



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: **HB0941.01: Revise state finance laws related to ARPA interest and the coal trust fund**

Primary Sponsor: Anthony Nicastro 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 Difference</u> | <u>FY 2026 Difference</u> | <u>FY 2027 Difference</u> | <u>FY 2028 Difference</u> | <u>FY 2029 Difference</u> |
|------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Expenditures | | | | | |
| General Fund (01) | \$0 | \$100 | \$0 | \$0 | \$0 |
| Federal Special Revenue (03) | \$46,100,000 | \$0 | \$0 | \$0 | \$0 |
| Other | \$0 | \$0 | \$0 | \$0 | \$0 |
| Revenues | | | | | |
| General Fund (01) | \$0 | \$2,000,000 | \$2,100,000 | \$2,100,000 | \$2,200,000 |
| Federal Special Revenue (03) | \$0 | \$0 | \$0 | \$0 | \$0 |
| Other | \$0 | \$0 | \$0 | \$0 | \$0 |
| Permanent Trust (09) | \$46,100,000 | \$0 | \$0 | \$0 | \$0 |
| Net Impact | <u>\$0</u> | <u>\$1,999,900</u> | <u>\$2,100,000</u> | <u>\$2,100,000</u> | <u>\$2,200,000</u> |
| General Fund Balance | <u>\$0</u> | <u>\$1,999,900</u> | <u>\$2,100,000</u> | <u>\$2,100,000</u> | <u>\$2,200,000</u> |

Description of fiscal impact

HB 941 transfers ARPA interest earnings from the Governor's Office to the coal severance tax permanent trust fund. The higher balance in the coal permanent fund increases interest earnings which translates to an increase in general fund revenue of about \$2 million per year.

FISCAL ANALYSIS

Assumptions

1. HB 941 instructs the state treasurer to transfer all interest earned on American Rescue Plan Act (ARPA) funds to the coal severance tax permanent trust fund within 10 days following the passage and approval of the bill.
2. As of 3/28/2025, \$82.2 million in interest has been earned, \$36.1 million of which has been spent on state agency projects. This leaves \$46.1 million available to transfer to the coal tax permanent fund.
3. The transfer to the coal tax permanent fund will be invested fully in the Montana Board of Investment's Trust Fund Investment Pool (TFIP). The yield on TFIP holdings is projected to be 4.38% in FY 2026, 4.49% in FY 2027, 4.61% in FY 2028, and 4.69% in FY 2029. Coal tax permanent fund interest earnings will increase by \$2 million in FY 2026, \$2.1 million in FY 2027, \$2.1 million in FY 2028, and \$2.2 million in FY 2029. Interest earnings from the coal tax permanent fund are deposited in the general fund.

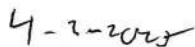
4. Section 3(1) has coordinating language that will remove ARPA interest appropriation from the Governor's Office of Budget and Program Planning (OBPP) effective for FY 2026 if both HB 941 and HB 4 are passed and approved.
5. Section 3(2) has coordinating language that directs the ARPA interest amount to the coal endowment regional water system fund within the coal tax trust fund if HB 941 is passed and approved and SB 90 is not passed and approved.
6. The Department of Revenue will receive \$100 of general fund appropriation to implement this act in fiscal year 2026.

Fiscal Analysis Table

| | <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> |
|--|---|---|---|---|---|
| <u>Fiscal Impact</u> | | | | | |
| <u>Expenditures</u> | | | | | |
| Operating Expenses | \$0 | \$100 | \$0 | \$0 | \$0 |
| Transfers | \$46,100,000 | \$0 | \$0 | \$0 | \$0 |
| TOTAL Expenditures | \$46,100,000 | \$100 | \$0 | \$0 | \$0 |
| <u>Funding of Expenditures</u> | | | | | |
| General Fund (01) | \$0 | \$100 | \$0 | \$0 | \$0 |
| Federal Special Revenue (03) | \$46,100,000 | \$0 | \$0 | \$0 | \$0 |
| TOTAL Funding of Expenditures | \$46,100,000 | \$100 | \$0 | \$0 | \$0 |
| <u>Revenues</u> | | | | | |
| General Fund (01) | \$0 | \$2,000,000 | \$2,100,000 | \$2,100,000 | \$2,200,000 |
| Other | \$0 | \$0 | \$0 | \$0 | \$0 |
| Permanent Trust (09) | \$46,100,000 | \$0 | \$0 | \$0 | \$0 |
| TOTAL Revenues | \$46,100,000 | \$2,000,000 | \$2,100,000 | \$2,100,000 | \$2,200,000 |
| <u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u> | | | | | |
| General Fund (01) | \$0 | \$1,999,900 | \$2,100,000 | \$2,100,000 | \$2,200,000 |
| Federal Special Revenue (03) | (\$46,100,000) | \$0 | \$0 | \$0 | \$0 |
| Other | \$0 | \$0 | \$0 | \$0 | \$0 |
| Permanent Trust (09) | \$46,100,000 | \$0 | \$0 | \$0 | \$0 |



Sponsor's Initials



Date



Budget Director's Initials

4/7/2025

Date