

Fiscal Estimate Narratives

DOR 2/15/2008

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| LRB Number 07-3714/1 | Introduction Number AB-0706 | Estimate Type Original |
| Description Bill grants local governments authority to issue bonds in anticipation of brownfield loans | | |

Assumptions Used in Arriving at Fiscal Estimate

The Department of Natural Resources (DNR) may enter into an agreement with the U. S. Environmental Protection Agency to create and administer a Brownfields Revolving Loan Fund (BRLF) under which grants and loans may be made to tribal governments, local governments, regional planning commissions, and redevelopment authorities to help finance the cleaning up of contaminated property.

Under current law, a town, village, city, county, metropolitan sewerage district, or town sanitary district may issue municipal obligations (bonds or notes) in anticipation of receiving proceeds from state or federal aid. In general, the amount borrowed may not exceed 60% of the anticipated receipts, and the borrowings must be repaid within 18 months.

Under the bill, any town, village, city, county, metropolitan sewerage district, or town sanitary district would be permitted to issue municipal obligations (bonds or notes) in anticipation of receiving loans or grants from the BRLF program. These obligations could be issued only if the DNR has provided the potential borrower with written notification that DNR intends to distribute BRLF proceeds to the entity. Any borrowings must be repaid within 10 years of the date of the original obligation. However, the obligation may be refinanced one or more times. If refunded, any refunding must be repaid within 20 years of the date of the original obligation.

In addition, the bill adds the BRLF program to the list of items for which local governments may issue promissory notes of up to 20 years duration.

Compared to current law, the bill may induce additional local governments to apply for grants and loans from the BRLF. The Department of Revenue does not have information which would permit a reasonable estimate of how many municipalities might react in this way, and therefore is unable to estimate the additional municipal borrowing this bill could engender.

Long-Range Fiscal Implications