

LONG-RANGE BUILDING PROGRAM

Section F

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----Agencies-----

Long-Range Building Program
State Building Energy Conservation Program
Long-Range Information Technology Program
Montana Coal Endowment Program
Montana Coal Regional Water Program

Renewable Resource Grant & Loan Program
Reclamation & Development Grants Program
Cultural & Aesthetic Grant Program
Montana Historic Preservation Grant Program

-----Committee Members-----

House

Representative John Fitzpatrick (Chair)
Representative Scott Rosenzweig
Representative Paul Tuss
Representative Mike Vinton

Senate

Senator John Esp (Vice Chair)
Senator Ellie Boldman

-----Fiscal Division Staff-----

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Program Description

In 1963, the legislature enacted the Long-Range Building Program (LRBP) to provide funding for construction, alteration, repair, and maintenance of state-owned buildings and grounds. The program, as established in Title 17, Chapter 7, part 2, MCA, was developed to present a single, comprehensive, and prioritized plan for allocating state resources for the purpose of capital construction and repair of state-owned facilities. The program is administered by the A&E Division of the Department of Administration (DOA). Historically, the LRBP has been funded with a combination of cash accounts and bonding. The various types of cash accounts include state and federal special revenue funds, other funds (such as university and private funds), and LRBP capital project funds. The executive recommendation for LRBP projects is included in HB 5.

The LRBP appropriations are “continuing”, and unspent funds do not revert at the end of the biennium as experienced with most HB 2 appropriation. As provided in 17-7-212, MCA: “The remaining balances on capital projects previously approved by the legislature are re-appropriated for the purposes of the original appropriation until the projects are completed.” This condition allows the legislature to appropriate the full project cost in a single budget year.

Program Budget Comparison

Figure 5 provides a comparison of the overall program by biennium. LRBP project costs are appropriated to the A&E Division, and Major Repairs and Capital Development in Figure 5 refer to the project categorization in HB 5.

Figure 5

Program Comparison - Long-Range Building Program				
Budget Item / Funding Source	Appropriations FY 24-25	Proposed Budget FY 26-27	Biennium Change	Biennium % Change
LRBP Project Costs				
<i>Major Repairs</i>	\$ 84,377,303	\$ 50,975,000	\$ (33,402,303)	-39.6%
<i>Capital Development</i>	\$ 923,457,452	\$ 671,000,000	\$ (252,457,452)	-27.3%
LRBP Project Costs	\$ 1,007,834,755	\$ 721,975,000	\$ (285,859,755)	-28.4%
Agency Project Appropriations	\$ 45,738,644	\$ 85,565,000	\$ 39,826,356	87.1%
FWP Capital Program Appropriations	\$ 63,121,380	\$ 107,070,000	\$ 43,948,620	69.6%
SBECP Project Costs	\$ 3,700,000	\$ -	\$ (3,700,000)	-100.0%
17-7-210 O&M	\$ 11,173,086	\$ 5,747,273	\$ (5,425,813)	-48.6%
Total Costs	\$ 1,131,567,865	\$ 920,357,273	\$ (211,210,592)	-18.7%
General Fund	\$ 10,300,752	\$ 43,315,000	\$ 33,014,248	320.5%
Capital Projects	\$ 665,915,944	\$ 397,315,000	\$ (268,600,944)	-40.3%
State Special	\$ 146,307,006	\$ 115,292,500	\$ (31,014,506)	-21.2%
Federal	\$ 59,885,929	\$ 88,752,500	\$ 28,866,571	48.2%
Proprietary	\$ 1,430,000	\$ -	\$ (1,430,000)	-100.0%
Authorization	\$ 247,728,234	\$ 76,250,000	\$ (171,478,234)	-69.2%
Total Funds	\$ 1,131,567,865	\$ 720,925,000	\$ (410,642,865)	-36.3%

Executive Proposal

As seen in Figure 5, the executive proposes a total LRBP budget of \$720.9 million for the 2027 biennium. This is a reduction of \$410.6 million or 36.3% less than the LRBP budget in the 2025 biennium. The executive proposal

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for the LRBP program will be appropriated in HB 5. HB 5 typically includes an appropriation for the State Building Energy Conservation Program (SBECP), which is described beginning on page F-16.

The HB 5 proposal includes \$107.1 million of funding appropriated directly to Fish, Wildlife, and Parks (FWP), \$69.0 million for 4 DMA projects, and \$18.5 million for 6 MDT projects. Funding for these projects is not funded by general fund.

The LRBP also includes \$76.3 million of projects funded with non-state resource spending authority. The use of “authority” in the LRBP section is a reference to funds for major construction projects that do not require appropriation, but due to the sizable cost of the project and the potential of future costs to the state, must be authorized by the legislature. The request for authorizations would be a \$171.5 million or 69.2% decrease when compared to the authorizations provided in the 2025 biennium.

HB 5 Project Highlights

Some LRBP project highlights included in HB 5 include:

- Major repairs to state buildings across the state of \$51.0 million in all funds and \$671.0 million for capital development projects
- Funding of \$10.0 million requested for a reserve fund within Capital Development Fund for Market, Supply Chain and Inflationary Impacts
- Governor’s office to address Deferred Maintenance at the capitol complex with a request of \$50.0 million from the Capital Development Fund. DOA also requesting additional \$11.8 million for capital complex renovations and \$2.0 million for capital projects planning studies
- A proposed \$150.0 million for Department of Correction (DOC) for the Montana State Prison Low-Side Housing Expansion in the Capital Development Fund, and \$29.8 million for other DOC facility upgrades which includes \$21.0 million for utilities to support the new low-side housing complex that was approved in the 2025 biennium
- Department of Natural Resources Conservation (DNRC)requesting \$10.0 million for firefighter bunkhouses and \$3.0 million for a new Forestry & Trust Lands office in Missoula
- Department of Military Affairs (DMA) requesting \$23.1 million for an Army Aviation Support Facility in Billings, \$1.8 for a new training drop zone for the Air National Guard, a new Internment processing center at the MT State Veteran’s Cemetery for \$1.9 million, and additional deferred maintenance at \$1.5 million in Capital Development Funding combined with \$4.5 million in federal funding
- Department of Justice (DOJ) is requesting a new indoor Firearms range for the Law Enforcement Academy for \$10.0 million.
- Department of Public Health and Human Services (DPHHS) is requesting \$15.2 million in upgrades, and MSDB has an additional \$5.1 million for upgrades.
- The Montana University System is requesting \$50.0 million for various upgrades and modernization projects, including an additional \$16.3 million in authority only funding
- Fish and Wildlife & Parks (FWP) is requesting \$96.2 million in state special funding for various facility projects, with additional \$10.9 million in federal funding
- Other appropriations made directly to Montana Department of Transportation (MDT) for \$18.5 in state special revenue funding and \$68.9 million to DMA in federal funding is requested in capital development funding

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A full list of the projects contained in the executive LRBP proposal, including appropriations by fund type and the list of major repairs projects, is found in appendix A-1 of this report. Detailed project descriptions are provided in Vol. 3 of the Governor's Budget.

Major Maintenance & Repairs of Existing Facilities Before Authorizing Capital Development Projects

The actions of the 2019 Legislature created substantial changes to the LRBP. As a result of those actions, in statute, there are two types of projects to consider in the budget: major repairs and capital development. The project types are defined as follows in 17-7-201(7) and (8), MCA, respectively:

1. Major repair projects are defined as:
 - a. a renovation, alteration, replacement, or repair project with a total cost of less than \$2.5 million
 - b. a site or utility improvement with a total cost of less than \$2.5 million
 - c. a new facility with a total construction cost of less than \$250,000

Not eligible for funding as a major repair project are operational costs and regular, ongoing, and routine repairs and maintenance funded in an agency operating budget that would not extend the capacity, function, or lifespan of a facility (normal maintenance).

2. A new facility is defined as follows:
 - a. an addition to an existing building
 - b. the enclosure of space that was not previously fully enclosed

The term does not include the replacement of state-owned space that was demolished or that is otherwise removed from state use if the total construction cost of the replacement space is less than \$2.5 million.

Operations and Maintenance Costs Related to New Construction

Operations and maintenance costs are included in HB 5 appropriations for new facilities, and then following that, are included in the future base budget for agencies, corresponding to the fund types that fund the agencies' budgets. Agencies cannot use the funding until the new facility is complete. In the HB 5 proposal, there are 83 projects, and 32 projects for which operations and maintenance funding, totaling \$5.8 million, is included. Of this proposal, \$1.8 million general fund is included for DOC Low-Side Housing Expansion, DOA Last Chance Gulch Building Renovation, DMA Internment Processing Center, and MSU elevator & upgrades. There is also \$883,987 of state special revenue for MDT and FSW projects. For federal special revenue, \$587,600 is appropriated for Billings Army Aviation Support Facility and for DMA projects. Finally, there is \$359,086 in authority only for MSU.

According to 17-7-222(2), MCA, new facilities or "capital development" projects may not be authorized unless the legislature has provided the minimum amount of major repairs funding. For more information see page F-11 of this report.

According to 17-7-210(1), MCA, the legislature may not authorize the construction of a new facility if the new facility requires an immediate or future increase in state funding unless it also appropriates funds for the increase in state funding for program expansion and operations and maintenance.

A new proposal in HB 5 will also extend the O&M requirement for acquisition of a new facility.

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Funding

Long-Range Building Program Major Repairs Account (LRBP-MR)

As shown in Figure 6 below, the LRBP-MR account will start the 2027 biennium with a projected fund balance of \$12.2 million. Revenues deposited into the account include a 2.6% distribution of cigarette tax revenue, \$2.1 million, and a 12.0% distribution of coal severance tax revenue, \$13.7 million. The LRBP-MR fund received an appropriated transfer totaling \$17.5 million in the 2025 biennium, and the proposed 2027 biennium transfer totals \$33.4 million. The transfers are provided as base funding for the A&E Division in HB 2 and must be approved by the Section A subcommittee. Other income received in the LRBP-MR includes interest earnings on LRBP fund balances, supervisory fees paid to the A&E Division, and transfers of excess energy savings funds from the State Building Energy Conservation Program (SBECP).

Major Repairs Transfer

17-7-222, MCA, requires that major repairs to state buildings are funded yearly at a rate of 0.6% of the replacement value of existing LRBP eligible buildings. LRBP eligible buildings are defined as:

- Buildings owned by a state agency for which all or a portion of the operation and maintenance are funded with state general fund.
- Buildings that support the academic missions of the university system when the operation and maintenance are funded with current unrestricted university funds.

To ensure that the required minimum amount of funding is available, there is an appropriated transfer to the MR account from the general fund, which is included as a present-law base appropriation in HB 2. For the 2027 biennium, the current replacement value of LRBP eligible buildings is \$3.5 billion.

The minimum major repairs funding requirement equals \$42.3 million for the 2027 biennium.

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Figure 6

LRBP Major Repairs Account Fund Balance Analysis - 2027 Biennium					
Fund 05007					
	FY 2024 Actual	FY 2025 Projected	FY 2026 Projected	FY 2027 Projected	2027 Biennium Projected
Beginning Fund Balance	31,703,271	74,811,247	12,177,504	10,535,690	12,177,504
Revenues¹					
Cigarette Tax	\$ 1,205,910	\$ 1,087,149	\$ 1,066,320	\$ 1,015,538	\$ 2,081,858
Coal Severance Tax	\$ 8,571,648	\$ 7,677,221	\$ 7,081,985	\$ 6,590,008	\$ 13,671,993
Interest Earnings	\$ 2,511,880	\$ 3,198,830	\$ 1,466,261	\$ 1,466,261	\$ 2,932,522
Supervisory Fees	\$ 143,536	\$ 150,000	\$ 150,000	\$ 150,000	\$ 300,000
Energy Savings Transfer	\$ -	\$ 300,000	\$ 50,000	\$ 11,882	\$ 61,882
HB 2 Major Repairs Transfers ²	\$ 8,495,149	\$ 9,254,790	\$ 16,559,784	\$ 16,927,963	\$ 33,487,747
HB 5 OTO Transfer from CD Fund ³	\$ 41,420,091	\$ -		\$ -	\$ -
Total Revenues	\$ 62,348,214	\$ 21,667,990	\$ 26,374,350	\$ 26,161,652	\$ 52,536,002
Expenditures					
Operating Costs-A & E Division ³	\$ 3,100,000	\$ 2,694,829	\$ 3,053,664	\$ 3,059,568	\$ 6,113,232
HB 5 (2023) Project Management & Supervision		\$ 2,000,000			\$ -
Prior Biennia Projects	\$ 10,966,876	\$ 9,950,357			\$ -
ARPA-Ineligible Projects ⁴	\$ 2,112,000	\$ 2,856,853			\$ -
Current Biennium Projects - HB 5	\$ 3,007,800	\$ 64,352,300	\$ 24,962,500	\$ 24,962,500	\$ 49,925,000
2025 Biennium Projects - HB 817	\$ 52,605	\$ 2,447,395			
Total Expenditures/Appropriations	\$ 19,240,238	\$ 84,301,734	\$ 28,016,164	\$ 28,022,068	\$ 56,038,232
Estimated Ending Fund Balance	\$ 74,811,247	\$ 12,177,504	\$ 10,535,690	\$ 8,675,274	\$ 8,675,274
¹ HJ2 Projections					
² Beginning in the 2023 Biennium - HB 2 Appropriated Transfer					
³ HB 2					
⁴ There were 7 projects not eligible for ARPA funds; HB 632, section 34(1) re-establishes appropriation in the MR fund as this was the original					

The fund balance analysis takes into consideration the HB 2 administrative costs for the A&E Division of \$6.1 million, which is paid from the LRBP-MR account but appropriated in HB 2. The total executive proposal for the LRBP capital projects funding is \$49.9 million for the 2027 biennium. The estimated ending fund balance for the major repairs fund is projected to be \$8.7 million at the end of the 2027 biennium.

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Capitol Land Grant Capital Projects Account

Capitol land grant (CLG) revenues, derived from trust lands designated in the Enabling Act for the state capitol complex, are a source of LRBP funding for capital projects. Funding from this source must only be used for projects within the Montana capitol complex (defined in 2-17-811, MCA, as including all state-owned facilities located within a 10-mile radius from the capitol building). As shown in Figure 7, the account is projected to start the 2027 biennium with a negative fund balance of \$144,371. The balance calculation considers that all authority provided in prior biennia would be expended.

Figure 7

Capitol Land Grant Account Fund Balance Analysis - 2027 Biennium					
Fund 05008					
	FY 2024 Actual	FY 2025 Projected	FY 2026 Projected	FY 2027 Projected	2027 Biennium Projected
Beginning Fund Balance	\$2,896,330	\$6,363,305	(\$144,371)	(\$1,512,118)	(\$144,371)
Revenues					
Land Grant Interest & Earnings	\$ 2,342,697	\$ 2,066,353	\$ 1,432,253	\$ 1,487,792	\$ 2,920,045
Transfer from the CD Fund	\$ 2,000,000	\$ -	\$ -	\$ -	\$ -
Total Revenues	\$ 4,342,697	\$ 2,066,353	\$ 1,432,253	\$ 1,487,792	\$ 2,920,045
Expenditures					
Prior Biennia Projects	\$ 403,898	\$ 5,124,832	\$ -	\$ -	\$ -
Fund Balance Adjustment	\$ -	\$ -	\$ -	\$ -	\$ -
Current Biennium HB 5 Projects	\$ 471,825	\$ 3,449,197	\$ 2,800,000	\$ -	\$ 2,800,000
Total Expenditures/Appropriations	\$ 875,723	\$ 8,574,029	\$ 2,800,000	\$ -	\$ 2,800,000
Estimated Ending Fund Balance	\$ 6,363,305	\$ (144,371)	\$ (1,512,118)	\$ (24,326)	\$ (24,326)

For several biennia, the capitol land grant account has become the only source of funding for major repairs in the capitol complex. In the 2027 biennium, trust land earnings are projected to be \$2.9 million, and the executive is requesting \$2.8 million in spending authority in 2027 biennium. At the end of the 2027 biennium, the ending fund balance for the capital land grant account is projected to be negative by \$24,326.

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Capital Development (CD) Account

The capital development fund was created for construction of new facilities with a total project cost exceeding \$250,000, major repair or replacement projects with a total project cost of \$2.5 million or more, or for the purchase of real property for which an appropriation is required to fund the purchase.

There is a statutory annual general fund transfer to the capital development fund required under 17-7-208, MCA. However, under 17-7-208(6), MCA, the Department of Administration may not make the annual transfer if the executive has authorized transfers from the budget stabilization reserve fund (BSRF) established in 17-7-130, MCA, in the immediately preceding 11 months.

In addition to the annual general fund transfer described above, when the BSRF is statutorily full, a portion of excess general fund revenues flow to the CD fund where it is available for appropriation for major repairs and improvements to state-owned infrastructure.

Figure 8

Capital Development Account Fund Balance Analysis - 2027 Biennium					
Fund 05031					
	FY 2024 Actual	FY 2025 Projected	FY 2026 Projected	FY 2027 Projected	2027 Biennium Projected
Beginning Fund Balance	\$ 697,781,259	\$ 682,480,221	\$ 139,429,473	\$ (47,616,394)	\$ 139,429,473
Revenues					
BOI Investment Earnings ¹	\$ 37,424,163	\$ 35,058,358	\$ 22,469,133	\$ 13,460,738	\$ 35,929,871
Transfers from BSR	\$ 4,556,937	\$ 70,421,354	\$ -	\$ -	\$ -
OTO Transfer Request 69th Session	\$ -	\$ -	\$ 150,000,000	\$ -	\$ 150,000,000
HB856 Sec.10 #5 - Capitol Complex Legis. Branch	\$ 5,000,000	\$ -	\$ -	\$ -	\$ -
Accommodations & Campgrounds Tax ¹	\$ -	\$ 1,870,000	\$ 4,550,000	\$ 4,810,000	\$ 9,360,000
Present law transfer of general fund - HB 2	\$ 23,137,457	\$ 24,187,099	\$ 33,250,000	\$ 33,250,000	\$ 66,500,000
Total Revenues	\$ 70,118,557	\$ 131,536,811	\$ 210,269,133	\$ 51,520,738	\$ 261,789,871
Expenditures					
Transfer to MR Fund	\$ 41,420,091	\$ -	\$ -	\$ -	\$ -
Transfer to Capitol Land Grants fund	\$ 2,000,000	\$ -	\$ -	\$ -	\$ -
Prior Biennia Projects	\$ 12,186,031	\$ 57,917,876	\$ -	\$ -	\$ -
Non-Qualifying ARPA 604 Projects	\$ 548,039	\$ 36,101,795	\$ -	\$ -	\$ -
HB 817 DOC Projects	\$ 3,033,284	\$ 175,407,547	\$ -	\$ -	\$ -
HB 856 LRBP Projects	\$ 1,651,653	\$ 82,043,765	\$ -	\$ -	\$ -
HB 872 - DPHHS Behavioral Health Initiative	\$ -	\$ 75,000,000	\$ -	\$ -	\$ -
Current Biennium Projects - HB 5	\$ 24,580,497	\$ 248,116,576	\$ 397,315,000	\$ -	\$ 397,315,000
Total Expenditures/Appropriations	\$ 85,419,595	\$ 674,587,559	\$ 397,315,000	\$ -	\$ 397,315,000
Estimated Ending Fund Balance	\$ 682,480,221	\$ 139,429,473	\$ (47,616,394)	\$ 3,904,344	\$ 3,904,344

¹ HJ2 for FY 26-27, executive estimate for FY25

The total executive proposal for the LRBP capital projects funding is \$397.3 million for the 2027 biennium. The estimated ending fund balance for the capital development fund is projected to be \$3.9 million at the end of the 2027 biennium.

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COMMENT

There is a proposed one-time-only transfer from the capital development fund in HB 5 totaling approximately \$150.0 million for the 2027 biennium.