



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2021 Biennium

<b>Bill #</b>	HB0652	<b>Title:</b>	Revise the long range building bonding program
<b>Primary Sponsor:</b>	Hopkins, Mike	<b>Status:</b>	As Introduced

- |   |  |   |
|---|--|---|
| <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 checked="" type="checkbox"/> Dedicated Revenue Form Attached |

### **FISCAL SUMMARY**

	<b><u>FY 2020</u></b> <b><u>Difference</u></b>	<b><u>FY 2021</u></b> <b><u>Difference</u></b>	<b><u>FY 2022</u></b> <b><u>Difference</u></b>	<b><u>FY 2023</u></b> <b><u>Difference</u></b>
<b>Expenditures:</b>				
General Fund	\$2,610,000	\$8,020,000	\$9,410,000	\$9,730,000
State Special Revenue	\$4,252,905	\$21,070,898	\$4,853,000	\$2,846,750
Capital Projects	\$16,902,005	\$22,949,087	\$7,198,907	\$0
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$100,000	\$100,000	\$0	\$0
GO Bond Proceeds (02)	\$4,152,905	\$20,970,898	\$4,853,000	\$2,846,750
GO Bond Proceeds (05)	\$16,902,005	\$22,949,087	\$7,198,907	\$0
<b>Net Impact-General Fund Balance:</b>	<u>(\$2,610,000)</u>	<u>(\$8,020,000)</u>	<u>(\$9,410,000)</u>	<u>(\$9,730,000)</u>

**Description of fiscal impact:** HB 652 authorizes general obligation (GO) bonds for capital and statewide infrastructure projects totaling \$79.9 million. Issuance costs and debt service payments will be funded with general fund and are estimated to be \$2.6 million in FY 2020, \$8.0 million in FY 2021, \$9.4 million in FY 2022 and \$9.7 million in FY 2023 and beyond.

F-1 Montana Infrastructure	
	GO Bonds
Capital projects	47,050,000
RRG	4,975,000
RDG	1,247,000
TSEP	12,601,553
Local Infrastructure	14,000,000
Total	79,873,553

## FISCAL ANALYSIS

### Assumptions:

1. All the GO bonds will be issued for a 10-year term assuming a 3.75% average interest rate.
2. Bonds will be issued intermittently, as needed, in FY 2020, FY 2021, FY 2022 and FY 2023.
3. Bond issuance costs will be paid from the general fund. Bond issuance costs would be \$50,000 in FY 2020, \$110,000 in FY 2021, \$30,000 in FY 2022 and \$10,000 in FY 2023.
4. GO debt service will be paid from the general fund. Debt service payments would be \$2.6 million in FY 2020, \$8.0 million in FY 2021, \$9.4 million in FY 2022 and \$9.7 million in FY 2023 and beyond.
5. 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. Capital Projects
  - b. Department of Fish, Wildlife, and Parks (FWP)
    - i. Capital Projects
  - c. Department of Natural Resources and Conservation (DNRC)
    - i. Renewable Resources Grant Program (RRG)
    - ii. Reclamation Development Grant Program (RDGP)
  - d. Department of Commerce (DOC)
    - i. Treasure State Endowment Program (TSEP)
    - ii. Local Infrastructure

With exception to Delivering Local Assistance (DLA), see Volumes 3,4,5,6 and 8 of the Executive budget submission for details on specific projects included by the program [http://budget.mt.gov/Budgets/2021\\_Budget](http://budget.mt.gov/Budgets/2021_Budget).

6. 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.
7. Section 18 of the bill appropriates \$200,000 from the treasure state endowment special revenue account for DLA project administrative expenses to the department of commerce
8. Section 3 (4) of the bill establishes a date (6/1/2019) that the department of commerce shall receive proposals, applicable only to local governments that are not schools. Section 4 (3) of the bill establishes a date (9/30/19) that all local governments, including schools, must submit proposals. It is assumed that the department of commerce will begin receiving proposals on 6/1/2019, but not award any funding until after 9/30/19, to ensure that all eligible local governments are given an equitable chance to apply for funding.

9. It is assumed that Section 21 (2) of the bill purposefully limits the ability for projects that receive funding in HB 6, 7, or 11 to apply for the Delivering Local Assistance program funding if they have applied for funding under only one of the HB 6, 7, or 11. For example, if a local government is to receive \$125,000 in funding under HB 6 only, they are ineligible to apply for funding through the Delivering Local Assistance program to further complete infrastructure activities under the program.

	<b><u>FY 2020</u></b> <b><u>Difference</u></b>	<b><u>FY 2021</u></b> <b><u>Difference</u></b>	<b><u>FY 2022</u></b> <b><u>Difference</u></b>	<b><u>FY 2023</u></b> <b><u>Difference</u></b>
<b><u>Expenditures:</u></b>				
Capital Projects	\$16,902,005	\$22,949,087	\$7,198,907	\$0
RRG	\$1,950,000	\$2,450,000	\$575,000	\$0
RDG	\$375,000	\$623,000	\$249,000	\$0
TSEP	\$777,905	\$8,447,898	\$1,929,000	\$1,446,750
Local Infrastructure	\$1,050,000	\$9,450,000	\$2,100,000	\$1,400,000
Debt Service	\$2,560,000	\$7,910,000	\$9,380,000	\$9,720,000
Issuance Costs	\$50,000	\$110,000	\$30,000	\$10,000
Personal Services	\$60,000	\$60,000	\$0	\$0
Operating Expenses	\$40,000	\$40,000	\$0	\$0
<b>TOTAL Expenditures</b>	<b>\$23,764,910</b>	<b>\$52,039,985</b>	<b>\$21,461,907</b>	<b>\$12,576,750</b>

**Funding of Expenditures:**

General Fund (01)	\$2,610,000	\$8,020,000	\$9,410,000	\$9,730,000
State Special Revenue (02)	\$4,252,905	\$21,070,898	\$4,853,000	\$2,846,750
Capital Projects (05)	\$16,902,005	\$22,949,087	\$7,198,907	\$0
<b>TOTAL Funding of Exp.</b>	<b>\$23,764,910</b>	<b>\$52,039,985</b>	<b>\$21,461,907</b>	<b>\$12,576,750</b>

**Revenues:**

General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$4,252,905	\$21,070,898	\$4,853,000	\$2,846,750
Capital Projects (05)	\$16,902,005	\$22,949,087	\$7,198,907	\$0
<b>TOTAL Revenues</b>	<b>\$21,154,910</b>	<b>\$44,019,985</b>	<b>\$12,051,907</b>	<b>\$2,846,750</b>

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

General Fund (01)	(\$2,610,000)	(\$8,020,000)	(\$9,410,000)	(\$9,730,000)
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**Technical Notes:**

- Section 3(2) and (3) indicate \$7 million must be distributed. \$7 million will be awarded to projects, however, projects occasionally come in under budget. The way this bill is drafted, if a single project came in under budget, the department would need to find another qualifying project to fund for this balance returned.
- The appropriation for TSEP in Section 14(1) is \$9,645,000. The entire list in Section 14(2) totals \$14,298,779. Conversely, the appropriations in Section 14(5), Section 19(1) and Section 20(1) fully fund the entire lists for TSEP-bridges, RRG and RDG.
- Section 14 (2) and Section 14 (5) language, “in order of their priority”, conflicts with the language in Section 14 (7), “funding for these projects will be made available in the order that the grant recipients satisfy

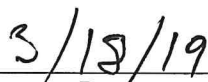


conditions”. If Section 14 of the bill is intended to provide a lesser amount of appropriation than the amount of project funding listed, clarification in Section 14 (7) is needed to duplicate “in order of priority”.

4. Section 21(2) of the bill limits the ability for projects fully funded in House Bills 6, 7, or 11 from receiving funding under HB 652; however, the term “fully funded” does not permit a project that is partially funded with HB 6, 7 or 11 revenue funding, subject to sufficient revenue from the respective HB’s 6, 7, or 11 revenue. In HB’s 6, 7, or 11, projects may be limited in their ability to secure a full amount of funding depending on the amount of revenue, not to exceed the original amount, as listed in either HB’s 652 or HB 6, 7, or 11.



*Sponsor's Initials*



*Date*



*Budget Director's Initials*



*Date*



## Dedication of Revenue 2021 Biennium

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

- a) Are there persons or entities that benefit from this dedicated revenue that do not pay? (please explain)**

Yes. The delivering local assistance dedicated revenue fund created by this bill is for providing grants to local governments for local infrastructure projects as defined and in accordance with the criteria set forth in the bill.

- 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?**

Section 2 of the bill creates the delivering local assistance account in the state special revenue fund.

“(1) There is within the state special revenue fund provided for in 17-2-102 an account called the delivering local assistance account for grants to provide grant funding to local governments for local infrastructure projects. The department of commerce shall administer the account.”

A state special revenue account should be established for the program proposed in this bill because expenditures and revenues related to providing grants to local governments for local infrastructure projects would be accounted for in a dedicated fund.

The purpose of this account is to provide grants to local governments for local infrastructure projects. The funds (bond proceeds) deposited in the account may be used only for implementing the provisions proposed in the bill.

- 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, to the extent allowed in the bill.

- d) Does the need for this state special revenue provision still exist?   X   Yes      No (Explain)**

A state special revenue account should be established for the program proposed in this bill because expenditures and revenues related to providing grants to local governments for local infrastructure projects would be accounted for in a dedicated fund.

The purpose of this account is to provide grants to local governments for local infrastructure projects. The funds (bond proceeds) deposited in the account may be used only for implementing the provisions proposed in the bill.

**e) Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending? (Please Explain)**

No. The fund in question is audited by the Office of the Legislative Auditor with any findings being presented to the Legislative Audit Committee.

**f) Does the dedicated revenue fulfill a continuing, legislatively recognized need? (Please Explain)**

Yes. A state special revenue account should be established for the program proposed in this bill because expenditures and revenues related to providing grants to local governments for local infrastructure projects would be accounted for in a dedicated fund.

The purpose of this account is to provide grants to local governments for local infrastructure projects. The funds (bond proceeds) deposited in the account may be used only for implementing the provisions proposed in the bill.

**g) How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency? (Please Explain. Also, if the program/activity were general funded, could you adequately account for the program/activity?)**

Yes. A state special revenue account should be established for the program proposed in this bill because expenditures and revenues related to providing grants to local governments for local infrastructure projects would be accounted for in a dedicated fund.

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

- a) Are there persons or entities that benefit from this dedicated revenue that do not pay? (please explain)**

Yes. The local infrastructure dedicated revenue fund created by this bill is for providing grants to provide grants as authorized in sections 14, 19, and 20 of the bill.

- 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?**

Section 2 of the bill creates the local infrastructure account in the state special revenue fund.

“(2) There is within the state special revenue fund provided for in 17-2-102 an account called the local infrastructure account to provide grants as authorized in [sections 14, 19, and 20]. The department of commerce shall administer the account.”

A state special revenue account should be established for the program proposed in this bill because expenditures and revenues related to providing the grants authorized in sections 14, 19, and 20 would be accounted for in a dedicated fund.

The purpose of this account is to provide grant funding to the projects authorized in sections 14, 19, and 20. The funds (bond proceeds) deposited in the account may be used only for implementing the provisions as proposed in the bill.

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