



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2027 Biennium

Bill#/Title: SB0405.01 R: Provide additional funding for the housing Montana fund

Primary Sponsor: Dave Fern 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</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>
<b>Expenditures</b>				
General Fund (01)	\$50,000,000	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0
Proprietary	\$121,189	\$116,889	\$118,642	\$120,422
<b>Revenues</b>				
General Fund (01)	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0
Proprietary	\$51,957,200	\$1,880,000	\$2,020,200	\$2,040,000
<b>Net Impact</b>	<u>(\$50,000,000)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>General Fund Balance</b>				

### Description of fiscal impact

SB 405 transfers \$50 million from the general fund to the housing Montana fund, provided for in 90-6-133, MCA, to provide funding for low- and moderate-income housing loans. Section 2 of the bill requires the Department of Commerce, Montana Board of Housing, to review and update administrative rules for the program, with amendments to rules adopted before the 70<sup>th</sup> Legislative Session.

### FISCAL ANALYSIS

#### Assumptions

1. SB 405 new Section 1 directs \$50 million from the general fund to be transferred to the housing Montana fund 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 statute for the housing Montana fund was established in 1999 and provides flexibility for a range of eligible affordable housing uses, listed in 90-6-134, MCA.
3. The entire \$50 million would 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.
4. Current administrative rules for the housing Montana fund, contained in 8.111.506 ARM, set loan interest rates based on the income targeting of the project. The department estimates most projects would serve households between 51% and 80% of the applicable area median income, resulting in a 4.00% interest rate.

- a. not less than 2% for a project that is for households of 30% or less of median income in the area;
  - b. not less than 3% for a project that is for households between 31% and 50% of median income in the area;
  - c. not less than 4% for a project that is for households between 51% and 80% of median income in the area;
  - d. not less than 6% for a project that is for households between 81% and 95% of median income in the area; and
  - e. a rate blended from those rates provided for in (1)(c)(i), (ii), (iii), and (iv) for a project that contains units for different area median income household groups.
5. Per 90-6-133, MCA, interest and principal on loans from the fund must be repaid to the fund, and interest income generated by investment of the principal of the fund is retained in the fund. Interest earnings and repaid principal would be used to make future loans depending on demand.
  6. The 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% (0.00125). The servicing fee is evenly split between BOH and the loan recipient, with half of the servicing fee (0.00625) added back to the interest rate charged on the loan.
  7. BOH is authorized to charge loan applicants a fee equal to 1% of the mortgage loan amount, due at the 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
<b>Total BOH Revenue</b>	<b>\$ 135,000</b>	<b>\$ 165,000</b>	<b>\$ 262,500</b>	<b>\$ 195,000</b>

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 indirect rate to the department's centralized internal service fund.
10. Total BOH administrative costs would be \$121,189 in FY 2026, \$116,889 in FY 2027, \$118,642 in FY 2028, and \$120,422 in FY 2029. Administrative costs would be paid from application and servicing fees.

Impact of SB405				
Interest Revenue Impacts	FY 2026	FY 2027	FY 2028	FY 2029
Transfer Out	\$ (50,000,000)			
Gross Change to General Fund Revenue	\$ (50,000,000)	\$ -	\$ -	\$ -
Transfer In	\$ 50,000,000			
Average Unlent Housing Montana Fund Balance	\$ 44,000,000	\$ 32,000,000	\$ 17,000,000	\$ 4,000,000
STIP Yield	3.630%	3.250%	3.060%	3.000%
Housing MT Fund STIP Earnings	\$ 1,597,200	\$ 1,040,000	\$ 520,200	\$ 120,000
Loan Principal (cumulative average)	\$ 6,000,000	\$ 18,000,000	\$ 33,000,000	\$ 46,000,000
Loan Yield (Expected Average Loan Rate)	4.0000%	4.0000%	4.0000%	4.0000%
Housing MT Fund Loan Interest Earnings	\$ 240,000	\$ 720,000	\$ 1,320,000	\$ 1,840,000
Gross Housing MT Fund Interest Earnings (STIP + Loan Interest)	\$ 1,837,200	\$ 1,760,000	\$ 1,840,200	\$ 1,960,000
Loan Fees				
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
Net Housing MT Fund Interest Earnings (Interest - Fees)	\$ 1,822,200	\$ 1,715,000	\$ 1,757,700	\$ 1,845,000
	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
Total Revenue (Interest + Total BOH Fees)	\$ 1,957,200	\$ 1,880,000	\$ 2,020,200	\$ 2,040,000
Average Spend Down by FY Calc:	FY 2026	FY 2027	FY 2028	FY 2029
Cummulative Average Outstanding Balance	6,000,000	18,000,000	33,000,000	46,000,000
Total Loans Closed per Fiscal Year	12,000,000	12,000,000	18,000,000	8,000,000
Total Grants Closed per Fiscal Year	-	-	-	-
Total Funds used per year	12,000,000	12,000,000	18,000,000	8,000,000

## Fiscal Analysis Table

	<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>
<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	\$50,000,000	\$0	\$0	\$0
<b>TOTAL Expenditures</b>	<b>\$50,121,189</b>	<b>\$116,889</b>	<b>\$118,642</b>	<b>\$120,422</b>
<b><u>Funding of Expenditures</u></b>				
General Fund (01)	\$50,000,000	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0
Proprietary	\$121,189	\$116,889	\$118,642	\$120,422
<b>TOTAL Funding of Expenditures</b>	<b>\$50,121,189</b>	<b>\$116,889</b>	<b>\$118,642</b>	<b>\$120,422</b>
<b><u>Revenues</u></b>				
Other	\$0	\$0	\$0	\$0
Proprietary	\$51,957,200	\$1,880,000	\$2,020,200	\$2,040,000
<b>TOTAL Revenues</b>	<b>\$51,957,200</b>	<b>\$1,880,000</b>	<b>\$2,020,200</b>	<b>\$2,040,000</b>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u></b>				
General Fund (01)	(\$50,000,000)	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0
Proprietary	\$51,836,011	\$1,763,111	\$1,901,558	\$1,919,578



Sponsor's Initials

3/18/25

Date



Budget Director's Initials

3/17/2025

Date