



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2025 Biennium

### Bill information:

HB0267 - Create SAFER account for federal highway grants (Sprunger, Courtenay )

**Status:** As Introduced

- |   |   |   |
|---|---|---|
| <input type="checkbox"/> Significant Local Gov Impact     | <input type="checkbox"/> Needs to be included in HB 2             | <input 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 2023</u> <u>Difference</u>	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
<b>Expenditures:</b>					
General Fund	\$100,000,000	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$15,000,000*	\$15,000,000*	\$15,000,000*	\$15,000,000*
Federal Special Revenue	\$0	\$100,384,615*	\$100,384,615*	\$100,384,615*	\$100,384,615*
<b>Revenue:</b>					
General Fund	\$0	\$0	\$0	\$0	\$0
State Special Revenue	\$100,000,000	\$3,912,750	\$3,761,009	\$3,285,600	\$2,790,081
Federal Special Revenue	\$0	\$0	\$0	\$0	\$0
<b>Net Impact-General Fund Balance</b>	<b>(\$100,000,000)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**Description of fiscal impact:** HB 267 creates the Securing Access to Federal Expenditures to Repair Montana Roads and Bridges Account (SAFER), allowing the Montana Department of Transportation (MDT) to access the funds for match on funding received from Federal Highway Administration (FHWA) August redistribution and discretionary grant awards. \* See assumption 13.

### FISCAL ANALYSIS

#### Assumptions:

1. Prior to June 30, 2023, the state treasurer will transfer \$100 million from the state general fund to the SAFER account at MDT.
2. A cap of \$15 million per year is eligible for state match on federal redistribution and discretionary grants awarded to MDT.
3. MDT will apply for discretionary grants each federal fiscal year through 2025 or the duration of the Infrastructure Investment and Jobs Act (IIJA) highway authorization bill.
4. The levels of discretionary grants that will be awarded to MDT is unknown at this time.

**Fiscal Note Request – As Introduced**

(continued)

5. MDT will submit a request for FHWA August redistribution funding each July.
6. The request is based on an unknown amount of federal funding not used by other states during the respective federal fiscal year.
7. The unknown amounts of the redistribution funding and awarded discretionary grants makes it difficult to predict the amount of spending authority needed each state fiscal year.
8. The SAFER account will allow MDT to use up to \$15 million of the available appropriation as needed once the amounts of redistribution and awarded discretionary grants is known.
9. The funding will be invested in the Short-Term Investment Pool (STIP) and any accrued interest will be applied as match to redistribution funding and discretionary grants as needed.
10. 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.

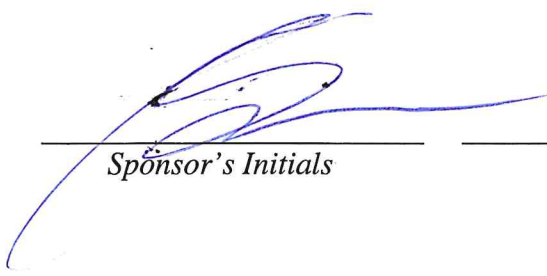
	<u>YES</u>	<u>NO</u>
a. The money is from a continuing, reliable, and estimable source.	X	
b. The use of the appropriation or the expenditure occurrence is predictable and reliable.		X
c. The authority exists elsewhere.		X
d. An alternative appropriation method is available, practical, or effective.		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

11. Based upon an 87/13 federal to state match rate, \$15 million state match can leverage \$100,384,615 federal funds. [(\$15,000,000/.13 (state match) = \$115,384,615 (total state and federal expenditure); \$115,384,615\*.87 (federal share) = \$100,384,615)]
12. The current STIP rate is 4.23%. Assuming 4.23% rate through FY 2027, and assuming \$7.5 million is paid out in FY 2024 by mid-year, the earnings are as follows:
  - FY 2024 - 92,500,000 \* .0423 = 3,912,750
  - FY 2025 - 88,912,750 \* .0423 = 3,761,009
  - FY 2026 - 77,673,759 \* .0423 = 3,285,600
  - FY 2027 - 65,959,359 \* .0423 = 2,790,081
13. For purposes of this fiscal note, the maximum level of expenditures is shown, based on the parameters of HB 267. As referenced in assumptions 5-9, the actual amount of federal funding the state may receive (if any) is unknown.

	<u>FY 2023</u> <u>Difference</u>	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
<b><u>Fiscal Impact:</u></b>					
<b><u>Expenditures:</u></b>					
Personal Services	\$0	\$0	\$0	\$0	\$0
Operating Expenses	\$0	\$115,384,615	\$115,384,615	\$115,384,615	\$115,384,615
Transfers	\$100,000,000	\$0	\$0	\$0	\$0
<b>TOTAL Expenditures</b>	<u>\$100,000,000</u>	<u>\$115,384,615</u>	<u>\$115,384,615</u>	<u>\$115,384,615</u>	<u>\$115,384,615</u>
<b><u>Funding of Expenditures:</u></b>					
General Fund (01)	\$100,000,000	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$15,000,000	\$15,000,000	\$15,000,000	\$15,000,000
Federal Special Revenue (03)	\$0	\$100,384,615	\$100,384,615	\$100,384,615	\$100,384,615
<b>TOTAL Funding of Exp.</b>	<u>\$100,000,000</u>	<u>\$115,384,615</u>	<u>\$115,384,615</u>	<u>\$115,384,615</u>	<u>\$115,384,615</u>
<b><u>Revenues:</u></b>					
General Fund (01)	\$0	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$100,000,000	\$3,912,750	\$3,761,009	\$3,285,600	\$2,790,081
Federal Special Revenue (03)	\$0	\$0	\$0	\$0	\$0
<b>TOTAL Revenues</b>	<u>\$100,000,000</u>	<u>\$3,912,750</u>	<u>\$3,761,009</u>	<u>\$3,285,600</u>	<u>\$2,790,081</u>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>					
General Fund (01)	(\$100,000,000)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$100,000,000	(\$11,087,250)	(\$11,238,991)	(\$11,714,400)	(\$12,209,919)
Federal Special Revenue (03)	\$0	(\$100,384,615)	(\$100,384,615)	(\$100,384,615)	(\$100,384,615)

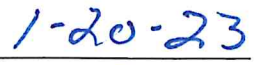
**Long-Term Impacts:**

1. The limit of \$15 million per year for expenditures will allow MDT to spend the remaining \$40 million beyond the 2027 biennium.
2. Interest accrued through STIP investments will also be applied as match and could be spent beyond the 2027 biennium.

  
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 Sponsor's Initials

\_\_\_\_\_  
 Date

  
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 Budget Director's Initials

  
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 Date



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## Dedication of Revenue 2025 Biennium

17-1-507, MCA.

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

No, the revenue is directed from the general fund which is funded by the taxpayers of Montana and any non-Montanans that pay taxes into the general fund. The benefactors of this bill are any of the travelling public or anyone receiving goods or services that are transported using the Montana Highway System.

- 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?**

By using a special revenue fund, the Montana Department of Transportation (MDT) can account and track the exact amount of monies being expended each year. Also, MDT can ensure that only the proper expenditures are applied to the money.

- 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, the program will fund the match necessary for MDT's additional redistribution or discretionary federal funding through the entirety of Infrastructure Investment and Jobs Act (IIJA).

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

Yes, the revenues are designated for matching federal funds for highway construction. The need exists to ensure that the revenue is used for the legislative purpose.

- 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 dedicate revenue being accounted for in a special revenue helps ensure that the expenditures for highway matching are segregated and easier to scrutinize or examine.

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

Yes, the need of constant maintenance and improvement of the highway system.

- 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?)**

MDT's primary funding is accounted for through special revenue funds. By using a special revenue fund, MDT can use the economies of scale gained through the existing special revenue funds to account for and budget more efficiently.