



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: HB0256: Creation of Montana water trust and special revenue accounts

Primary Sponsor: Ken Walsh 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</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>	<u>FY 2028</u> <u>Difference</u>	<u>FY 2029</u> <u>Difference</u>
Expenditures				
General Fund (01)	\$50,000,000	\$50,000,000	\$0	\$0
State Special Revenue (02)	\$1,798,000	\$3,297,000	\$3,175,000	\$3,052,000
Revenues				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$1,798,000	\$3,297,000	\$3,175,000	\$3,052,000
Net Impact	<u>(\$50,000,000)</u>	<u>(\$50,000,000)</u>	<u>\$0</u>	<u>\$0</u>
General Fund Balance				

Description of fiscal impact

HB 256 creates the Montana water development state special revenue account. The Department of Natural Resources and Conservation (DNRC) will receive the interest earnings from this account. This will be split between the Conservation and Resource Development Division (CARDD) and the Water Resources Division (WRD).

FISCAL ANALYSIS

Assumptions

Department of Natural Resources and Conservation

1. The water development state special revenue account will receive a general fund transfer of \$50 million by August 1, 2026 and another \$50 million transfer by August 1, 2027.
2. The water development account will retain its interest earnings for distribution to the water storage and natural resource operations accounts within the state special revenue fund.
3. Funds in the water development account will be invested in the Montana Board of Investment's (BOI) Short-Term Investment Pool (STIP). BOI estimates STIP yields will be 3.86% in FY 2026, 3.39% in FY 2027, 3.13% in FY 2028, and 3.01% in FY 2029.
4. The water development account will begin to generate interest earnings beginning in August 2025. Total earnings are projected to be \$1.80 million in FY 2026, \$3.30 million in FY 2027, \$3.18 million in FY 2028, and \$3.05 million in FY 2029.
5. Of the interest earned from the water development account, 90% must be distributed to the water storage state special revenue account. These amounts are estimated to be \$1.62 million in FY 2026, \$2.97 million in FY 2027, \$2.86 million in FY 2028 and \$2.75 million in FY 2029. The Water Resources Division will use

Fiscal Note Request - As Introduced

(continued)

the interest earnings to support the State Water Projects Bureau in the construction, operation, rehabilitation, expansion, maintenance and modification of state-owned water storage projects.

6. The other 10% of interest earned from the water development account must be deposited in the natural resource operations account. These amounts are estimated to be \$180,000 in FY 2026, \$330,000 in FY 2027, \$320,000 in FY 2028, and \$310,000 in FY 2029. The Conservation and Resource Development Division will start receiving grant applications in FY 2027 in preparation of grant awards through HB 6 and HB 7 during the 2027 legislative session.
7. The following table shows projected balances, earnings, and transfers-out for the water development account.

Fiscal Analysis Table

Department of Natural Resources and Conservation				
	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>	<u>FY 2028</u> <u>Difference</u>	<u>FY 2029</u> <u>Difference</u>
<u>Fiscal Impact</u>				
<u>Expenditures</u>				
Operating Expenses	\$180,000	\$330,000	\$318,000	\$305,000
Transfers	\$50,000,000	\$50,000,000	\$0	\$0
Grants	\$0	\$0	\$0	\$0
Water Storage Interest for Projects	\$1,618,000	\$2,967,000	\$2,857,000	\$2,747,000
TOTAL Expenditures	<u>\$51,798,000</u>	<u>\$53,297,000</u>	<u>\$3,175,000</u>	<u>\$3,052,000</u>
<u>Funding of Expenditures</u>				
General Fund (01)	\$50,000,000	\$50,000,000	\$0	\$0
State Special Revenue (02)	\$1,798,000	\$3,297,000	\$3,175,000	\$3,052,000
TOTAL Funding of Expenditures	<u>\$51,798,000</u>	<u>\$53,297,000</u>	<u>\$3,175,000</u>	<u>\$3,052,000</u>
<u>Revenues</u>				
State Special Revenue (02)	\$1,798,000	\$3,297,000	\$3,175,000	\$3,052,000
TOTAL Revenues	<u>\$1,798,000</u>	<u>\$3,297,000</u>	<u>\$3,175,000</u>	<u>\$3,052,000</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
General Fund (01)	(\$50,000,000)	(\$50,000,000)	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0

 1/26/2025
 Sponsor's Initials Date

 1/26/2025
 Budget Director's Initials Date

