



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2021 Biennium

Bill # HB0016

Title: Establish affordable housing loan program

Primary Sponsor: Fern, Dave

Status: As Introduced

- Significant Local Gov Impact
 Needs to be included in HB 2
 Technical Concerns
 Included in the Executive Budget
 Significant Long-Term Impacts
 Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2020 Difference</u>	<u>FY 2021 Difference</u>	<u>FY 2022 Difference</u>	<u>FY 2023 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
Other (Proprietary)	\$3,750	\$13,750	\$28,750	\$37,500
Revenue:				
General Fund	\$5,100	\$15,400	\$32,200	\$43,500
Other (Proprietary)	\$3,750	\$13,750	\$28,750	\$37,500
Net Impact-General Fund Balance:	<u>\$5,100</u>	<u>\$15,400</u>	<u>\$32,200</u>	<u>\$43,500</u>

Description of fiscal impact: HB 16 makes \$15 million from the permanent coal tax trust fund available to provide funding for low-income and moderate-income housing loans.

FISCAL ANALYSIS

Assumptions:

Department of Commerce (DOC)

1. HB 16 allocates \$15 million from the permanent coal tax trust fund to fund loans for low-income and moderate-income housing loans. The actual number of loans that will be made depends upon the number of eligible projects accessing the program. The Board of Housing (BOH) would administer the program.
2. The Board of Investments (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 always remain 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.
3. The loan sizes are estimated to range from \$500,000 to \$1,000,000. There will be \$3 million made in 2020, \$5 million in 2021, and \$7 million in 2022.

4. The loans would not all be lent at the beginning of the fiscal year so an average of the outstanding balance for the year would be \$1.5 million for 2020; \$5.5 million for 2021; \$11.5 million for 2022; and \$15 million for 2023. For the purposes of this fiscal note, these loans would be drawn from the permanent coal tax trust fund throughout each fiscal year, disbursing funds only when needed.
5. HB 16 authorizes the BOH to take the servicing fee and its administrative charges from the interest paid by the borrower. The administrative fee is the same as the Montana Veterans Home Loan Program. However, the servicing fee is reduced as these loans are typically larger than a standard single-family loan.
6. The interest rate on the loans made by the program would follow the existing Housing Montana Fund. Most loans would target households between 50% to 80% AMI (Area Median Income) and this rate is 4% as prescribed in administrative rule.
7. The loans would be made from funds that are currently invested in the Board of Investment’s Trust Funds Investment Pool (TFIP) specific to the permanent coal funds, interest from which is 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 2020	FY 2021	FY 2022	FY 2023
Principal Invested (average)	\$ 1,500,000	\$ 5,500,000	\$ 11,500,000	\$ 15,000,000
TFIP Yield	3.410%	3.470%	3.470%	3.460%
G/F Interest Earnings Current Law	\$ 51,150	\$ 190,850	\$ 399,050	\$ 519,000
Loan Principal (average)	\$ 1,500,000	\$ 5,500,000	\$ 11,500,000	\$ 15,000,000
Loan Yield	4.00%	4.00%	4.00%	4.00%
Loan Interest Earned	\$ 60,000	\$ 220,000	\$ 460,000	\$ 600,000
Gross General Fund Gain/Loss	\$ 8,850	\$ 29,150	\$ 60,950	\$ 81,000
BOH Bank Servicing Fee (0.125%)	\$ (1,875)	\$ (6,875)	\$ (14,375)	\$ (18,750)
BOH Admin Costs (0.125%)	\$ (1,875)	\$ (6,875)	\$ (14,375)	\$ (18,750)
BOH Foreclosure Fees	\$ -	\$ -	\$ -	\$ -
BOH Costs	\$ (3,750)	\$ (13,750)	\$ (28,750)	\$ (37,500)
Net Gain/Loss to General Fund	\$ 5,100	\$ 15,400	\$ 32,200	\$ 43,500

	<u>FY 2020 Difference</u>	<u>FY 2021 Difference</u>	<u>FY 2022 Difference</u>	<u>FY 2023 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Personal Services	\$1,875	\$6,875	\$14,375	\$18,750
Operating Expenses	\$1,875	\$6,875	\$14,375	\$18,750
TOTAL Expenditures	\$3,750	\$13,750	\$28,750	\$37,500
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
Other (Proprietary)	\$3,750	\$13,750	\$28,750	\$37,500
TOTAL Funding of Exp.	\$3,750	\$13,750	\$28,750	\$37,500
<u>Revenues:</u>				
General Fund (01)	\$5,100	\$15,400	\$32,200	\$43,500
Other (Proprietary)	\$3,750	\$13,750	\$28,750	\$37,500
TOTAL Revenues	\$8,850	\$29,150	\$60,950	\$81,000
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$5,100	\$15,400	\$32,200	\$43,500
Other (Proprietary)	\$0	\$0	\$0	\$0



Sponsor's Initials

1/10/19

Date


Budget Director's Initials

1/9/19

Date