GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:	
HB0819 - Create Montana community reinvestment act to fund workforce housing (Green, Paul)	
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

	FY 2024 Difference	FY 2025 Difference	FY 2026 Difference	FY 2027 Difference
Expenditures:				
General Fund	$296,638	$19,164	$23,077	$27,057
State Special Revenue	$0	$27,312,500	$27,312,500	$27,312,500
Revenue:				
General Fund	$0	($28,750,000)	($28,750,000)	($28,750,000)
State Special Revenue	$0	$27,312,500	$27,312,500	$27,312,500
Net Impact-General Fund Balance:	($296,638)	($28,769,164)	($28,773,077)	($28,777,057)

Description of fiscal impact: HB 819 creates a Montana community reinvestment plan with a $1.00 tax credit for every $0.95 in donations to fund workforce housing. Total credits would be capped at $28,750,000 per year (based on $27,312,500 in taxpayer contributions). The bill creates a Montana community investment commission which would oversee the use of the fund. The Department of Revenue administer the program and would require 3.00 FTE for all aspects of this program and credit. These costs would be mostly covered by the authority to use 1% of the taxpayer contributions to the fund each year starting in FY 2025.

FISCAL ANALYSIS

Assumptions:

Department of Revenue

1. HB 819 creates a Montana community reinvestment plan and a tax credit for donations to provide funding for workforce housing. The tax credit would be a nonrefundable credit that could be carried back one year and available to both individual and corporate income taxpayers.
2. The tax credit amount is $1 for every $0.95 donated to the Montana community reinvestment contribution account. There is not an individual limit on the credit amount that can be claimed and there may be a total of

up to $28.75 million in credits issued annually. It is assumed that all available credits would be claimed, because the credit is greater than one-to-one for the amount donated. These credits will be used to offset income tax liabilities and would decrease general fund revenue. It is assumed all the credits will be claimed in the year they are issued, although they can be carried back one year if the credit exceeds the taxpayer's liability in the current tax year.

3. The total annual contribution amount is assumed to be 95% of the $28.75 million credits cap, which would be $27,312,500. These contributions would be made to the Montana community reinvestment contribution account in the first quarter of each fiscal year. It is assumed the contributions would be made, and credits claimed, on a first come, first-served basis beginning July 1, 2024, through an online portal similar to the process used for the student scholarship organization credit.
4. Each year on October 1st, the department could retain up to 1% of the contributions to cover administrative costs. The remaining balance in the contribution account would be distributed to community reinvestment organizations based on the gross domestic product in the counties associated with the organization relative to the state gross domestic product.
5. Of the estimated $27,312,500 in contributions each year, the 1% for DOR costs would be $273,125, and the remaining 99% for distribution would be $27,039,375.
6. The community reinvestment organizations to receive the distributions from the contribution account must be created by December 31, 2024, and certified by the Montana community investment commission. There would be a maximum of 15 community reinvestment organization in the state and they would be required to have the same boundaries as certified regional development corporations in 90-1-116, MCA. The community reinvestment organizations would be required to use the funds distributed to them to assist eligible households purchase attainable workforce housing.
7. The distributions are statutorily appropriated and are not subject to legislative fund transfers.
8. 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. Answer yes or no to each of the following guidelines regarding the statutory appropriation:

		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

DOR Administrative Costs

9. The Montana community investment commission would be made up of five members, appointed by the governor, and a nonvoting member from the department to provide information and guidance.
10. To create and administer the Montana community reinvestment plan, contributions, and credits, the DOR would require 2.00 FTE tax examiners and 1.00 FTE tax examiner supervisor, the latter would also be appointed to the commission.
11. The department would also have to create an online portal to handle the contributions and allocate the credits on a first come first-served basis. The development of the portal would take a few months and be absorbed internally without significant additional costs.
12. Total costs to the Department of Revenue would be $296,638 in FY 2024, $292,289 in FY 2025, $296,202 in FY 2026, and $300,182 in FY 2027. Beginning in FY 2025, almost $273,125 of the department costs would

be covered by the 1% of the contributions made each year. The remaining costs, and all costs for FY 2024, would be funded by the general fund.

Fiscal Impact:	**FY 2024 Difference**	**FY 2025 Difference**	**FY 2026 Difference**	**FY 2027 Difference**
Department of Revenue				
FTE	3.00	3.00	3.00	3.00
Expenditures:				
Personal Services	$261,964	$266,198	$269,622	$273,098
Operating Expenses	$34,674	$26,091	$26,580	$27,084
Transfers to Community Reinvestment	$0	$27,039,375	$27,039,375	$27,039,375
TOTAL Expenditures	$296,638	$27,331,664	$27,335,577	$27,339,557
Funding of Expenditures:				
General Fund (01)	$296,638	$19,164	$23,077	$27,057
State Special Revenue (02)	$0	$27,312,500	$27,312,500	$27,312,500
TOTAL Funding of Exp.	$296,638	$27,331,664	$27,335,577	$27,339,557
Revenues:				
General Fund (01)	$0	($28,750,000)	($28,750,000)	($28,750,000)
State Special Revenue (02)	$0	$27,312,500	$27,312,500	$27,312,500
TOTAL Revenues	$0	($1,437,500)	($1,437,500)	($1,437,500)
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):				
General Fund (01)	($296,638)	($28,769,164)	($28,773,077)	($28,777,057)
State Special Revenue (02)	$0	$0	$0	$0

Effect on County or Other Local Revenues or Expenditures:

1. Regional community reinvestment organizations (CROs), would receive transfers from the community reinvestment fund, as administered by the Community Reinvestment Commission (and supported by the Department of Revenue) in proportion to the county member's gross county product (GDP) share of gross state product.

Long-Term Impacts:

1. To the extent that the fund receives contributions, and subject to the CRO requirements, there could be a targeted ongoing source of dedicated revenue for use in procuring workforce housing.

Technical Notes:

1. HB 819, Sections 4(2) and 9(4), refer to a requirement for matching funds, whereas a match rate is not defined in the bill.

3/15 3-14-23

Sponsor's Initials *Date* *Budget Director's Initials* *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)**
Persons would benefit from indirectly subsidize workforce housing from this dedicated revenue,

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?**
This dedicated revenue is specifically targeted for workforce housing, through monies collected in a state special revenue account and statutorily appropriated per a distribution formula to regional community reinvestment organizations that are subject to HB 819's requirements.

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 source of revenue would adequately fund the shared-use path need.

d) **Does the need for this state special revenue provision still exist? _X_ Yes ___No (Explain)**
This funding and the allocation of thse funds is not a present law activity of the Department of Revenue.

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 legislature will be able to pull revenue, expenditure, and budget information from the states accounting system when needed. HB 819 defines how funding will be allocated and spent, limiting the legislature's ability to set priorities.

f) **Does the dedicated revenue fulfill a continuing, legislatively recognized need? (Please Explain)**
The bill states that workforce housing is a legislatively recognized need.

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?)**
These funds are mandated in HB 819 to be allocated to a state special revenue fund This should ease of tracking the revenues and distributions.