

MONTANA HISTORIC PRESERVATION GRANT PROGRAM

Section F

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----Agencies-----

Long-Range Building Program	Renewable Resource Grant & Loan Program
State Building Energy Conservation Program	Reclamation & Development Grants Program
Long-Range Information Technology Program	Cultural & Aesthetic Grant Program
Montana Coal Endowment Program	Montana Historic Preservation Grant Program
Montana Coal Regional Water 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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MONTANA HISTORIC PRESERVATION GRANT PROGRAM

Program Description

The Montana Historic Preservation Grant (MHPG) Program, administered by the Department of Commerce (DOC) and codified in Section 22-3-1305, MCA, provides competitive grants for public or private entities for the preservation of historic sites, historical societies, or history museums in the state. The executive recommendations for MHPG grants are contained in HB 12.

MHPG project grants are available on a competitive basis through statutory criteria established in Section 22-3-1306, MCA. The statutory criteria include the following:

1. Support of economic activity or stimulus
2. Purpose and need of proposed project
3. Project timeline and matching funds
4. State historic or heritage value
5. Experience and capacity to complete proposed project
6. Ongoing and future state economic benefit
7. Local support and contributions
8. Anticipated public benefit and access

The MHPG program received 74 grant applications requesting \$25.8 million in funds. The DOC determined that 63 grant applications were eligible for funding, including 53 historic sites and 10 history museums, for a total of approximately \$23.0 million. If additional revenues become available, additional projects may be contingently funded too. The executive budget recommends 17 projects to be funded for a total of \$6.2 million, including the following project types:

- 14 historic sites
- 3 history museums*

*2 of the history museums are also historic sites

Program Budget Comparison

Figure 21 summarizes the proposed executive budget for the program by biennium, type of expenditure, and source of funding.

Figure 21

Program Comparison -Montana Historic Preservation Grant Program					
Budget Item	Budget 2025 Biennium	Budget 2027 Biennium	Biennium Change	Biennium % Change	
Number of Grants	29	17	(12)	-41.4%	
Grants Cost	<u>Proposed</u> \$ 8,501,314	<u>Proposed</u> \$ 6,229,375	(2,271,939)	-26.7%	
Total Costs	\$ 8,501,314	\$ 6,229,375	(\$2,271,939)	-26.7%	
State Special	\$ 8,501,314	\$ 6,229,375	(2,271,939)	-26.7%	
Total Funds	\$ 8,501,314	\$ 6,229,375	(\$2,271,939)	-26.7%	

MONTANA HISTORIC PRESERVATION GRANT PROGRAM

Executive Proposal

The executive proposal for the MHPG is a 41.4% decrease in the number of projects and 26.7% decrease in total appropriations compared to the 2025 biennium program. The executive recommendation for the MHPG program includes an appropriation of \$6.2 million to fund 17 grants. The executive proposal is contained in HB 12. A complete listing of the MHPG grants may be seen in appendix A-18 of this report. The details behind the grants requested for the 2027 biennium MHPG is presented in Vol. 8 of the Governor’s Executive Budget.

Funding

The historic preservation grants account funds appropriations for MHPG projects authorized by the legislature. The account receives revenues as established in 15-68-820, MCA, from the accommodations sales tax. The account will receive the following:

- Until December 31, 2024, 5.0% in the account established in 22-3-1307, MCA, for historic preservation grants
- Starting January 1, 2025, 6.0% in the account established in 22-3-1307, MCA, for historic preservation grants

The allowable uses of the historic preservation account, as provided in 22-3-1307, MCA, “may be used only for historic preservation grants to be administered by the Department of Commerce”. Unlike many of the other grant programs of the LRP budget, administrative costs are not allowed to be funded through the account.

Figure 22

Montana Historic Preservation Grants - 2027 Biennium					
Fund 02217					
	FY 2024 Actual	FY 2025 Projected	FY 2026 Projected	FY 2027 Projected	2027 Biennium Projected
Estimated Beginning Fund Balance	\$ 5,421,966	\$ 5,345,241	\$ (2,802,027)	\$ (2,068,095)	\$ (2,802,027)
Revenue Projections ¹					
Accommodation Sales Tax	\$ 2,974,585	\$ 3,425,443	\$ 3,848,620	\$ 4,006,418	\$ 7,855,038
Expenditures					
Prior Biennium	\$ 567,028	\$ 2,688,943			\$ -
2027 Biennium Grants	\$ 2,484,276	\$ 8,883,768	\$ 3,114,688	\$ 3,114,688	\$ 6,229,376
Fund Balance Adjustment	\$ 7	\$ -			\$ -
Total Expenditures/Appropriations	\$ 3,051,310	\$ 11,572,711	\$ 3,114,688	\$ 3,114,688	\$ 6,229,376
Ending Fund Balance	\$ 5,345,241	\$ (2,802,027)	\$ (2,068,095)	\$ (1,176,365)	\$ (1,176,365)

¹HJ 2

Figure 22 shows the projected balance of the historic preservation grants state special fund for the 2027 biennium. The fund is expected to begin the 2027 biennium with a negative fund balance, but realistically, the fund will not go negative since expenses cannot exceed the cash in the fund. The revenues are projected to be \$7.9 million across the biennium. The executive proposal for the MHPG program is \$6.2 million. The balance at the end of the 2027 biennium is projected to be (\$1.2 million).

MONTANA HISTORIC PRESERVATION GRANT PROGRAM

Revenue Description

The state imposes two taxes on room charges collected by lodging facilities and campgrounds: a lodging sales tax and a lodging facility use tax. The taxes only apply for rooms used for lodging which includes hotels, motels, campgrounds, resorts, dormitories, condominium inns, dude ranches, guest ranches, hostels, public lodging houses, and bed and breakfast facilities. Exemptions include facilities for health care, facilities owned by non-profit corporations for use by youth for camping, facilities whose average daily charge is less than 60.0% of the amount the state of Montana reimburses for lodging, and facilities rented for 30 days or more.

The Lodging Facility Use Tax is 4.0% of room charges, and revenues are distributed to a variety of state special revenue funds, with a majority going to the Department of Commerce for tourism promotion. In addition to funding the Department of Commerce, revenues from this tax also fund the Montana heritage preservation and development account, the Montana Historical Society, the university system, Montana Fish, Wildlife and Parks, state tribal economic development, and the aquatic invasive species account. Before being distributed to the state special revenue funds, revenue from lodging facility use tax is first distributed to the Department of Revenue for the costs of collecting and disbursing the proceeds of the tax, next the department will deduct 4.0% of the amount of tax proceeds paid by state agencies and distribute a portion of it to those agencies and then deposit 30.0% of the amount deducted minus the portion paid with federal funds into the general fund. Finally, a set amount of \$400,000 each year is deposited into the Montana heritage preservation and development account.

Statutory Reference

Tax Rate – 15-65-111, MCA (4.0% lodging facility use tax); 15-68-102, MCA (4.0% lodging sales tax)

Tax Distribution – 15-65-121, MCA (4.0% lodging facility use tax), 15-68-820, MCA (4.0% lodging sales tax)

Applicable Tax Rates

The lodging sales tax is 4.0% of the sales price. The lodging facility use tax is 4.0% of room charges.

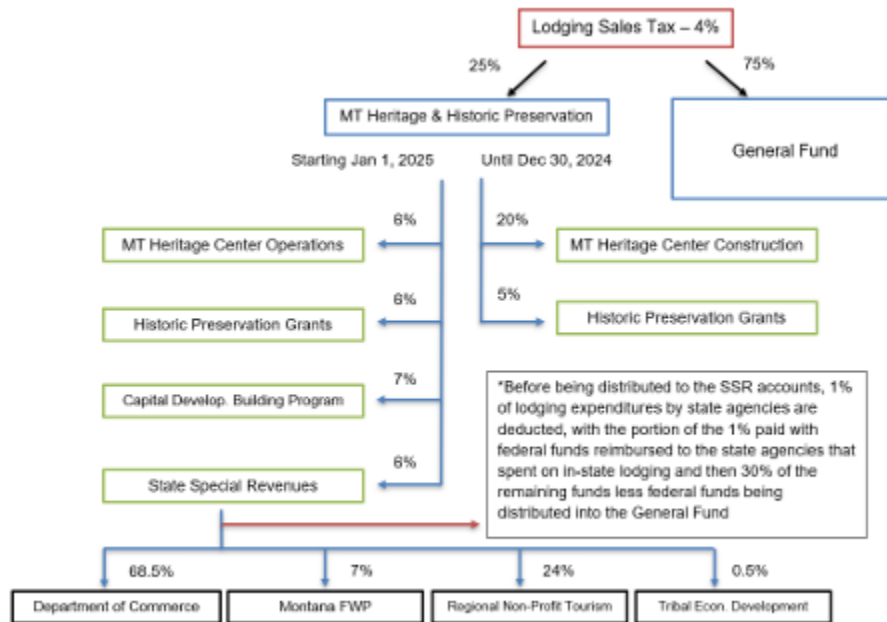
Distribution

- 75.0% of collections from the Lodging Sales Tax are deposited to the General Fund
 - Until Dec 31, 2024, the remaining revenue will be distributed as:
 - 20.0% for funding the construction of the MT Heritage Center administered by the Dept. of Administration's Architecture & Engineering division
 - 5.0% for historic preservation grants administered by the Dept. of Commerce
 - Starting January 1, 2025, the remaining revenue will be distributed as:
 - 6.0% to the Historical Society for the operation and maintenance of the MT Heritage Center
 - 6.0% for historic preservation grants administered by the Dept. of Commerce
 - 7.0% to the Capital developments long-range building program account
 - 6.0% to the Dept. of Commerce for tourism promotion. This is further divided as:
 - 68.5% to be used directly by the Dept. of Commerce
 - 7.0% to Fish Wildlife and Parks for maintenance of facilities in state parks
 - 24.0% to regional nonprofit tourism corporations, conventions, and city visitor bureaus
 - 0.5% to the SSR for use by state-tribal economic development commission

MONTANA HISTORIC PRESERVATION GRANT PROGRAM

Prior to the 2019 Legislative Session, the Lodging Sales Tax was 3.0% of room charges, and all revenue was distributed into the general fund. In 2019, SB 338 added an additional 1.0% to the sales tax to fund the new MT Heritage center and create the Historic Preservation Grant Program, bringing the total Lodging Sales Tax to 4.0%. The original amount of revenue from before SB 338 is still allocated to the state General Fund, which now amounts to 75.0% of the lodging sales tax revenue.

Funding for the construction of the new Heritage Center (overseen by the department of administration) began in 2020 and will run through mid-2025. Beginning January 1st of 2025, the 25.0% of sales tax revenue that goes to Montana Heritage and Historic Preservation will be reallocated in four ways: to the Montana Historical Society for the operations and maintenance of the new Heritage Center, to slightly increase funding to the Historic Preservation Grant Program, to fund the Capital Developments Long-Range Building Program Account which is used for appropriations of the capital fund type, and to fund a variety of State Special Revenue funds, particularly for the Department of Commerce and Fish, Wildlife and Parks. The distributions for the sales tax are outlined in the chart below:



<https://archive.legmt.gov/content/Publications/fiscal/2025-Biennium/Resources-and-Guides/Lodging-Brochure.pdf>