



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: **HB0945.01: Create the early childhood education and child care infrastructure grant program**

Primary Sponsor: Katie Sullivan

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 2025</u> <u>Difference</u>	<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)	\$10,000,000	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$1,949,821	\$2,797,743	\$2,801,301	\$1,951,389
Revenues					
General Fund (01)	\$0	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$10,000,000	\$0	\$0	\$0	\$0
Net Impact	<u>(\$10,000,000)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
General Fund Balance					

Description of fiscal impact

HB 945 transfers \$10 million from the general fund to establish an early childhood education and child care infrastructure grant program at the Department of Commerce.

FISCAL ANALYSIS

Assumptions

Department of Commerce

- HB 945 transfers \$10 million from the general fund to a state special revenue account administered by the department and appropriates the \$10 million to the department. 20% of the \$10 million can be used for administrative costs.
- It is assumed the full \$10 million, less administrative costs not exceeding 20%, will be awarded as grants to licensed or registered child care facilities and school districts.
- Section 5 establishes match requirements of at least \$1 in value for each \$1 of the grant, for grants of \$50,000 or more.
- Section 6 sets the maximum grant amount at \$500,000 for an individual project. However, based on the match requirement and the limited availability of local funding, it is estimated that the average grant amount will be \$58,000. Taking into account the estimated administrative costs over the life of the program, the amount available for grants would be \$8.5 million. The number of grants awarded would be roughly 147 (\$8.5M / \$58,000).
- The bill calls for the department to adopt guidelines, receive proposals, and review applications for the grants. Before disbursing funds, the department will verify match and enter into an agreement with each grantee.

6. The department will coordinate with the Department of Public Health and Human Services (DPHHS) to provide planning and implementation technical assistance.
7. Given the match requirement, and the time it takes to establish guidelines, request and receive applications, and draft the contracts, it is estimated that the department would open the application process in FY 2026. To prioritize applications to meet Section 9, grant cycles will be used to award 20% of the grants in FY 2026, 30% in each FY 2027 and FY 2028, and 20% in FY 2029.
8. The department will track the outcomes of the projects making sure all requirements of the grant agreement are satisfied.
9. The appropriation provided in section 10 of the bill is authorized through June 30, 2031. Section 8 states the grants are to be disbursed on a reimbursement basis. It is assumed grants awarded in the 2027 and 2029 biennia would continue to be disbursed and administered through the 2031 biennium.
10. Based on existing grant programs, the workload required to perform these duties described in the bill for 143 grant awards would require the equivalent of 2.00 FTE, and associated operating costs such as travel, supplies, and overhead. The resulting administrative expenses would be \$242,778 in FY 2026, \$237,178 in FY 2027, \$240,736 in FY 2028, and \$244,347 in FY 2029. Additional administrative expenses totaling \$499,744 would be incurred in the 2031 biennium as grants continue to be disbursed and administered for the duration of the program.

Department of Health and Human Services

11. DPHHS will assign a person to provide Commerce with ongoing data reports and technical assistance. These activities are already established within the department and will not have a significant impact on the department.

Secretary of State's Office

12. HB 945 requires the Office of the Secretary of State to notify each federally recognized tribal government in Montana. While there may be a minimal fiscal impact, the Office of the Secretary of State will absorb the costs associated with implementing this bill within its existing operating budget.

Fiscal Analysis Table

	FY 2025 Difference	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
<u>Fiscal Impact</u>					
FTE	0.00	2.00	2.00	2.00	2.00
TOTAL Fiscal Impact	0.00	2.00	2.00	2.00	2.00
<u>Expenditures</u>					
Personal Services	\$0	\$187,904	\$187,904	\$190,723	\$193,583
Operating Expenses	\$0	\$54,874	\$49,274	\$50,013	\$50,763
Transfers	\$10,000,000	\$0	\$0	\$0	\$0
Grants	\$0	\$1,707,043	\$2,560,565	\$2,560,565	\$1,707,043
TOTAL Expenditures	\$10,000,000	\$1,949,821	\$2,797,743	\$2,801,301	\$1,951,389
<u>Funding of Expenditures</u>					
General Fund (01)	\$10,000,000	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$1,949,821	\$2,797,743	\$2,801,301	\$1,951,389
TOTAL Funding of Expenditures	\$10,000,000	\$1,949,821	\$2,797,743	\$2,801,301	\$1,951,389
<u>Revenues</u>					
State Special Revenue (02)	\$10,000,000	\$0	\$0	\$0	\$0
TOTAL Revenues	\$10,000,000	\$0	\$0	\$0	\$0

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

General Fund (01)	(\$10,000,000)	\$0	\$0	\$0	\$0
State Special Revenue (02)	<u>\$10,000,000</u>	<u>(\$1,949,821)</u>	<u>(\$2,797,743)</u>	<u>(\$2,801,301)</u>	<u>(\$1,951,389)</u>

Technical Concerns

1. The bill effective date is July 1, 2025, however, the state treasurer is directed to transfer the specified funding by July 1, 2025. These dates provide a possible conflict as the dates imply that the transfer should occur in FY 2025, but the bill is not in effect until FY 2026.

NOT SIGNED BY SPONSOR

Sponsor's Initials

Date



Budget Director's Initials

4/4/2025

Date