



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:

HB0927 - Authorize additional authority for coal trust housing loans (Regier, Matt)

Status: As Amended in House Committee

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2023</u> <u>Difference</u>	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
Expenditures:					
General Fund	\$115,000,000	\$1,000	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0	\$0
Proprietary	\$0	\$116,041	\$113,241	\$115,842	\$118,527
Revenue:					
General Fund	\$0	(\$221,688)	\$1,009,050	\$1,778,075	\$1,735,338
State Special Revenue	\$0	\$0	\$0	\$0	\$0
Trust Fund	\$115,000,000	\$0	\$0	\$0	\$0
Proprietary	\$0	\$31,250	\$125,000	\$312,500	\$593,750
Net Impact-General Fund Balance:	<u>(\$115,000,000)</u>	<u>(\$222,688)</u>	<u>\$1,009,050</u>	<u>\$1,778,075</u>	<u>\$1,735,338</u>

Description of fiscal impact: HB 927 transfers \$115 million from the general fund to the coal severance tax permanent fund to provide funding for low- and moderate-income multifamily housing loans.

FISCAL ANALYSIS

Assumptions:

- HB 16 passed by the 2019 legislature made \$15 million from the permanent coal tax trust available to fund loans for low- and moderate-income housing under the Coal Trust Multifamily Homes (CTMH) program.
- By April 2020, the Board of Housing approved preliminary loan commitments to 7 projects, comprising 252 rental homes. As of April 2023, financing for six projects has closed. The final project closing is pending with USDA-RD. These rental homes are in Belt, Cascade, Havre, Livingston, Helena, and Joliet/Laurel. There is approximately \$804K fund balance remaining from the \$15 million allocation.
- HB 927 new Section 3 directs \$115 million from the general fund to be transferred to the coal severance tax permanent fund, for a total of \$130 million 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.
4. The Board of Investments (BOI) handles the fiduciary responsibility for all cash flow out and into the permanent coal tax trust fund. All funds always remain under the control of BOI. Program costs are paid from interest earned on the loans, with the remaining interest and all principal going into the permanent coal tax trust fund.
 5. The net impact to the general fund is the difference between what the general funds would have earned invested in the Short-Term Investment Pool (STIP), and the “net” interest on the CTMH loans after BOH costs are paid plus the earnings on the balance of the \$115 million not yet committed to loans and held in the Trust Fund Investment Pool (TFIP). Since the fund source for the program is a one-time general fund infusion into the coal severance tax permanent fund (versus funds being authorized directly from the permanent coal tax trust fund under HB 16 in the 2019 session or HB 546 proposed in the 2023 session), the foregone yield on the \$115 million general fund appropriation is the projected STIP yield, not the TFIP yield. This is because general fund balances are held in the Treasury Cash Account, which invests primarily in the STIP. Table 1 below illustrates the general fund impact.
 6. BOH anticipates \$15 million will be obligated (preliminary loan commitments approved by the Board of Housing) for CTMH loans in FY 2024, \$20 million obligated in FY 2025, and \$25 million obligated in each year FY 2026 and FY 2027. By FYE 2027, BOH estimates a total of \$85 million of the \$115 million will be obligated for CTMH loans.
 7. BOH anticipates closing \$5 million loaned in FY 2024, \$10 million in FY 2025, \$20 million in FY 2026, and \$25 million in FY 2027. By FYE 2027, BOH estimates closed CTMH loans will reach \$60 million of the \$115 million.
 8. CTMH loans would not all be lent at the beginning of the fiscal year. BOH estimates the average cumulative outstanding loan balance will be \$2.5 million for FY 2024, \$10 million by FYE 2025, \$25 million by FYE 2026, and \$47.5 million by FYE 2027.
 9. It is assumed that CTMH loans would be drawn from the permanent coal tax trust fund throughout each fiscal year, disbursing funds only when needed.
 10. HB 927 Section 2(3)(b)(iii), as amended states, “the minimum interest rate charged on a loan pursuant to this section is 0.5% more than the interest rate charged for a loan funded by the housing Montana fund provided in 90-6-133.” Table 2 below provides the interest rates charged for housing Montana fund loans. Table 3 reflects interest rates charged for CTMH loans made under the initial \$15 million pursuant to HB 16. Table 4 reflects the interest rates proposed under HB 927, as amended.
 11. BOH anticipates projects for future CTMH loans will target 31-50% and 51-80% AMI households, with resulting average blended rate of 4.0625%.
 12. 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 (0.000625) added back to the interest rate charged on the loan.
 13. BOH is authorized to charge loan applicants a fee equal to 1% of the mortgage loan amount, due at time of application.

	FY 2024	FY 2025	FY 2026	FY 2027
BOH Application Fee (1% of Loan Principal)	\$ 25,000	\$ 100,000	\$ 250,000	\$ 475,000
Servicing/Admin Fee	\$ 6,250	\$ 25,000	\$ 62,500	\$ 118,750
Total BOH revenue	\$ 31,250	\$ 125,000	\$ 312,500	\$ 593,750

14. Pursuant to HB 927 Section 2(3)(ii), loans must be in first lien position and may not exceed 95% of total development costs. CHMH loans are anticipated to be uninsured loans.
15. Pursuant to HB 927 Section 2(3)(b)(v), funded projects must be subject to property taxes.

16. BOH Personal Services includes 1 FTE (Program Specialist 2) to conduct loan underwriting and other duties to administer the program.
17. BOH Operating Expenses include allowances for legal expenses, materials/supplies, marketing/communications, and indirect rate to Department of Commerce Director's Office.

Table 1: Net General Fund Impact

General Fund Impact of HB 927				
Interest Revenue Impacts	FY 2024	FY 2025	FY 2026	FY 2027
Change to General Fund Balance	(\$115,000,000)	(\$115,000,000)	(\$115,000,000)	(\$115,000,000)
STIP Yield	4.130%	3.298%	2.687%	2.619%
Change in General Fund STIP Earnings*	(\$4,749,500)	(\$3,792,700)	(\$3,090,050)	(\$3,011,850)
Change to Permanent Fund TFIP Balance	\$112,500,000	\$105,000,000	\$90,000,000	\$67,500,000
TFIP Yield	3.940%	4.210%	4.350%	4.350%
Change in Permanent Fund TFIP Earnings	\$4,432,500	\$4,420,500	\$3,915,000	\$2,936,250
Change to Permanent Fund Loan Balance	\$2,500,000	\$10,000,000	\$25,000,000	\$47,500,000
Loan Yield (3.5% + 0.5% + 0.0625% servicing fee)	4.0625%	4.0625%	4.0625%	4.0625%
Change in Permanent Fund Loan Earnings	\$101,563	\$406,250	\$1,015,625	\$1,929,688
Gross Change to General Fund Revenue	(\$215,438)	\$1,034,050	\$1,840,575	\$1,854,088
Loan Costs				
BOH Bank Servicing Fee (0.125%)	\$3,125	\$12,500	\$31,250	\$59,375
BOH Admin Costs (0.125%)	\$3,125	\$12,500	\$31,250	\$59,375
BOH Foreclosure Fees	\$0	\$0	\$0	\$0
Total BOH Costs	\$6,250	\$25,000	\$62,500	\$118,750
Net Change to General Fund Revenue	(\$221,688)	\$1,009,050	\$1,778,075	\$1,735,338

* Via holdings in the Treasury Cash Account

Table 2: Housing Montana Fund –Interest Rate and Servicing Fee Table per 8.111.506 ARM

Rate*	Loan Recipient Servicing Fee	Total	Income Targeting
Not less than 2.00%	0.0%	2.00%	30% or less AMI households
Not less than 3.00%	0.0%	3.00%	31% and 50% AMI households
Not less than 4.00%	0.0%	4.00%	51% and 80% AMI households
Not less than 6.00%	0.0%	6.00%	81% and 95% AMI households

*Weighted average if targeting multiple ranges. Existing projects will use incomes of tenants at time of application

Table 3: CTMH – Interest Rate and Servicing Fee per HB 16 passed during 2019 Session

➤ 0.5% less than HMF rates

Rate*	Loan Recipient Servicing Fee	Total	Income Targeting
Not less than 1.5%	0.0625%	1.5625%	30% or less AMI households
Not less than 2.5%	0.0625%	2.5625%	31% and 50% AMI households
Not less than 3.5%	0.0625%	3.5625%	51% and 80% AMI households
Not less than 5.5%	0.0625%	5.5625%	81% and 95% AMI households

*Weighted average if targeting multiple ranges. Existing projects will use incomes of tenants at time of application

Table 4: CTMH – Interest Rate and Servicing Fee per HB 927 as Amended

➤ 0.5% more than HMF rates

Rate*	Loan Recipient Servicing Fee	Total	Income Targeting
Not less than 2.50%	0.0625%	2.5625%	30% or less AMI households
Not less than 3.50%	0.0625%	3.5625%	31% and 50% AMI households
Not less than 4.50%	0.0625%	4.5625%	51% and 80% AMI households
Not less than 6.50%	0.0625%	6.5625%	81% and 95% AMI households
*Weighted average if targeting multiple ranges. Existing projects will use incomes of tenants at time of application			

	<u>FY 2023</u> <u>Difference</u>	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
<u>Fiscal Impact:</u>					
FTE	0.00	1.00	1.00	1.00	1.00
<u>Expenditures:</u>					
Personal Services	\$0	\$87,460	\$87,460	\$88,772	\$90,013
Operating Expenses	\$0	\$29,581	\$25,781	\$27,070	\$28,423
Transfers	\$115,000,000	\$0	\$0	\$0	\$0
TOTAL Expenditures	<u>\$115,000,000</u>	<u>\$117,041</u>	<u>\$113,241</u>	<u>\$115,842</u>	<u>\$118,436</u>
<u>Funding of Expenditures:</u>					
General Fund (01)	\$115,000,000	\$1,000	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0	\$0
Federal Special Revenue (03)	\$0	\$0	\$0	\$0	\$0
Proprietary (06)	\$0	\$116,041	\$113,241	\$115,842	\$118,436
TOTAL Funding of Exp.	<u>\$115,000,000</u>	<u>\$117,041</u>	<u>\$113,241</u>	<u>\$115,842</u>	<u>\$118,436</u>
<u>Revenues:</u>					
General Fund (01)	\$0	(\$221,688)	\$1,009,050	\$1,778,075	\$1,735,338
State Special Revenue (02)	\$0	\$0	\$0	\$0	\$0
Trust Fund (09)	\$115,000,000	\$0	\$0	\$0	\$0
Proprietary (06)	\$0	\$31,250	\$125,000	\$312,500	\$593,750
TOTAL Revenues	<u>\$115,000,000</u>	<u>(\$190,438)</u>	<u>\$1,134,050</u>	<u>\$2,090,575</u>	<u>\$2,329,088</u>

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

General Fund (01)	(\$115,000,000)	(\$222,688)	\$1,009,050	\$1,778,075	\$1,735,338
State Special Revenue (02)	\$0	\$0	\$0	\$0	\$0
Trust Fund (09)	\$115,000,000	\$0	\$0	\$0	\$0
Proprietary (06)	\$0	(\$84,791)	\$11,759	\$196,658	\$475,314

NOT SIGNED BY SPONSOR

Sponsor's Initials

Date

Budget Director's Initials

Date