



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:

HB0859 - Revise requirements for community or public water systems (Fitzpatrick, John)

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

	<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>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
Federal Special Revenue	(\$12,163,600)	(\$12,163,600)	(\$12,163,600)	(\$12,163,600)
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Federal Special Revenue	(\$12,163,600)	(\$12,163,600)	(\$12,163,600)	(\$12,163,600)
Net Impact-General Fund Balance:	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact: HB 859 eliminates the regulations created in 1999 to meet the federal Safe Drinking Water Act (SDWA) requirements for New System Capacity Development in Section 1420(a), resulting in a 20% loss in federal revenue for all drinking water state revolving fund grants, and weaken existing requirements for community and public water systems.

FISCAL ANALYSIS

Assumptions:

1. The guidance document for the requirements adopted in "Federal Register/Vol. 64, No. 24/Friday, February 5, 1999/Notices specifies that a state may not backslide on requirements that were in place for 12 months prior to the publication of the final guidance.
2. To maintain primacy with the Environmental Protection Agency (EPA), Montana is prohibited from having laws or rules that are less stringent than the comparable federal requirements. As a condition of primacy, the state is required to have certain information on management, operation, maintenance, and financing to receive

drinking water SRF funds delineated in Section 1420 of the 1996 SDWA. The business plan requirements listed in HB 859 are less stringent than those requirements in the SDWA. (1452(a)(1)(G)(i)).

3. Failure to meet these requirements will result in a withholding of 20% of the state’s drinking water state revolving fund (DWSRF) grants. (SDWA Section 1452(a)(1)(G)(i)).
4. A 20% reduction of all DWSRF grants is outlined in the table below, and totals more than \$12M.

	Amount Per Year	20% decrease
DWSRF Base Grant	\$7,008,000	(\$1,401,600)
BIL Supplemental	\$17,995,000	(\$3,599,000)
Lead Service Lines	\$28,275,000	(\$5,655,000)
Emerging Contaminants	\$7,540,000	(\$1,508,000)
Total	\$60,818,000	(\$12,163,600)

5. If Montana lost primacy with the EPA, all drinking water funding under the Performance Partnership Grant could also be jeopardized. The jeopardized amount would be over and above that listed in the table above but is not able to be determined at this time.

	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>
	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Transfers	(\$12,163,600)	(\$12,163,600)	(\$12,163,600)	(\$12,163,600)
TOTAL Expenditures	<u>(\$12,163,600)</u>	<u>(\$12,163,600)</u>	<u>(\$12,163,600)</u>	<u>(\$12,163,600)</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
Federal Special Revenue (03)	(\$12,163,600)	(\$12,163,600)	(\$12,163,600)	(\$12,163,600)
TOTAL Funding of Exp.	<u>(\$12,163,600)</u>	<u>(\$12,163,600)</u>	<u>(\$12,163,600)</u>	<u>(\$12,163,600)</u>
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
Federal Special Revenue (03)	(\$12,163,600)	(\$12,163,600)	(\$12,163,600)	(\$12,163,600)
TOTAL Revenues	<u>(\$12,163,600)</u>	<u>(\$12,163,600)</u>	<u>(\$12,163,600)</u>	<u>(\$12,163,600)</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$0	\$0	\$0	\$0
Federal Special Revenue (03)	\$0	\$0	\$0	\$0

Effect on County or Other Local Revenues or Expenditures:

1. The DWSRF funds are used to provide low interest loans and loan forgiveness monies for community drinking water infrastructure projects across the state. Loss of this funding would significantly impact local governments.
2. As written, HB 859 would affect up to approximately 2,200 public water supplies per year.

Long-Term Impacts:

1. Once Montana lost primacy and the state's 20% of DWSRF grants were reallocated it's possible that the state may never return to the same level of funding.

NOT SIGNED BY SPONSOR

_____	_____	_____	_____
<i>Sponsor's Initials</i>	<i>Date</i>	<i>Budget Director's Initials</i>	<i>Date</i>



3-24-23