

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 SU	JMMARY				
		FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference		
Expenditures							
General Fund (0	1)	\$50,000,000	\$50,000,000	\$0	\$0		
State Special Re	venue (02)	\$1,798,000	\$3,297,000	\$3,175,000	\$3,052,000		
Revenues							
General Fund (0	1)	\$0	\$0	\$0	\$0		
State Special Re	venue (02)	\$1,798,000	\$3,297,000	\$3,175,000	\$3,052,000		
Net Impact		(\$50,000,000)	(\$50,000,000)	\$0	\$0		
General Fund B	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

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- 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 a	and Conservation			
	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
Fiscal Impact				
Expenditures				
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	\$51,798,000	\$53,297,000	\$3,175,000	\$3,052,000
Funding of 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
TOTAL Funding of Expenditures	\$51,798,000	\$53,297,000	\$3,175,000	\$3,052,000
Revenues				
State Special Revenue (02)	\$1,798,000	\$3,297,000	\$3,175,000	\$3,052,000
TOTAL Revenues	\$1,798,000	\$3,297,000	\$3,175,000	\$3,052,000
Net Impact to Fund Balance (Rever	ue minus Funding	of Expenditures)	-	
General Fund (01)	(\$50,000,000)	(\$50,000,000)	\$0	\$0
State Special Revenue (02)	\$0	<u>\$0</u>	\$0	\$0

Sponsor's Initials

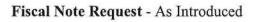
Date

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Budget Director's Initials

1/26/2025

Date



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