



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2027 Biennium

Bill#/Title: HB0878.01: Authorize additional funding for coal trust loan program for housing

Primary Sponsor: Mark Thane Status: As Introduced

Included in the Executive Budget       Needs to be included in HB 2       Significant Local Gov Impact

Significant Long-Term Impacts       Technical Concerns       Dedicated Revenue Form Attached

### FISCAL SUMMARY

|                             | <u>FY 2026<br/>Difference</u> | <u>FY 2027<br/>Difference</u> | <u>FY 2028<br/>Difference</u> | <u>FY 2029<br/>Difference</u> |
|-----------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| <b>Expenditures</b>         |                               |                               |                               |                               |
| General Fund (01)           | \$0                           | \$0                           | \$0                           | \$0                           |
| Other                       | \$0                           | \$0                           | \$0                           | \$0                           |
| Proprietary                 | \$121,189                     | \$116,889                     | \$118,642                     | \$120,422                     |
| <b>Revenues</b>             |                               |                               |                               |                               |
| General Fund (01)           | (\$11,250)                    | (\$33,750)                    | (\$61,875)                    | (\$86,250)                    |
| Other                       | \$0                           | \$0                           | \$0                           | \$0                           |
| Proprietary                 | \$135,000                     | \$165,000                     | \$262,500                     | \$195,000                     |
| <b>Net Impact</b>           | <u>(\$11,250)</u>             | <u>(\$33,750)</u>             | <u>(\$61,875)</u>             | <u>(\$86,250)</u>             |
| <b>General Fund Balance</b> | <u>(\$11,250)</u>             | <u>(\$33,750)</u>             | <u>(\$61,875)</u>             | <u>(\$86,250)</u>             |

#### Description of fiscal impact

HB 878 increases the amount available to the Board of Housing in 17-6-308(6), MCA from \$65 million to \$115 million. This is an increase of \$50 million, to provide funding for low- and moderate-income multifamily housing loans. HB 878 also removes criteria in 90-6-137(3)(b)(v), MCA that projects funded with the loans must be subject to property taxes, except those located on tribal lands.

### FISCAL ANALYSIS

#### Assumptions

##### Department of Commerce

1. HB 878 increases authority for the Coal Trust Multifamily Homes (CTMH) program by \$50 million, for a total of \$115 million, to provide loans for low- and moderate-income housing. The actual number of loans that will be made depends upon the number of eligible projects accessing the program. The Board of Housing (BOH) would administer the program.
2. The Board of Investments (BOI) handles the fiduciary responsibility for all cash flow out and into the permanent coal tax trust fund. All funds always remain under the control of BOI. Program costs are paid from interest earned on the loans, with the remaining interest and all principal going into the permanent coal tax trust fund.
3. The net impact to the general fund is the difference between what the coal trust would have earned if the \$50 million was invested in the coal trust at the stated TFIP rate, and the "net" interest on the CTMH loans

after BOH costs are paid, plus the earnings on the remaining balance of the \$50 million not yet committed to loans and held in the Trust Fund Investment Pool (TFIP). Table 1 below illustrates the general fund impact.

4. The entire \$50 million would not be loaned out within the years covered by the fiscal note. BOH estimates that \$12 million will be loaned in 2026, \$12 million in 2027, \$18 million in FY 2028, and \$8 million in FY 2029.
5. The loans would not all be lent at the beginning of the fiscal year so an average of the outstanding balance for the year would be \$6 million for 2026; \$18 million for 2027; \$33 million for 2028; and \$46 million for 2029. It is assumed that these loans would be drawn from the permanent coal tax trust fund throughout each fiscal year, disbursing funds only when needed.
6. 90-6-137, MCA Section 2(3)(b)(iii) states “The minimum interest rate charged on a loan pursuant to this section is no less than 0.5% below the current coal trust fund investment performance, and all loans combined must at least average the current coal trust investment performance.” Under administrative rules established following passage of HB 819, BOH elected to make all CTMH loans at the coal trust fund investment performance yield, as published on BOI’s website. Table 1 reflects the interest rates proposed under HB 878.
7. BOH is authorized to take its administrative charges and a servicing fee from the interest paid by the loan recipient. The administrative charge and servicing fee are both set at 1/8 of 1% (0.125%). The servicing fee is evenly split between BOH and the loan recipient, with half of the servicing fee (0.0625%) added back to the interest rate charged on the loan.
8. BOH is authorized to charge loan applicants a fee equal to 1% of the mortgage loan amount, due at time of application.

|   | FY 2026    | FY 2027    | FY 2028    | FY 2029    |
|---|------------|------------|------------|------------|
| BOH Application Fee (1% of Loan Principal)          | \$ 120,000 | \$ 120,000 | \$ 180,000 | \$ 80,000  |
| Servicing/Admin Fee                                 | \$ 15,000  | \$ 45,000  | \$ 82,500  | \$ 115,000 |
| Total BOH Fee Revenue (Application+Servicing/Admin) | \$ 135,000 | \$ 165,000 | \$ 262,500 | \$ 195,000 |

9. BOH personal services includes 1.00 FTE program specialist to administer the program.
10. BOH operating expenses include allowances for legal expenses, materials/supplies, marketing/communications, and overhead.
11. BOH administrative costs would be paid from the application fees and the servicing & admin fees.

| Interest Revenue Impacts                                    | FY 2026            | FY 2027            | FY 2028            | FY 2029            |
|---|--------------------|--------------------|--------------------|--------------------|
| Balance if not invested in CT                               | \$ 50,000,000      | \$ 50,000,000      | \$ 50,000,000      | \$ 50,000,000      |
| TFIP Yield  | 4.38%              | 4.49%              | 4.61%              | 4.69%              |
| Earnings if earning TFIP rate                               | \$ 2,190,000       | \$ 2,245,000       | \$ 2,305,000       | \$ 2,345,000       |
| Average Unlent Coal Trust Multifamily Home Balance          | \$ 44,000,000      | \$ 32,000,000      | \$ 17,000,000      | \$ 4,000,000       |
| TFIP Yield  | 4.38%              | 4.49%              | 4.61%              | 4.69%              |
| Coal Trust earning at TFIP Yield                            | \$ 1,927,200       | \$ 1,436,800       | \$ 783,700         | \$ 187,600         |
| Loan Principal (cumulative average)                         | \$ 6,000,000       | \$ 18,000,000      | \$ 33,000,000      | \$ 46,000,000      |
| Loan Yield (TFIP + 0.0625% servicing fee)                   | 4.4425%            | 4.5525%            | 4.6725%            | 4.7525%            |
| Coal Trust Homes Loan Program Interest Earnings             | \$ 266,550         | \$ 819,450         | \$ 1,541,925       | \$ 2,186,150       |
| <b>Gross Change to General Fund Balance</b>                 | <b>\$ 3,750</b>    | <b>\$ 11,250</b>   | <b>\$ 20,625</b>   | <b>\$ 28,750</b>   |
| <b>Loan Fees</b>  |                    |                    |                    |                    |
| BOH Bank Servicing Fee (0.125%)                             | \$ 7,500           | \$ 22,500          | \$ 41,250          | \$ 57,500          |
| BOH Admin Fees (0.125%)                                     | \$ 7,500           | \$ 22,500          | \$ 41,250          | \$ 57,500          |
| Total BOH Fees  | \$ 15,000          | \$ 45,000          | \$ 82,500          | \$ 115,000         |
| <b>Net Change to General Fund Balance (interest + fees)</b> | <b>\$ (11,250)</b> | <b>\$ (33,750)</b> | <b>\$ (61,875)</b> | <b>\$ (86,250)</b> |

**Commissioner of Higher Education**

12. The proposed legislation does not change the ability for the Montana University System (MUS) to seek capital and research and development loans.
13. Additionally, the MUS does not have any outstanding loans that were created by the former Montana Board of Science and Technology Development.

**Fiscal Analysis Table**

|                                       | <u>FY 2026<br/>Difference</u> | <u>FY 2027<br/>Difference</u> | <u>FY 2028<br/>Difference</u> | <u>FY 2029<br/>Difference</u> |
|---------------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| <b><u>Fiscal Impact</u></b>           |                               |                               |                               |                               |
| FTE                                   | 1.00                          | 1.00                          | 1.00                          | 1.00                          |
| <b>TOTAL Fiscal Impact</b>            | <b>1.00</b>                   | <b>1.00</b>                   | <b>1.00</b>                   | <b>1.00</b>                   |
| <b><u>Expenditures</u></b>            |                               |                               |                               |                               |
| Personal Services                     | \$93,952                      | \$93,952                      | \$95,361                      | \$96,792                      |
| Operating Expenses                    | \$27,237                      | \$22,937                      | \$23,281                      | \$23,630                      |
| <b>TOTAL Expenditures</b>             | <b>\$121,189</b>              | <b>\$116,889</b>              | <b>\$118,642</b>              | <b>\$120,422</b>              |
| <b><u>Funding of Expenditures</u></b> |                               |                               |                               |                               |
| Other                                 | \$0                           | \$0                           | \$0                           | \$0                           |
| Proprietary                           | \$121,189                     | \$116,889                     | \$118,642                     | \$120,422                     |
| <b>TOTAL Funding of Expenditures</b>  | <b>\$121,189</b>              | <b>\$116,889</b>              | <b>\$118,642</b>              | <b>\$120,422</b>              |
| <b><u>Revenues</u></b>                |                               |                               |                               |                               |
| General Fund (01)                     | (\$11,250)                    | (\$33,750)                    | (\$61,875)                    | (\$86,250)                    |
| Other                                 | \$0                           | \$0                           | \$0                           | \$0                           |
| Proprietary                           | \$135,000                     | \$165,000                     | \$262,500                     | \$195,000                     |

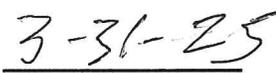
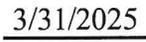
Fiscal Note Request - As Introduced

(continued)

|   |                  |                  |                  |                  |
|---|------------------|------------------|------------------|------------------|
| <b>TOTAL Revenues</b>   | <b>\$123,750</b> | <b>\$131,250</b> | <b>\$200,625</b> | <b>\$108,750</b> |
| <b>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</b> |                  |                  |                  |                  |
| Other   | \$0              | \$0              | \$0              | \$0              |
| Proprietary   | \$13,811         | \$48,111         | \$143,858        | \$74,578         |
| General Fund (01)   | (\$11,250)       | (\$33,750)       | (\$61,875)       | (\$86,250)       |

**Technical Concerns**

1. Interest earnings on the Coal Trust Tax Fund are returned to the general fund.
2. With the proposed removal of properties being subject to property taxes, the Board of Housing anticipates that the average loan amount will decrease from HB 819 average loan amounts, but the total amount lent will remain consistent.

|   |   |  |   |
|---|---|--|---|
|  |  |  |  |
| _____<br>Sponsor's Initials   | _____<br>Date   | _____<br>Budget Director's Initials  | _____<br>Date   |