

Fiscal Note Request HB0679, As Introduced

(continued)

4. The private loan term is 15 years. The business subsidy on a private loan is the total of the annual subsidies over the term of the loan.
5. An estimated 15 private loans per year exceed the subsidy trigger of \$25,000.
6. An additional 2.00 FTE will be required to fulfill the workload associated with the public processes included in HB 67 9.

Department of Commerce (DOC)

7. HB 679 requires the department to adopt baseline subsidy criteria and to provide information on reporting requirements to state government agencies and local government agencies. State agencies and local government entities of more than 10,000 in population are required to file a report with the department regardless of whether or not they have provided any business subsidies.
8. Financial assistance that is excluded from the definition of business subsidy in Section 1 of the bill is nonetheless subject to reporting requirements outlined in Section 6 (4).
9. Grantors are required to monitor the progress of all recipients in achieving subsidy agreement goals and objectives and forward annual reports to the department by April 1 each year.
10. Subsidy recipients are required to file a report by March 1 with the granting entity that detail the issues outlined in New Section 6. The local government agency is required to file those reports with the department by April 1 of each year. A recipient is required to provide information regarding goals and results for 5 years after the benefit date or until the goals are met, whichever is later. Recipients failing to make reports are subject to fines of \$100 per day up to a maximum of \$1,000.
11. If the goals are not met, the recipient shall continue to provide information on the subsidy until the subsidy is repaid. If the department has not received the report by April 1 from a state government agency or local government agency that was required to report, the department shall issue a warning to the state government agency or local government agency.
12. If the department has not received the report by June 1 of that same year from a state government agency or local government agency that was required to report, that government agency may not award any business subsidies until the report has been filed.
13. Using the information included in the items above, Section 8 requires the department to analyze, compile, and publish a statewide report by August 1 of each year. "Among the information in the summary and compilation report, the department shall include:
 - (a) Total amount of subsidies awarded in each region of the state;
 - (b) Distribution of business subsidy amounts by size of the business subsidy;
 - (c) Distribution of business subsidy amounts by time category;
 - (d) Distribution of subsidies by type and by public purpose;
 - (e) A percent of all business subsidies that reached their goals;
 - (f) A percent of recipients that did not reach their goals within 2 years after the benefit date;
 - (g) Total dollar amount paid to recipients that did not meet their goals after 2 years from the benefit date;
 - (h) A percent of recipients that did not meet their goals and that did not make repayment;
 - (i) A list of recipients that failed to meet the terms of a subsidy agreement in the past 5 years and that did not satisfy their repayment obligations;
 - (j) Number of part-time and full-time jobs within separate bands of wages; and
 - (k) Benefits paid within separate bands of wages.
14. The departments, Business Resources Division would require 1.00 professional level FTE (pay band 6) to support the new program at an estimated cost of \$45,554 in FY 2006 and \$45,429 in FY 2007. Operating costs are estimated to be \$27,609 in FY 2006 and \$22,093 in FY 2007.

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FISCAL IMPACT:

Department of Natural Resources and Conservation (DNRC)

	FY 2006 <u>Difference</u>	FY 2007 <u>Difference</u>
FTE	2.00	2.00

Expenditures:

Personal Services	70,000	70,000
Operating Expenses	<u>15,000</u>	<u>15,000</u>
TOTAL	\$85,000	\$85,000

Funding of Expenditures:

General Fund (01)	\$85,000	\$85,000
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Department of Commerce

Expenditures:

Personal Services	45,554	45,429
Operating Expenses	<u>27,609</u>	<u>22,093</u>
Total	\$73,163	\$67,522

Funding of Expenditures:

General Fund (01)	\$73,163	\$67,522
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Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

General Fund (01)	(\$158,163)	(\$152,522)
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EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

1. Reporting, public notice, and hearings will be increased and create ongoing expenses for local governments.
2. Initial one-time costs for redevelopment of grant and loan agreements and the establishment of new procedures will be required to comply with HB 679. Included in this requirement are all cities and towns greater than 10,000 in population, all counties, all conservation districts, many water and sewer districts, refuse districts, and many other forms of state and local governments. HB 679 also would require changes to local governmental accounting procedures.

TECHNICAL NOTES:

Department of Environmental Quality (DEQ)

1. The reporting requirement in Section 7 applies to all state agencies "regardless of whether they have awarded any business subsidies". This would require all state agencies to submit an annual report to the department of commerce, regardless of whether the state agency has ever awarded a business subsidy.

Department of Natural Resources and Conservation (DNRC)

2. DNRC administers grants authorized under Title 85, chapter 1, part 6, MCA, and loans authorized under Title 90, chapter 2, part 11, MCA. Though an interest rate subsidy can be considered a "grant," for the purposes of this fiscal note the department assumes that loans are not excluded.
3. State revolving loan funds are authorized by federal law for the purposes of providing below market rate interest rate loans to fund public and private water and pollution control facilities. HB 679 may raise concerns over the federal funding of these programs.

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Department of Commerce (DOC)

4. New Section 7 (1) requires local governments, with a population greater than 10,000, and all state agencies to file a report with the Department of Commerce “regardless of whether or not they have awarded any business subsidies.” This requirement will result in excess reporting.
5. New Section 9 states: “(a) an appropriation to a state government agency that specifies that an appropriation be granted to a particular business ... must contain a statement of the expected benefits associated with the grant.” The Montana Constitution prohibits appropriations being made to a particular business.