



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2023 Biennium

Bill #	HB0024	Title:	Create disaster resiliency fund
---------------	--------	---------------	---------------------------------

Primary Sponsor:	Gunderson, Steve	Status:	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 checked="" type="checkbox"/> Significant Long-Term Impacts | <input checked="" type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
Fire Suppression St Spec Rev	(\$17,000,000)	(\$10,000,000)	(\$17,000,000)	(\$10,000,000)
Disaster Resiliency St Spec Rev	\$17,000,000	\$10,000,000	\$17,000,000	\$10,000,000
Federal Special Revenue	\$51,000,000	\$30,000,000	\$51,000,000	\$30,000,000
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Fire Suppression St Spec Rev	(\$17,000,000)	(\$10,000,000)	(\$17,000,000)	(\$10,000,000)
Disaster Resiliency St Spec Rev	\$17,000,000	\$10,000,000	\$17,000,000	\$10,000,000
Federal Special Revenue	\$51,000,000	\$30,000,000	\$51,000,000	\$30,000,000
Net Impact-General Fund Balance:	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact: HB 24 creates a disaster resiliency account to be utilized by the Department of Military Affairs (DMA) to fund disaster mitigation projects. Funding for the account comes from transferring half of the unexpended and unencumbered balance of the \$16 million Governor's emergency appropriation. This transfer occurs at the end of each biennium. In addition, as written, the disaster resiliency account will be funded annually using 50% of general fund reversions in excess of 0.5% of total general fund appropriations. This account would be used to match federal funds for disaster mitigation at a 3:1 ratio of federal/state funds. 25% of the disaster mitigation funds must be used as non-federal match for wildfire mitigation projects.

FISCAL ANALYSIS

Assumptions:

Department of Military Affairs

1. The amount of grant distributed is dependent upon available funds transferred into the account.
2. The department will use available funding to use the state funds as the 25% match to draw down available federal grant funds.
3. The department will then use the combined state and federal funds to make grants as described in Section 1 of the bill.
4. At least 25% of the disaster mitigation funds must be used as non-federal match for wildfire mitigation projects.
5. HB 24 limits the fund balance in the disaster resiliency account to a maximum level of \$10 million. As written, this fund balance is monitored at the end of a biennium and not at the end of a fiscal year.
6. This fiscal note assumes that the available revenue in the disaster resiliency account will be expended each fiscal year and therefore the \$10 million cap will not be reached.
7. Section 17-1-508, MCA, requires analysis of the statutory appropriation relative to the guidance in 17-1-508(3), MCA, to be published in the fiscal note. In reviewing and establishing statutory appropriations, the legislature shall consider the following guidelines.

YES NO

a. The money is from a continuing, reliable, and estimable source.		X
b. The use of the appropriation or the expenditure occurrence is predictable and reliable.		X
c. The authority exists elsewhere.		X
d. An alternative appropriation method is available, practical, or effective.		X
e. It appropriates state general fund money for purposes other than paying for emergency services.		X
f. The money is used for general purposes.		X
g. The legislature wishes to review expenditure and appropriation levels each biennium.	X	
h. An expenditure cap and sunset date are excluded.		X

Department of Natural Resources & Conservation

8. Currently, per 76-13-150(6), MCA, 100% of "...an amount equal to the balance of unexpended and unencumbered general fund money appropriated in excess of 0.5% of the total general fund money appropriated for that fiscal year must be transferred by the state treasurer from the general fund to the fire suppression account."
9. Currently, per 10-3-312(4), MCA, "At the end of each biennium, an amount equal to the unexpended and unencumbered balance of the \$16 million statutory appropriation in subsection (1), minus any amount appropriated pursuant to 10-3-310 in the same biennium, must be transferred by the state treasurer from the state general fund to the fire suppression account provided for in 76-13-150".
10. HB 24 proposes a transfer of 50% of general fund reversions in excess of 0.5% of general fund appropriations for a fiscal year to the fire suppression account and 50% of the to the disaster resiliency account. Based on a

6-year average, under current law, the annual general fund transfer into the fire suppression account has been approximately \$20 million.

11. HB 24 also proposes a transfer of 50% of the unexpended and unencumbered balance of the \$16 million Governor's emergency appropriation at the end of each biennium to the fire suppression account and 50% to the disaster resiliency account. Based on a 2-biennium average, under current law, the transfer into the fire suppression account has been approximately \$14 million.
12. The FY 2022 and FY 2024 revenue of \$17 million represents:
- an estimated 50% of the 6-year average of general fund reversions in excess of 0.5% of the total general fund appropriations of \$20 million transferring to the disaster resiliency account (\$10 million) and no longer being transferred to the fire suppression account (\$10 million).
 - an estimated 50% of the 2-biennium average reversion of the \$16 million Governor's emergency appropriation of \$14 million transferring to the disaster resiliency account (\$7 million) and no longer being transferred to the fire suppression account (\$7 million).
13. The FY 2023 and FY 2025 revenue of \$10 million an estimated 50% of the 6-year average of general fund reversions in excess of 0.5% of the total general fund appropriations of \$20 million transferring to the disaster resiliency account (\$10 million) and no longer being transferred to the fire suppression account (\$10 million). Because the disaster resiliency fund has a maximum fund balance limit of \$10 million, this transfer assumes that the disaster resiliency account balance is zero at the beginning of FY 2023.

	<u>FY 2022 Difference</u>	<u>FY 2023 Difference</u>	<u>FY 2024 Difference</u>	<u>FY 2025 Difference</u>
<u>Fiscal Impact:</u>				
FTE	0.00	0.00	0.00	0.00
<u>Expenditures:</u>				
Operating Expenses	\$51,000,000	\$30,000,000	\$51,000,000	\$30,000,000
TOTAL Expenditures	\$51,000,000	\$30,000,000	\$51,000,000	\$30,000,000
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
Fire Suppression St Spec Rev	(\$17,000,000)	(\$10,000,000)	(\$17,000,000)	(\$10,000,000)
Disaster Resiliency St Spec F	\$17,000,000	\$10,000,000	\$17,000,000	\$10,000,000
Federal Special Revenue (03)	\$51,000,000	\$30,000,000	\$51,000,000	\$30,000,000
TOTAL Funding of Exp.	\$51,000,000	\$30,000,000	\$51,000,000	\$30,000,000
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
Fire Suppression St Spec Rev	(\$17,000,000)	(\$10,000,000)	(\$17,000,000)	(\$10,000,000)
Disaster Resiliency St Spec F	\$17,000,000	\$10,000,000	\$17,000,000	\$10,000,000
Federal Special Revenue (03)	\$51,000,000	\$30,000,000	\$51,000,000	\$30,000,000
TOTAL Revenues	\$51,000,000	\$30,000,000	\$51,000,000	\$30,000,000

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

General Fund (01)	\$0	\$0	\$0	\$0
-------------------	-----	-----	-----	-----

Long-Term Impacts:

1. The goal is to reduce the financial impacts to communities post-disaster by strengthening infrastructure pre-disaster through both fire mitigation and non-fire mitigation grant efforts.
2. As written, HB 24 will divert dollars from two sources that regularly fund the fire suppression account. Over the long term, this would potentially cause the fire suppression account to fall below thresholds necessary for funding annual fire costs, fire mitigation, and wildfire suppression equipment for the County Coop program.
3. The 10-year average for fire suppression costs is approximately \$22 million and DNRC strives to have \$40-50 million in the fire suppression account to cover a biennium, in order to avoid seeking additional funding from the legislature.
4. Currently, 76-13-150, MCA, authorizes the DNRC to use funds in the fire suppression account for fire suppression costs, fuel reduction and mitigation projects, forest restoration, grants for the purchase of fire suppression equipment for county cooperatives, and work related to forest management projects and road maintenance on federal land. Further, 76-13-150, MCA, requires that when the balance at the end of the most recently completed odd-numbered fiscal year exceeds \$40 million, the excess, up to \$5 million, must be used in the biennium for the purposes described above.
5. DNRC estimates that HB 24 will result in a permanent reduction in the fire suppression fund balance below the \$40 million threshold beginning in the 2025 biennium. This may impact the department's ability to cover fire suppression costs within a biennium and would remove the opportunity to fund mitigation and equipment development.
6. HB 24 requires that, if the fund balance of fire suppression fund provided for in 76-13-150, MCA, at the end of the most recently completed odd-numbered fiscal year is less than \$30 million, an amount equal to 100% of the unexpended and unencumbered balance in the Governor's disaster emergency fund must be transferred by the state treasurer from the state general fund to the fire suppression account. The DNRC estimates that, should HB 24 become law, the fire suppression fund balance will fall below the \$30 million threshold beginning in the 2027 biennium.

Technical Notes:

1. The intent of HB 24 appears to limit the disaster resiliency account to a maximum of \$10 million. However, Section 1, Subsection (8) monitors the fund balance only at the end of a biennium. The bill states that at the end of each biennium, if the total in the disaster resiliency fund is greater than \$10 million, excess balances must be transferred to the fire suppression account. If the transfer was made only from the unexpended balance of the Governor's emergency appropriation, a biennial calculation would be appropriate. However, since the bill also includes an annual transfer of reversions in excess of 0.5% of general fund appropriations, an annual cap may be more appropriate.

NOT SIGNED BY SPONSOR

Sponsor's Initials

1/12/21
DateKA
Budget Director's Initials1/11/21
Date

Section 17-1-507, MCA, requires OBPP to provide the analysis of dedicated revenue provided below.

- a) **Are there persons or entities that benefit from this dedicated revenue that do not pay? (please explain)** No. Revenues into the fund come from the general fund. The beneficiaries of expenses from the fund will include all citizens of Montana.
- 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?** The fund provides for a dedicated funding source for matching available federal grants.
- 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
- d) **Does the need for this state special revenue provision still exist? ☒ Yes ☐ No (Explain)**
There is an ongoing need for disaster planning and disaster mitigation efforts in the state.
- 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 expenditure of funds will be recorded on the state's accounting system and can be accessed by DMA, OBPP, or the LFD to provide any information requested by the legislature.
- f) **Does the dedicated revenue fulfill a continuing, legislatively recognized need? (Please Explain)**
Yes. There is an ongoing need for disaster planning and disaster mitigation efforts in the state.
- 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?)**

The fund provides for a dedicated funding source for matching available federal grants.