



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:

SB0417 - Pay off bonded debt (Molnar, Brad)

Status: As Introduced

- Significant Local Gov Impact
 Needs to be included in HB 2
 Technical Concerns
 Included in the Executive Budget
 Significant Long-Term Impacts
 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	\$0	\$0	\$0	\$0
Revenue:					
General Fund	\$0	\$0	\$0	\$0	\$0
State Special Revenue	\$150,000,000	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance	<u>(\$150,000,000)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact: SB 417 establishes an account within the state special revenue fund known as the bond payoff account. By the end of FY 2023, \$150 million is to be transferred from the general fund to the account. Money in the account is dedicated for the purpose of paying the costs associated with redeeming and defeasing debt obligations of the state, and is subject to legislative appropriation to the Office of Budget and Program Planning, although this bill contains no appropriation. No debt will be paid off as a result of this bill. There will be an net-zero impact to general fund revenues as funds will be transferred from the general fund to the bond payoff account where no expenditures will occur, thus creating no net impact on the treasurer's cash account.

FISCAL ANALYSIS

Assumptions:

Office of Budget and Program Planning

1. There will be a general fund transfer to the state special revenue fund in FY 2023 equal to \$150 million.
2. The fund is subject to legislative appropriation to the Office of Budget and Program Planning, although SB 417 contains no appropriation, and as such no debt will be retired or paid off.

- The Office of Budget and Program Planning will submit quarterly written reports to the legislative finance committee.

	<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>					
Debt Service and Transfers	\$0	\$0	\$0	\$0	\$0
Transfers	\$150,000,000	\$0	\$0	\$0	\$0
TOTAL Expenditures	\$150,000,000	\$0	\$0	\$0	\$0
<u>Funding of Expenditures:</u>					
General Fund (01)	\$150,000,000	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0	\$0
TOTAL Funding of Exp.	\$150,000,000	\$0	\$0	\$0	\$0
<u>Revenues:</u>					
General Fund (01)	\$0	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0	\$0
TOTAL Revenues	\$0	\$0	\$0	\$0	\$0
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>					
General Fund (01)	(\$150,000,000)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0	\$0

Technical Notes:

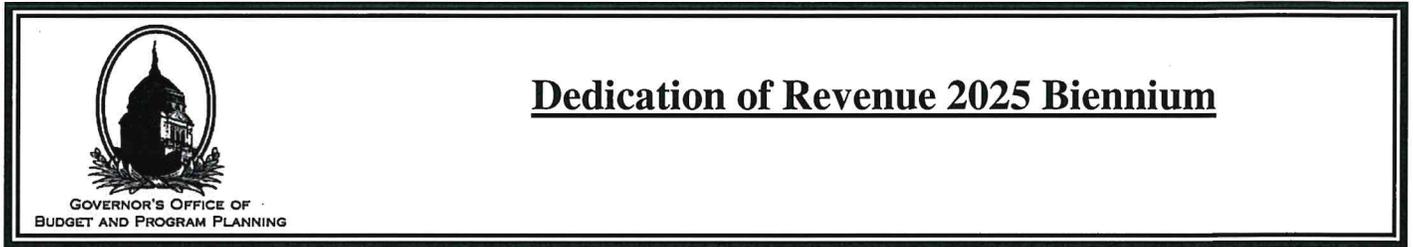
- The absence of an appropriation makes it impossible to complete the requirements of Section 1 (2)(a-c), and as result there will be no transfer of funds back to general fund per Section 1 (7), leaving the \$150 million inaccessible absent a legislative appropriation. As a result, SB 417 will never terminate, absent further legislative action.
- Section 1(5) of the bill references subsections (1)(a) through (1)(c), which do not exist. It is assumed this reference is meant to be to subsections (2)(a) through (2)(c).

NO SPONSOR SIGNATURE 2/24/23

 Sponsor's Initials Date

[Signature] 2-23-23

 Budget Director's Initials 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?**
Unknown
- 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?**
The revenue is to be used for the express purpose of clearing outstanding financial obligations of the State of Montana. Creating a state special revenue fund dedicated to providing the funds for this purpose adds clarity to state expenditures and ensures that funds are available to fulfill the objective of debt relief. However, no appropriation is included
- 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 (Explain)**
Yes, the revenue deposited into the state special revenue fund will be used for the redemption and/or defeasance of the State's outstanding financial liabilities, subject to legislative appropriation.
- e) **Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending? (Please Explain)**
No, the intended use of this revenue is clearly defined.
- f) **Does the dedicated revenue fulfill a continuing, legislatively recognized need? (Please Explain)**
Yes, the legislature acknowledges that the State should prudently manage its financial liabilities.
- g) **How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency? (Please Explain. Also, if the program/activity were general funded, could you adequately account for the program/activity?)**
The revenue is intended for use toward a specific end, outlined in the bill language establishing the state special revenue fund into which the revenue is dedicated. This creates an expenditure standard for the dedicated revenue, which should improve audit efficiency.

17-1-507. Principles of revenue dedication. (1) It is the policy of the legislature that a revenue source not be dedicated for a specific purpose unless one or more of the following conditions are met:

Fiscal Note Request – As Introduced

(continued)

(a) The person or entity paying the tax, fee, or assessment is the direct beneficiary of the specific activity that is funded by the tax, fee, or assessment; the entire cost of the activity is paid by the beneficiary; and the tax, fee, or assessment paid is commensurate with the cost of the activity, including reasonable administrative costs.

(b) There is an expectation that funds donated by a person or entity will be used for a specified purpose. Grants from private or public entities are considered donations under this subsection.

(c) There is a legal basis for the revenue dedication. A legal basis is a constitutional mandate, federal mandate, or statutory requirement in which a source of funds is designated for a specific purpose.

(d) There is a recognized need for accountability through a separation of funding from the general fund consistent with generally accepted accounting principles.

(2) The total funding for a program is a legislative budget and policy issue for which a dedicated revenue provision may not be justified if:

(a) a general fund appropriation is needed to supplement the dedicated revenue support for the program or activity; or

(b) dedicating a revenue source or portion of a revenue source diverts funds that could be considered a general revenue source.

(3) In the consideration of the general appropriations act for each biennium, the legislature shall determine the appropriateness of dedicating revenue to a program or activity under conditions described in subsection (2). The office of budget and program planning shall describe the occurrence in its presentation of the executive budget, and the legislative fiscal analyst shall highlight the issue in the budget analysis and for the appropriations subcommittee considering the revenue dedication.