



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2015 Biennium

<b>Bill #</b>	HB0629
---------------	--------

<b>Title:</b>	Implement negotiated water compacts with Montana tribal governments
---------------	---

<b>Primary Sponsor:</b>	Williams, Kathleen
-------------------------	--------------------

<b>Status:</b>	As Introduced
----------------	---------------

- |  |   |   |
|--|---|---|
| <input checked="" type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included 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 checked="" type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

	<u>FY 2014 Difference</u>	<u>FY 2015 Difference</u>	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>
<b>Expenditures:</b>					
Gen Fund-Water Rights Database	\$25,000	\$25,000	\$0	\$0	\$0
Gen Fund-Debt Service	\$0	\$390,000	\$1,249,000	\$1,709,500	\$1,692,375
Gen Fund-Cost of Issuance	\$180,000	\$210,000	\$0	\$0	\$460,000
Bond Proceeds-Construction	\$12,000,000	\$14,000,000	\$0	\$0	\$46,000,000
<b>Revenue:</b>					
General Fund	\$0	\$0	\$0	\$0	\$0
Bond Proceeds	\$12,000,000	\$14,000,000	\$0	\$0	\$46,000,000
<b>Net Impact-General Fund Balance</b>	<u>(\$205,000)</u>	<u>(\$625,000)</u>	<u>(\$1,249,000)</u>	<u>(\$1,709,500)</u>	<u>(\$2,152,375)</u>

#### Description of fiscal impact:

HB 629 authorizes issuance of general obligation bonds in the amount of \$72 million dollars to implement water compacts for the Confederated Salish and Kootenai Tribes, the Blackfeet Tribe, and the Fort Belknap Tribe.

### FISCAL ANALYSIS

#### Assumptions:

1. Bonds would be issued subject to the following schedule: \$12 million in FY 2014 (February 1, 2014); \$14 million in FY 2015 (February 1, 2015); \$46 million in FY 2018 (February 1, 2018). The issuance in 2014 is for the CSKT agreement.
2. The bonds term is 20 years at an interest rate of 2.5% for the bonds issued in FY 2014 and FY 2015, and 4.0% for the bonds issued in FY 2018.
3. Debt service payments would begin six months after each bond is issued. Debt service payments are made annually.
4. Cost of issuance and debt services would be paid by the general fund.

5. Total cost of issuance on the bonds is estimated to be \$850,000.
6. Total debt service on the bonds is estimated to be \$100,276,875 (inclusive of principal and interest).

**Department of Natural Resources (DNRC)**

7. The bill contains an appropriation of \$50,000 from the general fund to DNRC for the biennium to update the water rights database to accommodate the administration of water rights on the Flathead (CSKT) Reservation, beginning July 1, 2013.

**Blackfeet Compact**

8. State funding of \$14 million for the Blackfeet compact is necessary to meet the state's obligation for infrastructure improvements under the *Blackfeet Tribe – Montana Compact*, 85-20-1501, MCA.
9. Congressional action on the Blackfeet compact depends on state funding being in place.
10. Congressional and tribal ratification of the Blackfeet compact is anticipated in FY 2015.

**Fort Belknap Compact**

11. State funding of \$3 million for the Fort Belknap compact is necessary to meet state's obligation for infrastructure improvements under the *Fort Belknap – Montana Compact*, 85-20-1001, MCA.
12. Congressional action and tribal ratification of the Fort Belknap compact is anticipated in FY 2018.

**CSKT Compact**

13. The CSKT compact commits the state to a settlement contribution of \$55 million.
14. Congressional and tribal ratification of the CSKT – Montana Compact is anticipated in FY 2018.
15. The Confederated Salish and Kootenai Tribes (CSKT) – State of Montana Compact settlement includes:
  - a. \$4 million for water measure issued FY 2014;
  - b. \$4 million for on-farm efficiency improvements on lands served by Flathead Indian Irrigation Project (FIIP) issued FY 2014;
  - c. \$4 million for on-farm stock water systems issued FY 2014;
  - d. \$30 million for FIIP pumping mitigation fund issued FY 2018; and
  - e. \$13 million to CSKT for aquatic and terrestrial habitat enhancement issued FY 2018.

**Judicial Branch – Water Court**

16. It is unlikely that the passage of HB 629 will have any fiscal impact on the Water Court during the next four years. Prior to being submitted to the Water Court after legislative approval, Indian reserved water right compacts are usually submitted to the U.S. Congress to approve and fund the water rights settlement. The federal legislative process usually takes longer than four years and delays the Compact being submitted to the Water Court.
  - a. Since 1985, the Legislature has approved six Indian reserved water right compacts. Only two have been submitted to the Water Court within four years of legislative approval (Northern Cheyenne approved 1991, submitted 1993; Rocky Boy's approved 1997, submitted 2000). The Fort Peck Compact was approved in 1985 and submitted in 1992. The Crow Compact was approved in 1999 and submitted in 2012. The Fort Belknap Compact and Blackfeet Compact were approved in 2001 and 2009 and have not yet been submitted. The Compact Commission has advised the Court that federal legislation to approve and fund the Fort Belknap and Blackfeet water rights settlement has not yet passed the U.S. Congress. Therefore, the Court assumes a similar delay is likely if HB 629 becomes law.
17. Federal legislation to approve and fund the Confederated Salish and Kootenai Tribes (CSKT) compact will take place before the compact is submitted to the Water Court.
18. Based on recent history, passage of federal legislation through the U.S. Congress to approve and fund the settlement will take longer than four years.

**Secretary of State**

19. This bill will have minimal cost for postage and administrative duties related to tribal notifications in section 20 of the bill. The Office of the Secretary of State does not receive general fund monies for office operations, but has agreed to assume the fiscal responsibility for this bill.

**Statutory Appropriation**

20. 17-1-508, MCA, requires analysis of the statutory appropriation relative to the guidance in 17-1-508(2), MCA, to be published in the fiscal note. In reviewing and establishing statutory appropriations, the legislature shall consider the following guidelines.

	<u>YES</u>	<u>NO</u>
a. The fund or use requires an appropriation.	X	
b. The money is not from a continuing, reliable, and estimable source.	X	
c. The use of the appropriation or the expenditure occurrence is not predictable and reliable.	X	
d. The authority does not exist elsewhere.	X	
e. An alternative appropriation method is not available, practical, or effective.	X	
f. Other than for emergency purposes, it does not appropriate money from the state general fund.		X
g. The money is dedicated for a specific use.	X	
h. The legislature wishes the activity to be funded on a continual basis.		X
i. When feasible, an expenditure cap and sunset date are included.	X	

	<u>FY 2014 Difference</u>	<u>FY 2015 Difference</u>	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>
<b><u>Fiscal Impact:</u></b>					
<b><u>Expenditures:</u></b>					
Water Rights Database	\$25,000	\$25,000	\$0	\$0	\$0
Cost of Issuance	\$180,000	\$210,000	\$0	\$0	\$460,000
Debt Service	\$0	\$390,000	\$1,249,000	\$1,709,500	\$1,692,375
Construction	<u>\$12,000,000</u>	<u>\$14,000,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$46,000,000</u>
<b>TOTAL Expenditures</b>	<u><u>\$12,205,000</u></u>	<u><u>\$14,625,000</u></u>	<u><u>\$1,249,000</u></u>	<u><u>\$1,709,500</u></u>	<u><u>\$48,152,375</u></u>

<b><u>Funding of Expenditures:</u></b>					
General Fund-Water Rights Database (01)	\$25,000	\$25,000	\$0	\$0	\$0
General Fund-Cost of Issuance (01)	\$180,000	\$210,000	\$0	\$0	\$460,000
General Fund-Debt Service (01)	\$0	\$390,000	\$1,249,000	\$1,709,500	\$1,692,375
Bond Proceeds (02)	<u>\$12,000,000</u>	<u>\$14,000,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$46,000,000</u>
<b>TOTAL Funding of Exp.</b>	<u><u>\$12,205,000</u></u>	<u><u>\$14,625,000</u></u>	<u><u>\$1,249,000</u></u>	<u><u>\$1,709,500</u></u>	<u><u>\$48,152,375</u></u>

<b><u>Revenues:</u></b>					
General Fund (01)	\$0	\$0	\$0	\$0	\$0
Bond Proceeds (02)	<u>\$12,000,000</u>	<u>\$14,000,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$46,000,000</u>
<b>TOTAL Revenues</b>	<u><u>\$12,000,000</u></u>	<u><u>\$14,000,000</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$46,000,000</u></u>

<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>					
General Fund (01)	(\$205,000)	(\$625,000)	(\$1,249,000)	(\$1,709,500)	(\$2,152,375)
Bonding (02)	\$0	\$0	\$0	\$0	\$0

**Long-Term Impacts:**

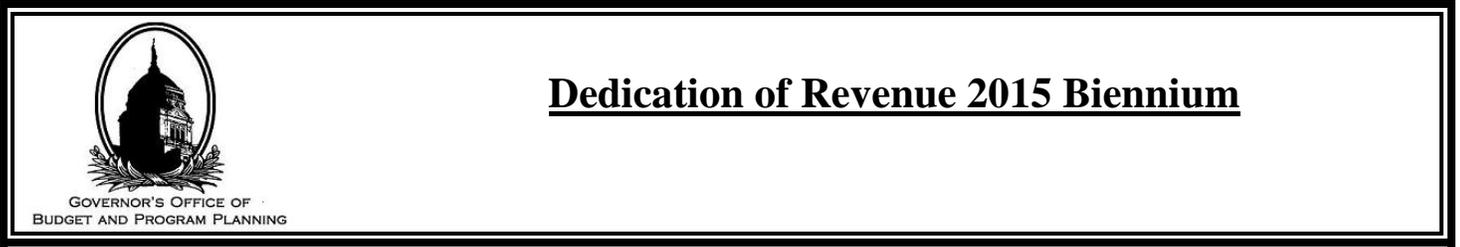
1. Completion of the Indian water right compact settlements will allow the state-wide adjudication to be completed.

\_\_\_\_\_  
*Sponsor's Initials*

\_\_\_\_\_  
*Date*

\_\_\_\_\_  
*Budget Director's Initials*

\_\_\_\_\_  
*Date*

**17-1-507-509, MCA.**

- a) **Are there persons or entities that benefit from this dedicated revenue that do not pay?** Yes. This bill pertains to the tribal water compacts and the fiscal responsibility assumed by the State of Montana in order to execute the agreements. The regions surrounding the specific geographic areas will benefit from water related projects. The source of funding is from bonds issued by the state.
- b) **What special information or other advantages exist as a result of using a state special revenue fund that could not be obtained if the revenue were allocated to the general fund?** Expenses for the compact can be tracked separately.
- c) **Is the source of revenue relevant to current use of the funds and adequate to fund the program activity that is intended? Yes / No (if no, explain) Yes**
- d) **Does the need for this state special revenue provision still exist?  Yes  No**
- e) **Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending?**  
No. The bond revenue is directed specifically at various water related compact projects.
- f) **Does the dedicated revenue fulfill a continuing, legislatively recognized need?**  
Yes. The revenue will be used to finalize water rights for the Blackfeet Tribe, Confederated Salish Kootenai Tribes (CSKT), and Fort Belknap.
- g) **How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency?** These projects are very specific in nature, are very large in scale, and the construction is funded by bond proceeds. Fund balance, expenditures, and project progress are directly linked. The projects must be completed within the financial parameters established.