



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2025 Biennium

**Bill information:**

HB0546 - Authorize additional funding for coal trust loan program for housing (Fern, Dave )

**Status:** As Amended in House Committee

- |   |  |  |
|---|--|--|
| <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 type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

	<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	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Proprietary	\$6,250	\$25,000	\$37,500	\$37,500
<b>Revenue:</b>				
General Fund	(\$3,188)	(\$39,750)	(\$80,625)	(\$80,625)
State Special Revenue	\$0	\$0	\$0	\$0
Proprietary	\$6,250	\$25,000	\$37,500	\$37,500
<b>Net Impact-General Fund Balance:</b>	<u>(\$3,188)</u>	<u>(\$39,750)</u>	<u>(\$80,625)</u>	<u>(\$80,625)</u>

**Description of fiscal impact:** HB 546, as amended, makes an additional \$15 million from the Coal Tax Trust available to provide funding for low-income and moderate-income multifamily housing loans.

### FISCAL ANALYSIS

**Assumptions:**

1. HB 16 passed by the 2019 legislature made \$15 million from the permanent coal tax trust available to fund loans for low-income and moderate-income housing.
2. By April 2020, the Board of Housing approved preliminary loan commitments to 7 projects, comprising 252 rental homes. As of December 31, 2022, financing for six projects have closed. These rental homes are in Belt, Cascade, Havre, Livingston, Helena, and Joliet/Laurel. There is approximately \$804K fund balance remaining from the \$15 million allocation.
3. HB 546 allocates an additional \$15 million for a total of \$30 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.

4. 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.
5. Funded projects must be subject to property taxes.
6. There will be \$5 million loaned in 2024 and \$10 million in 2025.
7. 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 \$2.5 million for 2024; \$10 million for 2025; \$15 million for 2026; and \$15 million for 2027. It is assumed that these loans would be drawn from the permanent coal tax trust fund throughout each fiscal year, disbursing funds only when needed.
8. BOH is authorized 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 at 1/8 of 1% (0.00125). However, the servicing fee is reduced from 3/8 of 1% (0.00375) to 1/8 of 1% (0.00125) as these loans are typically larger than a standard single-family loan. The servicing fee charge will be split, and half of this fee will be added back to the interest rate charged on the loan.
9. Pursuant to 90-6-137(4)(b)(iii), MCA, the minimum interest rate charged on a loan will be 0.5% less than the interest rate charged for a loan funded by the Housing Montana Fund (HMF) provided for in 90-6-133, MCA, and 8.111.506, ARM. The BOH and the loan recipient each pay half of the loan servicing fees.
10. The BOH anticipates projects for future loans will target 31-50% and 51-80% AMI households, with resulting average rate of 3.5%. As amended, HB 546 section 2(3)(b)(iii) requires that the minimum interest rate charged on a loan be 0.5% more than the interest rate charged for a loan funded by the Housing Montana fund. Therefore, the assumed interest rate will be 4.0625% (3.5% plus 0.5% plus 0.00625 servicing fee).

Rate*	Income Targeting
2.0625%	30% or less AMI households
3.0625%	31% and 50% AMI households
4.0625%	51% and 80% AMI households
6.0625%	81% and 95% AMI households
<i>*Weighted average if targeting multiple ranges. Existing projects will use incomes of tenants at time of application</i>	

11. Like the Housing Montana Fund the loans originated from this program are anticipated to be uninsured loans in the projects and would be in first lien position.
12. 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.
13. BOH will prominently display signage indicating that the project is funded with coal tax revenue. Since it is not specified in the bill it is assumed the signage will be displayed until project completion.

	FY 2024	FY 2025	FY 2026	FY 2027
Principal Invested (average)	\$ 2,500,000	\$ 10,000,000	\$ 15,000,000	\$ 15,000,000
TFIP Yield	3.940%	4.210%	4.350%	4.350%
G/F Interest Earnings Current Law	\$ 98,500	\$ 421,000	\$ 652,500	\$ 652,500
Loan Principal (average)	\$ 2,500,000	\$ 10,000,000	\$ 15,000,000	\$ 15,000,000
Loan Yield (4.0% + 0.0625% servicing fee)	4.0625%	4.0625%	4.0625%	4.0625%
Loan Interest Earned	\$ 101,563	\$ 406,250	\$ 609,375	\$ 609,375
Gross General Fund Gain/Loss	\$ 3,063	\$ (14,750)	\$ (43,125)	\$ (43,125)
BOH Bank Servicing Fee (0.125%)	\$ (3,125)	\$ (12,500)	\$ (18,750)	\$ (18,750)
BOH Admin Costs (0.125%)	\$ (3,125)	\$ (12,500)	\$ (18,750)	\$ (18,750)
BOH Foreclosure Fees	\$ -	\$ -	\$ -	\$ -
BOH Costs	\$ (6,250)	\$ (25,000)	\$ (37,500)	\$ (37,500)
Net Gain/Loss to General Fund	\$ (3,188)	\$ (39,750)	\$ (80,625)	\$ (80,625)

	<u>FY 2024 Difference</u>	<u>FY 2025 Difference</u>	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>
<b>Fiscal Impact:</b>				
<b>Expenditures:</b>				
Personal Services	\$3,125	\$12,500	\$18,750	\$18,750
Operating Expenses	\$3,125	\$12,500	\$18,750	\$18,750
<b>TOTAL Expenditures</b>	<u>\$6,250</u>	<u>\$25,000</u>	<u>\$37,500</u>	<u>\$37,500</u>
<b>Funding of Expenditures:</b>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
Proprietary (06)	\$6,250	\$25,000	\$37,500	\$37,500
<b>TOTAL Funding of Exp.</b>	<u>\$6,250</u>	<u>\$25,000</u>	<u>\$37,500</u>	<u>\$37,500</u>
<b>Revenues:</b>				
General Fund (01)	(\$3,188)	(\$39,750)	(\$80,625)	(\$80,625)
State Special Revenue (02)	\$0	\$0	\$0	\$0
Proprietary (06)	\$6,250	\$25,000	\$37,500	\$37,500
<b>TOTAL Revenues</b>	<u>\$3,062</u>	<u>(\$14,750)</u>	<u>(\$43,125)</u>	<u>(\$43,125)</u>
<b>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</b>				
General Fund (01)	(\$3,188)	(\$39,750)	(\$80,625)	(\$80,625)
State Special Revenue (02)	\$0	\$0	\$0	\$0

**NOT SIGNED BY SPONSOR**

Sponsor's Initials

Date

Budget Director's Initials

Date