

Fiscal Note Request HB0367, Second Reading
(continued)

deposited in the new Zortman and Landusky water treatment permanent fund at the beginning of FY 2006. The interest rate earned on these funds will be about 6.90 percent in FY 2006.

5. The revenue from the metalliferous mine taxes that is deposited in the hard-rock mining reclamation debt service fund will be sufficient to pay principal and interest on an additional \$2.5 million in hard-rock mining bonds. There will be no issuance costs or debt service payments until early in the 2007 biennium.
6. This bill will not have significant administrative impacts.

FISCAL IMPACT:

	<u>FY 2004</u> <u>Difference</u>	<u>FY 2005</u> <u>Difference</u>
<u>Revenues to Water Treatment Fund:</u>		
Federal Special Revenue (03)		\$10,000,000
<u>Net Impact to Fund Balance:</u>		
Federal Special Revenue (03)		\$0

LONG-RANGE IMPACTS:

1. The balance in the Zortman-Landusky water treatment fund would continue to grow through 2016. If the interest rate on the fund is 6.8% each year, the balance at the end of calendar year 2016 would be about \$30 million, assuming that the state and federal contributions total \$12.5 million.
2. Debt service payments (principal and interest) on a 20-year, \$2.5 million debt at 6.5 percent would be \$226,891 per year starting most likely in FY 2006.
3. State Bond Counsel advises that the bonds likely would be taxable bonds. The bonds could be considered hedge bonds under the IRS Code. A hedge bond is a bond that the issuer does not reasonably anticipate to spend 85 percent of the proceeds within three years or more than 50 percent of the proceeds are invested in investments having a substantially guaranteed yield of four years or more.