



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: **SB0565.01: Creating the Montana endowment for early childhood and related structure**

Primary Sponsor: Laura Smith

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 Difference</u>	<u>FY 2027 Difference</u>	<u>FY 2028 Difference</u>	<u>FY 2029 Difference</u>
Expenditures				
General Fund (01)	\$150,127,098	\$124,616	\$126,181	\$125,538
State Special Revenue (02)	\$0	\$0	\$0	\$0
Revenues				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$5,445,000	\$4,875,000	\$4,590,000	\$4,500,000
Net Impact	<u>(\$150,127,098)</u>	<u>(\$124,616)</u>	<u>(\$126,181)</u>	<u>(\$125,538)</u>
General Fund Balance				

Description of fiscal impact

SB 565 creates a Montana Endowment for Early Childhood, establishes the Montana Early Childhood Account Board, creates a fee for renewal of lapsed child care licenses, and establishes reporting requirements. This bill has a general fund transfer of \$150 million, with interest earned available for expenditure by the Montana Early Childhood Account board. In addition, revenue can be generated by a childcare licensing renewal fee of \$25 for each facility that lapses their license while in operation.

FISCAL ANALYSIS

Assumptions

1. New Section, Section 2 of SB 565 establishes an early childhood endowment. A one-time \$150 million transfer from the general fund to the Board of Investments will generate interest which is transferred quarterly to the Montana Early Childhood Account.
2. The current Board of Investments (BOI) estimate for the Short-Term Investment Pool (STIP) interest rate for FY 2026 is 3.63%. The department assumes interest for FY 2026 on the \$150 million invested in the endowment will be \$5,445,000. FY 2027 STIP projected interest rate is 3.25% resulting in \$4,875,000. FY 2028 STIP projected interest rate is 3.06% resulting in \$4,590,000. FY 2029 projected interest rate is 3.00% resulting in \$4,500,000.
3. The Early Childhood and Family Support Division administers the Montana Children's Trust Fund Board (MCTFB) per 2-15-2214 MCA. This board is administratively attached to the department, and the board staff is employed by the department.
4. The department assumes this same administrative structure is the intent for the Montana Early Childhood Account Board (MECAB).

5. Costs outlined in this fiscal note equate similarly to the administration costs of the MCTFB.
 - a. The department assumes 1.00 FTE would be necessary to for the administration of the MECAB and associated personal service costs are estimated annually at \$92,814 in FY 2026, \$93,122 in FY 2027, \$94,642 in FY 2028, and \$94,017 in FY 2029.
 - b. Indirect annual costs associated with the FTE are estimated annually at \$2,784 in FY 2026, \$2,794 in FY 2027, \$2,839 in FY 2028, and \$2,821 in FY 2029, in additional to one time only onboarding costs of \$2,800.
 - c. The department expects to incur additional ancillary costs such as travel, rent, etc., like those associated with the MCTFB and estimates expenses of approximately \$28,700 per year.
6. The bill states the department shall charge a \$25 fee to renew a license or registration certificate for a facility that has allowed the facility license or registration certificate to lapse while still in operation as a day care center, family day-care home, or group day-care home. Based on data from Child Care Licensing, it is estimated this would equal 49 providers x \$25 per provider = \$1,225. The department cannot be certain of the number of providers that will let their license lapse, so no revenue is included in this analysis.

Statutory Appropriation

17-1-508, MCA, requires analysis of the statutory appropriation relative to the guidance in 17-1-508(3), MCA, to be published in the fiscal note. In reviewing and establishing statutory appropriations, the legislature shall consider the following guidelines. Answer yes or no to each of the following guidelines regarding the statutory appropriation:

	Yes	No
a. The money is from a continuing, reliable, and estimable source.	X	
b. The use of the appropriation or the expenditure occurrence is predictable and reliable.		X
c. The authority exists elsewhere.		X
d. An alternative appropriation method is available, practical, or effective.	X	
e. It appropriates state general fund money for purposes other than paying for emergency services.		X
f. The money is used for general purposes.		X
g. The legislature wishes to review expenditure and appropriation levels each biennium.	X	
h. An expenditure cap and sunset date are excluded.		X

Fiscal Analysis Table

	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>	<u>FY 2028 Difference</u>	<u>FY 2029 Difference</u>
<u>Fiscal Impact</u>				
FTE	1.00	1.00	1.00	1.00
TOTAL Fiscal Impact	1.00	1.00	1.00	1.00
<u>Expenditures</u>				
Personal Services	\$92,814	\$93,122	\$94,642	\$94,017
Operating Expenses	\$34,284	\$31,494	\$31,539	\$31,521
Transfers	\$0	\$0	\$0	\$0
OTO General Fund Transfer	\$150,000,000	\$0	\$0	\$0
TOTAL Expenditures	\$150,127,098	\$124,616	\$126,181	\$125,538
<u>Funding of Expenditures</u>				
General Fund (01)	\$150,127,098	\$124,616	\$126,181	\$125,538
TOTAL Funding of Expenditures	\$150,127,098	\$124,616	\$126,181	\$125,538
<u>Revenues</u>				
State Special Revenue (02)	\$5,445,000	\$4,875,000	\$4,590,000	\$4,500,000
TOTAL Revenues	\$5,445,000	\$4,875,000	\$4,590,000	\$4,500,000
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
General Fund (01)	(\$150,127,098)	(\$124,616)	(\$126,181)	(\$125,538)
State Special Revenue (02)	\$5,445,000	\$4,875,000	\$4,590,000	\$4,500,000

Technical Concerns

1. New Section 12 states, "The Board shall adopt rules necessary to implement this section." It is unclear what rulemaking authority the Board would independently have, as it would only be attached to the Department for administrative purposes.
2. Based on the language in new Section 12, the Board has the "authority to use the money in the Montana early childhood account provided for in [section 9] to fund services and activities related..." It appears that any programs implemented and funded by the account would not be administered directly by DPHHS.
3. Based on language in New Section, Section 3(2), this analysis assumes that DPHHS costs are not an eligible use of the Montana Behavioral Health trust fund. As such, DPHHS costs are shown as general fund expenditures.

NO SPONSOR SIGNATURE

Sponsor's Initials

Date

Budget Director's Initials

Date



Dedication of Revenue 2027 Biennium

17-1-507, MCA.

1. Are there persons or entities that benefit from this dedicated revenue that do not pay?

No

The initial funding for is general fund, resulting from multiple sources.

2. What special information or other advantages exist as a result of using a state special revenue fund that could not be obtained if the revenue were allocated to the general fund?

No

Sections 3 and 4 of SB 565 cites specific eligible uses of the funding.

3. Is the source of revenue relevant to current use of the funds and adequate to fund the program activity that is intended?

No

General fund is often used for early childhood costs.

4. Does the need for this state special revenue provision still exist?

No

No

5. Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending?

No

The legislature will be able to track the expenditures through unique accounting identifiers.

6. Does the dedicated revenue fulfill a continuing, legislatively recognized need?

Yes

Uses of the fund in Section 4 are in line with recognized legislative needs.

7. How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency? Also, if the program/activity were general funded, could you adequately account for the program/activity?

Yes

The Executive Branch would establish unique accounting identifiers (fund/subclass) in order to track appropriations and expenditures.