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 2 INTRODUCED BY ~~James L. Christensen~~ ~~Cobb~~ ~~Spangenberg~~ ~~Holmes~~
 3 *House* BILL NO. *583*
BH Brummett

4 A BILL FOR AN ACT ENTITLED: "AN ACT CREATING A HOUSING TRUST FUND; APPROPRIATING MONEY
 5 TO THE BOARD OF HOUSING FOR THE HOUSING TRUST FUND; AMENDING SECTION 90-6-701, MCA;
 6 AND PROVIDING AN EFFECTIVE DATE."

7

8 STATEMENT OF INTENT

9 A statement of intent is required for this bill because [section 6] gives rulemaking authority to the
 10 board of housing for the administration of a housing trust fund. At a minimum, the rules must address:

- 11 (1) the design of an application form, establishment of an application timeline, and development of
- 12 criteria for evaluating applications;
- 13 (2) the establishment of a rate of interest and a repayment schedule for loans;
- 14 (3) the establishment of loan underwriting criteria to protect the assets of the trust fund; and
- 15 (4) the development of performance standards, award criteria, and contractor requirements in
- 16 awarding contracts for the provision of technical services.

17

18 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

19

20 NEW SECTION. **Section 1. Legislative declaration.** (1) The legislature finds that current economic
 21 conditions, federal housing policies, and declining resources at the federal, state, and local levels adversely
 22 affect the ability of low-income and moderate-income persons to obtain safe, decent, and affordable
 23 housing.

24 (2) The legislature further finds that the state will lose substantial sums of money allocated to the
 25 state by the federal government for affordable housing for low-income and moderate-income households
 26 unless matching funds are provided.

27 (3) The legislature declares that it is in the public interest to establish a continuously renewable
 28 resource, known as the housing trust fund, to assist low-income and moderate-income citizens in meeting
 29 their basic housing needs.

30

1 **NEW SECTION. Section 2. Definitions.** As used in [sections 1 through 6], the following definitions
2 apply:

3 (1) "Low income" means a household whose income does not exceed 80% of the median income
4 for the area, as determined by the department of housing and urban development, with adjustments for
5 smaller or larger families.

6 (2) "Moderate income" means a household whose income is between 81% and 95% of the median
7 income for the area, as determined by the department of housing and urban development, with adjustments
8 for smaller and larger families.

9 (3) "Trust fund" means the housing trust fund created in [section 3].
10

11 **NEW SECTION. Section 3. Housing trust fund -- administration.** (1) There is a nonexpendable
12 trust fund for the purpose of increasing the supply of decent, affordable housing for low-income and
13 moderate-income residents of the state. The assets of the trust fund must be invested by the board of
14 investments as provided by statute. If not used as provided in [section 4] the interest and earnings must
15 be returned to the trust fund, provided that the board may use up to 10% of the interest for the
16 administration of the fund. At the end of each fiscal year, the unexpended account balance must carry
17 forward to the next fiscal year and may not revert to the state general fund. The board shall expend the
18 earnings of the trust fund in accordance with the provisions of [section 4].

19 (2) The board may accept donations, grants, or gifts for deposit in the trust fund. The money
20 received from the donations, grants, or gifts must be used in accordance with the provisions of [section
21 4].
22

23 **NEW SECTION. Section 4. Uses of trust fund -- eligible applicants.** (1) The money in the trust
24 fund must be used to provide financial assistance in the form of loans to eligible applicants. The amount
25 of loans made in a fiscal year may not exceed the amount of income generated by the principal of the trust
26 fund.

27 (2) Money from the trust fund must be used to provide:

28 (a) matching funds for public or private money available from other sources for the development
29 of low-income and moderate-income housing;

30 (b) bridge financing necessary to make a low-income or moderate-income housing project financially

1 feasible;

2 (c) acquisition of existing housing for the purpose of preservation of, or conversion to, low-income
3 or moderate-income housing; or

4 (d) preconstruction technical assistance to eligible recipients in rural areas and small cities and
5 towns.

6 (i) Technical assistance under this subsection (2)(d) may include but is not limited to:

7 (A) financial planning and packaging for housing projects;

8 (B) project design, architectural planning, and siting;

9 (C) compliance with planning and permitting requirements; or

10 (D) maximizing local government contributions to project development in the form of land donations,
11 infrastructure improvements, zoning variances, or creative local planning.

12 (ii) The board may contract with a nonprofit organization to provide this technical assistance.

13 (3) Money from the trust fund may not be used to replace existing or available sources of funding
14 for eligible activities.

15 (4) Organizations eligible for loans from the trust fund are local governments, tribal governments,
16 local housing authorities, nonprofit community- or neighborhood-based organizations, regional or statewide
17 nonprofit housing assistance organizations, or for-profit housing developers.

18
19 **NEW SECTION. Section 5. Coordination with other programs.** The board shall ensure that all
20 housing assistance programs supported through the trust fund are coordinated with other housing
21 assistance programs administered by the board, the federal government, state agencies, tribal governments,
22 local public housing authorities, and local governments.

23
24 **NEW SECTION. Section 6. Rulemaking.** The board shall adopt rules to implement [sections 1
25 through 6]. The rules must include the following:

26 (1) the development of eligibility criteria for applicants;

27 (2) the development of an application process for requesting financial assistance;

28 (3) the establishment of a procedure for disbursing financial assistance;

29 (4) the establishment of the terms and conditions of a loan;

30 (5) the development of a process for awarding technical assistance contracts; and

1 (6) other matters necessary for the administration of [sections 1 through 6].

2
3 **Section 7.** Section 90-6-701, MCA, is amended to read:

4 **"90-6-701. Treasure state endowment program created -- definitions.** (1) (a) There is a treasure
5 state endowment program that consists of:

6 (i) the treasure state endowment fund established in 17-5-703;

7 (ii) the infrastructure portion of the coal severance tax bond program provided for in 17-5-701(2).

8 (b) The treasure state endowment program may borrow from the board of investments to provide
9 additional financial assistance for local government infrastructure projects under this part, provided that no
10 part of the loan may be made from retirement funds.

11 (2) Except as provided in [section 8], interest ~~interest~~ from the treasure state endowment fund and
12 from proceeds of the sale of bonds under 17-5-701(2) may be used to provide financial assistance for local
13 government infrastructure projects under this part and to repay loans from the board of investments.

14 (3) As used in this part, the following definitions apply:

15 (a) "Infrastructure projects" means:

16 (i) drinking water systems;

17 (ii) wastewater treatment;

18 (iii) sanitary sewer or storm sewer systems;

19 (iv) solid waste disposal and separation systems, including site acquisition, preparation, or
20 monitoring; or

21 (v) bridges.

22 (b) "Local government" means an incorporated city or town, a county, a consolidated local
23 government, or a county or multicounty water, sewer, or solid waste district.

24 (c) "Treasure state endowment fund" means the coal severance tax infrastructure endowment fund
25 established in 17-5-703(1)(b).

26 (d) "Treasure state endowment program" means the local government infrastructure investment
27 program established in subsection (1)."

28
29 **NEW SECTION. Section 8. Transfer -- appropriation.** (1) There is appropriated to the board of
30 housing from the housing trust fund created in [section 3] \$1 million for the biennium beginning July 1,

1 1997. The appropriation must be used to increase the supply of decent, affordable housing for low-income
2 and moderate-income residents of the state.

3 (2) There is transferred from the treasure state endowment special revenue account, provided for
4 in 17-5-703(4)(b), \$1 million to the housing trust fund created in [section 3].

5
6 **NEW SECTION. Section 9. Notification of tribal governments.** The secretary of state shall send
7 a copy of [this act] to the tribal chairperson of each of the seven Montana reservations and to the tribal
8 chairperson of the Little Shell band of Chippewa.

9
10 **NEW SECTION. Section 10. Codification instruction.** [Sections 1 through 6] are intended to be
11 codified as an integral part of Title 90, chapter 6, part 1, and the provisions of Title 90, chapter 6, part 1,
12 apply to [sections 1 through 6].

13
14 **NEW SECTION. Section 11. Effective date.** [This act] is effective July 1, 1997.

15 -END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for HB0583, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

A bill for an act creating a housing trust fund; decreasing the Treasure State Endowment Program grants by \$1 million and appropriating the money to the Board of Housing for the housing trust fund.

ASSUMPTIONS:

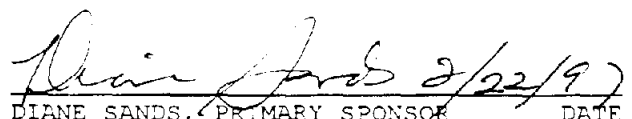
Department of Commerce/Housing Division/Community Development Bureau:

1. Section 8 (2) of HB 583 makes a one-time transfer of \$1,000,000 out of the Treasure State Endowment Program (TSEP) special revenue account established in 17-5-703 (4)(b), MCA. The \$1,000,000 is transferred into a new housing trust fund created in Section 3 of HB 583 effective July 1, 1997.
2. Repayments of loans made on housing trust fund earnings will be reused for additional loans and do not become part of the housing trust fund corpus. Since the housing trust fund created by HB 583 is nonexpendable, the corpus cannot be used for loans.
3. Income from the \$1 million corpus of the housing trust is estimated to be between \$60,000 per year based on current rates (6%) from the Short Term Investment Pool.
4. Projects financed through other programs typically have "gaps" of \$100,000 to \$200,000. This program could fill a portion of the gap on one or two projects a year, or provide bridge financing to two to four projects each year during the startup time. The HOME program (federal funds) typically leverages \$3 to \$4 for each \$1 of HOME funds. The fiscal impact of this program would be to fund two to four projects each year, and leverage \$162,000 to \$216,000 of federal and private funds.
5. The majority of projects financed by HB 583 will be receiving funds from existing programs within the Department of Commerce (DOC), and would be monitored under those programs. Minimal staff is needed for monitoring the projects once they are completed. The Housing Division does not currently have staff available to implement HB 583. Given the small amount of funds available in the first two years, the program could be run by one person on a half time basis. It is assumed that a 0.50 FTE program manager grade 15 would be required to develop and implement the program. Estimated personal services are \$17,220 in fiscal year 1998 and fiscal year 1999. The staffing level would be able to handle startup and processing of loan applications for the first two years.
6. Estimated operating expenses are \$8,000 in fiscal year 1998 and fiscal year 1999 and include other professional services, supplies and materials, communications, travel, rent, and other expenses. Equipment expenses are estimated to be \$6,000 in fiscal year 1998 and \$2,000 in fiscal year 1999.
7. HB 583 allows the board to use 10% of the interest earnings for operating expenses, estimated to be \$5,000 to \$6,000 per year. Projected operating expenses in the 1999 biennium will exceed this amount.
8. The Board of Housing currently receives no state or federal funds. This legislation would require setting up additional accounts on SBAS to track state special revenue and trust funds, as well as project accounts to track the individual projects. The board is entirely funded by propriety funds, subject to HB 576 of the 1995 session. This program would require separate budgeting.

(Continued)

 2-21-97

DAVE LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

 2/22/97

DIANE SANDS, PRIMARY SPONSOR DATE

Fiscal Note for HB0583, as introduced
HB 583

FISCAL IMPACT:

Department of Commerce
 Housing Division & Community Development Bureau:

Expenditures:

	<u>FY98</u>	<u>FY99</u>
	<u>Difference</u>	<u>Difference</u>
FTE	0.50	0.50
Personal Services (10%)	17,220	17,220
Operating Expenses (10%)	8,000	8,000
Equipment (10%)	6,000	2,000
Housing Trust Loans (90%)	54,000	54,000
Transfers Out/In (Net)	<u>0</u>	<u>0</u>
Total	85,220	81,220

Revenues:

Administrative Revenues (10%) (02)	6,000	6,000
Trust Fund Revenues (Loans/90%) (02)	54,000	54,000
Net Transfers In/Out	<u>0</u>	<u>0</u>
Total	60,000	60,000

Net Impact:

Housing Trust Admin (02)	(25,220)	(21,220)
Treasure State Endowment (02)	(1,000,000)	0
Housing Nonexpendable Trust (09)	<u>1,000,000</u>	<u>0</u>
Total	(25,220)	(21,220)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Grant awards to local governments for TSEP drinking water, sewage system, and local infrastructure projects eligible under the TSEP statute would be reduced by \$1,000,000. HB 11 provides a recommended list of local government TSEP projects in priority order for funding. Under HB 11 it is estimated that 22 local government TSEP projects would be awarded grant funds based on estimated TSEP net revenues for grants of \$9,137,767. The DOC estimates that the loss of \$1,000,000 for grant awards under HB 583 would result in the Coram water system (\$500,000) and the Neihart water system (\$261,028) not receiving any grant awards. It is estimated that the grant award for the Lakeside water system would be reduced by \$238,972 resulting in a grant award of \$261,028 instead of the entire \$500,000 recommended in HB 11.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

State funds provided for housing would be used to fill "gaps" in housing projects which local governments and non-profits are trying to make work. Only a few projects a year could be funded. In the future the fund would increase slightly, but low interest loans of \$50,000 to \$60,000 per year would generate small increases in the funds available.

TECHNICAL NOTES:

Projected administrative expenditures exceed the administrative revenues of 10% which are proposed in HB 583. The administrative allocation may need to be modified to meet the projected costs associated with implementation of HB 583.

There may be a contradiction in HB 583 regarding the new housing trust fund created by the bill. Section 3 of HB 583 creates a new "nonexpendable" housing trust fund. Section 8 of HB 583 states that "there is appropriated to the board of housing from the housing trust fund created in [Section 3] \$1 million...". The word "appropriated" may infer that the principle of the housing trust fund may be spent. If it is the intent of the bill sponsors that the corpus of the new housing trust fund is to be inviolate, adding clarifying language to that effect in HB 583 would be highly advisable. Nonexpendable trust funds typically have one accounting entity for the corpus, and a state special revenue account into which expendable earnings are credited, transferred, dispersed, and accounted for. HB 583, as introduced only creates a nonexpendable account.