



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:

HB0424 - Generally revise sustainability of state finance and provide for transfers (Jones, Llew)

Status: As Introduced

- | | | |
|--|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input 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

	<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	\$486,700,000	\$8,000,000	\$8,000,000	\$0	\$0
State Special Revenue	\$0	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000
Other	\$0	\$0	\$0	\$0	\$0
Revenue:					
General Fund	\$0	\$0	\$0	\$0	\$0
State Special Revenue	\$438,700,000	\$0	\$0	\$0	\$0
Other	\$48,000,000	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>(\$486,700,000)</u>	<u>(\$8,000,000)</u>	<u>(\$8,000,000)</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact: HB 424 increases the governor’s emergency general fund appropriation for the FY 2025 biennium by \$16 million. The bill provides for one-time-only general fund transfers totaling \$486.7 million in FY 2023. Fund balance caps for the budget stabilization reserve (BSR) fund and the fire suppression fund are increased to 12% of general fund appropriations in the second year of the biennium. The bill also changes transfer rules from the BSR fund to the general fund in the case of a projected general fund budget deficit. Excess funds in the capital development fund above necessary appropriations are capped and permitted to be used for the purpose of retiring general obligation debt and are given a statutory appropriation.

FISCAL ANALYSIS

Assumptions:

- Section 1 of HB 424 increases the amount of the governor’s emergency appropriation from \$16 million to \$32 million, temporarily. Section 14 terminates the higher appropriation on June 30, 2025. General fund

- expenditures related to declared disasters and emergencies are assumed to increase by \$8 million in each year of the 2025 biennium (see technical note #1).
2. The caps on the BSR and fire suppression funds are raised from 4.5% of all general fund appropriations in the second year of the biennium to 12%.
 3. Section 3 makes changes to the flow of excess general fund revenue under 17-7-130, MCA. It instructs that 75% of excess general fund revenue is to be first used to fill the BSR to its cap amount of 12% of second year general fund appropriations. Any remainder is then to be deposited into the capital development fund (i.e., the account established in 17-7-209, MCA) until the excess above what is needed for appropriations from the fund is equal to 12% of second year general fund appropriations. If there is excess general fund revenue leftover after the transfers to the BSR and capital development funds (section 3(4)(b)(i-ii)), then 75% of the leftover amount is retained in the general fund and 25% is deposited into the capital development fund (section 3(4)(c)(i-ii)).
 4. General fund revenue projections from the HJ 2 forecast indicate no excess general fund revenue, as defined in 17-7-130(6)(b), MCA, for any year in the FY 2023 – FY 2027 period. Thus, the changes in section 3 of HB 424 do not have a fiscal impact to the general fund, BSR fund, or capital development fund.
 5. Section 8 instructs \$486.7 million of general fund transfers to be completed by June 30, 2023. These transfers include \$184.7 million to the BSR fund, \$254 million to the fire fund, \$30 million to the state employee health care expense trust fund, \$18 million to the Office of the Commissioner of Higher Education.
 6. Allowable uses of funds held in the capital development fund is augmented in Section 5 to include retirement of general obligation debt. Excess funds above the amount needed for appropriations may be employed to reduce or eliminate outstanding general obligation bonds by way of payments toward principle, interest, premiums, and any costs or fees associated with redeeming or defeasing the bonds. Capital development funds may also be used to forego or lessen the amount of a general obligation bond issuance if such action does not result in the balance of the capital development fund from dropping below \$100 million when also taking into consideration the amount needed for appropriations from the fund.

Department of Natural Resources and Conservation

7. HB 424 provides for a one-time transfer of \$254 million on June 30, 2023, from the general fund to the fire suppression fund state special revenue account. This additional funding would be available to pay for the state's increasing fire suppression costs. In the 10-year period FY 2013 - FY 2022, several years' suppression costs were above \$50 million, with the highest annual cost at \$66 million.
8. Current law 76-13-150(9), MCA, instructs that up to \$5 million of the balance in the fire fund in excess of \$40 million, to be determined at the end of each odd-numbered fiscal year, is to be expended for the following purposes: fuel reduction and mitigation; forest restoration; grants for the purchase of fire suppression equipment for county cooperatives; forest management projects and road maintenance on federal lands; support for collaborative groups that include at least one representative of an affected county commission that is engaged with a federal forest project and for local governments engaged in litigation related to federal forest projects. Section 7 of HB 424 changes 76-13-150(9), MCA, by increasing the \$40 million threshold amount to \$100 million and the \$5 million expenditure limit to \$25 million.
9. Assuming the additional \$20 million of fire fund expenditures authorized in section 7 of HB 424 becomes available on a biennial basis, the department anticipates expenditures of \$10 million per year to support implementation of Forest Action Plan projects on state, tribal, and private lands, and Good Neighbor projects on federal lands. Personal services budget would support approximately 5-7 additional modified FTE. Operating expenses would consist primarily of contracted services to accomplish forest management goals and provide National Environmental Policy Act (NEPA) analysis and support. Capital equipment budget would allow for purchases of vehicles for field staff engaged in project implementation. Grants would be awarded for projects intended to mitigate wildfire risk through fuels reduction and other forest management activities on non-federal lands.

10. 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:

	<u>YES</u>	<u>NO</u>
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	

Fiscal Note Request – As Introduced

(continued)

	<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>
<u>Fiscal Impact:</u>					
<u>Expenditures:</u>					
Personal Services	\$0	\$500,000	\$500,000	\$500,000	\$500,000
Operating Expenses	\$0	\$14,300,000	\$14,300,000	\$6,300,000	\$6,300,000
Equipment	\$0	\$200,000	\$200,000	\$200,000	\$200,000
Grants	\$0	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000
Transfers	\$486,700,000	\$0	\$0	\$0	\$0
TOTAL Expenditures	\$486,700,000	\$18,000,000	\$18,000,000	\$10,000,000	\$10,000,000

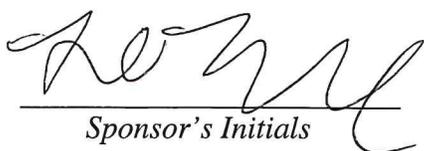
<u>Funding of Expenditures:</u>					
General Fund (01)	\$486,700,000	\$8,000,000	\$8,000,000	\$0	\$0
State Special Revenue (02)	\$0	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000
Other	\$0	\$0	\$0	\$0	\$0
TOTAL Funding of Exp.	\$486,700,000	\$18,000,000	\$18,000,000	\$10,000,000	\$10,000,000

<u>Revenues:</u>					
General Fund (01)	\$0	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$438,700,000	\$0	\$0	\$0	\$0
Proprietary Fund (06)	\$30,000,000				
University System	\$18,000,000	\$0	\$0	\$0	\$0
TOTAL Revenues	\$486,700,000	\$0	\$0	\$0	\$0

<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>					
General Fund (01)	(\$486,700,000)	(\$8,000,000)	(\$8,000,000)	\$0	\$0
State Special Revenue (02)	\$438,700,000	(\$10,000,000)	(\$10,000,000)	(\$10,000,000)	(\$10,000,000)
Other	\$48,000,000	\$0	\$0	\$0	\$0

Technical Notes:

1. If the full amount of the \$16 million increase in the governor’s emergency appropriation is not used by the end of the FY 2025 biennium, the unexpended, unencumbered balance of the appropriation is transferred to the fire suppression fund in accordance with present law.



 Sponsor's Initials

 Date



 Budget Director's Initials

2-10-23

 Date