

FISCAL NOTE

Bill #: HB0540.2 **Title:** Bonding for higher education and other state projects
Primary Sponsor: Sue Dickenson **Status:** As Recommended by the Long Range Planning Committee

DRAFT COPY
 Discussion Purposes Only

 Sponsor signature Date David Ewer, Budget Director Date

Fiscal Summary

	<u>FY 2006</u> <u>Difference</u>	<u>FY 2007</u> <u>Difference</u>
Expenditures:		
General Fund	\$0	\$625,857
Revenue:		
General Fund	\$0	\$0
Net Impact on General Fund Balance:	\$0	(\$625,857)

- | | |
|---|---|
| <input type="checkbox"/> Significant Local Gov. Impact | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached | <input type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

ASSUMPTIONS:

1. All bonds will be issued by the Department of Administration beginning in May 2006, consistent with the schedule on the following page.
2. All bonds will be retired by the general fund.
3. All bonds will have a 20-year term.
4. The payment dates for all bonds will be February (to make the first semiannual interest payment) and August (to make the second semiannual interest payment plus the annual principal payment).
5. The first bond payment will be due in February 2007, which will be the first interest payment for the May 2006 bond issue.
6. The debt service for the 2007 biennium was calculated using a 4.45 percent interest rate, which was provided by Piper Jaffray & Co., the state's financial advisor.
7. The \$10 million in bonds for the St. Mary Water Project would be used to match federal and local funds for the rehabilitation and replacement of the St. Mary diversion facilities.
8. Total costs for rehabilitation and replacement of the St. Mary diversion facilities is estimated to be approximately \$127 million.

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9. Federal authorization for rehabilitation and replacement of the St. Mary diversion facilities will be passed by Congress this year.
10. Necessary preliminary engineering, environmental analysis, cultural and historic investigations, and economic and financial analyses are completed by the end of FY 2006.
11. State funding of the Ft. Belknap Compact is necessary to meet the State's legal obligation for mitigation/cost-share under the Fort Belknap Water Right Settlement, 85-20-1001, MCA.
12. Congressional action on the Ft. Belknap Compact depends on state funding being in place.
13. Congressional ratification of the Fort Belknap Compact is completed in the 2007 biennium.
14. State funding of the Ft. Belknap Compact supports protection and financial stability of eight irrigation districts on the Milk River.
15. Issuance of state bonds for the St. Mary project and Fort Belknap Compact is dependent upon agreements with local interests and federal agencies.

Issuance Schedule - 2007 Biennium				
Project	May 2006	May 2007	May 2008	Total
MONTANA STATE UNIVERSITY				
Great Falls College of Technology	850,000	8,150,000	2,000,000	11,000,000
Billings College of Technology	3,680,000	4,920,000	400,000	9,000,000
Gaines Hall Renovation, Phase I	3,500,000			3,500,000
AES Projects	500,000			500,000
UNIVERSITY OF MONTANA				
Helena College of Technology	7,000,000	500,000		7,500,000
MTUM Petroleum Building	900,000	2,100,000	6,000,000	9,000,000
MONTANA HISTORICAL SOCIETY				
Montana Historical Society Building	1,000,000	6,500,000		7,500,000
DNRC				
St. Mary Water Project	5,000,000	5,000,000		10,000,000
Fort Belknap Water Compact	4,500,000	5,000,000		9,500,000
Totals	26,930,000	32,170,000	8,400,000	67,500,000

FISCAL IMPACT:

	<u>FY 2006</u> <u>Difference</u>	<u>FY 2007</u> <u>Difference</u>
<u>Expenditures:</u>		
Debt Service	\$0	\$625,857
<u>Funding of Expenditures:</u>		
General Fund (01)	\$0	\$625,857

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Revenues:

General Fund (01)

Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

General Fund (01) \$0 (\$625,857)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

In addition to State funding, local funds will be necessary to meet non-federal cost share requirements of any rehabilitation and replacement of the St. Mary Diversion facilities. Specifically, irrigation districts will likely issue local debt to finance construction activities. This debt will be spread against irrigation lands receiving water from the Milk River and paid through assessments. In addition, municipalities who have water service contracts for Milk River waters will see an increase in contract costs associated with the non-federal share of construction costs.

LONG-RANGE IMPACTS:

The six (6) Montana University System projects included in HB No. 540, as it was amended in Executive Action on Feb 16, 2005, will result in an estimated biennial ongoing cost-upon-completion (increase) of general fund expenditures of \$2,938,993. This increase is attributable to increased O & M obligation and is based upon the assumption that O & M support will be consistent with the FY 2006-2007 Present Law Base funding splits. This split was 80 percent state funding and 20 percent university funds.

The net estimated ongoing-cost-upon completion related to the various moves, consolidations, and infills related to the Montana Historical Society (MHS) building proposal is a biennial increase of general fund expenditures of \$1,744,030. This assumes all MHS space (including satellite facilities) will be consolidated in a new 250,000gsf facility, and the old museum building will be infilled 50% with functions currently housed in leased space which will result in lease savings; and 50% in-filled with functions that are spread throughout the capitol complex but which will not result in a lease savings.

If this bill is approved and the bonds are issued in accordance with the schedule shown on page 2, the debt service will be approximately \$2,788,895 in FY 2008 and \$4,674,030 in FY 2009, with the final payment being made in 2029, based on information on the following page.

Fiscal Year	HB 540 Debt Service
2006	0
2007	625,857
2008	2,788,895
2009	4,674,030
2010	5,113,524
2011	5,111,159
2012	5,108,688
2013	5,106,107
2014	5,103,412
2015	5,100,596
2016	5,097,655
2017	5,094,584

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Fiscal Year	HB 540 Debt Service
2018	5,091,375
2019	5,088,024
2020	5,084,524
2021	5,080,868
2022	5,077,049
2023	5,073,061
2024	5,068,895
2025	5,064,543
2026	5,059,998
2027	5,055,250
2028	3,036,882
2029	628,659

TECHNICAL NOTES:

1. State mitigation/cost share for the Fort Belknap compact is a legal obligation of the State of Montana, 85-20-1001, MCA. If state funds are not provided, the compact may be nullified. This could potentially force the State and the Tribe into litigation of the Fort Belknap reserved water right. Such litigation costs are estimated to be greater than the cost of the negotiated settlement. In addition to addressing, long-term obligations under the compact, the projects envisioned will provide immediate benefits to current irrigation in the Milk River basin. Proposed projects will improve water management and supply in a water short basin.