



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2015 Biennium

|                         |               |                |  |
|-------------------------|---------------|----------------|--|
| <b>Bill #</b>           | SB0136        | <b>Title:</b>  | Revise veterans home loan program laws |
| <b>Primary Sponsor:</b> | Larsen, Cliff | <b>Status:</b> | As Introduced                          |

- |   |  |  |
|---|--|--|
| <input 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 type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

|   | <u>FY 2014<br/>Difference</u> | <u>FY 2015<br/>Difference</u> | <u>FY 2016<br/>Difference</u> | <u>FY 2017<br/>Difference</u> |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| <b>Expenditures:</b>                    |                               |                               |                               |                               |
| General Fund                            | \$0                           | \$0                           | \$0                           | \$0                           |
| Other - Proprietary (06)                | \$18,750                      | \$56,250                      | \$94,350                      | \$114,300                     |
| <b>Revenue:</b>                         |                               |                               |                               |                               |
| General Fund                            | (\$70,250)                    | (\$149,250)                   | (\$146,850)                   | (\$130,800)                   |
| Other - Proprietary (06)                | \$18,750                      | \$56,250                      | \$94,350                      | \$114,300                     |
| <b>Net Impact-General Fund Balance:</b> | <u>(\$70,250)</u>             | <u>(\$149,250)</u>            | <u>(\$146,850)</u>            | <u>(\$130,800)</u>            |

**Description of fiscal impact:** This bill makes an additional \$15 million available to the Montana Veteran's Home Loan Mortgage Program from money invested by the Board of Investments (BOI) from the permanent coal tax trust fund to be administered by the Board of Housing (BOH). The program is modeled after the existing arrangement between BOI and BOH for residential mortgage loans financed by state pension funds. BOI handles the fiduciary responsibility for all cash flow out and into the permanent coal tax trust fund and BOH administers the program portion. All funds remain at all times under the control of BOI. Program costs are paid from interest earned on the mortgage loans with the remaining interest and all principal going into the permanent coal tax trust fund.

### FISCAL ANALYSIS

**Assumptions:**

- SB 136 allocates an additional \$15 million from the permanent coal tax trust fund to fund loans to first-time eligible veteran home buyers. The actual number of loans that will be made depends upon the number of eligible borrowers accessing the program. The Board of Housing (BOH) would administer the program.

2. It is assumed the average loan size would be approximately \$200,000. Twenty five loans would be made in FY 2014 for a total of \$5 million in loans. The loans would not all be lent at the beginning of the fiscal year so an average of \$2.5 million is used to calculate FY 2014 costs and income. Twenty five loans would be made in FY 2015 and FY 2016 totaling \$5 million each year, and \$2.5 million in loans in FY 2017 for a total of \$15 million by the end of 2017. For the purposes of this fiscal note, it is assumed that these loans would be drawn from the permanent coal tax trust fund throughout each fiscal year, disbursing funds only when needed.
3. The bill authorizes the BOH to take the servicing fee and its administrative charges from the interest paid by the borrower.
4. The loans would be made from funds that are currently invested in the Board of Investment’s Trust Funds Investment Pool (TFIP) interest which is currently deposited in the general fund. The cost to the general fund is the difference between what the funds would earn invested in the TFIP and the “net” interest on the loans after BOH costs are paid.

|                                   | FY 2014      | FY 2015      | FY 2016       | FY 2017       |
|-----------------------------------|--------------|--------------|---------------|---------------|
| Principal Invested (average)      | \$ 2,500,000 | \$ 7,500,000 | \$ 12,500,000 | \$ 15,000,000 |
| TFIP Yield                        | 4.060%       | 3.740%       | 3.420%        | 3.110%        |
| G/F Interest Earnings Current Law | \$ 101,500   | \$ 280,500   | \$ 427,500    | \$ 466,500    |
| Loan Principal (average)          | \$ 2,500,000 | \$ 7,500,000 | \$ 12,500,000 | \$ 15,000,000 |
| Loan Yield                        | 2.00%        | 2.50%        | 3.00%         | 3.00%         |
| Loan Interest Earned              | \$ 50,000    | \$ 187,500   | \$ 375,000    | \$ 450,000    |
| Gross General Fund Gain/Loss      | \$ (51,500)  | \$ (93,000)  | \$ (52,500)   | \$ (16,500)   |
| BOH Bank Servicing Fee (0.375%)   | \$ (9,375)   | \$ (28,125)  | \$ (46,875)   | \$ (56,250)   |
| BOH Admin Costs (0.375%)          | \$ (9,375)   | \$ (28,125)  | \$ (46,875)   | \$ (56,250)   |
| BOH Foreclosure Fees              | \$ -         | \$ -         | \$ (600)      | \$ (1,800)    |
| BOH Costs                         | \$ (18,750)  | \$ (56,250)  | \$ (94,350)   | \$ (114,300)  |
| Net Gain/Loss to General Fund     | \$ (70,250)  | \$ (149,250) | \$ (146,850)  | \$ (130,800)  |

**Expenditures:**

|                           |                 |                 |                 |                  |
|---------------------------|-----------------|-----------------|-----------------|------------------|
| Personal Services         | \$9,375         | \$28,125        | \$46,875        | \$56,250         |
| Operating Expenses        | \$9,375         | \$28,125        | \$47,475        | \$58,050         |
| <b>TOTAL Expenditures</b> | <b>\$18,750</b> | <b>\$56,250</b> | <b>\$94,350</b> | <b>\$114,300</b> |

**Funding of Expenditures:**

|                              |                 |                 |                 |                  |
|------------------------------|-----------------|-----------------|-----------------|------------------|
| General Fund (01)            | \$0             | \$0             | \$0             | \$0              |
| Other - Proprietary (06)     | \$18,750        | \$56,250        | \$94,350        | \$114,300        |
| <b>TOTAL Funding of Exp.</b> | <b>\$18,750</b> | <b>\$56,250</b> | <b>\$94,350</b> | <b>\$114,300</b> |

**Revenues:**

|                          |                   |                   |                   |                   |
|--------------------------|-------------------|-------------------|-------------------|-------------------|
| General Fund (01)        | (\$70,250)        | (\$149,250)       | (\$146,850)       | (\$130,800)       |
| Other - Proprietary (06) | \$18,750          | \$56,250          | \$94,350          | \$114,300         |
| <b>TOTAL Revenues</b>    | <b>(\$51,500)</b> | <b>(\$93,000)</b> | <b>(\$52,500)</b> | <b>(\$16,500)</b> |

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

|                   |            |             |             |             |
|-------------------|------------|-------------|-------------|-------------|
| General Fund (01) | (\$70,250) | (\$149,250) | (\$146,850) | (\$130,800) |
|-------------------|------------|-------------|-------------|-------------|

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

\_\_\_\_\_  
Date

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

\_\_\_\_\_  
Date