FISCAL NOTE

Bill #:	HB0632	**Title:**	State-tribal ethanol plant construction
Primary Sponsor:	Smith, F	**Status:**	As Introduced

Sponsor signature Date   Chuck Swysgood, Budget Director Date

Fiscal Summary

	FY 2004 Difference	FY 2005 Difference
Expenditures:		
General Fund	$95,000	$90,000
Revenue:		
General Fund	$0	$0
Net Impact on General Fund Balance:	($95,000)	($90,000)

☐	Significant Local Gov. Impact	☒	Technical Concerns
☐	Included in the Executive Budget	☒	Significant Long-Term Impacts
☐	Dedicated Revenue Form Attached	☒	Needs to be included in HB 2

Fiscal Analysis

ASSUMPTIONS:

Governor's Office

1. This bill authorizes the issuance of $10 million in general obligation bonds to finance 50 percent of an ethanol plant to be built in conjunction with the Assiniboine and Sioux tribes of the Fork Peck Indian Reservation; provides for the payment of interest and principal of the bonds from the State's share of profits generated by the ethanol plant; requires the use of Montana agricultural products in the manufacture of ethanol and the employment of tribal members and other Montana residents to the extent possible; and provides an immediate effective date.
2. For the purposes of this fiscal note it is assumed that $10 million in 20-year general obligation bonds would be issued and sold in May 2005, and the proceeds would be used to finance the state's 50 percent share in the ethanol plant. The Governor's office of economic development would have to provide the Director of the Office of Budget and Program Planning with satisfactory evidence that the state's share of profits from the operation of the ethanol plant would be approximately $16.6 million over the 20-year life of the bonds, or the amount estimated to meet the debt service on the bonds.
3. The bill requires that the governor's office of economic development contract with the developer of the proposed plant. The Governor's Office has no staff expertise or staff availability to administer a contract of this magnitude or focus. Should the Governor's Office be assigned the task of monitoring a construction project, and with ensuring projected profits from the operation are sufficient to meet debt

service requirements, additional staff would be required. We estimate this would require one professional level FTE and a half-time support staff person. It is assumed that any administrative costs would come from the General Fund since the bond proceeds are earmarked for the ethanol plant.

Department of Administration

4. A general obligation revenue bond in the amount of $10 million will be issued in May 2005 with an interest rate based on AA market rates of 4.5 percent.
5. There will be no debt service required in the 2005 biennium to retire this bond. The debt service will begin in FY 2006 with an interest payment of $104,343. Debt service for the remaining 20 years will average $768,221 each fiscal year.
6. The bond will be retired with the state's share of profits generated by the ethanol plant over a 20-year term.
7. Since the fund for deposit of profits is not designated in the act it is assumed they will be deposited in the state general fund.

Department of Transportation

8. The Fort Peck alcohol plant will not be eligible for any alcohol tax incentive payments since the total incentive payments have been reserved.

FISCAL IMPACT:

Governor's Office (Pgm 01)

	FY 2004 Difference	FY 2005 Difference
FTE	1.50	1.50
Expenditures:		
Personal Services	$70,000	$70,000
Operating Expenses	25.000	20,000
TOTAL	$95,000	$90,000
Funding of Expenditures:		
General Fund (01)	$95,000	$90,000
Revenues:		
General Fund (01)	$0	$0
State Special Revenue (02)		
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):		
General Fund (01)	($95,000)	($90,000)

LONG-RANGE IMPACTS:

Department of Administration

If this bill is approved, the debt service will be approximately $768,221 each year for 20 years starting in fiscal year 2007. If there is not sufficient revenue produced by the ethanol plant to cover debt service, the debt service represent a drain on the general fund because these are general obligation bonds.

TECHNICAL NOTES:

Department of Transportation

1. If the Fort Peck ethanol plant should apply for and is eligible for payments, because of non-production by other ethanol plants, the question is raised whether payments should be made to an ethanol plant that is

partially funded by state and government loans or should the payments be prorated based on the percentage of the private funding to the total funding?

Department of Revenue

2. The bill does not specify what state agency is responsible for receiving the "profits" or the account to which they are to be deposited.
3. The bill does not say what share or portions of the profits are for the state or when or how often the state expects profit payments to be made.
4. The appropriation of bond proceeds in section 2 is not noted in the title.