



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: HB0525.01: Generally revise laws relating to nicotine and vapor products

Primary Sponsor: Amy Regier 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</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)	\$660,920	\$650,574	\$660,176	\$669,925
State Special Revenue (02)	\$498,748	\$193,644	\$196,549	\$199,497
Revenues				
General Fund (01)	\$300,000	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
Net Impact	<u>(\$360,920)</u>	<u>(\$650,574)</u>	<u>(\$660,176)</u>	<u>(\$669,925)</u>
General Fund Balance				

Description of fiscal impact

House Bill 525 creates a vapor product directory administered by the Attorney General (AG). The AG will publish the directory on their website starting January 1, 2026. Manufacturers would be required to annually "Certify" that their vapor products (containing nicotine) are in compliance with federal marketing authorization requirement and would also be required to remit a payment to the AG for every product. Penalties are provided for selling vapor products that are not included on the directory, which will also be administered by the AG. The Department of Revenue (DOR) will inform the AG of potential violations alongside four unannounced compliance checks that may be conducted in a year. The Department of Revenue will need to license vapor product wholesalers and sub-jobbers and update programs to facilitate their licensing, as well as update website and communication on licensing changes. The cost of these changes will be absorbed by DOR. Furthermore, the Department would require an additional FTE for auditing purposes. The Department of Justice will incur FTE and operating costs in the Gambling Control Division and Legal Services Division as well as litigation expenses.

FISCAL ANALYSIS

Assumptions

Department of Justice

1. HB 525 would require additional inspection work performed by Gambling Control Division (GCD) compliance investigators.
2. GCD assumes two additional FTE would be needed. GCD assumes \$168,526 would be needed for personal services and benefits for the two new positions.
3. Operating expenses of \$30,222 would be needed in FY 2026 and would cover rent, travel, new office and

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computer set up costs, phone costs, and technology fixed costs. Starting in FY 2027, \$25,118 would be needed in operating expenses.

4. HB 525 would also require an additional four FTE for the Department of Justice Office of Consumer Protection (OCP) due to additional litigation work tasked to attorneys, paralegals and investigators.
5. OCP assumes an estimate \$350,000 in litigation expenses would also need to be appropriated.
6. OCP assumes one new attorney FTE would be needed. OCP assumes \$113,013 would be needed for personal services and benefits.
7. OCP assumes one new paralegal would be needed. OCP assumes \$79,367 would be needed for personal services and benefits.
8. Operating expenses in the amount of \$25,992 would be needed in FY 2026 and would cover travel, new office and computer set up costs, phone costs, and technology fixed costs. Starting in FY 2027, \$17,288 would be needed in operating expenses.

Department of Revenue

9. A fiscal impact to the general fund is anticipated from the hiring of an additional FTE for compliance auditing of retailers.
10. HB 525 would become effective July 1, 2025 (Fiscal Year 2026).
11. The hiring of an additional FTE would cost \$92,548 for FY 2026, \$90,906 for FY 2027, \$92,114 for FY 2028, and \$93,342 for FY 2029.

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	

The statutory appropriation in Section 13 terminates July 1, 2033.

Fiscal Analysis Table

Department of Justice

	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
<u>Fiscal Impact</u>				
FTE	4.00	4.00	4.00	4.00
TOTAL Fiscal Impact	4.00	4.00	4.00	4.00
<u>Expenditures</u>				
Personal Services	\$360,906	\$360,906	\$366,319	\$371,814
Operating Expenses	\$406,214	\$392,406	\$398,292	\$404,266
Transfers	\$300,000	\$0	\$0	\$0
TOTAL Expenditures	\$1,067,120	\$753,312	\$764,611	\$776,080
<u>Funding of Expenditures</u>				
General Fund (01)	\$568,372	\$559,668	\$568,062	\$576,583
State Special Revenue (02)	\$498,748	\$193,644	\$196,549	\$199,497
TOTAL Funding of Expenditures	\$1,067,120	\$753,312	\$764,611	\$776,080
<u>Revenues</u>				
General Fund (01)	\$300,000	\$0	\$0	\$0
TOTAL Revenues	\$300,000	\$0	\$0	\$0
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
General Fund (01)	(\$268,372)	(\$559,668)	(\$568,062)	(\$576,583)
State Special Revenue (02)	(\$498,748)	(\$193,644)	(\$196,549)	(\$199,497)

Department of Revenue

	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
<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	\$80,437	\$81,453	\$82,485	\$83,532
Operating Expenses	\$9,153	\$9,453	\$9,629	\$9,810
Equipment	\$2,958	\$0	\$0	\$0
TOTAL Expenditures	\$92,548	\$90,906	\$92,114	\$93,342
<u>Funding of Expenditures</u>				
General Fund (01)	\$92,548	\$90,906	\$92,114	\$93,342
TOTAL Funding of Expenditures	\$92,548	\$90,906	\$92,114	\$93,342
<u>Revenues</u>				
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
General Fund (01)	(\$92,548)	(\$90,906)	(\$92,114)	(\$93,342)

STATEWIDE SUMMARY

	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
<u>Fiscal Impact</u>				
FTE	5.00	5.00	5.00	5.00
TOTAL Fiscal Impact	5.00	5.00	5.00	5.00
<u>Expenditures</u>				
Personal Services	\$441,343	\$442,359	\$448,804	\$455,346
Operating Expenses	\$415,367	\$401,859	\$407,921	\$414,076
Equipment	\$2,958	\$0	\$0	\$0
Transfers	\$300,000	\$0	\$0	\$0
TOTAL Expenditures	\$1,159,668	\$844,218	\$856,725	\$869,422
<u>Funding of Expenditures</u>				
General Fund (01)	\$660,920	\$650,574	\$660,176	\$669,925
State Special Revenue (02)	\$498,748	\$193,644	\$196,549	\$199,497
TOTAL Funding of Expenditures	\$1,159,668	\$844,218	\$856,725	\$869,422
<u>Revenues</u>				
General Fund (01)	\$300,000	\$0	\$0	\$0
TOTAL Revenues	\$300,000	\$0	\$0	\$0
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
General Fund (01)	(\$360,920)	(\$650,574)	(\$660,176)	(\$669,925)
State Special Revenue (02)	(\$498,748)	(\$193,644)	(\$196,549)	(\$199,497)

NOT SIGNED BY SPONSOR
 Sponsors Initials _____ Date 2/22/25


 Budget Director's Initials _____

2/21/2025
 Date



GOVERNOR'S OFFICE OF
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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

Fees go to the Department of Justice to establish and administer the vapor product directory.

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

Fees go to the Department of Justice to establish and administer the vapor product directory.

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

No

Unable to determine fee revenue at this point.

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

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 review the budget, and expenditures associated with the vapor product directory.

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

No

Yes, it funds the vapor product directory.

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?

No

Unclear if there are efficiencies or inefficiencies associated with the dedicated revenue.