



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2023 Biennium

Bill # HB0657

Title: Establish the rural broadband revolving loan account

Primary Sponsor: Running Wolf, Tyson T

Status: As Introduced-Revised

- 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 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	\$282,810	\$468,711	\$475,741	\$482,876
Federal Special Revenue	\$0	\$50,000,000	\$100,000,000	\$50,000,000
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Federal Special Revenue	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>(\$282,810)</u>	<u>(\$468,711)</u>	<u>(\$475,741)</u>	<u>(\$482,876)</u>

Description of fiscal impact: HB 657 establishes a revolving loan fund to finance rural broadband deployment using federal funds provided by the American Rescue Plan Act and places the fund at the Department of Commerce. It also creates the position of Montana Broadband coordinator at the department and provides an appropriation to fund the position and duties.

FISCAL ANALYSIS

Assumptions:

Department of Commerce

1. The bill creates the Montana Broadband Coordinator position at the Department of Commerce and appropriates federal ARPA funds to fund the position for one year.
2. The bill appropriates \$200 million in federal ARPA funds to create a revolving loan fund for development of rural broadband and requires the fund to be administered by the broadband coordinator.
3. The bill requires the broadband coordinator to consult with tribal nations for broadband planning and implementation purposes in addition to the duties prescribed in Section 2 of the bill. Given the steps necessary to stand up the program and the bill requirement that eligibility criteria and application requirements be

developed after hearing from all stakeholders, it is estimated that no loans will be made until the second year of the program.

4. Due to the broad range of duties required by the bill it is assumed that additional technical services will need to be contracted for.
5. Since no loan amount limits or terms are specified by the bill, this fiscal note assumes \$50 million will be loaned out during the second year of the program, \$100 million in the third year, and \$50 million in the fourth year with loans in subsequent years being made from repaid principal and interest.
6. Due to the size of the revolving loan fund and anticipated loan volume, the department would require two additional FTE beginning in year two to service the loans. Due to the ongoing nature of revolving loan funds, these FTE would require a base level general fund appropriation in HB 2.
7. In order to continue to administer the revolving loan fund as required by the bill, a HB 2 general fund appropriation would be necessary to continue funding the broadband coordinator position once the federal appropriation expires on June 30, 2022.
8. Due to the ongoing nature of revolving loan funds, HB 2 authority would be required in future biennia to re-lend the federal funds that have been paid back into the RLF.

	<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>
<u>Fiscal Impact:</u>				
FTE	1.00	3.00	3.00	3.00
<u>Expenditures:</u>				
Personal Services	\$157,022	\$318,584	\$323,363	\$328,212
Operating Expenses	\$125,788	\$150,127	\$152,379	\$154,664
Loans	\$0	\$50,000,000	\$100,000,000	\$50,000,000
TOTAL Expenditures	<u>\$282,810</u>	<u>\$50,468,711</u>	<u>\$100,475,742</u>	<u>\$50,482,876</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$468,711	\$475,741	\$482,876
Federal Special Revenue (03)	\$282,810	\$50,000,000	\$100,000,000	\$50,000,000
TOTAL Funding of Exp.	<u>\$282,810</u>	<u>\$50,468,711</u>	<u>\$100,475,741</u>	<u>\$50,482,876</u>
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
Federal Special Revenue (03)	\$0	\$0	\$0	\$0
TOTAL Revenues	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$0	(\$468,711)	(\$475,741)	(\$482,876)
Federal Special Revenue (03)	(\$282,810)	(\$50,000,000)	(\$100,000,000)	(\$50,000,000)

Technical Notes:

1. Since guidance had been issued by the US Department of Treasury regarding the use of the State Fiscal Recovery Funds, it is unknown if a revolving loan fund is a permissible use. A revolving loan was not an eligible use of the Coronavirus Relief Funds that came to the state from the federal CARES Act.
2. These funds are also appropriated in HB 632.
3. In accordance with state accounting policy, federal funds must be recorded in a federal fund. When loan payments are received back to the program, they would be deposited to a state special revenue fund and then be re-loaned out of a state special fund. The appropriation in Section 3 (1) should come from a state special revenue fund.

NOT SIGNED BY SPONSOR

_____	4/5/21	KA	3-31-21
<i>Sponsor's Initials</i>	<i>Date</i>	<i>Budget Director's Initials</i>	<i>Date</i>