



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:

HB0825 - Provide funding to address affordable housing (Hopkins, Mike)

Status: As Introduced

- | | | |
|--|--|--|
| <input checked="" type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input checked="" type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	FY 2024 Difference	FY 2025 Difference	FY 2026 Difference	FY 2027 Difference
Expenditures:				
General Fund	\$200,000,000	\$0	\$0	\$0
State Special Revenue	\$985,000	\$1,052,500	\$1,087,500	\$1,075,000
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$206,289,687	\$4,005,625	\$2,815,625	\$1,950,000
Net Impact-General Fund Balance:	(\$200,000,000)	\$0	\$0	\$0

Description of fiscal impact: The Montana Home Ownership Means Economic Security (HOMES) Act transfers \$200 million to the Montana housing infrastructure principal account. Income from \$25 million into the Montana housing infrastructure earnings state special revenue account are to be used for planning grants and administration at the Department of Commerce. The balance would provide loans and/or financing assistance to eligible local governments for infrastructure projects. The bill establishes requirements for use of the funds, grants rulemaking authority to the Department of Commerce, and terms for the loans.

FISCAL ANALYSIS

Assumptions:

Department of Commerce

1. The Board of Investments would not require additional FTE. As an enterprise fund, the Housing infrastructure principal account interest income would offset costs of staff for hours worked on the program.
2. \$25 million of the funds in the Montana housing infrastructure principal account would be invested in the Trust Funds Investment Pool (TFIP). Current projections for TFIP are 3.94% for FY24, 4.21% for FY25, 4.35% for FY26, and 4.3% for FY27.

3. TFIP earnings on the \$25 million would be used by the Department of Commerce to provide planning grants to local and tribal governments, and to cover administrative costs.
4. To effectively administer the planning grant program would require a 1.00 FTE Planner I and associated operating costs, which include grant software, travel, supplies, and fixed costs. The department estimates administrative costs to total \$143,262 in FY 2024, \$139,962 in FY 2025, \$142,061 in FY 2026, and \$144,192 in FY 2027.
5. Based on the TFIP rates supplied by BOI the department would then anticipate \$841,738 available for grants in FY 2024, \$912,538 in FY 2025, \$945,439 in FY 2026, and \$930,808 in FY 2027.
6. The balance of \$175 million plus any unspent interest earnings of funds in the Montana housing infrastructure principal account would be invested in the Short-Term Investment Pool (STIP) until securities are purchased or loans made to eligible local governments. Current projections for STIP are 3.875% for FY24, 2.875% for FY25, 2.45% for FY26, and 2.5% for FY27.
7. Infrastructure loans and security purchases are assumed to take place equally over the four fiscal years of the fiscal note at a rate of .5%.
8. Revenue based on these assumptions would result in \$6,289,687 in earnings for FY 2024. This is made up of \$218,750 in earnings from \$43,750,000 in assumed bond issuance, plus \$5,085,937 in STIP earnings on the remainder of the funds in the principal account plus \$985,000 from the amount invested in the TFIP. Assuming an additional on quarter of the trust fund balance is issued in bonds each year and the remainder is invested in STIP, resulting revenues would be as follows in the below table:

FY	TFIP Rate	TFIP Earnings	STIP Rate	Comparison if Principal invested in STIP	BOND	Principal Account	STIP rates earned on remainder	Bonds Issued	Bond Rate Earnings	Total Revenue
2024	3.94%	\$985,000	3.875%	\$6,781,250	0.50%	\$131,250,000	\$5,085,938	\$ 43,750,000	\$218,750	\$6,289,688
2025	4.21%	\$1,052,500	2.875%	\$5,031,250	0.50%	\$87,500,000	\$2,515,625	\$ 87,500,000	\$437,500	\$4,005,625
2026	4.35%	\$1,087,500	2.450%	\$4,287,500	0.50%	\$43,750,000	\$1,071,875	\$131,250,000	\$656,250	\$2,815,625
2027	4.30%	\$1,075,000	2.500%	\$4,375,000	0.50%	\$ -	\$ -	\$175,000,000	\$875,000	\$1,950,000

9. Anything in excess of the assumed .5% would increase state special revenue into the Montana housing infrastructure principal account.

Office of the Secretary of State

10. This bill requires the Office of the Secretary of State to notify each federally recognized tribal government in Montana. There may be a minimal fiscal impact, however, the agency will absorb the costs associated with implementing this bill within its existing operating budget.

	<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>
<u>Fiscal Impact:</u>				
FTE	1.00	1.00	1.00	1.00
<u>Expenditures:</u>				
Personal Services	\$98,142	\$98,142	\$99,614	\$101,108
Operating Expenses	\$45,120	\$41,820	\$42,447	\$43,084
Equipment	\$0	\$0	\$0	\$0
Grants	\$841,738	\$912,538	\$945,439	\$930,808
Transfers	\$200,000,000	\$0	\$0	\$0
TOTAL Expenditures	\$200,985,000	\$1,052,500	\$1,087,500	\$1,075,000
<u>Funding of Expenditures:</u>				
General Fund (01)	\$200,000,000	\$0	\$0	\$0
State Special Revenue (02)	\$985,000	\$1,052,500	\$1,087,500	\$1,075,000
TOTAL Funding of Exp.	\$200,985,000	\$1,052,500	\$1,087,500	\$1,075,000
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$206,289,687	\$4,005,625	\$2,815,625	\$1,950,000
TOTAL Revenues	\$206,289,687	\$4,005,625	\$2,815,625	\$1,950,000
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$200,000,000)	\$0	\$0	\$0
State Special Revenue (02)	\$205,304,687	\$2,953,125	\$1,728,125	\$875,000

Effect on County or Other Local Revenues or Expenditures:

1. HB825 would permit eligible local governments to sell qualifying securities to the Board of Investments. As an example, if an eligible local government were to issue bonds for a water line, if the eligible local government meets the minimum 10 housing units per acre requirements and was willing to waive the impact fees associated with the housing development to take place, half of that bond could be sold to the Board of Investments at a reduced rate. A 20-year security for a AA+ issuance is approximately 3.5%. If the Board of Investments were to purchase half of that security for .5%, the blended rate would be 2%, or a 47% reduction in financing cost for the water line project.
 2. Eligible local governments may also receive loans for approved projects, again, if the housing project meets the 10 housing units per acre and is willing to waive the impact fees associated with the housing development.
 3. The Board will report on any loans or security purchases in its existing annual report to the Legislature and the Governor, which is required to be delivered by December 31 of each year.
- Montana Association of Counties and League of Cities and Towns
4. The bill would provide a positive impact by investing in infrastructure to increase housing stock in Montana counties.

Technical Notes:

1. Section 8 requires Commerce to adopt rules for planning grants, including rules that address criteria related to site-specific developments. Section 8(2)(b) ensuring readiness to proceed with the development and Section 8(2)(c) ensuring a subdivision improvement agreement do not make sense for planning grant projects like updating a growth policy or modifying zoning regulations. For instance, a local government seeking funding to update a growth policy would not be able to ensure readiness to proceed or obtain a subdivision improvements agreement for an individual, site-specific development.

MH

Sponsor's Initials

3/21/23

Date

[Signature]

Budget Director's Initials

3-21-23

Date