



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2017 Biennium

Bill # SB0416

Title: Provide for statewide infrastructure

Primary Sponsor: Brenden, John

Status: As Introduced

- | | | |
|--|---|--|
| <input checked="" type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <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 |

FISCAL SUMMARY

	<u>FY 2016</u> <u>Difference</u>	<u>FY 2017</u> <u>Difference</u>	<u>FY 2018</u> <u>Difference</u>	<u>FY 2019</u> <u>Difference</u>
Expenditures:				
General Fund (Transfer)	\$50,000,000	\$0	\$0	\$0
GF (Debt Service and Issuance)	\$4,240,000	\$7,989,000	\$7,489,000	\$7,489,000
State Special Revenue (02)	\$25,000,000	\$25,000,000	\$0	\$0
Capital Outlay Expenses	\$47,637,500	\$2,362,500	\$0	\$0
Revenue:				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
Loan Program Bond Proceeds	\$50,000,000	\$0	\$0	\$0
LRBP Bond Proceeds	\$50,000,000	\$0	\$0	\$0
Net Impact-General Fund Balance	(\$54,240,000)	(\$7,989,000)	(\$7,489,000)	(\$7,489,000)

Description of fiscal impact: SB 416 provides funding that would provide for capital and infrastructure projects across the state. It also creates local infrastructure grant and loan accounts that would be administered by the Department of Commerce for the purpose of awarding grants and loans to local governments for capital and infrastructure projects. Department of Administration would also be provided funds for capital infrastructure projects for the state.

FISCAL ANALYSIS

Assumptions:

Department of Commerce (DOC):

1. SB 416 creates a local infrastructure grant and loan program that would be administered by the Department of Commerce for the purpose of awarding grants and loans to local government units for capital and infrastructure projects under the requirements as stated in the bill.
2. The amount of funding available to award to local governments, in this bill, is dependent upon the amount deposited into the accounts. For the purposes of this fiscal note, and based on current HJ 2 estimates for general fund revenue and the “triggers” contained in the bill, it is assumed that \$50 million in bond proceeds would be deposited in the local infrastructure loan program account and \$50 million would be deposited to the long range building account in FY 2016.
3. Assumptions for debt service are 4.2% for a 20 year loan term. Issuance costs are assumed to be \$500,000 in FY 2016 and again in FY 2017.
4. It is assumed funds would be appropriated in HB 2 as a biennial appropriation and the funds would be disbursed as grants.
5. Additionally, it is assumed that \$50 million would be transferred from the general fund to the local infrastructure grant program account in FY 2016.
6. Based on current HJ 2 assumptions, it is assumed that none of the triggers are met based on FY 2015 revenue collections. For further information on scenario’s relating to the triggers being met, please see the Long Term Impacts section.
7. Since many of the anticipated applicants projects have already been analyzed and reviewed by the Department, any associated administrative costs would be absorbed by the Department.

Department of Administration (DOA):

8. Section 12 constitutes continuing authorization for the projects within the meaning of 17-7-212, MCA.
9. The authorization of projects in the section 12 means an appropriation of the general obligation bond proceeds and authority-only to the Department of Administration (DOA) and Title 17, Chapter 7, part 2, MCA applies.

	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Debt Service and Issuance Costs	\$4,240,000	\$7,989,000	\$7,489,000	\$7,489,000
Transfers	\$50,000,000	\$0	\$0	\$0
Grants and Loans	\$25,000,000	\$25,000,000	\$0	\$0
LRBP Expenses	\$47,637,500	\$2,362,500	\$0	\$0
TOTAL Expenditures	\$126,877,500	\$35,351,500	\$7,489,000	\$7,489,000
<u>Funding of Expenditures:</u>				
General Fund (Transfer)	\$50,000,000	\$0	\$0	\$0
General Fund (Debt Service)	\$3,740,000	\$7,489,000	\$7,489,000	\$7,489,000
General Fund (Issuance Cost)	\$500,000	\$500,000	\$0	\$0
State Special Revenue (02)	\$25,000,000	\$25,000,000	\$0	\$0
LRBP Projects Fund (05)	\$47,637,500	\$2,362,500	\$0	\$0
TOTAL Funding of Exp.	\$126,877,500	\$35,351,500	\$7,489,000	\$7,489,000
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
Loan Program Bond Proceeds	\$50,000,000	\$0	\$0	\$0
LRBP Bond Proceeds	\$50,000,000	\$0	\$0	\$0
TOTAL Revenues	\$100,000,000	\$0	\$0	\$0

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

General Fund (01)	(\$54,240,000)	(\$7,989,000)	(\$7,489,000)	(\$7,489,000)
State Special Revenue (02)	\$25,000,000	(\$25,000,000)	\$0	\$0
LRBP Projects Fund (05)	\$2,362,500	(\$2,362,500)	\$0	\$0

Effect on County or Other Local Revenues or Expenditures:

1. This bill creates opportunities for local governments which have capital and infrastructure needs. Local governments can apply for grants and loans from this funding through the Department of Commerce.
2. This bill establishes the ability for local governments to pass a levy to repay a loan financed through the program created under this bill.

Long-Term Impacts:

1. SB 416 authorizes continuing authority that is available in subsequent biennia until the projects are complete.
2. SB 416 includes capital projects funded with general obligation bonds and the debt service payments for all bond issuances will be paid by the general fund.
3. The two tables below describe the potential general fund impact based on trigger scenarios contained within Sections 16 and 18:

Trigger #1 Scenario - General Fund Impact		Millions \$	
	FY 2015	FY 2016	FY 2017
Baseline Revenue	2,140,000,000		
Trigger Revenue	2,170,000,000 to 2,199,999,999		
Additional Bond Authority	50,000,000		
Debt Service		\$1.87	\$3.74
Issuance Costs		\$0.25	\$0.25
Cash Transfer		\$25.00	
Total		\$27.12	\$3.99

Trigger #2 Scenario - General Fund Impact		Millions \$	
	FY 2015	FY 2016	FY 2017
Baseline Revenue	2,140,000,000		
Trigger Revenue	2,200,000,000 or more		
Additional Bond Authority	100,000,000		
Debt Service		\$3.74	\$7.49
Issuance Costs		\$0.50	\$0.50
Cash Transfer		\$50.00	
Total		\$54.24	\$7.99

Technical Notes:

1. Bill does not contain language for section 12 to be appropriated to DOA.
2. Bill does not contain language allowing DOA to transfer the appropriations or authority among the necessary fund types.
3. Section 12, page 8, lines 10 and 11, the location of the “Eastern Montana Crime Lab” is not defined. If the facility is to be combined with the MSU-Billings Life Sciences Building Addition, the start of construction will be contingent upon MSU-Billings raising \$5,000,000 as required in HB5, of the 63rd Legislature.
4. Section 12, page 8, lines 17 through 21, the Department of Fish, Wildlife and Parks does not have any of the authority-only fund types identified in the definition of “Authority only” on page 1, lines 19 and 20.
5. Section 16(2)(a) authorizes up to \$49,800,000 of bond proceeds, which can be increased in section 16(4) by an additional \$25,000,000 or section 16(5) by an additional \$50,000,000, all of which is to be deposited in the long-range building program (LRBP) account created in 17-7-205, MCA. The LRBP account collects revenue for the LRBP program from the multiple funding sources listed in 17-7-205, MCA including coal severance tax and cigarette tax. Depositing bond proceeds into the LRBP account will violate 17-5-803, MCA and 17-5-804, MCA which state that the deposit of bond proceeds that will be used to pay the costs of a project must be deposited in the capital projects account and that “The capital projects account must be segregated by the treasurer from all other money in that or any other account in the state treasury and used only to pay costs of the projects for which bonds were issued, in accordance with the respective bond

accounts.” The LRBP account is in a capital projects fund type, however, this account (fund) is not used for bond proceeds and a new capital projects account (fund) must be created for all bond issuances.

6. The term “certified unaudited general fund balance” is undefined.
7. The term “collections” is undefined.
8. Section 1(4) defines “Local Government” and Section 5(2) establishes the relative participation ratio for a local government that is not a county. Section 5(2) directs the ratio for local governments that are not a county to utilize city-reported mills; however, it is unclear how tribal governments, county or multi-county water, sewer, or solid waste districts, or an authority (defined in 75-6-304) would utilize a city-reported mill.
9. The amounts identified as authority-only do not adjust nor are removed regardless of the levels of general obligation bonds

Sponsor’s Initials

Date

Budget Director’s Initials

Date