



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: SB0307.02 (001): Reallocate Montana marijuana tax revenue

Primary Sponsor: Tom McGillvray Status: As Amended in Senate Committee

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</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>
Expenditures				
General Fund (01)	\$1,300,000	\$1,280,000	\$1,280,000	\$1,280,000
State Special Revenue (02)	(\$14,562,319)	(\$15,757,596)	\$1,608,651	\$1,798,339
Revenues				
General Fund (01)	(\$3,955,000)	(\$4,317,000)	(\$4,596,000)	(\$4,917,000)
State Special Revenue (02)	\$9,211,000	\$9,913,000	\$10,472,000	\$11,114,000
Net Impact	<u>(\$5,255,000)</u>	<u>(\$5,597,000)</u>	<u>(\$5,876,000)</u>	<u>(\$6,197,000)</u>
General Fund Balance				

Description of fiscal impact

SB 307, as amended, revises the revenue distribution out of the marijuana state special revenue account. The bill creates a new account for marijuana law enforcement operations to receive a distribution and increases the distribution to the HEART fund. Distributions to the FWP accounts are eliminated, and the general fund revenue distribution decreases by \$3,955,000 in FY 2026, \$4,317,000 in FY 2027, \$4,596,000 in FY 2028, and \$4,917,000 in FY 2029.

FISCAL ANALYSIS

Assumptions

Department of Revenue

1. SB 307, as amended, creates a new distribution of the revenue from the marijuana state special revenue account, replacing the current distribution structure in 16-12-111, MCA. This bill does not change the estimated marijuana tax and license fee revenues to be collected and distributed into the marijuana state special revenue account.
2. Under current law, at the end of each fiscal year, the Department of Revenue distributes the revenue balance from the marijuana state special revenue account as follows:
 - a. Administrative costs for the department as appropriated in HB 2;
 - b. \$6 million to the HEART fund;
 - c. Of the remaining balance, 20% to FWP for wildlife habitat;
 - d. 4% to the state park account;
 - e. 4% to the trails and recreational facilities account;
 - f. 4% to the nongame wildlife account;
 - g. \$200,000 to the veterans and surviving spouses account;

- h. \$150,000 to the board of crime control; and
 - i. The remainder to the general fund.
3. The following table shows the estimated distribution amounts to the above accounts based on the HJ 2 estimated marijuana revenue.

FY	GF	Wildlife Habitat	Nongame Wildlife	Veterans	Crime Control	Heart Fund	DOR Costs
2026	\$33.306	\$9.899	\$1.980	\$0.200	\$0.150	\$6.000	\$7.300
2027	\$34.798	\$10.338	\$2.068	\$0.200	\$0.150	\$6.000	\$7.280
2028	\$35.984	\$10.686	\$2.137	\$0.200	\$0.150	\$6.000	\$7.280
2029	\$37.350	\$11.088	\$2.218	\$0.200	\$0.150	\$6.000	\$7.280

- 4. SB 307 creates one new state special revenue accounts: the marijuana law enforcement operations account.
- 5. The bill revises the distributions out of the marijuana state special revenue account as follows:
 - a. \$6 million to the Department of Revenue for administrative costs,
 - b. \$200,000 to the veterans and surviving spouses account,
 - c. \$150,000 to the board of crime control, then of the remaining:
 - d. 40% to the HEART fund,
 - e. 8% to the marijuana law enforcement operations account, and
 - f. the remainder to the general fund.
- 6. The following table shows the estimated distributions under SB 307, which has an effective date of July 1, 2025, so the distribution changes would apply beginning with FY 2026.

FY	GF	Marijuana Law Enforcement Op	Veterans	Crime	Heart Fund	DOR Costs
2026	\$29.351	\$4.516	\$0.200	\$0.150	\$22.578	\$6.000
2027	\$30.482	\$4.689	\$0.200	\$0.150	\$23.447	\$6.000
2028	\$31.388	\$4.829	\$0.200	\$0.150	\$24.145	\$6.000
2029	\$32.433	\$4.990	\$0.200	\$0.150	\$24.948	\$6.000

- 7. This bill reduces general fund revenues by \$3,955,000 in FY 2026, \$4,317,000 in FY 2027, \$4,596,000 in FY 2028, and \$4,917,000 in FY 2029. State special revenue distributions to the FWP accounts will decrease by the amounts shown in table 1, while distributions to the HEART fund will increase from \$6 million per year to the amounts shown in table 2.
- 8. The Department of Revenue would not incur any additional administrative costs as a result of this bill, but the bill proposes to decrease the administrative cost distribution to the department from the approximately \$7.3 million per year in current costs and appropriations, to specifically \$6 million per year. It is assumed the funding shortage created by this bill would be funded by the general fund. Therefore, expenditures out of the marijuana state special revenue account would decrease by \$1.3 million in FY 2026 and \$1.28 million in FY 2027 and general fund expenditures would increase by the same amounts. These amounts are subject to change in the following biennium as the department’s administrative costs change but are assumed to stay the same for FY 2028 and FY 2029 for this fiscal note.

Department of Justice

- 9. No additional fiscal impact from the amended bill, below fiscal impact remains in effect.
- 10. SB 307 designates 8% of the marijuana tax revenue be used to fund the marijuana law enforcement office. Revenue to is estimated at \$4,516,000 in FY 2026, \$4,689,000 in FY 2027, \$4,829,000 in FY 2028, and \$4,990,000 in FY 2029. See table 2 in Assumption #6 for more detail.
- 11. The Central Services Division (CSD) assumes a half-time accountant would be needed to manage the local grants required in Section 4. CSD assumes this position will have a cost of \$39,978 for personal services

- and associated benefits. CSD assumes \$9,110 will be needed in FY 2026 to cover costs associated with computer and office setup, cell phone costs, and technology fixed costs. \$4,758 in operating costs would be requested starting in FY 2027.
12. Legal Services Division (LSD) assumes two prosecutors will be needed as part of the marijuana law enforcement office. An annual cost of \$122,040 for each position would be needed for personal services and benefits. In FY 2026, \$30,049 in operating costs would be needed to fund computer, cell phone and office set up costs, travel, training and technology fixed costs. \$21,345 in operating costs would be requested starting in FY 2027.
 13. The vendors currently used by DOJ to purchase canines are based in Missouri and Pennsylvania. DOJ assumes one canine would be purchased at a cost of \$9,200. Training for the new canine and canine handler costs \$4,000. The training lasts seven weeks and is held out of state in either Missouri or Pennsylvania. Travel costs, including lodging and per diem, during this seven week training would be needed and are estimated at \$28,190.
 14. SB 307 requires the creation of two marijuana enforcement teams, one based in western Montana and one based in eastern Montana. The Division of Criminal Investigation (DCI) assumes each team would be comprised of a supervisor, five agents and one administrative support. The marijuana law enforcement office would be under a new law enforcement manager position.
 15. DCI assumes the law enforcement manager position would cost \$110,641 in personal services and benefits. Operating costs of \$33,084 would be needed in FY 2026 for travel, training, computer and office set up, cell phone costs, and technology fixed costs. \$27,192 in operating costs would be requested starting in FY 2027.
 16. DCI assumes the team supervisor positions would each cost \$101,164 in personal services and benefits each year. Total operating costs of \$62,702 would be needed in FY 2026 for travel, training, computer and office set up, cell phone costs, and technology fixed costs. \$49,015 in operating costs would be requested starting in FY 2027.
 17. DCI assumes each team would have five crime investigators for a total of ten. \$877,120 would be needed in personal services and benefits for the ten crime investigator positions. Total operating costs of \$313,027 would be needed in FY 2026 for travel, training, computer and office set up, cell phone costs, and technology fixed costs. \$237,461 in operating costs would be requested starting in FY 2027. DCI assumes the crime investigators would travel extensively and would each need a vehicle. Each vehicle is estimated at \$35,000 for a total of \$350,000 requested.
 18. DCI assumes each team would have an administrative assistant assigned to them. The total cost of personal services and benefits is \$134,598 each year for these positions. Operating costs of \$22,574 would be needed in FY 2026 for computer and office set up, phone costs, and technology fixed costs. \$13,888 in operating costs would be requested starting in FY 2027.
 19. An inflationary increase of 1.5% is added to FY 2028 and FY 2029.
 20. SB 307 removes the funds for crisis intervention team training at the Board of Crime Control. As a result, the Board of Crime Control will have to cut crisis intervention training grants amounting to \$135,000 to subgrantees. Current annual total funding for this program is \$150,000, of which \$135,000 is for grants.

Department of Public Health and Human Services (DPHHS/department)

21. Amendments to SB 307 allocate 40% of the remaining tax revenue to the Healing and Ending Addiction through Recovery and Treatment (HEART) account. The \$6 million per year revenue formerly allocated is replaced with this 40% allocation for a total of \$22,578,000 for FY 2026, \$23,447,000 for FY 2027, \$24,145,000 for FY 2028 and \$24,948,000 for FY 2029.
 - a. The allocation of the 40% to the HEART account results in an overall increase of \$16,578,000 in FY 2026, and \$17,447,000 in FY 2027, \$18,145,000 in FY 2028, and \$18,948,000 in FY 2029.
22. The department assumes there will be no changes in HEART expenditures in FY 2026 and FY 2027. The department assumes it will spend the additional revenues received in FY 2028 and FY 2029 on HEART initiatives.
23. The department intends to contract out the data collection, analysis, and completion of the marijuana impact report, and intends to use HEART state special revenue, and estimates the cost to be \$250,000 for FY 2026.

24. DPHHS assumes a 1.5% inflation factor for expenses in FY 2028 and FY 2029.

Department of Fish, Wildlife, and Parks (FWP)

25. Based on the HJ 2 estimates and changes due to SB 307, FWP will lose state special revenue of \$15,838,000 in FY 2026, \$16,540,000 in FY 2027, \$17,098,000 in FY 2028, and \$17,741,000 in FY 2029. See the following table for a fund and fiscal year detail.

FWP State Special Fund	Distribution Amount	FY Projected Loss of Revenue (millions)			
		FY 2026	FY 2027	FY 2028	FY 2029
Habitat Montana - 02114	20%	-9.899	-10.338	-10.686	-11.088
Non-Game Wildlife - 02061	4%	-1.980	-2.068	-2.137	-2.218
State Parks - 02411	4%	-1.980	-2.068	-2.137	-2.218
Trails & Rec Facilities - 02724	4%	-1.980	-2.068	-2.137	-2.218
Totals	32%	-15.838	-16.540	-17.098	-17.741

26. The Non-Game Wildlife Account funds the management and conservation of nongame wildlife in Montana.

27. The State Parks Account funds the general operation and maintenance of the state park system.

28. The Trails and Rec Facilities account funds a trails and recreational facilities grant program.

29. Expenditure reductions in the fiscal Analysis Table for FWP are shown as operating costs.

Department of Military Affairs

30. Under current law, the Montana Veterans Administration Division (MVAD) receives \$200,000 or 3% (whichever is less) in marijuana tax revenue for use by the veterans and surviving spouses state special revenue account.

31. Currently, the MVAD utilizes the allocated marijuana tax revenue to provide outreach services to Montana veterans living in towns outside of our nine offices. This funding is also used for the veterans cemetery program to update outdated irrigation systems, repair broken equipment, and provide adequate landscaping.

32. SB 307 as amended allocates \$200,000 per year to MVAD. There is no fiscal impact as this is what MVAD has historically received.

Office of Budget and Program Planning

33. The table below includes impact of SB 307, including both increases and decreases in authority referenced in previous assumptions. Net impacts can be found in the Revenues section of the Fiscal Analysis tables for the corresponding agency.

State Special Revenue - Projected Net Impact by Agency (millions)					
FY	FWP	DOJ	DPHHS	DMA	DOR
2026	-\$15.838	\$4.516	\$16.578	\$0.000	-\$1.300
2027	-\$16.540	\$4.689	\$17.447	\$0.000	-\$1.280
2028	-\$17.098	\$4.829	\$18.145	\$0.000	-\$1.280
2029	-\$17.741	\$4.990	\$18.948	\$0.000	-\$1.280

Fiscal Analysis Table

Department of Fish, Wildlife, and Parks				
	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
Fiscal Impact				
Expenditures				
Operating Expenses	(\$15,838,000)	(\$16,540,000)	(\$17,098,000)	(\$17,741,000)
TOTAL Expenditures	(\$15,838,000)	(\$16,540,000)	(\$17,098,000)	(\$17,741,000)
Funding of Expenditures				
State Special Revenue (02)	(\$15,838,000)	(\$16,540,000)	(\$17,098,000)	(\$17,741,000)

Fiscal Note Request - As Amended in Senate Committee

(continued)

TOTAL Funding of Expenditures	<u><u>(\$15,838,000)</u></u>	<u><u>(\$16,540,000)</u></u>	<u><u>(\$17,098,000)</u></u>	<u><u>(\$17,741,000)</u></u>
Revenues				
State Special Revenue (02)	<u>(\$15,838,000)</u>	<u>(\$16,540,000)</u>	<u>(\$17,098,000)</u>	<u>(\$17,741,000)</u>
TOTAL Revenues	<u><u>(\$15,838,000)</u></u>	<u><u>(\$16,540,000)</u></u>	<u><u>(\$17,098,000)</u></u>	<u><u>(\$17,741,000)</u></u>
Net Impact to Fund Balance (Revenue minus Funding of Expenditures)				
State Special Revenue (02)	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

Department of Justice

	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>	<u>FY 2028 Difference</u>	<u>FY 2029 Difference</u>
Fiscal Impact				
FTE	<u>17.50</u>	<u>17.50</u>	<u>17.50</u>	<u>17.50</u>
TOTAL Fiscal Impact	<u><u>17.50</u></u>	<u><u>17.50</u></u>	<u><u>17.50</u></u>	<u><u>17.50</u></u>
Expenditures				
Personal Services	\$1,601,245	\$1,601,245	\$1,625,263	\$1,649,642
Operating Expenses	\$511,936	\$348,659	\$353,888	\$359,197
Equipment	\$350,000	\$0	\$0	\$0
Transfers	(\$2,500)	(\$2,500)	(\$2,500)	(\$2,500)
Grants	<u>(\$135,000)</u>	<u>(\$135,000)</u>	<u>(\$135,000)</u>	<u>(\$135,000)</u>
TOTAL Expenditures	<u><u>\$2,325,681</u></u>	<u><u>\$1,812,404</u></u>	<u><u>\$1,841,651</u></u>	<u><u>\$1,871,339</u></u>
Funding of Expenditures				
State Special Revenue (02)	<u>\$2,325,681</u>	<u>\$1,812,404</u>	<u>\$1,841,651</u>	<u>\$1,871,339</u>
TOTAL Funding of Expenditures	<u><u>\$2,325,681</u></u>	<u><u>\$1,812,404</u></u>	<u><u>\$1,841,651</u></u>	<u><u>\$1,871,339</u></u>
Revenues				
State Special Revenue (02)	<u>\$4,516,000</u>	<u>\$4,689,000</u>	<u>\$4,829,000</u>	<u>\$4,990,000</u>
TOTAL Revenues	<u><u>\$4,516,000</u></u>	<u><u>\$4,689,000</u></u>	<u><u>\$4,829,000</u></u>	<u><u>\$4,990,000</u></u>
Net Impact to Fund Balance (Revenue minus Funding of Expenditures)				
State Special Revenue (02)	<u><u>\$2,190,319</u></u>	<u><u>\$2,876,596</u></u>	<u><u>\$2,987,349</u></u>	<u><u>\$3,118,661</u></u>

Department of Public Health and Human Services

	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>	<u>FY 2028 Difference</u>	<u>FY 2029 Difference</u>
Fiscal Impact				
Expenditures				
Operating Expenses	\$250,000	\$250,000	\$18,145,000	\$18,948,000

Fiscal Note Request - As Amended in Senate Committee

(continued)

TOTAL Expenditures	<u>\$250,000</u>	<u>\$250,000</u>	<u>\$18,145,000</u>	<u>\$18,948,000</u>
Funding of Expenditures				
State Special Revenue (02)	\$250,000	\$250,000	\$18,145,000	\$18,948,000
TOTAL Funding of Expenditures	<u>\$250,000</u>	<u>\$250,000</u>	<u>\$18,145,000</u>	<u>\$18,948,000</u>
Revenues				
State Special Revenue (02)	\$16,578,000	\$17,447,000	\$18,145,000	\$18,948,000
TOTAL Revenues	<u>\$16,578,000</u>	<u>\$17,447,000</u>	<u>\$18,145,000</u>	<u>\$18,948,000</u>
Net Impact to Fund Balance (Revenue minus Funding of Expenditures)				
State Special Revenue (02)	<u>\$16,328,000</u>	<u>\$17,197,000</u>	<u>\$0</u>	<u>\$0</u>

Department of Revenue

	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
Fiscal Impact				
Expenditures				
Funding of Expenditures				
General Fund (01)	\$1,300,000	\$1,280,000	\$1,280,000	\$1,280,000
State Special Revenue (02)	(\$1,300,000)	(\$1,280,000)	(\$1,280,000)	(\$1,280,000)
TOTAL Funding of Expenditures	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Revenues				
General Fund (01)	(\$3,955,000)	(\$4,317,000)	(\$4,596,000)	(\$4,917,000)
State Special Revenue (02)	\$3,955,000	\$4,317,000	\$4,596,000	\$4,917,000
TOTAL Revenues	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Net Impact to Fund Balance (Revenue minus Funding of Expenditures)				
General Fund (01)	(\$5,255,000)	(\$5,597,000)	(\$5,876,000)	(\$6,197,000)
State Special Revenue (02)	<u>\$5,255,000</u>	<u>\$5,597,000</u>	<u>\$5,876,000</u>	<u>\$6,197,000</u>

STATEWIDE SUMMARY

	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
Fiscal Impact				
FTE	17.50	17.50	17.50	17.50
TOTAL Fiscal Impact	<u>17.50</u>	<u>17.50</u>	<u>17.50</u>	<u>17.50</u>

Fiscal Note Request - As Amended in Senate Committee

(continued)

Expenditures

Personal Services	\$1,601,245	\$1,601,245	\$1,625,263	\$1,649,642
Operating Expenses	(\$15,076,064)	(\$15,941,341)	\$1,400,888	\$1,566,197
Equipment	\$350,000	\$0	\$0	\$0
Transfers	(\$2,500)	(\$2,500)	(\$2,500)	(\$2,500)
Grants	(\$135,000)	(\$135,000)	(\$135,000)	(\$135,000)
TOTAL Expenditures	(\$13,262,319)	(\$14,477,596)	\$2,888,651	\$3,078,339

Funding of Expenditures

General Fund (01)	\$1,300,000	\$1,280,000	\$1,280,000	\$1,280,000
State Special Revenue (02)	(\$14,562,319)	(\$15,757,596)	\$1,608,651	\$1,798,339
TOTAL Funding of Expenditures	(\$13,262,319)	(\$14,477,596)	\$2,888,651	\$3,078,339

Revenues

General Fund (01)	(\$3,955,000)	(\$4,317,000)	(\$4,596,000)	(\$4,917,000)
State Special Revenue (02)	\$9,211,000	\$9,913,000	\$10,472,000	\$11,114,000
TOTAL Revenues	\$5,256,000	\$5,596,000	\$5,876,000	\$6,197,000

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

General Fund (01)	(\$5,255,000)	(\$5,597,000)	(\$5,876,000)	(\$6,197,000)
State Special Revenue (02)	\$23,773,319	\$25,670,596	\$8,863,349	\$9,315,661

Effect on County or Other Local Revenues or Expenditures

Department of Justice

1. Section 2(2)(b) states that 1% of the monies in the account must be used by the Department of Justice for local marijuana law enforcement grants. Using the marijuana tax revenue figures from 2023, this would allow for \$38,000 in local grant funds annually.

Technical Concerns

NO SPONSOR SIGNATURE

Sponsor's Initials

3/14

Date



Budget Director's Initials

3/7/2025

Date