



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:	
HB0967 - Create child care subtrust (Buckley, Alice)	
Status:	As Amended in House Committee

<input type="checkbox"/> Significant Local Gov Impact	<input checked="" 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 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>
Expenditures:					
General Fund	\$150,000,000	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$5,922,000	\$6,246,750	\$6,401,250	\$6,322,500
Revenue:					
General Fund	\$0	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$5,922,000	\$6,246,750	\$6,401,250	\$6,322,500
Other (Trust Fund)	\$150,000,000	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance	<u><u>(\$150,000,000)</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

Description of fiscal impact: HB 967, as amended, establishes a child care sub-trust fund within the coal severance tax trust fund. No later than June 30, 2023, \$150 million is to be transferred from the general fund to the child care trust fund. Interest earnings from the child care fund are deposited monthly into the newly created child care account within the state special revenue fund. The child care account will be administered by the Department of Public Health and Human Services (DPHHS). The department will need an additional 3.0 FTEs to support the work associated with the new source of funding.

FISCAL ANALYSIS

Assumptions:

Department of Public Health and Human Services

1. There will be a new sub-trust within the coal severance tax trust fund called the child care fund. By June 30, 2023, the child care fund will receive \$150 million from the general fund.
2. Interest earnings generated from the child care fund will be transferred to a new child care account in the state special revenue fund. Money in the account is to be used by DPHHS to aid the public by helping mitigate child care costs through the provision of grants and scholarships.

- The balance in the child care fund will be invested primarily in the Montana Board of Investment’s trust fund investment pool (TFIP), with the remainder invested in the short-term investment pool (STIP). The allocation between these two investment pools is expected to be approximately 95% TFIP and 5% STIP. The child care fund is estimated to generate interest revenue of approximately \$6 million annually for the FY 2024 – FY 2027 period.

Fiscal Impact of HB 967				
(\$ millions)				
	FY 2024	FY 2025	FY 2026	FY 2027
Child Care Trust Fund Balance	\$150.00	\$150.00	\$150.00	\$150.00
TFIP Balance	\$142.50	\$142.50	\$142.50	\$142.50
STIP Balance	\$7.50	\$7.50	\$7.50	\$7.50
Weighted-Average Yield	3.9%	4.2%	4.3%	4.2%
Interest Earnings	\$5.92	\$6.25	\$6.40	\$6.32

- An additional 3.00 FTE (section supervisor, program specialist, and research analyst) will need to be hired to support the grant and subsidy work. Salary and benefits of the 3.00 new FTE positions are estimated to be \$262,959 in FY 2024 and \$263,823 in FY 2025. One-time office set up costs in FY 2024 are \$8,400, and ongoing operating costs associated with the FTE are estimated at 3% of personal services.

	<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>
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Fiscal Impact:

FTE	0.00	3.00	3.00	3.00	3.00
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Expenditures:

Personal Services	\$0	\$262,959	\$263,823	\$269,766	\$275,765
Operating Expenses	\$0	\$16,289	\$7,915	\$8,093	\$8,273
Grants	\$0	#####	#####	#####	#####
Benefits	\$0	#####	#####	#####	#####
Transfers	\$150,000,000	\$0	\$0	\$0	\$0
TOTAL Expenditures	<u>\$150,000,000</u>	<u>#####</u>	<u>#####</u>	<u>#####</u>	<u>#####</u>

Funding of Expenditures:

General Fund (01)	\$150,000,000	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	#####	#####	#####	#####
Federal Special Revenue (03)	\$0	\$0	\$0	\$0	\$0
Other -Trust Fund (09)	\$0	\$0	\$0	\$0	\$0
TOTAL Funding of Exp.	<u>\$150,000,000</u>	<u>#####</u>	<u>#####</u>	<u>#####</u>	<u>#####</u>

Revenues:

General Fund (01)	\$0	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	#####	#####	#####	#####
Federal Special Revenue (03)	\$0	\$0	\$0	\$0	\$0
Other - Trust Fund (09)	\$150,000,000		\$0	\$0	\$0
TOTAL Revenues	<u>\$150,000,000</u>	<u>#####</u>	<u>#####</u>	<u>#####</u>	<u>#####</u>

Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

General Fund (01)	#####	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0	\$0
Federal Special Revenue (03)	\$0	\$0	\$0	\$0	\$0
Other - Trust Fund (09)	\$150,000,000	\$0	\$0	\$0	\$0

MB

Sponsor's Initials

3-31-23

Date

[Signature]

Budget Director's Initials

3-30-23

Date



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?**
No.
- 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?**
Funds are directed toward a specific purpose.
- 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.
- d) **Does the need for this state special revenue provision still exist? Yes No**
It is a newly created provision that helps alleviate childcare expenses for those in need.
- e) **Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending?**
No. The direction and intended use of the new revenue is clear.
- f) **Does the dedicated revenue fulfill a continuing, legislatively recognized need?**
Yes, the imbalance between the demand and supply of childcare in the state.
- g) **How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency?**
The direction and intended use of the new revenue is clear.