



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: HB0657.01: Allow municipalities to review certain water and sewer systems

Primary Sponsor: Steve Gist

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)	\$26,585,047	\$26,585,047	\$26,585,047	\$26,585,047
State Special Revenue (02)	\$0	\$0	\$0	\$0
Federal Special Revenue (03)	\$0	\$0	\$0	\$0
Revenues				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	(\$693,132)	(\$693,132)	(\$693,132)	(\$693,132)
Federal Special Revenue (03)	(\$25,891,915)	(\$25,891,915)	(\$25,891,915)	(\$25,891,915)
Net Impact	<u>(\$26,585,047)</u>	<u>(\$26,585,047)</u>	<u>(\$26,585,047)</u>	<u>(\$26,585,047)</u>
General Fund Balance				

Description of fiscal impact

HB 657 would cause the Department of Environmental Quality (DEQ) to lose primacy over its Safe Drinking Water Act programs. DEQ would lose all associated federal funding related to the Safe Drinking Water Act, including the state revolving fund.

FISCAL ANALYSIS

Assumptions

Department of Environmental Quality

- DEQ will no longer have primacy for Safe Drinking Water Act programs, because HB 657 would remove the assurance that drinking water standards are being met by public water supplies.
- HB 657 indicates that DEQ is still responsible for environmental regulation but risks the loss of both federal and state funding because without primacy, fees can't be collected.
- DEQ used actual expenditures over the last 5.6 years, to calculate the estimated loss over the next two biennium.

Fiscal Analysis Table

Department of Environmental Quality

	<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>
Fiscal Impact				

Expenditures

Personal Services	\$4,293,349	\$4,293,349	\$4,293,349	\$4,293,349
Operating Expenses	\$8,974,139	\$8,974,139	\$8,974,139	\$8,974,139
Transfers	\$13,317,559	\$13,317,559	\$13,317,559	\$13,317,559
TOTAL Expenditures	\$26,585,047	\$26,585,047	\$26,585,047	\$26,585,047

Funding of Expenditures

General Fund (01)	\$26,585,047	\$26,585,047	\$26,585,047	\$26,585,047
TOTAL Funding of Expenditures	\$26,585,047	\$26,585,047	\$26,585,047	\$26,585,047

Revenues

State Special Revenue (02)	(\$693,132)	(\$693,132)	(\$693,132)	(\$693,132)
Federal Special Revenue (03)	(\$25,891,915)	(\$25,891,915)	(\$25,891,915)	(\$25,891,915)
TOTAL Revenues	(\$26,585,047)	(\$26,585,047)	(\$26,585,047)	(\$26,585,047)

Net Impact to Fund Balance (Revenue minus Funding of Expenditures)

General Fund (01)	(\$26,585,047)	(\$26,585,047)	(\$26,585,047)	(\$26,585,047)
State Special Revenue (02)	(\$693,132)	(\$693,132)	(\$693,132)	(\$693,132)
Federal Special Revenue (03)	(\$25,891,915)	(\$25,891,915)	(\$25,891,915)	(\$25,891,915)

Effect on County or Other Local Revenues or Expenditures

1. Loss of the state revolving fund will increase municipality expenses for public water systems because they can no longer get low-cost loans through the state revolving fund.
2. Some drinking water upgrade projects cannot be funded by other means.

Significant Long-Term Impacts

1. Federal and state special revenue funds would be lost due to DEQ losing primacy of Safe Drinking Water Act programs.
2. The State of Montana would be required to identify alternative funding for Safe Drinking Water projects.

Sponsor's Initials_____
Date


Budget Director's Initials

3/5/2025

Date