City of	Flathead	Water/Wastewater	2,104,695	750,000	17,679,500
31	Lockwood Water & Sewer District	Yellowstone	Water	3,010,000	750,000	18,429,500
32	Phillipsburg, Town of	Granite	Water	7,255,955	625,000	19,054,500
33	Chester, Town of	Liberty	Wastewater	3,416,975	500,000	19,554,500
34	Hingham, Town of	Hill	Wastewater	3,610,455	750,000	20,304,500
35	Black Eagle-Cascade County W/S District	Cascade	Wastewater	1,329,620	414,000	20,718,500
36	Denton, Town of	Fergus	Wastewater	3,890,100	500,000	21,218,500
37	Drummond, Town of	Granite	Wastewater	3,548,470	500,000	21,718,500
38	Gallatin Canyon County Water & Sewer District	Gallatin	Wastewater	22,500,000	750,000	22,468,500
39	Townsend, City of	Broadwater	Water	11,131,098	750,000	23,218,500
40	Sunburst, Town of	Toole	Wastewater	2,245,000	625,000	23,843,500
Total Infrastructure Projects				149,819,241	23,843,500	
Total MCEP Projects				\$163,707,158	\$30,209,713	

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FUNDING

The MCEP administrative costs and grant appropriations are funded with the interest earnings from a coal severance tax endowment trust. The MCEP trust is a “sub-trust” of the permanent coal severance tax trust. The corpus of the sub-trust is fixed at \$268.0 million. The interest earned from the trust is transferred into the state special revenue fund authorized in 90-6-701, MCA.

Figure 22 shows the projected ending fund balance of the MCEP state special revenue account for the 2025 biennium. The MCEP account is projected to begin the 2025 biennium with a fund balance of \$15.8 million, and MCEP interest earnings are expected to be \$24.0 million for the 2025 biennium.

Figure 22

MCEP Fund Balance Analysis - 2025 Biennium Accounts 09044 and 02270					
	FY 2022 Actuals	FY 2023 Projected ³	FY 2024 Projected	FY 2025 Projected	2025 Bien.
Beginning Fund Balances	\$15,061,556	\$17,830,303	\$15,762,223	(\$4,549,892)	\$15,762,223
Fund Balance Adjustment		\$15,156			
Coal SubTrust Earnings ¹	9,076,714	10,795,013	11,722,290	12,306,782	24,029,072
Expenditures					
HB 2 MCEP Administration ²	697,526	820,240	824,692	852,343	1,677,035
Emergency Grants			100,000	0	100,000
Project Planning Grants		431	900,000	0	900,000
Prior Biennia Grants	5,548,188	8,950,380	0	0	0
2025 Biennium Grants	<u>62,253</u>	<u>3,107,198</u>	<u>30,209,713</u>	<u>0</u>	<u>30,209,713</u>
Total Expenditures/Appropriations	6,307,967	12,878,249	32,034,405	852,343	32,886,748
Projected Ending Fund Balance	\$17,830,303	\$15,762,223	(\$4,549,892)	\$6,904,547	\$6,904,547
¹ HJ 2 Projections					
² HB 2					

Appropriations for the 2025 biennium total \$32.8 million; this includes both grants and administrative costs, which are appropriated in HB 2. The administrative costs include the HB 13 (2023) pay plan adjustments. The 2025 biennium ending fund balance is projected to be approximately \$7.0 million.

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EXECUTIVE BUDGET COMPARISON

Figure 23 provides the legislative changes from the executive budget proposal.

Figure 23

Executive Budget Comparison - Montana Coal Endowment Program				
Budget Item	Budget 2025 Biennium	Budget 2025 Biennium	Biennium Change	Biennium % Change
Budget Item	<u>Executive Proposal</u>	<u>Appropriated</u>	<u>Change</u>	<u>% Change</u>
Number of Grants Funded (infrastructure)	40	40	0	0.0%
Number of Grants Funded (bridge)	11	12	1	9.1%
Infrastructure Grants Cost	\$23,843,500	\$23,843,500	\$0	0.0%
Bridge Grants Cost	6,176,213	6,366,213	190,000	3.1%
Other Grants Cost	1,000,000	1,000,000	0	0.0%
Total Costs	\$31,019,713	\$31,209,713	\$190,000	0.6%
State Special	31,019,713	31,209,713	190,000	0.6%
Bond Proceeds	0	0	0	0.0%
ARPA 9901-602 (HB 632)	0	0	0	0.0%
Total Funds	\$31,019,713	\$31,209,713	\$190,000	0.6%

As seen in Figure 23, the appropriated budget is \$190,000 higher than the executive proposal for the MCEP program; this difference is for the addition of the Town of Drummond bridge grant.

OTHER LEGISLATION

The 68th Legislature enacted HB 795, which provides exemption for the Department of Commerce from review for infrastructure projects or planning under the Montana Environmental Policy Act (MEPA). As part of the application process, grant recipients have been required to conduct an environmental review; this legislation will change that requirement for the application process.