FISCAL NOTE

Bill #:	SB0484	**Title:**	Hard rock mining reclamation debt service fund
Primary Sponsor:	Tom A. Beck	**Status:**	As Introduced

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Sponsor signature Date Chuck Swysgood, Budget Director Date

Fiscal Summary

	FY2002 Difference	FY2003 Difference
Expenditures:		
State Special Revenue	0	4,000,000
Revenue:		
State Special Revenue	0	3,333,000
Debt Service	0	667,000
Net Impact on General Fund Balance:	**0**	**0**

Yes	No		Yes	No	
	X	Significant Local Gov. Impact		X	Technical Concerns
	X	Included in the Executive Budget	X		Significant Long-Term Impacts
X		Dedicated Revenue Form Attached		X	Family Impact Form Attached

Fiscal Analysis

ASSUMPTIONS:

1. At the beginning of fiscal 2003, this bill would create a new hard-rock mining reclamation debt service fund and a new hard-rock mining reclamation special revenue account.
2. Beginning in fiscal 2003, this bill would allocate 8.5% of metalliferous mines license tax collections to the hard-rock mining reclamation debt service fund. It would eliminate the current-law allocation of 8.5% of revenue from this tax to the orphan share account. During FY2002 the Governor will certify that the RIT Trust balance has reached $100 million; therefore, beginning fiscal year 2003 approximately $610,000 of additional RIGWAT funds would flow into the orphan share. Therefore, the orphan share account would continue to receive revenues of approximately the same amount as the past biennium.

3. Metalliferous mines license tax collections for fiscal 2003 are projected to be $7.850 million. This bill would allocate $0.667 million to the new hard-rock mining reclamation debt service fund (8.5% of $7.850 million).
4. DEQ would issue bonds, as funds are necessary for reclamation and water treatment at hard-rock mines that would otherwise not occur due to operator insolvency or insufficiency of surety bonds.
5. Create a debt service fund to pay principal and interest obligations created by the authorization and sale of hard-rock reclamation bonds.
6. Potential uses of the bond proceeds are to cover shortfalls of mine reclamation costs at four sites, Beal Mountain Mine, Zortman Mine, Landusky Mine and the CR Kendall Mine
7. The first general obligation bond of $4 million is sold in the spring of 2003.
8. The total principal plus interest payments from the debt service fund would occur in fiscal year 2004 and would approximate $177,200 at 5.25% interest for 30 years.

FISCAL IMPACT:

	FY2002 Difference	FY2003 Difference
Expenditures:		
Operating Expenses (reclamation work)	0	4,000,000
Funding:		
State Special Revenue (02)	0	4,000,000
Revenues:		
State Special Revenue (02) – Orphan Share	0	(667,000)
State Special Revenue (02) – Hard Rock	0	4,000,000
Debt Service (04) – Hard Rock Reclamation	0	667,000
Net Impact to Fund Balance (Revenue minus Expenditure):		
State Special Revenue (02) – Orphan Share	0	(667,000)
State Special Revenue (02) – Hard Rock	0	0
Debt Service (04) – Hard Rock Reclamation	0	667,000

LONG-RANGE IMPACTS:

1. Debt service payments would increase in fiscal year 2005 to approximately $354,500 at 5.25% interest and continue for 30 years. DEQ would include a provision in the bond resolutions for early payment of the bonds; therefore, if there is sufficient revenue from the metalliferous mines license tax the bonds would be paid off in less than 30 years.
2. If additional hard-rock mining reclamation bonds are issued in future biennia, more of the metalliferous mines license tax revenue allocated to the hard-rock mining reclamation debt service fund would be used to repay the bonds rather than being transferred to the hard-rock mining reclamation special revenue account.

TECHNICAL NOTES:

3. On page 2, line 5, the phrase "maturing at a rate or rates" appears to be a typographic error combining parts of the preceding and following phrases.

4. Section 1 should specify when excess funds in the hard-rock mining reclamation debt service fund are to be transferred to the hard-rock mining reclamation special revenue account.
5. Section 1 pledges "an amount necessary to satisfy principal and interest payments due on outstanding hard-rock mining reclamation bonds from the metalliferous mines license tax." Section 3 authorizes issuance of up to $8 million in hard-rock mining reclamation bonds. Section 5 allocates 8.5% of metalliferous mines license tax collections to the hard rock mining debt service fund to pay principal and interest on hard-rock mining reclamation bonds. If metal prices fall and interest rates rise in future biennia, 8.5% of metalliferous mines license tax collections may not be enough to meet principal and interest payments on $8 million in bonds. This bill should have language covering that contingency.