



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:	
HB0669 - Revise laws related to allocation of marijuana tax revenues (Mercer, Bill)	
Status:	As Amended in House Committee

<input type="checkbox"/> Significant Local Gov Impact	<input checked="" type="checkbox"/> Needs to be included in HB 2	<input checked="" 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 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	\$18,960,000	\$18,950,000	\$0	\$0
State Special Revenue	(\$13,679,000)	(\$14,212,000)	(\$14,738,000)	(\$15,282,000)
Revenue:				
General Fund (01)	\$13,679,000	\$14,212,000	\$14,738,000	\$15,282,000
State Special Revenue (02)-from General	\$18,950,000	\$18,950,000	\$0	\$0
State Special Revenue (02)-from Marijua	(\$13,679,000)	(\$14,212,000)	(\$14,738,000)	(\$15,282,000)
Net Impact-General Fund Balance:	<u>(\$5,281,000)</u>	<u>(\$4,738,000)</u>	<u>\$14,738,000</u>	<u>\$15,282,000</u>

Description of fiscal impact: HB 669 revises the distribution of marijuana tax and license fee revenue to eliminate the distributions to six state special revenue accounts and distribute that revenue to the general fund. As amended, HB 669 appropriates one-time money from the general fund to most of the state special revenue accounts that receive distributions from the marijuana state special revenue account. The net impact of this bill, after the appropriations would be a decrease in general fund balance of \$5,281,000 in FY 2024, \$4,738,000 in FY 2025. As HB 669 provides only one-time appropriations to Fish, Wildlife and Parks, Conservation Districts, and Department of Military Affairs, general fund revenue would increase by \$14,738,000 in FY 2026 and \$15,282,000 in FY 2026 with the elimination of those programs and expenditures.

FISCAL ANALYSIS

Assumptions:

Department of Revenue

1. HB 669, as amended in the house appropriations committee, revises the distribution from the marijuana state special revenue account in 16-12-111, MCA, to eliminate the distributions to all the state special revenue accounts other than the HEART fund. All remaining revenue after the \$6 million to the HEART fund would be distributed to the general fund.

2. The current law distribution from the marijuana state special revenue account at the end of each fiscal year, after covering the Department of Revenue’s administrative costs, is:
 - \$6 million to the healing and ending addiction through recovery and treatment (HEART) account
 After the HEART account distribution, the net balance is distributed as follows:
 - 20% to the credit of the department of fish, wildlife, and parks for wildlife habitat
 - 4% to the state park account
 - 4% to the trails and recreational facilities account
 - 4% to the nongame wildlife account
 - 3% or \$200,000, whichever is less, to the veterans and surviving spouses state special revenue account
 - \$150,000 to the board of crime control
 - The remainder to the general fund
3. The following table shows the HJ 2 forecast projected distributions under current law.

Current Law Distributions from Marijuana State Special Revenue Account (millions)								
FY	HJ2		Heart Fund	FWP Habitat	4% Accounts			
	Marijuana Revenue	DOR Costs			(State Parks, Trails & Rec, Nongame)	Veterans Account	Crime Control	General Fund
2024	\$52.904	\$5.250	\$6.000	\$8.331	\$1.666	\$0.200	\$0.150	\$27.975
2025	\$54.599	\$5.280	\$6.000	\$8.664	\$1.733	\$0.200	\$0.150	\$29.107
2026	\$56.242	\$5.280	\$6.000	\$8.992	\$1.798	\$0.200	\$0.150	\$30.224
2027	\$57.941	\$5.280	\$6.000	\$9.332	\$1.866	\$0.200	\$0.150	\$31.379

4. The distribution from the marijuana state special revenue account under HB 669 after covering the Department of Revenue administrative costs would be as follows:
 - \$6 million to the healing and ending addiction through recovery and treatment (HEART) account
 - The remainder to the general fund.
5. The following table shows the projected distributions from the marijuana state special revenue account under HB 669. The total HJ 2 marijuana revenue and DOR costs would not change from current law.

HB 669 Distributions from the Marijuana State Special Revenue Account (millions)								
FY	HB 669 Marijuana Revenue	DOR Costs	Heart Fund	FWP Habitat	4% Accounts			
					(State Parks, Trails & Rec, Nongame)	Veterans Account	Crime Control	General Fund
2024	\$52.904	\$5.250	\$6.000	\$0.000	\$0.000	\$0.000	\$0.000	\$41.654
2025	\$54.599	\$5.280	\$6.000	\$0.000	\$0.000	\$0.000	\$0.000	\$43.319
2026	\$56.242	\$5.280	\$6.000	\$0.000	\$0.000	\$0.000	\$0.000	\$44.962
2027	\$57.941	\$5.280	\$6.000	\$0.000	\$0.000	\$0.000	\$0.000	\$46.661

6. The amendment adds the following one-time-only appropriations from the general fund for FY 2024 and FY 2025:
 - a. \$8.7 million to the department of fish, wildlife, and parks to be used solely as funding for wildlife habitat in the same manner as funding generated under 87-1-242(3) and used pursuant to 87-1-209;
 - b. \$1.75 million to the department of fish, wildlife, and parks to be used solely for the same purposes as those of the state park account established in 23-1-105(1);
 - c. \$1.75 million to the department of fish, wildlife, and parks to be used solely for the same purposes as those of the trails and recreational facilities account established in 23-2-108;

- d. \$1.75 million to the department of fish, wildlife, and parks to be used solely for the same purposes as those of the nongame wildlife account established in 87-5-121;
 - e. \$2.5 million to the department of natural resources and conservation for conservation districts; and
 - f. \$2.5 million to the department of military affairs to be used solely for the same purposes as those of the veterans and surviving spouses state special revenue account provided for in 10-2-108.
7. The following table shows the net change in revenue to the accounts listed above from current law to HB 699 after the appropriations.

Change in Distributions from Current Law to HB 669 (millions)							
FY	Heart Fund	FWP Habitat	4% Accounts (State Parks, Trails & Rec, Nongame)	Conservation Districts	Veterans Account	Crime Control	General Fund
2024	\$0.000	\$0.369	\$0.084	\$2.500	\$2.300	(\$0.150)	(\$5.271)
2025	\$0.000	\$0.036	\$0.017	\$2.500	\$2.300	(\$0.150)	(\$4.737)
2026	\$0.000	(\$8.992)	(\$1.798)	\$0.000	(\$0.200)	(\$0.150)	\$14.738
2027	\$0.000	(\$9.332)	(\$1.866)	\$0.000	(\$0.200)	(\$0.150)	\$15.282

- 8. The Department of Revenue would not incur significant additional costs because of this bill.
- 9. As amended, this bill would require DPHHS to report quarterly on the grantees and amount of grants received through the HEART fund. The bill appropriates \$10,000 from the general fund to DPHHS for the next biennium to provide these reports.

Montana Department of Military Affairs (DMA)

10. The one-time-only \$2.5 million per fiscal year would cover the expenses below:
- a. Personnel funds increase of approximately \$1.37 million to cover costs for 20 Full-Time modifieds. 4 of those Groundskeepers, 1 Cemetery Manager, 10 Administrative Assistants 3s for Veteran Service Offices, 1 Accountant 2, 1 Business Manager, and 3 additional Veteran Service Officers. These funds would also cover CPP costs, VSO increased wages due to advancement on the career ladder, and .5 FTE for an IT position managed by DMA Director’s Office.
 - b. Operational expense funds increase of approximately \$256,600 to cover training costs (out-of-state trainings), cemetery maintenance, increased outreach, VSO office expenses, a new state VSO office (location TBD), new employee office and IT packages, and a new cemetery in Columbia Falls.
 - c. Equipment funds increased \$400,000 to replace cemetery equipment that is outdated and broken.
 - d. Capital Outlay funds increased \$350,000 to cover cemetery expansion needs not covered by federal VA grants. For example, replacing HVAC systems, building a new shop, purchasing burial crypts, mold mitigation, etc.
 - e. Grant funds increase by \$105,000 to provide grants for non-veteran burial assistance for guardsmen and reservists, grants for veteran service organizations, and grants for spouse and dependent burial assistance (burials cost around \$1,000 in state cemeteries, this grant would be available to families unable to pay for burial costs).
 - f. Debt service fund increase \$15,000 to provide an additional VSO office in Montana. The rent is estimated at \$1,250 a month.
 - g. 1 Groundskeeper, 1 Cemetery Manager, and \$35,000 of operational expenses are contingent on passage of HB81 allowing for a new cemetery in Columbia Falls

Department of Public Health and Human Services

- 11. The majority of the HEART funding will be paid to individual providers through Medicaid services and not subject of the reporting requirement in new section 7. The remaining costs for the implementation of new section 7 are not known, but the appropriation in the bill is likely sufficient.


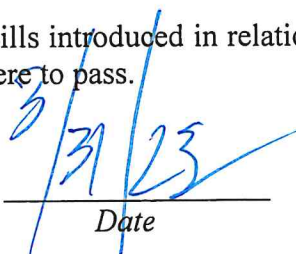

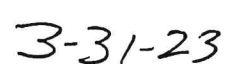
	<u>FY 2024 Difference</u>	<u>FY 2025 Difference</u>	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
DPHHS from General Fund for Reporting	\$10,000	\$0	\$0	\$0
Appropriations to SSR Accounts from General Fund	\$18,950,000	\$18,950,000	\$0	\$0
Transfer to GF from Marijuana account	\$13,679,000	\$14,212,000	\$14,738,000	\$15,282,000
Transfers to SSR Accounts from Marijuana Account	(\$13,679,000)	(\$14,212,000)	(\$14,738,000)	(\$15,282,000)
TOTAL Expenditures	\$18,960,000	\$18,950,000	\$0	\$0
<u>Funding of Expenditures:</u>				
General Fund (01)	\$18,960,000	\$18,950,000	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
TOTAL Funding of Exp.	\$18,960,000	\$18,950,000	\$0	\$0
<u>Revenues:</u>				
General Fund (01)	\$13,679,000	\$14,212,000	\$14,738,000	\$15,282,000
State Special Revenue - from General Fund	\$18,950,000	\$18,950,000	\$0	\$0
State Special Revenue - from Marijuana Account	(\$13,679,000)	(\$14,212,000)	(\$14,738,000)	(\$15,282,000)
TOTAL Revenues	\$18,950,000	\$18,950,000	\$0	\$0
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$5,281,000)	(\$4,738,000)	\$14,738,000	\$15,282,000
State Special Revenue (02)	\$5,271,000	\$4,738,000	(\$14,738,000)	(\$15,282,000)

Technical Notes:

- The revenue effects presented in this fiscal note are based on HJ 2 revenue projections. The Governor’s budget includes assumptions based on the Governor’s revenue estimates. The following table includes the impact of HB 669 if the Governor’s revenue estimates for cannabis tax are used.

Tax Revenue Change by Fiscal Year Relative to HB 669 using Governor's Revenue Estimates		
Fiscal Year	State Special Change (Millions)	General Fund Change (Millions)
2024	(\$5.416)	\$5.416
2025	(\$8.617)	\$8.617
2026	(\$28.595)	\$28.595
2027	(\$29.551)	\$29.551

- There are currently several bills introduced in relation to the marijuana tax revenue and coordination would be needed if multiple bills were to pass.

 Sponsor's Initials Date Budget Director's Initials Date