

RENEWABLE RESOURCE GRANT & LOAN PROGRAM

PROGRAM BUDGET COMPARISON

Figure 28 compares the 2023 biennium appropriated budget to the 2025 biennium appropriated budget by type of expenditure and source of funding.

Figure 28

Program Comparison - Renewable Resource Grant and Loan Program				
Budget Item	Budget 2023 Biennium	Budget 2025 Biennium	Biennium Change	Biennium % Change
Number of Grants Funded	76	72	(4)	-5.6%
Number of Loans Funded	9	12	3	25.0%
	<u>Appropriated</u>	<u>Appropriated</u>		
Grants Cost	\$9,220,788	\$8,910,000	(310,788)	-3.5%
Other Grants	2,050,000	7,400,000	5,350,000	72.3%
Milk River Repair & Maintenance Loan(s)	0	26,000,000	26,000,000	100.0%
Loan Program	101,695,000	129,415,000	27,720,000	21.4%
Total Costs	\$112,965,788	\$171,725,000	\$58,759,212	34.2%
State Special	0	16,310,000	16,310,000	0.0%
Milk River Loan Funding	0	26,000,000	26,000,000	0.0%
CST Bond Proceeds	101,695,000	129,415,000	27,720,000	21.4%
GO Bond Proceeds	0	0	0	0.0%
ARPA 9901-602 (HB 632)	11,270,788	0	(11,270,788)	0.0%
Total Funds	\$112,965,788	\$171,725,000	\$58,759,212	34.2%

PROGRAM DISCUSSION – (RRGL GRANTS)

The Renewable Resource Grant and Loan (RRGL) program was created by the 1993 Legislature. This program combines the former Renewable Resource Development Program, established in 1975, and the Water Development Program, established in 1981. As outlined under Title 85, Chapter 1, part 6, MCA, the purpose of the RRGL is to fund projects that “enhance Montana’s renewable resources through projects that measurably conserve, develop, manage, or preserve resources.” The Department of Natural Resources and Conservation (DNRC) administers the RRGL program. The RRGL program is normally appropriated in two bills, HB 6 (grants) and HB 8 (loans), which are presented separately in this report.

SUMMARY OF LEGISLATIVE ACTION

HB 6 (Grants)

As shown in Figure 28, the 68th Legislature provided \$16.3 million of state special revenue appropriations for grants in HB 6. This includes \$8.9 million for project grants and \$7.4 million for other grants, as outlined in Figure 29.

HB 6 also provides for a \$26.0 million general fund transfer; the funding will be held in escrow for a loan for

Figure 29

HB 6 - RRGL Other Grants Appropriations	
Emergency Grants	300,000
Project Planning Grants	3,500,000
Irrigation Grants	500,000
Watershed Mgt. Grants	500,000
Private Grants	100,000
Non-Point Source Pollution Reduction	2,500,000
Total	\$7,400,000

RENEWABLE RESOURCE GRANT & LOAN PROGRAM

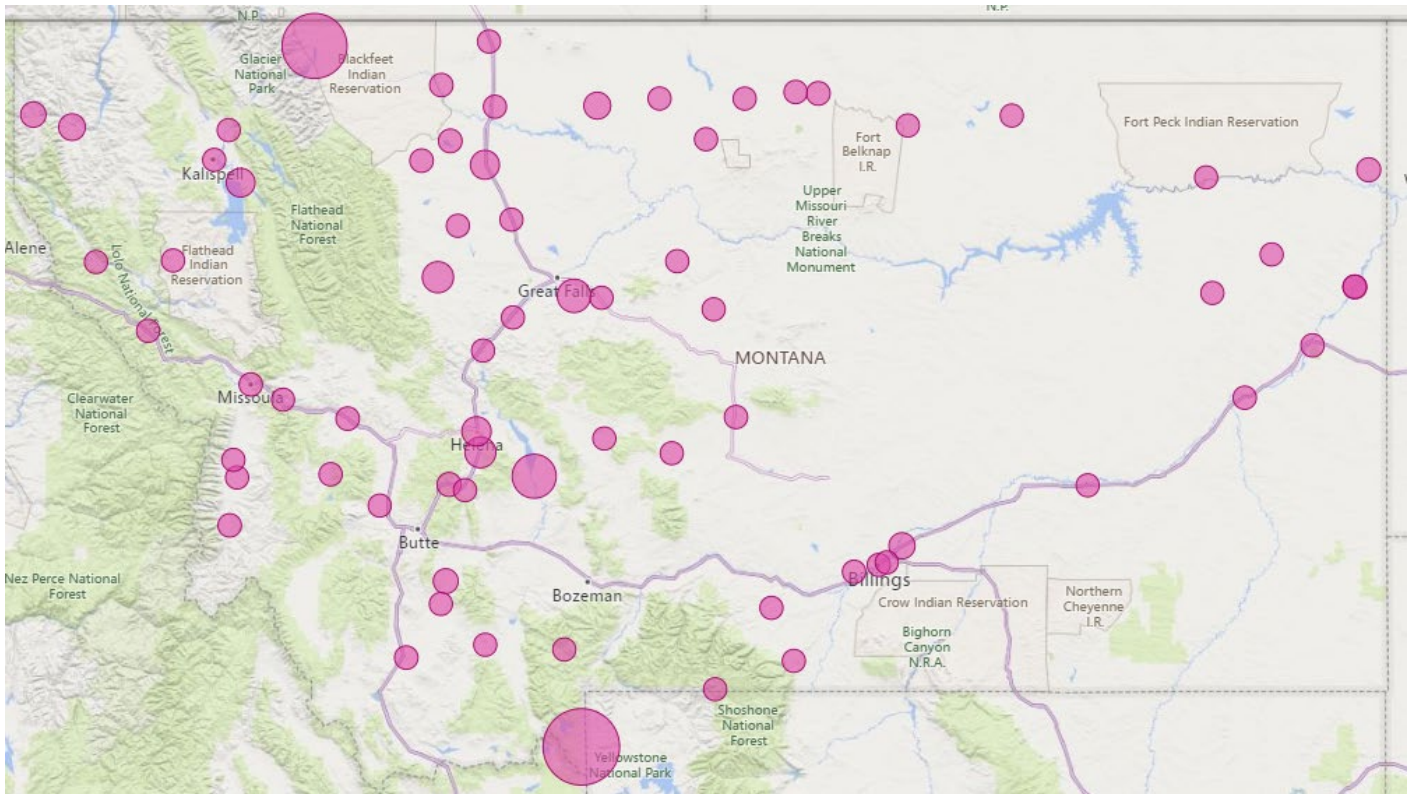
the Milk River project, dependent on the meeting of certain requirements. Loan contingencies include:

- The receipt of federal cost share that addresses the financial capability of the Milk River project contracting entities as cited in the Milk River project ability-to-pay study or the budget director adopting a repair plan from the Milk River Joint Board of Control
- The Milk River Joint Board of Control demonstrating to the satisfaction of the DNRC its technical, managerial, and financial capability to pay the annual costs of the loan repayment over the term of the loan

Repayment of interest for the loan will be held in a newly created state special revenue account, the Milk River repair and maintenance fund, to be used for long-term operations and maintenance of the Milk River project, as well as loans for the project.

Figure 30 shows a map of the HB 6 projects that were authorized, including the loan for the Milk River Project; the funding, denoted by the size of the marker in the map, includes both state and matching funds for some projects. Many of the water and wastewater projects included in HB 6 are also funded in HB 11; for those projects, the matching funds are included in Figure 20, the map of HB 11 projects. A complete list of the RRGL project grants authorized by the 68th Legislature is provided in Figure 31.

Figure 30



RENEWABLE RESOURCE GRANT & LOAN PROGRAM

Figure 31

Renewable Resource Grants (RRGL)					
HB 6 - 2025 Biennium					
Rank	Applicant / Project Title	Project Type	Total Project Cost	Grant Requested	Cumulative Total
HB 6 Projects					
1	Cooke City Cooke City Wastewater Treatment & Collection System	Wastewater	3,933,186	125,000	125,000
2	West Yellowstone, Town of West Yellowstone Wastewater Treatment Plant Project	Wastewater	33,114,700	125,000	250,000
3	Red Lodge, City of Red Lodge Wastewater System Improvements	Wastewater	1,325,000	125,000	375,000
4	Superior, Town of Superior Wastewater System Improvements Project	Wastewater	4,824,295	125,000	500,000
5	Choteau, City of Choteau Water System Improvements	Water	7,767,856	125,000	625,000
6	Cascade, Town of Cascade Wastewater System Improvements	Wastewater	3,091,000	125,000	750,000
7	Sand Coulee, Town of Sand Coulee Wastewater Improvements	Wastewater	6,534,776	125,000	875,000
8	Kalispell, City of Morning Star Court Water & Wastewater Improvement Project	Water/Wastewater	2,104,695	125,000	1,000,000
9	Saco, Town of Saco Water System Improvements	Wastewater	1,695,000	125,000	1,125,000
10	Drummond, Town of Wastewater Treatment Facility Upgrade	Wastewater	3,548,470	125,000	1,250,000
11	Craig County WSD Craig Wastewater System Improvements	Wastewater	800,000	125,000	1,375,000
12	Gallatin Canyon County Water Sewer District Gallatin Canyon Sewer Project Phase 1.2	Wastewater	22,500,000	125,000	1,500,000
13	Thompson Falls, City of Thompson Falls Water System Improvements Project	Water	5,523,000	125,000	1,625,000
14	Corvallis County Sewer District Corvallis Wastewater Collection System Improvements	Wastewater	1,123,210	125,000	1,750,000
15	Helena, City of Red Mountain Flume Repairs Project #22-05	Water	2,368,052	125,000	1,875,000
16	Havre, City of City of Havre Water System Improvements Project	Water	8,355,390	125,000	2,000,000
17	Bigfork County Water and Sewer District West Trunk Sewer Replacement & Collection Basin Rehabilitation Project	Wastewater	4,115,000	125,000	2,125,000
18	Belt, Town of Town of Belt Water System Improvements	Water	2,855,000	125,000	2,250,000
19	Lincoln County Libby Creek Community Water & Waste Water Improvements	Water/Wastewater	2,363,000	125,000	2,375,000
20	Richey, Town of Richey Water Main Replacement Phase 2	Water	1,850,000	125,000	2,500,000
21	Geraldine, Town of Geraldine Water System Improvements	Water	2,643,000	125,000	2,625,000
22	Victor Water & Sewer District Victor Wastewater Collection and Treatment Improvements Project	Wastewater	1,283,000	125,000	2,750,000
23	Forsyth, City of City of Forsyth Water System Improvements	Water	4,630,258	125,000	2,875,000
24	Townsend, Town of Townsend Water System Improvements Project	Water	13,046,015	125,000	3,000,000
25	Martinsdale Water and Sewer District Water System Improvements	Water	1,998,000	125,000	3,125,000
26	Twin Bridges, Town of Twin Bridges Water System Improvements	Water	2,040,000	125,000	3,250,000
27	Dodson, Town of	Water	3,250,300	125,000	3,375,000

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Figure 31 - Continued

Dodson Water System Improvements					
28	Sunburst, Town of Sunburst Wastewater Distribution & Treatment Project	Wastewater	2,245,000	125,000	3,500,000
29	Philipsburg, Town of Water Main Replacement Alley between Broadway and Stockton (Duffy-Sansome)		241,995	125,000	3,625,000
30	Missoula, City of City of Missoula Comprehensive Stormwater Plan	Stormwater/Planning	252,200	125,000	3,750,000
31	Denton, Town of Denton Wastewater System Upgrades Phase 1	Wastewater	3,890,100	125,000	3,875,000
32	Dutton, Town of Dutton Water System Improvements	Water	4,079,000	125,000	4,000,000
33	Circle, Town of Circle Waterline Replacement Project Phase 4	Water	2,000,000	125,000	4,125,000
34	Clancy Water and Sewer District Clancy Water System Improvements	Water	5,048,600	125,000	4,250,000
35	Basin County Water and/or Sewer District Basin Water System Improvements Project	Water	736,334	125,000	4,375,000
36	Wolf Point, City of Wolf Point Wastewater Project Phase 1	Wastewater	2,400,000	125,000	4,500,000
37	Hideaway Community County Water & Sewer District Hideaway Court Community Sewer Project (HCCWSD)	Wastewater	1,373,378	125,000	4,625,000
38	Chester, Town of Chester Wastewater Improvements Project	Wastewater	3,416,975	125,000	4,750,000
39	Troy, City of Troy Water System Improvements Project	Water	1,540,000	125,000	4,875,000
40	Lockwood Water and Sewer District Lockwood Water and Sewer District Mid Zone Reservoir		3,010,000	125,000	5,000,000
41	Hot Springs, Town of Hot Springs Sewer Lagoon Rehabilitation Project	Wastewater	4,111,000	125,000	5,125,000
42	Hingham, Town of Hingham Wastewater System Improvements Project	Wastewater	3,610,455	125,000	5,250,000
43	Chester, Town of Chester Water System Improvements Project	Water	2,375,800	125,000	5,375,000
44	Shelby, City of Shelby Wastewater Improvements Project	Wastewater	889,000	125,000	5,500,000
45	Conrad, City of Conrad Storm Water Project	Stormwater	3,778,313	125,000	5,625,000
46	Absarokee Water and Sewer District Absarokee Water and Sewer District Water System Improvements		\$1,446,000	\$125,000	\$5,750,000
47	North Cut Bank Glacier County Water & Sewer District Wastewater Lift Station Improvements	Wastewater	314,704	125,000	5,875,000
48	Yellowstone Boys & Girls Ranch County W/S District Wastewater System Improvements	Wastewater	238,130	125,000	6,000,000
49	Judith Gap, Town of Judith Gap Wastewater Collection System Improvements	Wastewater	250,000	125,000	6,125,000
50	Boulder, City of City of Boulder Drinking Water System Improvements	Water	2,458,000	125,000	6,250,000
51	Anaconda-Deer Lodge County Water & Sewer Planning Project	Planning		100,000	6,350,000
1	Greenfields Irrigation District Pishkun Inlet Hydroelectric Project	Irrigation	5,167,071	125,000	6,475,000
2	Lower Yellowstone Irrigation District #1 Thomas Point Pumping Plant Rehabilitation	Irrigation	465,360	125,000	6,600,000
3	Lower Yellowstone Irrigation Project Critical Structures Rehabilitation Project	Irrigation	718,551	125,000	6,725,000
4	Helena Valley Irrigation District Regulating Reservoir Preservation & Bypass Project	Irrigation	1,595,025	125,000	6,850,000
5	Buffalo Rapids Irrigation Project 2 Shirley Main Canal Rehabilitation Phase 2	Irrigation	247,183	125,000	6,975,000
6	Pondera County Conservation District	Irrigation	385,400	125,000	7,100,000

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Figure 31 - Continued

Birch Creek Diversion Automation Project					
7	Madison County	Other	130,700	125,000	7,225,000
Big Hole River Restoration Design & Permitting					
8	Ruby Valley Conservation District	Irrigation	1,252,825	125,000	7,350,000
Ruby Valley CD Upper Jefferson Channel Restoration Project					
9	Newlan Creek Water District	Irrigation	137,191	125,000	7,475,000
Newlan Creek Dam Safety Improvements					
10	Savage Irrigation District	Irrigation	511,000	125,000	7,600,000
Savage Irrigation District Pump Station Rehabilitation					
11	Pondera County Conservation District	Irrigation	493,867	125,000	7,725,000
PCCRC C-Canal Headworks Automation					
12	East Bench Irrigation District	Irrigation	376,593	125,000	7,850,000
Carter Creek Lining & Headgate Automation					
13	Buffalo Rapids Irrigation Project 1	Irrigation	269,985	125,000	7,975,000
Eiker Reach Canal Rehabilitation Project					
14	Hill County	Irrigation	147,000	125,000	8,100,000
Beaver Creek Dam Tailwater Channel Restoration					
15	Granite Conservation District	Irrigation	250,000	125,000	8,225,000
Allendale Ditch Rehabilitation					
16	Blaine County	Irrigation	277,502	125,000	8,350,000
Blaine County NCIA North Chinook Reservoir Dam Outlet Rehabilitation Project					
17	Paradise Valley Irrigation District	Irrigation	491,817	125,000	8,475,000
Hillside Ditch Pipeline Conversion Phase 2					
18	Huntley Project Irrigation District	Irrigation	1,990,428	125,000	8,600,000
Highline Discharge Pipeline Rehabilitation					
19	Tin Cup Water & Sewer District	Irrigation	350,000	125,000	8,725,000
Tin Cup and Mill Ditch Improvements					
20	Billings, City of	Study/PER	138,000	125,000	8,850,000
Rim Tunnel Rehabilitation Project					
21	Clinton Irrigation District	Irrigation		60,000	8,910,000
Schoolhouse Lateral Pipeline Conversion					
Total RRGL HB 6 Project Grants			\$213,782,683	\$8,910,000	
Milk River Joint Control Board - Milk River Project Loan			Irrigation	372,700,000	26,000,000
Total RRGL Grants/Milk River Loans			\$213,782,683	\$34,910,000	

FUNDING - GRANTS

The RRGL program appropriations in HB 6, as well as the RDGP grants program appropriated in HB 7, are funded from the “natural resource projects” state special revenue fund. The 68th Legislature also authorized a transfer of \$26.0 million of general fund to the natural resource projects account, this was authorized for the Milk River project loan. The fund balance projection is provided on page F-73 of this report.

Program Discussion – (RRGL loans)

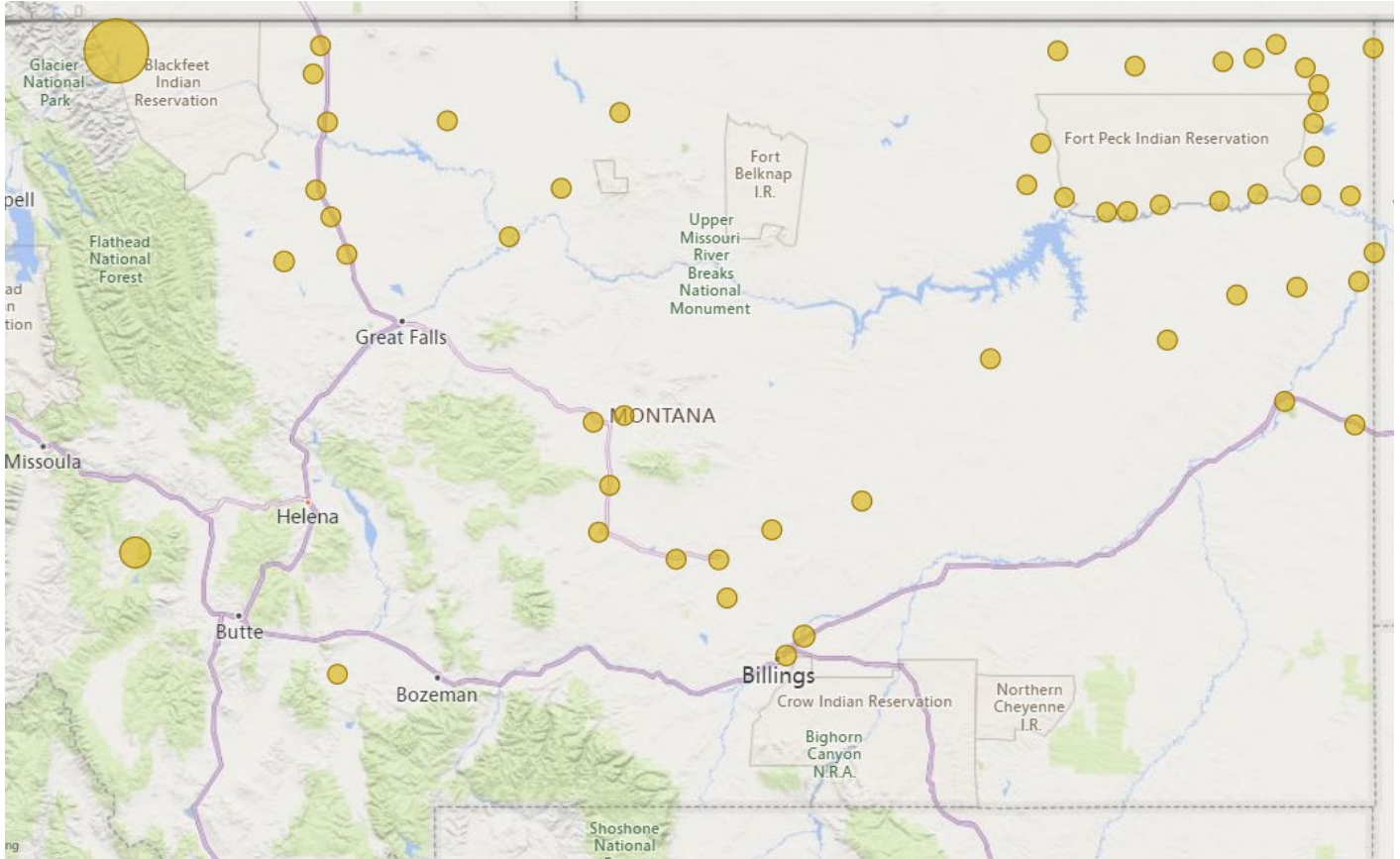
The RRGL loan program provides loans for renewable resource projects with the proceeds from the issuance of coal severance tax bonds. Loan repayments are used to pay the debt service on the loans. In some cases, interest rates charged to loans are less than the interest rate of the bond issued. In such cases, a distribution from the coal severance tax subsidizes the difference in the interest cost. The coal severance tax permanent trust is pledged for debt service payments on the bonds. The RRGL loan program is administered by the Department of Natural Resources and Conservation (DNRC).

RENEWABLE RESOURCE GRANT & LOAN PROGRAM

SUMMARY OF LEGISLATIVE ACTION

The 68th Legislature provided \$129.4 million of appropriations for the RRGL loan program for the 2025 biennium. Figure 32 shows a map of the projects for which loans were authorized; the size of the marker denotes the funding for the loans. Note that the loan for refinancing water and sewer facility existing debt and the loan reserve are not included in the map as the locations for the refinancing of debt have not yet been identified. Figure 33 lists the RRGL loan program projects by loan sponsor/applicant and project.

Figure 32



RENEWABLE RESOURCE GRANT & LOAN PROGRAM

Figure 33

Renewable Resource Loans HB 8 - 2025 Biennium		
HB 8 Section/Sponsor/Project	Proposal	Cumulative Total
<u>Sec. 1(2) Loans with interest rates of 3.0% or state bond rate, whichever is lower-30 years</u>		
Greenfields Irrigation District Hydro Development	1,500,000	1,500,000
East Fork Dam Rehabilitation	16,900,000	18,400,000
St. Mary's Water Users Association St. Mary's Siphon Replacements Projects	26,000,000	44,400,000
<u>Sec. 2(2) Loan Reauthorization with interest rates of 3.0% or state bond rate, whichever is lower-20 years</u>		
DNRC-Conservation and Resource Development Division (CARDD) Refinance Existing Debt or Rehabilitation of Water and Sewer Facilities	\$8,000,000	\$52,400,000
<u>Sec. 2(3) Loan Reauthorization with interest rates of 3.0% or state bond rate, whichever is lower-30 years</u>		
Central Montana Regional Water Authority Local Match	5,000,000	57,400,000
Dry-Redwater Regional Water Authority Local Match	5,000,000	62,400,000
Dry Prairie Regional Water Authority Local Match	5,000,000	67,400,000
North Central Regional Water Authority Local Match	5,000,000	72,400,000
Lower Willow Creek Irrigation District Right Subdrain Repair Project	200,000	72,600,000
Huntley Irrigation District Tunnel 2 and Canal System	3,500,000	76,100,000
Lockwood Irrigation District Box Elder Siphon, Pump Station, and Pump 3	1,550,000	77,650,000
<u>Sec. 2(4) Loan Reauthorization with interest rates of 3.0% or state bond rate, whichever is lower-30 years</u>		
St Mary's Water Users Association St. Mary's Diversion Project Local Share ¹	40,000,000	117,650,000
Total Loan Authorizations:	\$117,650,000	
Loan Reserve:	<u>11,765,000</u>	
Total Bond Request	<u>\$129,415,000</u>	

Note that there is a strong likelihood that several of the loans will not be issued, and other loans may be finalized at a lower amount than shown in Figure 33. For example, the \$8.0 million loan to DNRC to re-finance debt and rehabilitate water and sewer facilities will be used only as requested by local governments. Additionally, the four loans to regional water authorities for the local share of the projects require the authorities to accept the loan offer. Two of the regional water project loans have been included in HB 8 since the 2015 biennia, and the authorities have not yet borrowed from the program.

RENEWABLE RESOURCE GRANT & LOAN PROGRAM

FUNDING - LOANS

RRGL program bond authority is provided in 85-1-624, MCA. Money in the coal severance tax bond fund is pledged for the payment of the principal and interest of the bond issue requested in HB 8, as directed in Title 17, Chapter 5, part 7, MCA. The loan payments are used to pay the debt service on the loans.

EXECUTIVE BUDGET COMPARISON

Figure 34 provides the legislative changes from the executive budget proposal.

Figure 34

Executive Budget Comparison - Renewable Resource Grants & Loans				
Budget Item	Budget 2025 Biennium	Budget 2025 Biennium	Change	% Change
Number of Grants Funded	70	72	2	2.9%
Number of Loans Funded	12	12	0	0.0%
	<u>Proposed</u>	<u>Appropriated</u>		
Grants Cost	\$8,750,000	\$8,910,000	160,000	1.8%
Other Grants	7,400,000	7,400,000	0	0.0%
Milk River Project Funding	0	26,000,000	26,000,000	0.0%
Loan Program	98,945,000	129,415,000	30,470,000	30.8%
Total Costs	\$115,095,000	\$171,725,000	\$56,630,000	49.2%
Milk River Project -				
General fund transfer for loans	0	26,000,000	26,000,000	0.0%
State Special	16,150,000	16,310,000	160,000	1.0%
CST Bond Proceeds	98,945,000	129,415,000	30,470,000	30.8%
Total Funds	\$115,095,000	\$171,725,000	\$56,630,000	49.2%

As shown in Figure 34, the legislature appropriated the RRGL budget that was \$56.6 million, or 49.2% greater than the executive proposal. The legislature made the following changes to the executive proposal:

- HB 6 – A general fund transfer of \$26.0 million for loans for the Milk River project was added
- HB 6 – Two project grants were added, including \$100,000 for the Anaconda-Deer Lodge County water and sewer planning project and \$60,000 for the Clinton Irrigation District schoolhouse lateral pipeline conversion project
- HB 8 - One loan, \$6.0 million for the Painted Rocks Dam rehabilitation project, was removed
- HB 8 – The amounts for two loans were increased, including a \$6.9 million increase for the East Fork Dam rehabilitation project and an \$800,000 increase to the loan amount for the Lockwood Irrigation District’s Box Elder siphon, pump station, and pump three project
- HB 8 – A new loan for \$26.0 million was added for St. Mary’s siphon replacement projects local share, as well as contingencies for the new loan that must be met by the Milk River Joint Board of Control
- With the increases in loan amounts and the addition of the new loan in HB 8, the loan reserve was increased from \$9.0 million to \$11.8 million

RENEWABLE RESOURCE GRANT & LOAN PROGRAM

OTHER LEGISLATION

The 68th Legislature enacted HB 775, which amends Title 85, Chapter 1 of the MCA, concerning grants, loans, and bonds for state, local, or tribal government assistance. Specifically, this legislation provides authorization for the DNRC to request that the board of examiners issue renewable resource bonds so that the department may make loans for public projects.

NATURAL RESOURCE PROJECTS ACCOUNT

NATURAL RESOURCE PROJECT ACCOUNT

Figure 39 shows the projected fund balance for the natural resource project account for the 2025 biennium. The natural resource projects account provides funding for the RRGL and RDGP programs, along with the funding for other natural resource projects and programs.

The funding for the natural resource projects account is established in law and received from the following sources:

1. Interest income of the resource indemnity trust fund as provided in and subject to the conditions of 15-38-202, MCA
2. Resource indemnity and ground water assessment tax under provisions of 15-38-106, MCA
3. Oil and gas production tax as provided in 15-36-331, MCA (2.16% of oil and natural gas production taxes remaining after the distributions pursuant to subsections (2) and (3))
4. Excess coal severance tax proceeds allocated by 85-1-603, MCA to the renewable resource loan debt service fund (above debt service requirements as provided in and subject to the conditions of 85-1-619, MCA)
5. Fees or charges collected by the department for the servicing of loans, including arrangements for obtaining security interests

NATURAL RESOURCE PROJECTS ACCOUNT

Figure 39

Natural Resource Project Account Fund Balance Analysis - 2025 Biennium Account 02577					
	FY 2022 Actuals	FY 2023 Projected	FY 2024 Projected	FY 2025 Projected	2025 Biennium Total
Available Balance	\$9,710,996	\$14,359,730	\$8,868,903	\$19,406,060	\$8,868,903
Fund Balance Adjustment	<u>0</u>	<u>150</u>	<u>0</u>	<u>0</u>	<u>0</u>
	\$9,710,996	\$14,359,880	\$8,868,903	\$19,406,060	\$8,868,903
Revenue Projections ¹					
RIT Interest Earnings	2,220,602	2,953,396	2,361,663	3,200,000	5,561,663
Resource Indemnity & Groundwater	904,754	1,643,634	2,320,183	1,756,882	4,077,065
Oil and Gas Tax	1,689,528	1,884,706	1,698,657	1,670,443	3,369,100
Other Revenues	19,850	0	20,000	1,000	21,000
General Transfers-In	163,347		100,000	100,000	200,000
HB 6 General Fund Transfer	<u>2,099,322</u>	<u>0</u>	<u>26,000,000</u>	<u>0</u>	<u>26,000,000</u>
Total Revenues	7,097,403	6,481,736	32,500,504	6,728,325	39,228,829
RRGL Appropriations - HB 6					
Other Grants	0	0	7,400,000	0	7,400,000
Prior Biennia	926,634	4,377,479		0	0
2025 Biennium Grants	<u>75,000</u>	<u>576,530</u>	<u>8,910,000</u>	<u>0</u>	<u>8,910,000</u>
Total RRGL Expenditures/Appropriations	1,001,634	4,954,009	16,310,000	0	16,310,000
RRGL Appropriations - HB 6					
Milk River Project Loan Funding	<u>0</u>	<u>0</u>	<u>26,000,000</u>	<u>0</u>	<u>26,000,000</u>
Total Milk River Project Loan Funding	0	0	26,000,000	0	26,000,000
RDGP Appropriations - HB 7					
Other Grants	0	800,000	2,000,000	0	2,000,000
Prior Biennia	1,425,770	866,495	0	0	0
2025 Biennium Grants	<u>21,116</u>	<u>5,352,059</u>	<u>3,653,347</u>	<u>0</u>	<u>3,653,347</u>
Total RDGP Expenditures/Appropriations	1,446,886	7,018,554	5,653,347	0	5,653,347
Total Expenditures/Appropriations	2,448,520	11,972,563	21,963,347	0	47,963,347
Estimated Ending Fund Balance	\$14,359,879	\$8,868,903	\$19,406,060	\$26,134,385	\$134,385

¹HJ 2 projections

As shown in Figure 39, the natural resources state special revenue account is expected to begin the 2025 biennium with a fund balance of approximately \$8.9 million. Projected revenues to the account amount to \$39.2 million. This includes approximately \$13.2 million in revenue plus the \$26.0 million transfer of general fund to the account for the Milk River Project loan.

In the 2025 biennium, appropriations for the RRGL grant program total \$16.3 million; this funding is for project grants authorized in HB 6 and other types of grants such as planning, emergency, private, and non-point source pollution reduction. As described previously, \$26.0 million of funding will be held in escrow for loans for the Milk River Project, provided the conditions in HB 6 are met. Remaining appropriations from the natural resource projects account include \$2.0 million of appropriation for RDGP planning grants and appropriations amounting to \$3.7 million in HB 7 for RDGP projects. The resulting ending fund balance is estimated to be \$134,000 at the end of the 2025 biennium.