



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2027 Biennium

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

Primary Sponsor: Mark Thane Status: As Introduced - Revised

☐ 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 Difference</u>	<u>FY 2027 Difference</u>	<u>FY 2028 Difference</u>	<u>FY 2029 Difference</u>
<b>Expenditures</b>				
General Fund (01)	\$206,000	\$206,000	\$206,000	\$206,000
State Special Revenue (02)	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0
Proprietary (06)	\$121,189	\$116,889	\$118,642	\$120,422
<b>Revenues</b>				
General Fund (01)	(\$45,000)	(\$145,000)	(\$205,000)	(\$245,000)
State Special Revenue (02)	(\$13,000)	(\$13,000)	(\$13,000)	(\$13,000)
Other	\$250,000	\$250,000	\$0	\$0
<b>Net Impact</b>	<u>(\$251,000)</u>	<u>(\$351,000)</u>	<u>(\$411,000)</u>	<u>(\$451,000)</u>
<b>General Fund Balance</b>				

### 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) will 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. To determine the loan rate, 90-6-137(3)(b)(iii), MCA, 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 (8.111.806(3), ARM) 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. This rate is currently 4.20%.

4. Coal trust fund interest earnings are deposited in the general fund. The net impact to the general fund of the expanded CTMH program is determined by the difference between the interest earnings from new loans and what those balances would have earned if they remained invested at TFIP yields. General fund revenue would decline by \$45,000 in FY 2026, \$145,000 in FY 2027, \$205,000 in FY 2028, and \$245,000 in FY 2029.
5. Based on historical loan activity, the entire \$50 million will be lent by the end of FY 2027, with \$25 million being loaned in FY 2026 and \$25 million in FY 2027.
6. BOH is authorized to take its costs for administration and a servicing fee from the interest paid by the loan recipient. The administrative charge and servicing fee are both set at 0.125%. The servicing fee is evenly split between BOH and the loan recipient, with half of the servicing fee (0.0625%) charged to the loan recipient.
7. BOH is authorized to charge loan applicants a fee equal to 1% of the mortgage loan amount, due at time of application. This results in revenue of \$250,000 in FY 2026 and FY 2027.
8. BOH personal services includes 1.00 FTE program specialist to administer the program.
9. BOH operating expenses include allowances for legal expenses, materials/supplies, marketing/communications, and overhead.
10. BOH administrative costs would be paid from the application fees and the servicing and administration fees.

Impact of: HB 878 Loans				
Additional Amount Available	\$ 50,000,000			
<b>Interest Revenue Impacts</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>
Current Law amount in TFIP	\$ 50,000,000	\$ 50,000,000	\$ 50,000,000	\$ 50,000,000
TFIP Yield	4.38%	4.49%	4.61%	4.69%
TFIP Earnings	\$ 2,190,000	\$ 2,245,000	\$ 2,305,000	\$ 2,345,000
 Average Unlent Coal Trust Multifamily Home Balance	\$ 25,000,000	\$ -	\$ -	\$ -
TFIP Yield	4.38%	4.49%	4.61%	4.69%
Coal Trust earning at TFIP Yield	\$ 1,095,000	\$ -	\$ -	\$ -
 Loan Principal (cumulative average)	\$ 25,000,000	\$ 50,000,000	\$ 50,000,000	\$ 50,000,000
Loan Yield (4.20% (BOI CTMH April Rate Sheet))	4.2000%	4.2000%	4.2000%	4.2000%
Coal Trust Homes Loan Program Interest Earnings	\$ 1,050,000	\$ 2,100,000	\$ 2,100,000	\$ 2,100,000
 <b>Change in General Fund Revenue</b>	<b>\$ (45,000)</b>	<b>\$ (145,000)</b>	<b>\$ (205,000)</b>	<b>\$ (245,000)</b>
<b>BOH Expenditures (06 Proprietary)</b>				
BOH Bank Servicing Fee (0.125%)	\$ 31,250	\$ 62,500	\$ 62,500	\$ 62,500
BOH Admin Fees (0.125%)	\$ 31,250	\$ 62,500	\$ 62,500	\$ 62,500
Total BOH Fees	\$ 62,500	\$ 125,000	\$ 125,000	\$ 125,000
<b>Total Expenditures</b>	<b>\$ 62,500</b>	<b>\$ 125,000</b>	<b>\$ 125,000</b>	<b>\$ 125,000</b>
<b>BOH Revenue (06 Proprietary)</b>				
	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>
BOH Application Fee (1% of Loan Principal)	\$ 250,000	\$ 250,000	\$ -	\$ -
Servicing/Admin Fee	\$ 62,500	\$ 125,000	\$ 125,000	\$ 125,000
Total BOH Fee Revenue (Application+Servicing/Admin)	\$ 312,500	\$ 375,000	\$ 125,000	\$ 125,000
<b>Proprietary Net Revenue</b>	<b>\$ 250,000</b>	<b>\$ 250,000</b>	<b>\$ -</b>	<b>\$ -</b>

11. The bill strikes 90-6-137(3)(b)(v), MCA, that requires the projects to be subject to property taxes. Assuming \$115 million in market value of existing projects and applying the commercial tax rate of 1.89% with an average state mill rate of 101.5, the loss in state property tax revenue is estimated to be \$221,000 per year.

12. The loss in property taxes will reduce revenue to the state equalization aid and property tax relief account (95 mills) in the state special revenue fund. This loss in revenue will require backfill from the general fund. So, general fund expenditures will increase by \$206,000 per year under HB 878.

HB 878 General Fund Impact	FY 2026	FY 2027	FY 2028	FY 2029
Interest Earnings	\$ (45,000)	\$ (145,000)	\$ (205,000)	\$ (245,000)
Expenditures to backfill SEPTR revenue loss	\$ (206,000)	\$ (206,000)	\$ (206,000)	\$ (206,000)
Fiscal Impact	\$ (251,000)	\$ (351,000)	\$ (411,000)	\$ (451,000)

### Commissioner of Higher Education

13. The proposed legislation does not change the ability for the Montana University System (MUS) to seek capital and research and development loans.
14. Additionally, the MUS does not have any outstanding loans that were created by the former Montana Board of Science and Technology Development.
15. The loss in property taxes will also reduce revenue to the university system (6 mill statewide levy) account within the state special revenue fund by \$13,000 per year.

### Fiscal Analysis Table

#### Commissioner of Higher Education

	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
<b><u>Fiscal Impact</u></b>				
<b><u>Expenditures</u></b>				
<b><u>Funding of Expenditures</u></b>				
Other	\$0	\$0	\$0	\$0
<b><u>Revenues</u></b>				
State Special Revenue (02)	(\$13,000)	(\$13,000)	(\$13,000)	(\$13,000)
<b>TOTAL Revenues</b>	<b>(\$13,000)</b>	<b>(\$13,000)</b>	<b>(\$13,000)</b>	<b>(\$13,000)</b>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u></b>				
Other	\$0	\$0	\$0	\$0
State Special Revenue (02)	(\$13,000)	(\$13,000)	(\$13,000)	(\$13,000)

#### Department of Commerce

	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
<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
Transfers	\$206,000	\$206,000	\$206,000	\$206,000
<b>TOTAL Expenditures</b>	<b>\$327,189</b>	<b>\$322,889</b>	<b>\$324,642</b>	<b>\$326,422</b>
<b><u>Funding of Expenditures</u></b>				
General Fund (01)	\$206,000	\$206,000	\$206,000	\$206,000
Other	\$0	\$0	\$0	\$0
Proprietary (06)	\$121,189	\$116,889	\$118,642	\$120,422

## Fiscal Note Request - As Introduced - Revised

(continued)

<b>TOTAL Funding of Expenditures</b>	<b>\$327,189</b>	<b>\$322,889</b>	<b>\$324,642</b>	<b>\$326,422</b>
<b>Revenues</b>				
General Fund (01)	(\$45,000)	(\$145,000)	(\$205,000)	(\$245,000)
Other	\$250,000	\$250,000	\$0	\$0
<b>TOTAL Revenues</b>	<b>\$205,000</b>	<b>\$105,000</b>	<b>(\$205,000)</b>	<b>(\$245,000)</b>
<b>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</b>				
General Fund (01)	(\$251,000)	(\$351,000)	(\$411,000)	(\$451,000)
Other	\$250,000	\$250,000	\$0	\$0
Proprietary (06)	(\$121,189)	(\$116,889)	(\$118,642)	(\$120,422)

## STATEWIDE SUMMARY

	<b>FY 2026 Difference</b>	<b>FY 2027 Difference</b>	<b>FY 2028 Difference</b>	<b>FY 2029 Difference</b>
<b>Fiscal Impact</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>Expenditures</b>				
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General Fund (01)	\$206,000	\$206,000	\$206,000	\$206,000
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<b>Revenues</b>				
General Fund (01)	(\$45,000)	(\$145,000)	(\$205,000)	(\$245,000)
State Special Revenue (02)	(\$13,000)	(\$13,000)	(\$13,000)	(\$13,000)
Other	\$250,000	\$250,000	\$0	\$0
<b>TOTAL Revenues</b>	<b>\$192,000</b>	<b>\$92,000</b>	<b>(\$218,000)</b>	<b>(\$258,000)</b>
<b>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</b>				
General Fund (01)	(\$251,000)	(\$351,000)	(\$411,000)	(\$451,000)
Other	\$250,000	\$250,000	\$0	\$0
Proprietary (06)	(\$121,189)	(\$116,889)	(\$118,642)	(\$120,422)
State Special Revenue (02)	(\$13,000)	(\$13,000)	(\$13,000)	(\$13,000)

NOT SIGNED BY SPONSOR

Sponsor's Initials

Date



Budget Director's Initials

4/8/2025

Date