



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

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| Bill information: | |
| HB0881 - Generally revise economic development laws (Buttrey, Edward) | |
| Status: | As Introduced |

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|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input 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 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 |
| State Special Revenue | \$257,110 | \$257,110 | \$257,110 | \$257,110 |
| Revenue: | | | | |
| General Fund | \$0 | \$0 | (\$336,195) | (\$321,672) |
| State Special Revenue | \$0 | \$0 | \$0 | \$0 |
| Net Impact-General Fund Balance: | \$0 | \$0 | (\$336,195) | (\$321,672) |

Description of fiscal impact: HB 881 revises economic development programs at the Department of Commerce by extending the distribution of coal severance tax funds to the big sky economic development fund through June 30, 2035; redirecting interest payments and service charges or fees from the microbusiness loan program and transferring the balance of the microbusiness admin fund to the big sky economic development fund; transferring the balance of the primary sector business training account to the big sky economic development fund; transferring various defederalized funds to the big sky economic development fund; and revising certain eligibility and use requirements and distribution allocations.

FISCAL ANALYSIS

Assumptions:

Department of Commerce

- Under current law the big sky economic development fund receives 25% (12.5% of the total) of coal severance tax revenue remaining after deposits are made into the coal tax bond fund. This allocation to the big sky economic development fund is effective through June 30, 2025. Section 1 of the bill would extend the distribution through June 30, 2035. Per HJ 2 revenue estimates this would result in additional distributions of \$7,728,625 in FY 2026 and \$7,480,750 in FY 2027. TFIP yields are estimated to be 4.35% for FY 2026 and

- 4.30% for FY 2027. Total impact to the general fund is a decline in revenue of \$336,195 in FY 2026 and \$321,672 in FY 2027.
2. Sections 2 and 3 of the bill amend 17-6-407, MCA, and 17-6-409, MCA, respectively, to redirect interest received on development loans, along with any service charges or fees, received from microbusiness development corporations from the microbusiness finance program administrative account, to the economic development state special revenue account created in 90-1-205, MCA. Both accounts reside within the department and the funds previously used for administrative purposes in the microbusiness finance program administrative account will be used for a like purpose in the big sky economic development program. There is no fiscal impact to the department.
 3. Sections 5, 6, 7, 8, and 9 of the bill revise eligible recipients, uses of funds, and statutory allocations in the big sky economic development program. It is assumed funds previously used to award grants to local and tribal governments, certified regional development corporations, and economic development organizations will now be used to award grants or make loans to eligible business. There is no fiscal impact to the department.
 4. Section 10 of the bill transfers all funds from the microbusiness finance program administrative account, and the primary sector business training account, as of September 1, 2023, to the economic development state special revenue account established in 90-1-205, MCA. It is assumed any outstanding grants payable in the primary sector business training account will be closed out by September 1, 2023. Funds previously used to award grants under the primary sector business training grant program will now be used to award grants or make loans under the big sky economic development program. Funds previously used for administrative purposes in the microbusiness finance program administrative account will be used for a like purpose in the big sky economic development program. There is no fiscal impact to the department.
 5. Section 11 of the bill transfers various defederalized economic development funds to the economic development state special revenue account established in 90-1-205, MCA by September 1, 2023. Section 11(1)(a) requires the transfer of ARPA funds authorized by the economic transformation and stabilization and workforce development advisory commission in HB 632 of the 2021 legislative session, for the department, for economic development programs. These funds are assumed to be defederalized upon being lent and repaid as principal payments. No principal repayments are expected by September 1, 2023 and the bill does not establish future transfers. There will be no fiscal impact to the department.
 6. Section 11(1)(b) requires the transfer of all small business credit initiative funds authorized by ARPA and HB 632 of the 2021 legislative session. These funds are not expected to be defederalized until 2030, so no funds will be available to transfer on September 1, 2023, and the bill does not establish future transfers. There will be no fiscal impact.
 7. Section 11(1)(c) requires the transfer of all U.S. Economic Development Administration (EDA) revolving loan funds administered at the department. The balance of these funds consists of repaid principal on loans made previously and so are assumed to be defederalized. The current balance of cash and short-term investments that would be available to transfer is \$257,110. The current balance of loans outstanding will not be available for transfer unless repaid by September 1, 2023. Funds previously used to make loans under the EDA revolving loan fund will now be used to award grants or make loans under the big sky economic development program. There will be no fiscal impact to the department.

| | <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 | 0.00 | 0.00 | 0.00 | 0.00 |
| <u>Expenditures:</u> | | | | |
| Personal Services | \$0 | \$0 | \$0 | \$0 |
| Operating Expenses | \$595,709 | \$595,709 | \$595,709 | \$595,709 |
| Equipment | \$0 | \$0 | \$0 | \$0 |
| Grants | (\$595,709) | (\$595,709) | (\$595,709) | (\$595,709) |
| Transfers | \$0 | \$0 | \$0 | \$0 |
| TOTAL Expenditures | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| <u>Funding of Expenditures:</u> | | | | |
| General Fund (01) | \$0 | \$0 | \$0 | \$0 |
| State Special Revenue (02) | \$257,110 | \$257,110 | \$257,110 | \$257,110 |
| Federal Special Revenue (03) | (\$257,110) | (\$257,110) | (\$257,110) | (\$257,110) |
| TOTAL Funding of Exp. | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| <u>Revenues:</u> | | | | |
| General Fund (01) | \$0 | \$0 | (\$336,195) | (\$321,672) |
| State Special Revenue (02) | \$0 | \$0 | \$0 | \$0 |
| Federal Special Revenue (03) | \$0 | \$0 | \$0 | \$0 |
| TOTAL Revenues | <u>\$0</u> | <u>\$0</u> | <u>(\$336,195)</u> | <u>(\$321,672)</u> |
| <u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u> | | | | |
| General Fund (01) | \$0 | \$0 | (\$336,195) | (\$321,672) |
| State Special Revenue (02) | (\$257,110) | (\$257,110) | (\$257,110) | (\$257,110) |
| Federal Special Revenue (03) | \$257,110 | \$257,110 | \$257,110 | \$257,110 |

Technical Notes:

- Section 2 of the bill amends 17-6-407, MCA, by striking the requirement that money received in repayment of the principal of development loans be deposited in the microbusiness development loan account; however, the bill does not specify an alternative account where repayments of principal should be deposited.

NOT SIGNED BY SPONSOR

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|---------------------------|-------------|--|-------------|
| | |  | 3-27-23 |
| <i>Sponsor's Initials</i> | <i>Date</i> | <i>Budget Director's Initials</i> | <i>Date</i> |