



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

Bill #	HB0016	Title:	Eliminate water adjudication fee
Primary Sponsor:	Keane, J.	Status:	As Introduced

- | | | |
|---|---|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Include in HB 2 | <input 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 |

FISCAL SUMMARY

	<u>FY 2008</u> <u>Difference</u>	<u>FY 2009</u> <u>Difference</u>	<u>FY 2010</u> <u>Difference</u>	<u>FY 2011</u> <u>Difference</u>
Expenditures:				
General Fund	\$25,000,000	\$0	\$0	\$0
State Special Revenue	(\$140,367)	\$0	(\$140,367)	\$0
Revenue:				
State Special Revenue	\$19,918,538	\$1,048,966	(\$5,223,872)	\$899,868
Net Impact-General Fund Balance	(\$25,000,000)	\$0	\$0	\$0

Description of fiscal Impact: This bill proposes to eliminate the water adjudication fee established by HB 22 passed by the 2005 Legislature. The bill also proposes a one-time transfer of \$25 million from the general fund to the state special revenue fund for water adjudication purposes.

FISCAL ANALYSIS

Assumptions:

Department of Natural Resources and Conservation (DNRC)

1. Assume DNRC achieves the establish benchmarks and the base budget for adjudication continues to be funded in the Water Resources Division.
2. Under current law, water rights owners are required to pay a fee to fund the water rights adjudication process. The fee is to be paid by January 31 of each even numbered year through 2014. This bill would repeal section 85-2-276, MCA, which sets these fees and directs the Department of Revenue to collect them.

3. Fees due in each billing cycle are \$6,200,000. If this bill passes, revenue to the water adjudication fund would be reduced by this amount in FY 2008 and FY 2010.
4. Interest earned by the water adjudication fund is retained in the fund rather than deposited in the general fund. The interest rate for the special revenue fund will be 4.598% in FY 2008 and 4.557% in FY 2009 through FY 2011 (HJR 2).
5. The \$25 million transferred to the water adjudication fund at the beginning of FY 2008 and additional interest will be spent evenly over eight fiscal years, at a rate of \$2,600,000 per year. In FY 2008, the average balances in the water adjudication fund will be \$24,326,623 higher and interest earnings will be \$1,118,538 higher. Average balances will be \$22,813,538 higher in FY 2009, \$21,229,397 higher in FY 2010, and \$19,570,862 higher in FY 2011. Increased interest earnings will be \$1,048,966 in FY 2009, \$976,128 in FY 2010, and \$899,868 in FY 2011.
6. The net change in deposits to the water adjudication fund would be \$19,918,538 in FY 2008 (\$25,000,000 general fund transfer - \$6,200,000 suspended billing + \$1,118,538 additional interest), \$1,048,966 in FY 2009 (additional interest), -\$5,223,872 in FY 2010 (\$976,128 additional interest - \$6,200,000 suspended billing), and \$899,868 in FY 2011 (additional interest).

Department of Revenue (DOR)

7. Section 6 of this bill would transfer \$25 million from the general fund to the water adjudication fund on July 15, 2007. This would provide funding for the water adjudication process through FY 2015. Expenditures for the water adjudication process would be the same as under current law. Under current law (85-2-276(3), MCA), DOR is entitled to recover its costs of collecting water adjudication fees from the fees collected. DOR's costs for collecting the fees due were \$140,367 in FY 2006. If this bill passes, the department's costs and expenditures from the water adjudication account will be reduced by this amount in FY 2008 and FY 2010.
8. Sections 8 and 9 of this bill require DOR to attempt to collect any unpaid water adjudication fees due under current law. DOR would not incur any costs for collecting unpaid future fees and would not be reimbursed by the DNRC for those costs. There is no net effect on DOR.

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<u>Fiscal Impact:</u>				
DNRC - Water Resources Division				
<u>Revenues:</u>				
State Special Revenue (02)	\$18,918,538	\$1,048,966	(\$5,223,872)	\$899,868
DOR				
<u>Expenditures:</u>				
Operating Expenses	(\$140,367)	\$0	(\$140,367)	\$0
Transfers	\$25,000,000	\$0	\$0	\$0
TOTAL Expenditures	<u>\$24,859,633</u>	<u>\$0</u>	<u>(\$140,367)</u>	<u>\$0</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$25,000,000	\$0	\$0	\$0
State Special Revenue (02)	(\$140,367)	\$0	(\$140,367)	\$0
TOTAL Funding of Exp.	<u>\$24,859,633</u>	<u>\$0</u>	<u>(\$140,367)</u>	<u>\$0</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$25,000,000)	\$0	\$0	\$0
State Special Revenue (02)	\$19,058,905	\$1,048,966	(\$5,083,505)	\$899,868

Long-Range Impacts:

1. Water rights fees of \$6,200,000 would not be collected in FY 2012 and 2014.
2. DOR collection costs of \$140,367 would not be incurred in FY 2012 and 2014.
3. The water adjudication fund would earn additional interest of \$820,000 in FY 2012 declining to \$557,000 in FY 2015.

Sponsor's Initials

Date

Budget Director's Initials

Date