



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 Amended in Senate Committee

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| <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	\$427,500,000	\$6,324,489	\$7,722,360	\$0	\$0
State Special Revenue	\$0	\$31,269,572	\$1,392,791	\$0	\$0
Other	\$0	\$361,478	\$1,867,639	\$0	\$0
Revenue:					
General Fund	\$0	\$0	\$0	\$0	\$0
State Special Revenue	\$377,000,000	\$31,000,000	\$0	\$0	\$0
Other	\$48,000,000	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>(\$427,500,000)</u>	<u>(\$6,324,489)</u>	<u>(\$7,722,360)</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact: HB 424, as amended, increases the governor's emergency general fund appropriation for the FY 2025 biennium by \$4 million. The bill provides for one-time-only general fund transfers totaling \$425 million in FY 2023. The fund balance cap for the budget stabilization reserve (BSR) fund is increased to 16% 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 \$20 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 \$2 million in each year of the 2025 biennium (see technical note #1).
2. The cap on the BSR fund is raised from 4.5% to 16% of all general fund appropriations in the second year of the biennium.
 3. The amended version of section 3 adds language to 17-7-130, MCA, that directs unexpended and unencumbered general fund appropriations exceeding 0.5% of total general fund appropriations for a fiscal year to be transferred to the BSR fund. If the transfer pushes the BSR over its 16% cap, then the remainder is transferred to the capital development fund.
 4. 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 16% 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 16% 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)).
 5. 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.
 6. Transfer rules directing how funds are to be taken from the BSR fund when spending reductions are authorized per 17-7-140, MCA, are changed in section 4 of the amended version of the bill. The added language prohibits a transfer from the BSR fund that would result in the fund balance falling below 6% of all general fund appropriations in the second year of the biennium.
 7. Section 6 creates a general fund statutory appropriation of \$4 million per year to the department of military affairs, beginning in FY 2024. The appropriation is void in any year with a projected general fund budget deficit.
 8. Section 8 instructs \$425 million of general fund transfers to be completed by June 30, 2023. These transfers include \$377 million to the BSR fund, \$30 million to the state self-insurance reserve fund, and \$18 million to the Office of the Commissioner of Higher Education.
 9. After the transfer of \$377 million from the general fund to the BSR fund is made by June 30, 2023, the balance of the BSR fund will be \$496 million at the beginning of FY 2024. The balance of the fund will be in excess of the 2025 biennium cap of approximately \$465 million. It is assumed the \$31 million of over-cap funds will be transferred to the capital development fund, however the actual amount, or occurrence of this transfer will be dependent upon the final budget appropriated by the legislature.
 10. 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.
 11. Section 9 creates a working group to conduct a study of the state budget process. There is \$25,000 appropriated from the general fund to the legislative fiscal division in FY 2024 for costs associated with the study.
 12. Section 13 appropriates \$2.5 million from the general fund to the office of state public defender in FY 2023 and \$175,000 from the general fund to the legislative branch in FY 2024 for changing data backup services at the Miles City data center.
 13. Section 17 contains coordination instruction with HB 587, amending section 2 of HB 424 if both HB 424 and HB 587 are passed and approved. The coordination instruction changes the definition of budget stabilization reserve in 17-7-102, MCA, to mean an amount in the budget stabilization reserve fund up to 16% of general

revenue appropriations in the second year of the biennium. “General revenue appropriations” is a newly added definition to 17-70-102, MCA, that includes all appropriations from the general fund and the school equalization and property tax account, which is provided for in section 1 of HB 587. The definition of “operating reserve” in 17-7-102, MCA, is also changed to reference general revenue appropriations.

- 14. Section 18 is further coordination instruction with HB 587 that makes amendments to 17-7-130, MCA. The caps for the budget stabilization reserve and capital development funds are made to be a percentage of the newly defined general revenue appropriations rather than general fund appropriations.
- 15. Section 19 again coordinates with HB 587. General fund balance trigger levels in 17-7-140, MCA, are amended to be a percentage of general revenue appropriations rather than general fund appropriations.
- 16. Section 20 coordinates HB 424 with HB 587 and HB 883. If all three bills are passed and approved, then 76-13-150, MCA, is amended so the calculations that determine the balance of the fire suppression fund all use “general revenue appropriations” in place of “general fund appropriations”.
- 17. Section 21 is the final coordination section. It appropriates sums of money from various sources to the office of budget and program planning if both HB 424 and HB 226 are passed and approved. The following table details these appropriations.

HB 424 Section 21 OBPP Appropriations		
Source	FY 2024	FY 2025
General fund	\$299,489	\$1,547,360
State special revenue fund	\$269,572	\$1,392,791
Federal special revenue fund	\$124,611	\$643,826
Proprietary fund	\$117,071	\$604,869
General fund for benefit of MUS	\$119,796	\$618,944
Total	\$930,539	\$4,807,790

- 18. All sections of HB 424 without specific termination dates in section 23 are effective on passage and approval.
- 19. The increase in the governor’s emergency appropriation in section 1 terminated June 30, 2025. Sections 6 and 7(3) that provide for the statutory appropriation to the department of military affairs terminate on June 30, 2027.
- 20. 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	

	<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	\$930,539	\$4,807,790	\$0	\$0
Operating Expenses	\$2,500,000	\$6,025,000	\$6,175,000	\$0	\$0
Equipment	\$0	\$0	\$0	\$0	\$0
Grants	\$0	\$0	\$0	\$0	\$0
Transfers	\$425,000,000	\$31,000,000	\$0	\$0	\$0
TOTAL Expenditures	<u>\$427,500,000</u>	<u>\$37,955,539</u>	<u>\$10,982,790</u>	<u>\$0</u>	<u>\$0</u>
<u>Funding of Expenditures:</u>					
General Fund (01)	\$427,500,000	\$6,324,489	\$7,722,360	\$0	\$0
State Special Revenue (02)	\$0	\$31,269,572	\$1,392,791	\$0	\$0
Federal Special Revenue (03)	\$0	\$124,611	\$643,826	\$0	\$0
Proprietary (06)	\$0	\$117,071	\$604,869	\$0	\$0
Other - General Fund MUS	\$0	\$119,796	\$618,944	\$0	\$0
TOTAL Funding of Exp.	<u>\$427,500,000</u>	<u>\$37,955,539</u>	<u>\$10,982,790</u>	<u>\$0</u>	<u>\$0</u>
<u>Revenues:</u>					
General Fund (01)	\$0	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$377,000,000	\$31,000,000	\$0	\$0	\$0
Proprietary Fund (06)	\$30,000,000	\$0	\$0	\$0	\$0
University System	\$18,000,000	\$0	\$0	\$0	\$0
TOTAL Revenues	<u>\$425,000,000</u>	<u>\$31,000,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

General Fund (01)	(\$427,500,000)	(\$6,324,489)	(\$7,722,360)	\$0	\$0
State Special Revenue (02)	\$377,000,000	(\$269,572)	(\$1,392,791)	\$0	\$0

Technical Notes:

1. If the full amount of the \$4 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



 Date