



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2019 Biennium

Bill #	SB0367	Title:	Generally revise infrastructure funding laws
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Primary Sponsor:	Moore, Frederick (Eric)	Status:	As Introduced
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|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input checked="" 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 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>	<u>FY 2020 Difference</u>	<u>FY 2021 Difference</u>
Expenditures:					
General Fund	\$0	\$4,782,000	\$7,606,000	\$7,202,000	\$7,202,000
State Special Revenue (Cash)	\$0	\$3,293,750	\$2,000,000	\$0	\$0
State Special Revenue (Bonds)	\$0	\$58,350,000	\$37,450,000	\$3,000,000	\$0
Revenue:					
General Fund	\$0	\$0	\$0	\$0	\$0
State Special Bond Proceeds	\$0	\$58,350,000	\$40,450,000	\$0	\$0
Net Impact-General Fund Balance	\$0	(\$4,782,000)	(\$7,606,000)	(\$7,202,000)	(\$7,202,000)

Description of fiscal impact: SB 367 authorizes capital projects totaling \$98,800,000 in general obligation (GO) bonds. Issuance costs and debt service payments will be funded with general fund and are estimated to be \$4,782,000 in FY 2018, \$7,606,000 in FY 2019, and \$7,202,000 in FY 2020 and FY 2021.

FISCAL ANALYSIS

Assumptions:

1. All the GO bonds will be issued for a 20-year term assuming a 3.925% average interest rate.
2. Bonds are assumed to be issued in FY 2018, and FY 2019.
3. Issuance costs and debt service payments will be funded with general fund and are estimated to be \$4,782,000 in FY 2018, \$7,606,000 in FY 2019, \$7,202,000 in FY 2020 and FY 2021.
4. Each program listed in the bill will manage projects listed in the bill with existing staff and resources. Agencies proposed to receive bond proceeds with their respective programs include:
 - a. Department of Administration (DoA)
 - i. Long Range Building Program (LRBP)
 - b. Department of Natural Resources and Conservation (DNRC)
 - i. Renewable Resources Grant Program (RRG)

- ii. Reclamation Development Grant Program (RDGP)
- c. Department of Commerce (DOC)
 - i. Treasure State Endowment Program (TSEP)
 - ii. Quality School Program (QS)
 - iii. Grant and Loan Program
- 5. All projects will conform to each program rules and codes. No project will start, nor will bond proceeds be distributed until these requirements have been met.
- 6. If federal funds become available before the construction of the southwestern veteran’s home, the \$10 million in GO bonds will not be issued. If the federal funds come after the construction the funds will be used to fund the debt service obligations associated with the construction of the southwestern veteran’s home.
- 7. The GO bonds of \$88.8 million will be issued for the remainder of programs.
- 8. All bond authority expires on June 30, 2020, with the exceptions of the LRBP bonds and the SW veteran’s home bonds. These are capital projects.
- 9. Section 2 of SB 367 creates two state special revenue accounts; the state to community bond account which is to be administered by the Department of Commerce (DOC), and the state and local infrastructure account which is to be administered by the Department of Natural Resources to provide grants as authorized in HB 6 and HB 7; and to be administered by the DOC to provide grants as authorized in HB 11.
- 10. Section 3 and 9 of SB 367 authorized the DOC to made \$5.0 million in grants to local governments from the state to community bond account to local governments for infrastructure projects that are not listed in HB 6,7,11, or section 16 of the bill.
- 11. Section 19 of SB 367 establishes a \$5.00 grant application fee for school districts who receive funding for projects listed in section 16 of the bill.

	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>	<u>FY 2020 Difference</u>	<u>FY 2021 Difference</u>
Fiscal Impact:					
<u>Expenditures:</u>					
LRBP	\$0	\$27,043,750	\$23,650,000	\$0	\$0
RRG	\$0	\$4,100,000	\$4,100,000	\$0	\$0
RDGP	\$0	\$700,000	\$700,000	\$0	\$0
TSEP	\$0	\$4,800,000	\$2,000,000	\$2,000,000	\$0
Local Grants	\$0	\$5,000,000	\$0	\$0	\$0
Quality Schools	\$0	\$20,000,000	\$9,000,000	\$1,000,000	\$0
Debt Services	\$0	\$4,199,000	\$7,202,000	\$7,202,000	\$7,202,000
Issuance Costs	\$0	\$584,000	\$405,000	\$0	\$0
TOTAL Expenditures	\$0	\$66,426,750	\$47,057,000	\$10,202,000	\$7,202,000
<u>Funding of Expenditures:</u>					
General Fund (01)	\$0	\$4,782,000	\$7,606,000	\$7,202,000	\$7,202,000
State Special Rev (Cash)	\$0	\$3,293,750	\$2,000,000	\$0	\$0
State Special Rev (Bonds)	\$0	\$58,350,000	\$37,450,000	\$3,000,000	\$0
TOTAL Funding of Exp.	\$0	\$66,425,750	\$47,056,000	\$10,202,000	\$7,202,000
<u>Revenues:</u>					
General Fund (01)	\$0	\$0	\$0	\$0	\$0
Bond Proceeds (02)	\$0	\$58,350,000	\$40,450,000	\$0	\$0
TOTAL Revenues	\$0	\$58,350,000	\$40,450,000	\$0	\$0
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>					
General Fund (01)	\$0	(\$4,782,000)	(\$7,606,000)	(\$7,202,000)	(\$7,202,000)
State Special Revenue (02)	\$0	(\$3,293,750)	\$1,000,000	(\$3,000,000)	\$0

Long-Term Impacts:

Technical Notes:

1. There is an appropriation for the estimated existing state special revenue for the SW Vet’s Home. All other authority granted in SB 367 would need an appropriation incorporated into this bill, or other piece of coordinating legislation.
2. Bonds will be sold and the proceeds will be used as projects need them. Market interest rates may dictate the frequency and timing of selling bonds.
3. The \$5.00 fee collected from DOC is assumed to be deposited into the general fund and is expected to be *de minimus*.
4. Section 3 authorizes the Department of Commerce to grant up to \$5 million to local governments for infrastructure projects but Section 8 places caps on the amount of grants that may be received per project and per county at \$2.5 million and \$5 million respectively. This could allow a single county to receive all the available funding for two grant projects from sections 3-7.
5. Section 4 contains “rulemaking authority” in the title of the section but the text of the section fails to convey rulemaking authority.

6. Section 8 sets a cap on the amount a county may receive from infrastructure grants awarded under sections 3-7 at \$5 million including any grant funding awarded by the 65th Legislature. This language as written may be construed to include grant funding awarded by the 65th Legislature, within this bill or any other bill regardless of the type of grant funding awarded. Thus, some counties will not be eligible for this program.
7. Section 14(4) does not clearly indicate how the \$5 million reduction(s) impact specific accounts, funds, or projects listed in subsection 3.
8. Section 14(4) presents a potential issue regarding the \$5 million, discussed in line 15, directing the \$5 million from the general fund. This appears to be a potential issue as it may not be a reciprocal amount reflecting the reduced bonding authority. This section does not clarify, but it is assumed, that the transfer of \$5 million from the general fund to the unspecified account is to supplement the reduced bonding authority.
9. Section 22(2) Coordination instruction references section 14(3)(b) and replaces language in that subsection but the reference should be to section 14(3)(c). This occurs again in section 22(3) and section 22(4). The internal reference and subsequent replaced section should be section 14(3)(c) and not section 14(3)(b). Lastly, this incorrect internal reference occurs in section 22(5). The internal reference and subsequent subsection that is being replaced should be section 14(3)(d) and not section 14(3)(c).
10. The Department of Commerce has funding for the administrative costs of the Quality Schools grant program in HB 2 in the amount of \$391,542 in FY 2018 and \$392,993 in FY 2019 from the state special revenue school facility and technology account. HB 134, which passed the House on third reading 99-1 on March 22, 2017, eliminates the authority for those funds to be used for the administrative costs of the Quality Schools grant program. Coordination language should be added to SB 367 and HB 134 to ensure the Department has the administrative resources required to administer the awarding and monitoring of the \$30 million in Quality Schools projects proposed in this bill.
11. This fiscal note does not account for any of the contingencies provided for in Section 22 of SB 367. To the extent any of the listed contingencies are enacted based on separate legislative action(s), this fiscal note would change.
12. Estimates of future state operations and maintenance cost are dependent upon actual completion dates of projects. Those projects with new or renovated square footage, along with their estimates completions dates are outlined in Table F-1 below.

Table F-1				
Operation and Maintenance				
Project	City	Cost of Project	Occup Date	Future O&M for Bien
Romney Hall (renovation)	Bozeman	\$ 28,000,000	Sep-19	\$691,009
SW Veterans Home	Butte	\$ 16,815,000	Jul-19	\$ 662,404 1 FTE included
Dental Hygiene, VA Affairs	Great Falls	\$ 5,400,000	Jul-19	\$237,282
Tech/Science Building New and renovated	Billings	\$ 18,500,000	Jul-20 new Jan 21 renov	\$ 1,086,244
Total				\$2,676,939

Sponsor's Initials

Date

Budget Director's Initials

Date