

LONG-RANGE PLANNING BIENNIAL BUDGET STATUS REPORT

A Report Prepared for the
Legislative Finance Committee

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LONG-RANGE PLANNING (LRP) BIENNIAL BUDGET STATUS REPORT

SUMMARY

Long-Range Planning (LRP) projects take significant amounts of time to complete, regardless of the program through which any given project is funded. Because the projects often take two or more biennia to complete, it is not unusual at this point in the biennium to have a lower level of expenditures when compared to annual or biennial agency budgets from HB 2. As a result, the figures and data included in this section will provide a look at the 2019 biennium expenditures through October from prior biennia authority as well as those from the 2019 biennium. Prior year authority, brought into the 2019 biennium through statutory continued authority or accruals makes up 68.1% of the total authority and 70.2% of the total expenditures.

Long-Range Planning Programs Appropriations/ Biennial Expenditures through October							
Program	Prior Bien. Project Appropriations ¹	2019 Bien. Project Appropriations	Total Project Authority	Prior Bien. Project Expenditures	2019 Bien. Project Expenditures	Total Expenditures	Project Authority Balances
Long-Range Building Program ²	\$227,311,550	\$97,299,272	324,610,822	\$76,525,676	\$33,498,992	\$110,024,668	214,586,155
State Building Energy Conservation Prog.	1,783,799	3,700,000	5,483,799	1,649,654	957,479	2,607,132	2,876,667
Long-Range Information Technology Prog.	32,786,231	0	32,786,231	310,139	0	310,139	32,476,092
Treasure State Endowment Program	16,146,717	20,672,151	36,818,868	10,180,316	3,078,646	13,258,962	23,559,906
Treasure State Regional Water Program	2,029,952	4,943,389	6,973,341	1,185,233	835,112	2,020,345	4,952,996
Natural Resources Projects	6,226,453	10,160,769	16,387,222	3,262,048	1,101,490	4,363,538	12,023,684
Renewable Resource Grants & Loans	2,963,659	4,781,640	7,745,299	2,084,889	882,311	2,967,200	4,778,099
Reclamation & Development Grants	3,262,794	5,379,129	8,641,923	1,177,159	219,179	1,396,338	7,245,585
Cultural & Aesthetic Grant Program	143,427	470,000	613,427	132,703	300,214	432,917	169,786
Grand Total	\$284,644,330	\$133,545,581	\$418,189,911	\$91,596,114	\$38,814,454	\$130,410,568	287,768,619

¹Prior biennia appropriations include statutorily continued authority and accrued authority and include fiscal-year-end adjustments

²Long-Range Building Program numbers include both state and non-state appropriations/authority and expenditures, as well as any budget modifications

Items in the grey rows provide program detail

In the 2019 biennium through October, LRP programs have expended \$38.8 million or 29.1% of their 2019 biennium modified authority, including \$23.2 million that was from non-state resources. When including the prior year authority LRP programs expended \$130.4 million or 31.2% of their total authority. Included in the figure above is the Long-Range Information Technology Program, which is only working from prior year continued authority in the 2019 biennium, with no new authority provided in the 2017 Session.

IMPACTED LRP FUNDS

This report includes the fund balances for the LRP programs, projecting revenues from their statutorily dedicated funding sources, to provide a preview of the funding status for the 2019 Legislative session.

Many of LRP funds have benefitted from higher than expected revenues in FY 2018 and are expected to have better than earlier projected revenues in FY 2019. During the 2017 Special Session, the Legislature transferred \$15.0 million from four of the LRP funds to the general fund.

LRP Funds Impacted by Transfers Out		
Program Funding Sources	Transfers to GF	2019 Bien. Ending Fund Balance
Long-Range Building Program	\$5,000,000	(\$4,057,932)
Treasure State Endowment Program	7,500,000	(6,892,097)
Natural Resources Projects	2,050,000	(210,001)
Grand Total	\$14,550,000	(11,160,031)

The programs shown in the adjacent figure have indicated that their management practices preclude entering into contracts for projects without having the funding on hand (or based on future revenues) and have delayed or revoked projects. In one case, the natural resources projects account, the agency is considering reversing some of the revocations due to the improved revenue picture. The figure above provides the amount of the transfers and the projected 2019 biennium ending fund balances for the negatively impacted the program funds. Ultimately, the LRP subcommittee will be working with \$11.2 million less revenue available for new projects in the 2021 biennium as a result of the transfers.

LRP PROGRAM REPORTS:

Except for the two long-range programs (LRBP and LRITP), the (grant) program expenditures discussed and displayed in the following reports include only actual expenditures. The expenditures of the LRBP, LRITP, and SBCEP include actual expenditures and accruals, in the same way as the HB 2 agency reports.

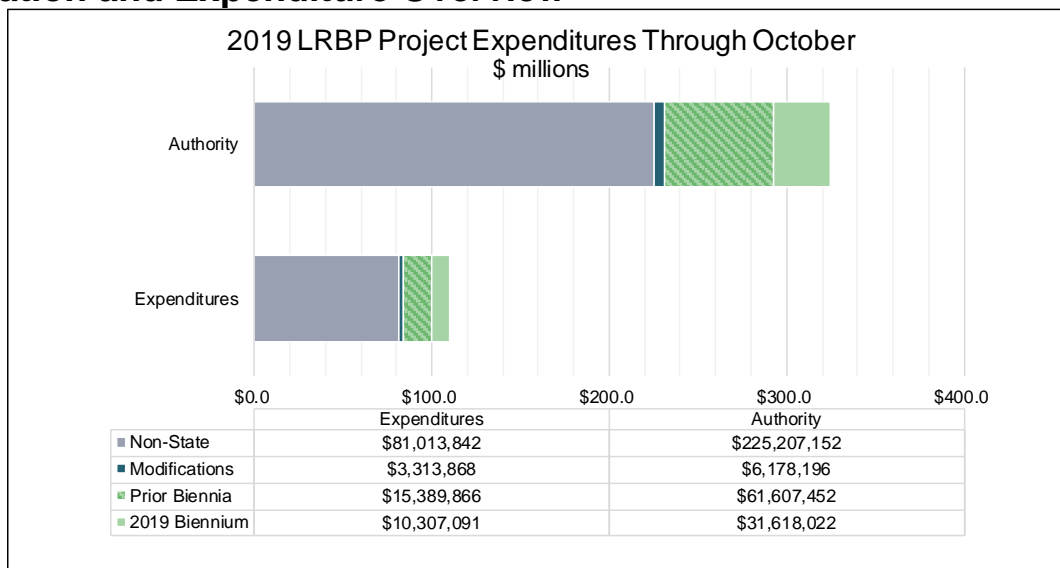
The following analyses provide expenditures from July 1, 2017 through October 31, 2018. The fund balance analyses are calculated at fiscal-year-end (FYE) 2018 and the expenditures in FY 2018 reduce the total authority available at the beginning of the biennium for the FY 2019 budget. Additionally, it is assumed that the total authority available in FY 2019 will be expended in FY 2019.

LONG-RANGE BUILDING PROGRAM (LRBP)

Budget and Expenditure Highlights

- The LRBP expended a total of \$110.0 million of the available \$324.6 million of total authority through October 2018
- In the 2019 biennium through October, \$33.5 million, or 34.4% of the 2019 biennium HB 5 authority (including non-state resources) has been expended on projects in the LRBP
- \$61.6 million of prior biennia state resources authority was continued into FY 2018, from which \$15.4 million was expended through October
- \$5.0 million was transferred on Dec. 15, 2017 from the LRBP program account to the general fund
- No appropriations were reduced, and no projects were eliminated in the special session actions
- Improvements in the actual revenues of the LRBP capital project fund and projections included in HJ 2 result in a fund balance of a negative \$3.9 million, which means that the total appropriations are projected to exceed revenues

Appropriation and Expenditure Overview



- The chart above considers all unexpended LRBP budget authority remaining on the books in FY 2018, as well as the appropriations provided by the 2017 legislature
- Non-state authority (\$225.2 million) and expenditures (\$81.0 million) represents the largest component of authority and expenditure in 2019 biennium through October
 - The related projects are primarily funded through various university accounts
 - The totals include authority for the use of donations in building projects, where no appropriation is required
 - Modifications to the non-state authority and the associated expenditures are included in the non-state totals
- Notable 2019 biennium expenditures from prior biennia include:

- \$34.2 million for the construction of the new Engineering Building on the Bozeman campus (approved in the 2015 session), which is scheduled to be completed in January 2019
- \$4.0 million for the construction of the Auto-Tech Center on the MSU Northern campus (approved in the 2013 and 2015 sessions), was completed in May 2018
- \$123,330 has been expended in the 2019 biennium on the planning and design for the Science and Technical Addition at MSU Billings, where the total funding package (donations and other university funds) has been fully committed on the increased total cost of \$17.1 million
- \$113,083 of federal special revenue has been expended on planning activities for the Southwest Montana Veteran's home, where the federal funding for the project has been approved by the federal Department of Veterans Affairs. Federal funds are paid on a reimbursement basis. Construction is planned to begin in April 2019 and the project is expected to be completed in September 2020.

Current Biennium Projects

The figure below shows the authority, provided in HB 5 of the 2017 session, for the LRBP. The figure includes the authority held by the LRBP and does not include the appropriations or authority provided directly to agencies for capital projects in HB 5.

2019 Bien. LRBP (HB 5) Expenditures Through October						
Agency	Project	Project Total	Authority Transfers	Modified Authority	Expenditures	Balance
<u>Funded with State Resources</u>						
DOA	Life Safety & Deferred Maintenance, Capitol Complex	\$3,500,000		\$3,500,000	\$2,658,069	\$841,931
DOA	Life Safety & Deferred Maintenance, Statewide	5,500,000		5,500,000	1,362,783	4,137,217
DOA	Utility Rebate Funds, Statewide ¹	1,843,522		1,843,522	184,887	1,658,636
FWP	L&C Caverns State Park - Electrical Upgrades	2,200,000	(2,200,000)	0	0	0
FWP	Admin Facilities Major Maintenance	2,999,500	(1,200,000)	1,799,500	363,942	1,435,558
DNRC	Forestry Division Mechanic Shop, Missoula	300,000		300,000	96,267	203,733
DPHHS	MMHNCC Boiler Replacement and Heating System Upgr	2,500,000		2,500,000	2,270,173	229,827
DPHHS	Southwest Veteran's Home - Revised Authority	1,375,000		1,375,000	0	1,375,000
DOJ	Montana Law Enforcement Academy	8,100,000		8,100,000	710,152	7,389,848
DMA	Female Latrines	400,000		400,000	207,381	192,619
DMA	Roof Replacements, Statewide	3,300,000		3,300,000	1,462,253	1,837,747
MUS	Deferred Maintenance, MUS	3,000,000		3,000,000	991,183	2,008,817
Total State Resources		\$35,018,022	(\$3,400,000)	\$31,618,022	\$10,307,091	\$21,310,931
<u>Funded with University Funds and/or Donations</u>						
DPHHS	Southwest Veteran's Home - Revised Authority	\$9,831,250		\$9,831,250	\$0	\$9,831,250
MUS	Liberal Arts Building Renovation, UM	6,000,000		6,000,000	221,900	5,778,100
MUS	Clinical Psychology Addition, UM	4,000,000		4,000,000	0	4,000,000
MUS	Neural Injury Center, UM	7,000,000		7,000,000	0	7,000,000
MUS	Education Building Expansion, UM	20,000,000		20,000,000	14,672,648	5,327,352
MUS	MAES Livestock Complex, MSU	10,000,000		10,000,000	0	10,000,000
MUS	Living Learning Center, MT Tech	8,500,000		8,500,000	8,000,000	500,000
MUS	Natural Resources Research Center Addition, MT Tech	350,000		350,000	297,353	52,647
MUS	Barnard Hall Renovation, MSU Bozeman	1,500,000	(1,500,000)	0	0	0
Total University Funds and Donations		\$67,181,250	(\$1,500,000)	\$65,681,250	\$23,191,901	\$42,489,349
Grand Total		\$102,199,272	(\$4,900,000)	\$97,299,272	\$33,498,992	\$63,800,280
¹ \$156,478 of the Utility Rebate Funds appropriation was expended in FY 2017						

From the appropriations and authority provided by the 2017 legislature, the program has expended \$33.5 million, or 34.4% of the modified authority in the 2019 biennium through October. From the University funds and donations, the LRBP expended \$23.2 million or 35.3% of the authority. The following are transactions and expenditures of note:

- \$4.9 million of authority was transferred from the LRBP to agencies (FWP and MUS)
- \$2.3 million of expenditures were for the boiler and heating systems upgrades at the Montana Mental Health Nursing Care Center (MMHNCC), which is under contract and will be completed in January 2019
- \$8.0 million has been expended on the Living Learning Center at MT Tech, which is under contract and construction will be completed in January 2019
- \$710,152 has been expended on upgrades to the Montana Law Enforcement Academy and work is expected to continue through March 2020

Funding

The figure below provides the projected 2019 biennium fund balance for the LRBP capital projects fund. The account had a beginning fund balance of \$23.0 million in FY 2018. Against this balance the program had \$24.8 million in continued authority, shown in the figure below as prior biennia authority. Revenues deposited into the fund include a 2.6% distribution of cigarette tax revenue and a 12.0% distribution of coal severance tax revenue.

Long-Range Building Program Fund (05007)			
2019 Biennium			
	FY 2018 Total Expenditures Actual	FY 2019 Projected ³	2019 Biennium
Beginning Fund Balance	\$23,011,594	\$19,709,102	\$23,013,731
Revenues ¹			
Cigarette Tax	\$1,600,086	\$1,574,596	\$3,174,682
Coal Severance Tax	7,512,992	6,685,119	14,198,111
Interest Earnings	297,699	333,279	630,978
Supervisory Fees	624,797	381,899	1,006,696
Energy Savings Transfer	250,000	200,000	450,000
Department of Justice Transfer	6,630,000	0	6,630,000
General Fund Transfers	(5,000,000)	0	(5,000,000)
Total Revenues	\$11,915,574	\$9,174,893	\$21,090,467
Expenditures			
Operating Costs-A & E Division ²	1,930,524	\$2,240,000	\$4,170,524
Debt Service-2015A	1,095,269	657,086	1,752,355
Funding Switch	(665,000)	(657,086)	(1,322,086)
Prior Biennia Projects	10,530,810	14,100,528	24,631,338
2019 Biennium Projects	<u>2,328,601</u>	<u>16,601,399</u>	<u>18,930,000</u>
Total Expenditures	\$15,220,203	\$32,941,927	\$48,162,131
Estimated Ending Fund Balance	\$19,706,965	(\$4,057,932)	(\$4,057,932)
¹ HJ2 Projections			
² HB 2			
³ Assumes all appropriation authority is expended in FY 2019			

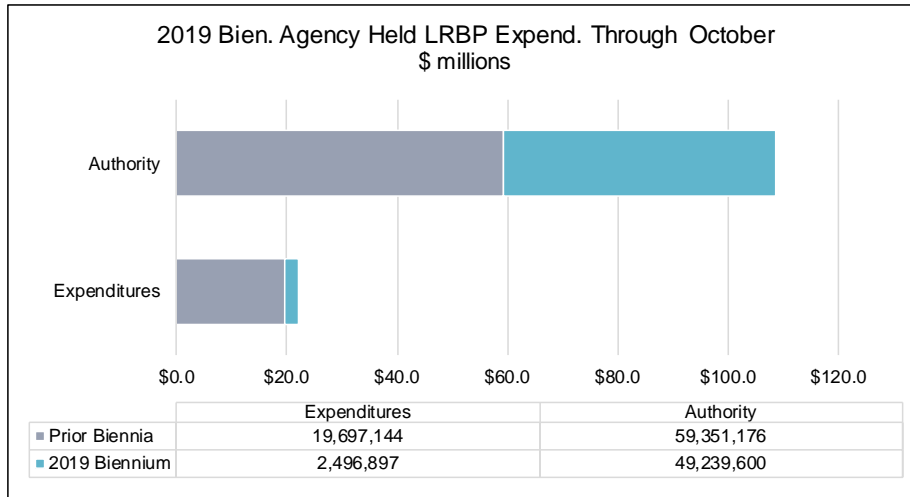
In this analysis, you will see actual revenues for FY 2018 and projections for FY 2019, as projected for HJ 2 and by the agency for other income (interest earnings on LRBP fund balances and supervisory fees paid to the A&E Division). Total revenue projected is expected to be \$21.1 million when taking into consideration the transfer from the Department of Justice for improvements at the Law Enforcement Academy and the transfer of \$5.0 million of LRBP funds to the state general fund. The actual expenditures of FY 2018 reduce the original and continued appropriations resulting in the balances in FY 2019.

For the purposes of this analysis, it is assumed that all the authority would be expended in the 2019 biennium. As mentioned above, the figure is the transfer of \$5.0 million authorized in the 2017 Special Session and occurring in FY 2018. As projected at this time, the transfer of \$5.0 million would have a negative impact on the LRBP fund balance of \$4.1 million.

Note: The LRBP fund balance is negative, but the program will not expend more money than becomes available. The negative balance only shows that currently the appropriations of the fund exceed the projected revenues.

New: Agency Held Authority

The following table provides the data for agencies who were, either directly or through appropriation transfers, given appropriations in the LRBP (HB 5). Included in the table are instances where the agency has authority from the 2017 version of HB 5 and from prior biennia.



Agencies who have LRBP or HB 5 appropriation authority in their budgets include:

- From state resources:
 - Department of Environmental Quality
 - Department of Military Affairs
 - Fish, Wildlife, and Parks
 - Department of Transportation
- This chart does not include the authority held by the Montana University System, since the projects are funded with non-state resources (university funds)

As shown in the figure above, total agency LRBP authority is \$108.6 million. In the 2019 biennium, \$22.2 million or 20.4% of the authority has been expended. Of the total authority, \$49.2 million or 45.3% was authority provided in the 2017 Session. The table below shows the expenditures by fund type for the 2019 biennium authority held by the agencies.

2019 Bien. Agency Held LRBP Expenditures Through October							
Agency	Project	Approp	CP	SS	FS	Total Exp	Balance
DMA	DMA Facility Improvements SW	\$3,000,000	\$0	\$0	\$0	\$0	\$3,000,000
	Fort Harrison & Miles City Cemetery Improvements	4,000,000					4,000,000
	Malta Rediness Center	3,015,000					3,015,000
	UTES/CSMS Wash Facility	2,000,000					2,000,000
DMA Total		\$12,015,000	\$0	\$0	\$0	\$0	\$12,015,000
FWP	Bannack State Park	1,650,000		488,147		488,147	1,161,853
	Bighorn Sheep	370,000				0	25,000
	Community Fishing Ponds	25,000				0	60,000
	Dam Maintenance	60,000				0	2,078,333
	FAS Acquisition	484,000		76,233		76,233	545,993
	FAS Protection	2,243,200		75,792	89,075	164,867	82,332
	Fish Passage Construction	555,000		0	9,007	9,007	1,117,171
	Forest Management	100,000		17,668		17,668	5,056,361
	Future Fisheries	1,177,000		59,829		59,829	380,035
	Grants	5,122,400		1,249	64,789	66,039	1,427,065
	Habatat MT	13,324,000		326,301		326,301	880,000
	Hatchery Maintenance	550,000		169,965		169,965	2,000,000
	Home to Hunt	220,000				0	(138,532)
	Makoshika State Park	2,100,000		672,935		672,935	1,136,178
	Migratory Bird Program	880,000				0	483,232
Parks Maintenance	2,000,000				0	220,000	
Upgrades L&C Caverns	2,200,000		138,532		138,532	12,997,699	
Upland Game Bird	1,164,000		27,822		27,822	407,767	
Wildlife Habitat Maintenance	500,000		16,768		16,768	370,000	
FWP Total		\$34,724,600	\$138,532	\$1,932,709	\$162,872	\$2,234,113	\$30,290,487
MDT	Maintenance, Repair & Small Projects	2,500,000		262,784		262,784	2,237,216
MDT Total		\$2,500,000		\$262,784		\$262,784	\$2,237,216
Grand Total		\$49,239,600	\$138,532	\$2,195,494	\$162,872	\$2,496,897	\$44,542,703

In the 2019 biennium through October, agencies with LRBP authority provided in the 2017 Session had expended \$2.5 million or 5.1% of their authority. The greatest amount of appropriation is in the Department of Fish, Wildlife, and Parks (FWP). FWP requests appropriations for similar purposes each biennium and in many cases, have existing prior biennia authority available for expenditures in the 2019 biennium. Transactions of note include:

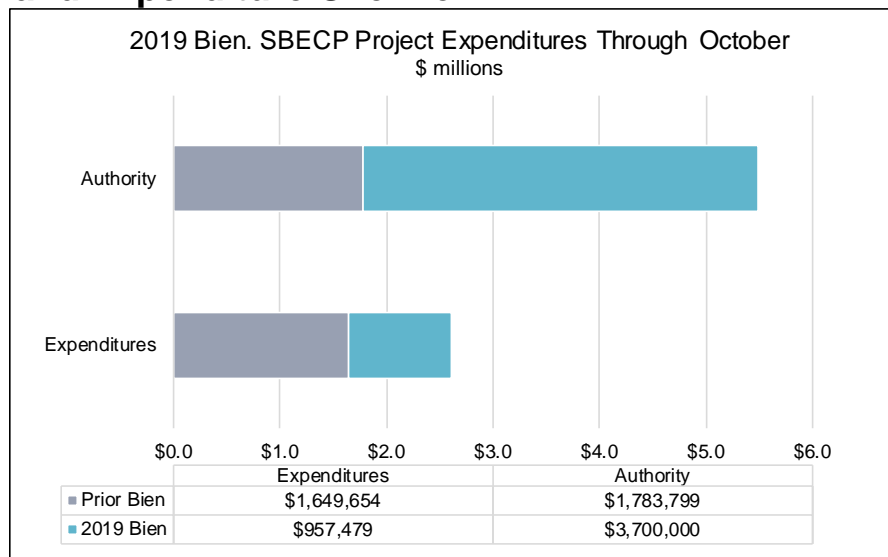
- \$672,935 or 32.0% of the \$2.1 million appropriation for improvements at Makoshika State Park on the primary park road. To date, most of the drainage/culvert improvements are complete and the remaining includes 1 mile of asphalt paving, which will occur in spring 2019
- \$138,532 or 6.3% of the \$2.2 million appropriation for Upgrades at L&C Caverns where design was completed and the project bid in June 2018. Construction began in late September and the anticipated completion date is early April 2019

STATE BUILDING ENERGY PROGRAM (SBECP)

Budget and Expenditure Highlights

- In the 2019 biennium through October, the LRBP has expended \$2.6 million of the total \$5.7 million in SBECP projects authority
- The SBECP is unusual since the program transfers the authority provided by the legislature to the LRBP (A&E Division) or other participating agencies for project expenditures
- In the 2019 biennium, the legislature provided SBECP with \$3.7 million of authority, of which \$1.9 million of the authority has been transferred to the LRBP (A&E Division)
- \$957,479 or 25.9% of the authority provided in the 2017 session was expended in the biennium through October
- \$450,000 was transferred in FY 2018 from one of the SBECP capital projects account to the general fund

Appropriation and Expenditure Overview



- Most of the SBECP expenditures were from prior biennia authority. Notable projects include:
 - \$1.1 million for DPHHS, which was expended on the boiler replacement at MMHNCC, and system and lighting upgrades at the Montana State Hospital
 - \$391,805 for the Department of Corrections, most of which was expended on HVAC improvements at the secure housing facility at the Women’s State Prison in Billings
 - \$42,989 of Department of Administration improvements, most of which was used for improvements at the Montana data center
 - \$30,000 for the Montana University System, most of which was expended on improvements at the metals tech facility at MSU Northern

Funding

The SBCEP operates as a “revolving loan program”. Agencies borrow from the program for the costs of the projects plus a 3% rate of interest on the unpaid balance of the loan, and then reimburse the program for those costs with the energy savings realized through their utility budgets. The 3% rate of interest is used to fund the administrative costs of the program.

The adjacent figure provides an assessment of funds available for program uses. Included in the “Available SBCEP Program Funds” is the beginning balances across the four funds that the SBCEP uses for operations, the loan repayment revenues that are anticipated to be

2019 Biennium SBCEP Accounts Available Funding Projection			
Item	FY 2018	FY 2019	2019 Bien.
	Actual	Projected	
Available SBCEP Program Funds	\$10,086,180	\$9,528,041	\$11,542,323
Appropriations			
SBCEP Prior Biennia	1,525,506	258,293	1,783,799
SBCEP 2019 Biennium HB 5	38,776	3,661,224	3,700,000
Transfer to General Fund	450,000	0	450,000
Total Expenditures/Appropriations	2,014,282	3,919,517	5,933,799
Ending Balance	\$8,071,899	\$5,608,524	\$5,608,524

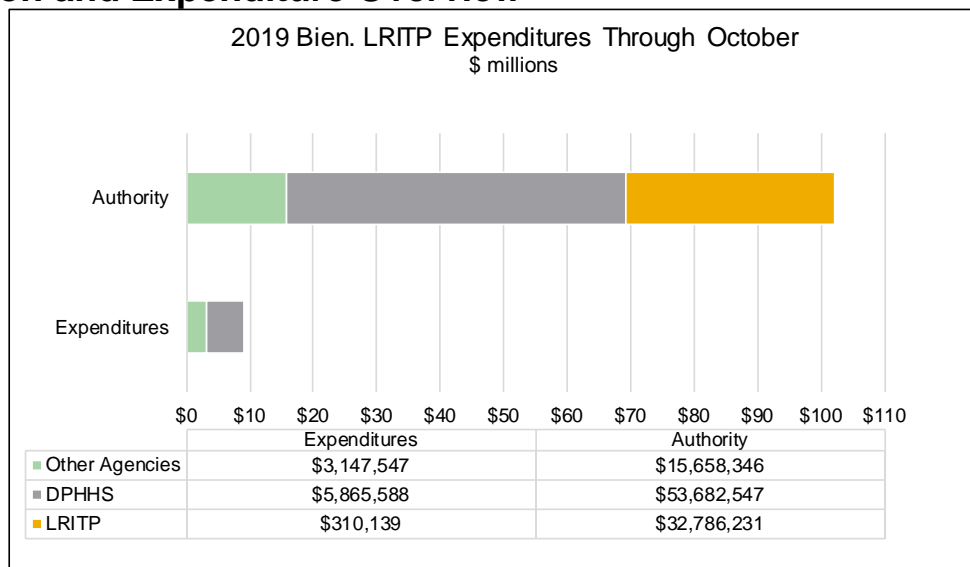
paid by the participating agencies, and the program administrative costs as appropriated in HB 2. The figure includes all continued prior biennia authority and the authority provided in the 2017 version of HB 5 and assumes all the authority will be expended in FY 2019. The figure also includes the transfer of \$450,000, authorized in the 2017 Special Session and occurring in FY 2018. The combination of the four funds is projected to have a balance of \$5.6 million at the end of the 2019 biennium that would be available for program administration costs and funding new energy conservation projects in the 2021 biennium.

LONG-RANGE INFORMATION TECHNOLOGY PROGRAM (LRITP)

Budget and Expenditure Highlights

- The Long-Range Information Technology Program (LRITP) did not receive new authority in the 2017 Session, so this analysis includes only prior biennia authority
- LRITP had an appropriation balance of \$32.8 million at the beginning of the 2019 biennium that includes \$31.3 million of federal authority initially authorized for the Department of Public Health and Human Services (DPHHS) projects
 - Total expenditures in the LRITP were \$310,139 in the 2019 biennium through October
- LRITP project appropriations financed with agency funds are transferred to the agency after the project is approved by the program
 - At the beginning of the 2019 biennium, agencies had \$69.3 million of LRITP appropriation continued in the agency budgets, \$53.7 million of which was in the DPHHS budget

Appropriation and Expenditure Overview



- The figure above differs from the other LRP charts because all the existing authority was provided in prior biennia
- The chart includes all unexpended LRBP budget authority remaining on the books at the beginning of FY 2018 and the expenditures in the 2019 biennium through October
- \$102.1 million of authority was continued into the 2019 biennium across all agencies
 - Of the total \$32.8 million of LRITP authority, \$31.3 million is federal authority for DPHHS projects
 - The federal authority will be transferred to DPHHS upon LRITP approval of the projects that will require the funds and none of the authority has been expended at this time
 - The LRITP has expended \$257,143 on network equipment and \$52,996 on the data protection project in the 2019 biennium through October
- From the \$69.3 million of continued authority held by agencies, the agencies have expended \$9.0 million, or 13.0% of the authority and details are provided in the figure below

Agency Held Authority

2019 LRITP Expenditures Through October								
Agency/Program/Branch	Beginning Balance	Expenditures by Fund Type				Total Expenditures	Budget Balance	% Expended
		Capital Project	State Special	Federal Special				
DOA/LRITP	\$32,786,231	\$310,139	\$0	\$0	\$310,139	\$32,476,092	0.9%	
Total LRITP	\$32,786,231	\$310,139	\$0	\$0	\$310,139	\$32,476,092	0.9%	
Public Health & Human Ser.	53,682,547	518,314		5,347,274	5,865,588	47,816,959	10.9%	
Environmental Quality	873761.27	43,282	18,974		62,256	811,505	7.1%	
Labor & Industry	3,081,847		81,188		81,188	3,000,659	2.6%	
Political Practices	21,058				0	21,058	0.0%	
Secretary of State	983,428	704,769			704,769	278,658	71.7%	
Transportation	8,531,675		640,578	89,454	730,032	7,801,643	8.6%	
Judicial Branch	891,838	436,102			436,102	455,736	48.9%	
Legislative Branch	1,274,740	1,133,200			1,133,200	141,540	88.9%	
Total Agency Authority	\$69,340,893	\$2,835,667	\$740,739	\$5,436,728	\$9,013,135	\$60,327,758	13.0%	
Total LRITP and Agency Author.	\$102,127,124	\$3,145,806	\$740,739	\$5,436,728	\$9,323,273	\$92,803,850	9.1%	

Details on Beginning Balance Authority

- The total beginning balance authority of all LRITP projects (including amounts held by agencies) includes:
 - \$14.0 million or 13.7% of capital project fund authority (transferred from the general fund)
 - \$6.1 million or 6.0% of state special authority
 - \$81.6 million or 79.9% of federal special authority
- LRITP started the biennium with \$32.8 million of authority
 - \$31.3 million of the authority is for federal funds for the Department of Public Health and Human Services (DPHHS) projects
 - \$29.1 million for the DPHHA authority is related to the federal funding for the Medicaid Management Information System (MMIS) project
 - The LRITP will retain the authority until points in time when the federal funds come to the state for the project
- \$69.3 million or 67.9% of the total authority is held in agency budgets
 - \$53.7 million is in DPHHS where \$44.5 is federal special revenue authority
 - \$8.5 million is in the Department of Transportation with an approximate 50/50 split between state special and federal special revenues

Details on Expenditures

- Project details can be found in the State Information Technology Services Division (SITSD) report provided to the Legislative Finance Committee at each meeting

Funding

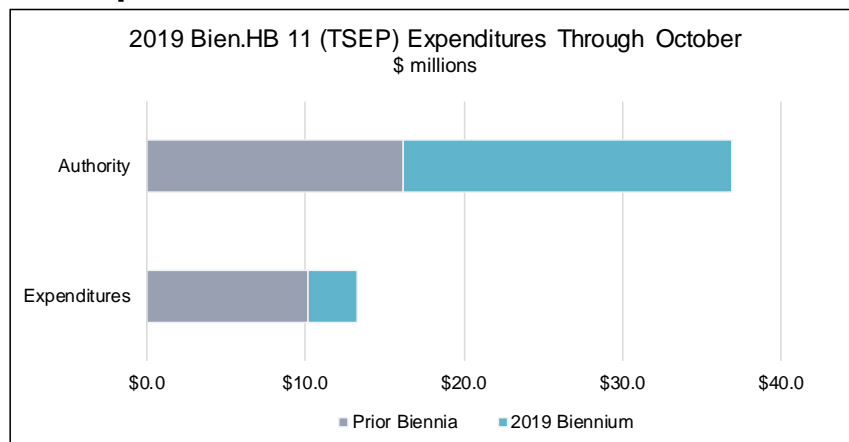
Unlike other Long-Range Planning programs, the LRITP does not have a dedicated source of funding for major IT projects. Instead, state agencies support their project costs through agency administered state and federal special revenue funds. For agencies primarily supported by general fund, transfers are made from the general fund to the LRITP capital projects funds in support of the agency requests. Currently, the LRITP has sufficient capital project monies to support all appropriation authority remaining in the fund.

TREASURE STATE ENDOWMENT PROGRAM (TSEP)

Budget and Expenditure Highlights

- In the 2019 biennium through October 2018, TSEP expended \$13.3 million of their \$36.8 million of total budget authority
- Through October, \$2.9 million, or 14.8%, of the 2019 biennium project authority has been expended
- \$7.5 million was transferred on Dec. 15, 2017 from the TSEP program to the general fund during the special session
- No appropriations were reduced, and no projects were eliminated in actions during the special session
- TSEP revoked the 15 of the lowest ranked grant awardees (including the 3 conditional grant awardees)
- Improvements in actual interest earnings of the TSEP trust and projections included in HJ 2 result in a fund balance of a negative \$6.9 million, which means that the total appropriations exceed projected revenues

Appropriation and Expenditure Overview



TSEP 2019 Biennium Project Appropriations and Expenditures - FYE 2018					
Expenditures	Appropriations		Total		%
	HB 11	Expenditures	Balance	Expended	
Emergency Grants	\$100,000	\$0	\$100,000	0.0%	
Infrastructure Planning Grants	900,000	157,500	742,500	17.5%	
Prior Biennia ¹	16,146,717	10,180,316	5,966,401	63.0%	
Bridge Grants	3,747,151	237,094	3,510,057	6.3%	
Infrastructure Grants	15,925,000	2,684,052	13,240,948	16.9%	
Total Appropriations / Expenditures	\$36,818,868	\$13,258,962	\$23,559,906	36.0%	

¹Prior biennia continued by accrual and adjusted by reversions occurring in the 2019 biennium

- In the 2019 biennium through October 2018, TSEP expended \$13.3 million of their available budget authority
 - \$10.2 million was expended on prior biennia projects, continued through the accrual process
 - \$2.6 million or 14.8% of the total appropriation authority was expended on project grants authorized in the 2017 Session
- It is not unusual at this point in the biennium for the current biennium TSEP grant funding to be low

Funding

The TSEP grant appropriations are funded with the interest earnings from a coal severance tax endowment trust. The TSEP trust is a “sub-trust” of the permanent coal severance tax trust. The corpus of the sub-trust was fixed at \$271.4 million at the end of FY 2017.

In this analysis, you will see actual revenues for FY 2018 and projections for FY 2019, as revised by the LFD for HJ 2. The actual expenditures of FY 2018 reduce the original appropriation and prior biennia (accrued) authority resulting in the balances in FY 2019. On occasion, the TSEP local government grant awards are greater than the reimbursed costs, and adjustments for those differences are included in the figure. Additionally, a slight adjustment to the fund balance at the beginning of FY 2019 has been included.

TSEP Fund Balance Analysis 2019 Biennium (09044 and 02270)			
	FY 2018 Actuals	FY 2019 Projected	2019 Biennium
Available Fund Balance	\$19,761,966	\$10,313,570	\$19,763,188
Revenues - Interest and Earnings ¹	9,487,688	9,408,119	18,895,807
Expenditures			
HB 2 TSEP Administration	574,305	657,920	1,232,225
Emergency Grants	0	1,000,000	1,000,000
Prior Biennia Grants Accrued	9,363,443	6,783,274	16,146,717
2019 Bien. Grants	1,499,558	18,172,593	19,672,151
Transfer to General Fund	<u>7,500,000</u>	<u>0</u>	<u>7,500,000</u>
Total Expenditures	18,937,306	26,613,786	45,551,093
Projected Ending Fund Balance	\$10,312,348	(\$6,892,097)	(\$6,892,097)
¹ HJ 2 Projections			

The figure includes all prior biennia authority and the authority provided in the 2017 version of HB 11 and assumes all the authority will be expended in FY 2019. The figure also includes the transfer of \$7.5 million, authorized in the 2017 Special Session and occurring in FY 2018. The higher interest and earnings from the TSEP trust along with an increased revenue projection calculated by the LFD for HJ 2 is expected to lead to an improved fund balance. As projected at this time, the transfer of \$7.5 million is projected to have a negative impact on the TSEP funds of \$6.9 million.

Note: The TSEP fund balance is negative, but the program will not expend more money than becomes available. The negative balance only shows that currently the appropriations of the fund exceed the projected revenues.

Required Reports:

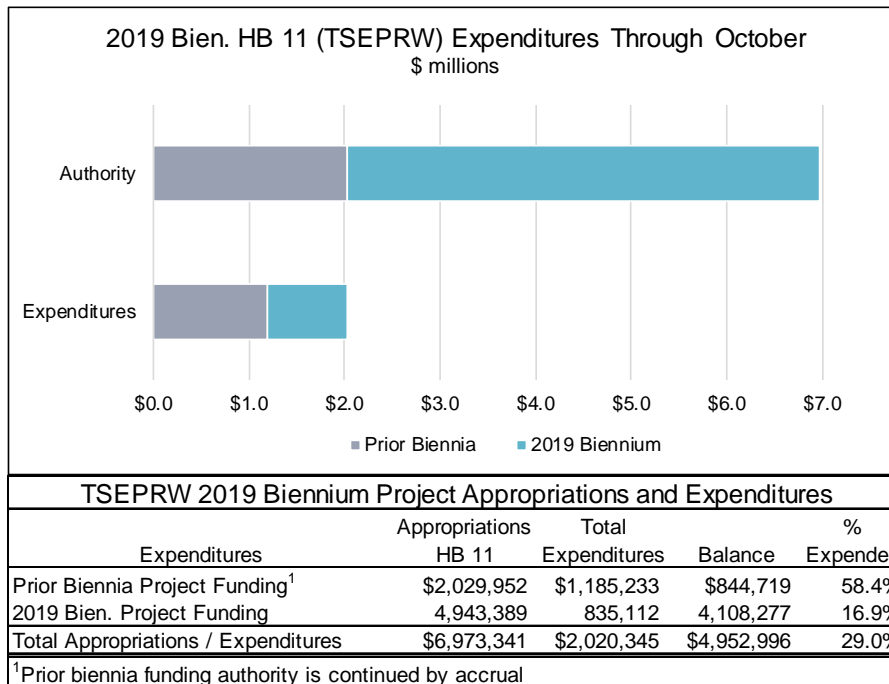
Through the month of October, no emergency grants funds have been expended, but the program has awarded one request for an emergency grant, which is expected to be provided by the end of 2018.

TREASURE STATE REGIONAL WATER PROGRAM (TSEPRW)

Budget and Expenditure Highlights

- Through the 2019 biennium, \$835,112 of the 2019 biennium and \$1.2 million of prior biennia authority has been expended
- TSEPRW is projected to finish the biennium with a fund balance of \$236,194

Appropriation and Expenditure Overview



- TSEPRW expenditures were \$2.0 million in the 2019 biennium through October 2018 and include:
 - \$1.2 million for projects from prior biennia authority continued through the accrual process
 - \$835,112 for projects from the 2019 biennium appropriation
- Notable progress made on TSEPRW projects in the 2019 biennium through October includes:
 - North-Central: The final work is done on the pipeline from Cut Bank to Shelby and engineering continues for the pipeline from Shelby to the Nine Mile Water District
 - Central Montana: The 3-year ground water study and engineering continue for the project and another well is in the planning stage
 - Dry Redwater: 80 water users were hooked up to the interim Sidney water source, bringing a subdivision into compliance with drinking water regulations
 - Dry Prairie: This project is about 80% complete, the Valley County line was finished, and pipe is being laid to complete the system in the northeast corner of the system

Funding

The TSEPRW appropriations are funded with the interest earnings from a coal severance tax endowment trust. The TSEPRW trust is a “sub-trust” of the permanent coal severance tax trust. The corpus of the sub-trust was fixed at \$94.9 million at the end of FY 2017.

In this analysis, you will see actual revenues for FY 2018 and projections for FY 2019, as revised by the LFD for HJ 2. The actual expenditures of FY 2018 reduce the original appropriation and prior biennia (accrued) authority for resulting in the balances in FY 2019.

The figure includes all prior biennia authority and the authority provided in the 2017 version of HB 11 and assumes all the authority will be expended in FY 2019. The higher interest and earnings from the TSEPRW trust along with an

TSEP Regional Water System Fund (02015) Fund Balance Projection - 2019 Biennium			
	FY 2018 Actual	FY 2019 Projected	2019 Biennium
Estimated Beginning Fund Balance	\$2,438,187	\$3,717,993	\$2,438,187
Revenue Projections ¹			
Total Revenues	3,245,620	3,301,789	6,547,409
Expenditures			
Administration - DNRC ²	101,675	242,938	344,613
Regional Water Authority Admin. Grants ²	716,000	716,000	1,432,000
Prior Biennia Authority	1,148,139	881,812	2,029,952
Grant Appropriation ³	0	<u>4,943,389</u>	<u>4,943,389</u>
Total Expenditures	1,965,814	6,784,139	8,749,953
Estimated Ending Fund Balance	\$3,717,993	\$235,643	\$235,643

¹HJ 2
²HB 2

increased revenue projection calculated by the LFD for HJ 2 is expected to lead to an improved fund balance. As projected at this time, the program will finish the biennium with a positive balance of \$235,643.

NATURAL RESOURCE PROJECT ACCOUNT

Budget and Expenditure Highlights

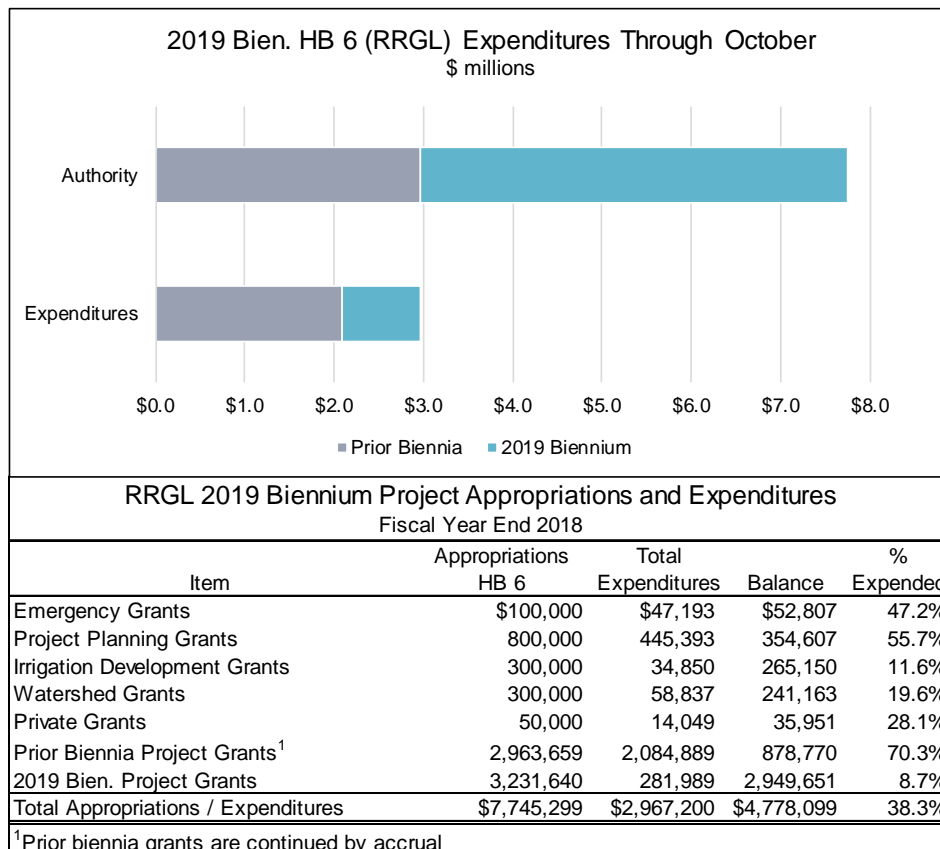
- The natural resource project account funds numerous grant programs in the Department of Natural Resources and Conservation (DNRC), including the Renewable Resource Grants and Loans Program (RRGL) and the Reclamation and Development Grants Program (RDGP)
- During the special session, the legislature transferred \$2.05 million from the natural resources projects account to the state general fund
- The legislature did not reduce any of the associated appropriations nor eliminate projects in actions during the special session
- Projects authorized by the legislature were revoked and letters were sent to lower ranked grant awardees
- FY 2018 revenues and new revenue projections in FY 2019 suggest that most of the revoked projects could be funded

Renewable Resource Grants Program (RRGL)

Budget and Expenditure Highlights

- RRGL has expended \$3.0 million or 38.3% of total 2019 and prior biennia authority through October
- \$882,311 of the authority provided by the 2017 Legislature has been expended, including \$281,989 on 2019 biennium projects
- RRGL revoked eight of the lowest ranked grant awards, but improved revenues and projections suggest that most of the projects could be funded in the biennium

Appropriation and Expenditure Overview



- RRGL expenditures were \$3.0 million in the 2019 biennium through October 2018 and include:
 - \$2.1 million in prior biennium (accrued) authority was expended
 - \$882,311 or 18.5% of the 2019 biennium authority has been expended, including \$281,989 expended on 2019 biennium project grants

Required Reports:

The following is a report on emergency grants as required in 85-1-605 (4), MCA. To date, \$48,000 in emergency grants have been authorized by the Renewable Resource Grant Program.

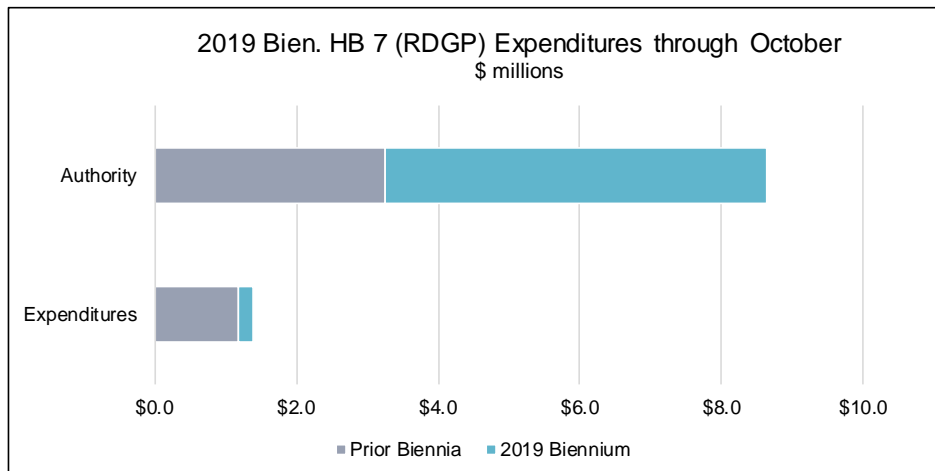
Renewable Resource Grant and Loan Program Emergency Grants Report		
Sponsor	Project Title	Amount
South Wind Water Sewer District	Water Emergency Repairs	\$12,000
Greenfield Irrigation District	Repairs to the Johnson Drop Structure	8,000
Canyon Creek Irrigation District	Emergency Repair of Canyon Creek Dam	15,000
Town of Dodson	Water Emergency Repairs	9,000
Fort Belknap Indian Community	Submersible Pump Replacement	4,000
Total Emergency Grants		\$48,000

The full report from the RRGL program is available on the LFC committee website.

Reclamation and Development Grants Program

- RDGP has expended \$1.4 million or 16.2% of total 2019 and prior biennia authority through October
- \$219,179 of the authority provided by the 2017 Legislature has been expended, including \$40,884 on 2019 biennium projects
- RDGP revoked three of the lowest ranked grant awards, but improved revenues and projections suggest that most of the projects could be funded during the biennium

Appropriation and Expenditure Overview



RDGP 2019 Biennium Project Appropriations and Expenditures				
Item	Appropriations		Total Expenditures	%
	HB 7	Balance		
Project Planning	\$800,000	\$744,328	\$55,672	7.0%
Aquatic Invasive Species Control	500,000	377,378	122,622	24.5%
Prior Biennia Project Grants ¹	3,262,794	2,085,635	1,177,159	36.1%
2019 Bien. Project Grants	4,079,129	4,038,245	40,884	1.0%
Total Appropriations / Expenditures	\$8,641,923	\$7,245,585	\$1,396,338	16.2%

¹Prior biennia grants are continued by accrual

- RDGP expenditures were \$1.4 million in the 2019 biennium through October 2018 and include:
 - \$1.2 million in prior biennium (accrued) authority

- o \$217,179 of 2019 biennium authority, including \$40,884 expended on 2019 biennium project grants
- o \$122,622 on grants for aquatic invasive species

Funding

The natural resource projects account funds appropriations for natural resource grants and projects authorized by the legislature. Primary programs funded through the account are the RRGL and the RDGP programs. The account receives the income from the following sources:

- Interest income of the resource indemnity trust (RIT)
- Resource indemnity and ground water assessment tax (RIGWA)
- Oil and gas production tax
- Excess coal severance tax proceeds allocated by 85-1-603 (Bond Pool Transfer), MCA

The figure below provides the projected 2019 biennium fund balance for the natural resource project account. The account had a beginning fund balance of \$8.4 in the FY 2018. Against this balance, the program had \$6.5 million in project obligations (in the form of accruals), shown in the figure as prior biennia authority.

In this analysis, you will see actual revenues for FY 2018 and projections for FY 2019, as revised by the LFD for HJ 2. The actual expenditures of FY 2018 reduce the original appropriation and prior biennia (accrued) authority resulting in the balances in FY 2019. On occasion, the RRGL and RDGP local government grant awards are greater than the reimbursed costs, and adjustments for those differences are included in the figure.

The figure includes all prior biennia authority and the authority provided in the 2017 version of HB 6 and HB 7 and assumes all the authority will be expended in FY 2019. The figure also includes the transfer of \$2.1 million, authorized in the 2017 Special Session and occurring in FY 2018. The higher account revenues with increased revenue projections calculated by the LFD for HJ 2 is expected to lead to an improved fund balance. As projected at this time, the transfer of \$2.1 million is projected to have a negative impact on the natural resources projects funds of \$210,001.

Note: The natural resources projects fund balance is negative, but the program will not expend more money than becomes available. The negative balance only shows that currently the appropriations of the fund exceed the projected revenues.

Natural Resource Project Account (02577) Fund Balance Projection - 2019 Biennium			
	FY 2018 Actuals	FY 2019 Projected	2019 Biennium
Available Balance	\$8,423,490	\$7,365,441	\$8,423,490
Revenue Projections ¹			
RIT Interest Earnings	2,386,503	2,684,457	5,070,960
Resource Indemnity & Groundwater	935,756	952,566	1,888,322
Oil and Gas Tax	1,298,645	1,437,811	2,736,455
Bond Pool Transfer	64,393	10,000	74,393
Administrative Fees	19,665	500	20,165
Total Revenues	4,704,961	5,085,334	9,790,295
RRGL Appropriations - HB 6			
Emergency Grants	47,193	52,807	100,000
Project Planning Grants	312,601	487,399	800,000
Irrigation Development Grants	14,850	285,150	300,000
Watershed Grants	29,871	270,129	300,000
Private Grants	7,799	42,201	50,000
Prior Biennia	1,925,141	1,025,082	2,950,223
RRGL Project Grants	193,671	3,037,969	3,231,640
Total RRGL Expenditures	2,531,126	5,200,737	7,731,863
RDGP Appropriations - HB 7			
Project Planning	24,060	775,940	800,000
Aquatic Invasive Species Control	103,939	396,061	500,000
Prior Biennia	1,018,451	2,244,343	3,262,794
RDGP Project Grants	35,434	4,043,695	4,079,129
Total RDGP Expenditures	1,181,884	7,460,039	8,641,923
Total Expenditures	3,713,010	12,660,776	16,373,786
Transfer to General Fund	2,050,000	0	2,050,000
Total Expenditures and Transfers	5,763,010	12,660,776	18,423,786
Estimated Ending Fund Balance	\$7,365,441	(\$210,001)	(\$210,001)

¹HJ 2

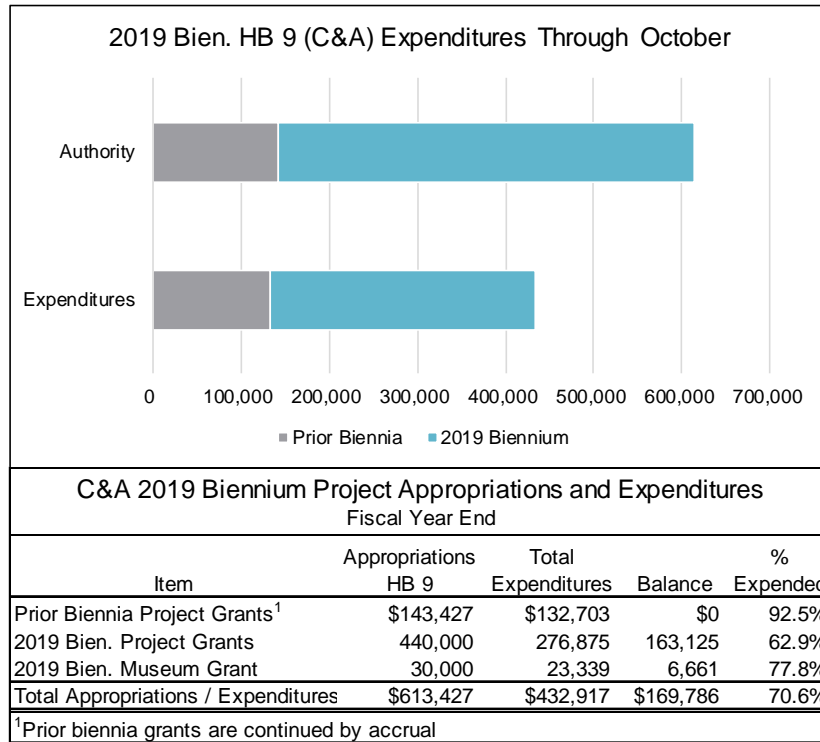
CULTURAL AND AESTHETIC GRANTS PROGRAM (C&A)

Budget and Expenditure Highlights

- In the 2019 biennium through October, \$300,214, or 63.9%, of the 2019 biennium HB 9 appropriations have been expended
- \$132,703 of the \$143,427 in prior biennia authority was expended in FY 2018

- The balance of \$10,724 was reverted to the C&A fund
- C&A is projected to finish the 2019 biennium with a balance of \$7,071

Appropriation and Expenditure Overview



- C&A has expended \$432,917 or 70.6% of total 2019 and prior biennia authority through October
 - \$132,703 of prior biennium (accrued) authority was expended
 - \$276,875 of the 2019 biennium has been expended on project grants
 - \$23,339 or 77.8% of the Museum Grant (Historical Society) appropriation has been expended

Funding

Funding for the C&A program comes from the interest earnings from the cultural trust. The trust receives a statutorily dedicated 0.63% of coal severance tax revenues. In this analysis, you will see actual revenues for FY 2018 and projections for FY 2019, as revised by the LFD for HJ 2. The actual expenditures of FY 2018 reduce the original appropriation and prior biennia (accrued) authority resulting in the balances in FY 2019.

The actual beginning fund balance for the 2019 biennium was \$157,025. Total revenue in the 2019 biennium is expected to be \$936,863. The adjacent figure includes all authority provided in this fund for the 2017 version of HB 9. For the purposes of this analysis, it is assumed that all the authority would be expended in the 2019 biennium. HB 9 includes language that would allow MAC to either increase or reduce grants on a pro rata basis if actual revenues in the 2019 biennium is either higher or lower than projected, given the limitations provided in the legislation. Revenues in the 2019 biennium, either actual in FY 2018 or projected in FY 2019, would not result in changes to the grant awards.

	FY 2018 Actual	FY 2019 Projected	2019 Biennium
Estimated Beginning Fund Balance	\$157,025	\$25,108	\$157,025
Revenue Projections ¹			
Total Revenues	470,142	466,721	936,863
Expenditures			
MAC Administration and Folklife ²	230,126	236,194	466,320
Capitol Cmplx Works of Art	155	29,845	30,000
Prior Biennia Grant Authority	132,703	0	132,703
2019 Biennium Grants	239,075	200,925	440,000
Total Expenditures	602,059	466,964	1,069,023
Ending Fund Balance	\$25,108	\$24,865	\$24,865

¹HJ 2
²HB 2