



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: HB0848.01: Provide funding for regional rail authorities

Primary Sponsor: Denise Baum

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)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$2,669,000	\$2,683,000	\$2,707,000	\$2,771,000
Revenues				
General Fund (01)	(\$2,669,000)	(\$2,683,000)	(\$2,707,000)	(\$2,771,000)
State Special Revenue (02)	\$2,669,000	\$2,683,000	\$2,707,000	\$2,771,000
Net Impact	<u>(\$2,669,000)</u>	<u>(\$2,683,000)</u>	<u>(\$2,707,000)</u>	<u>(\$2,771,000)</u>
General Fund Balance				

Description of fiscal impact

HB 848 changes the allocation of the state's rental car tax revenue, collected pursuant to 15-68-102(1)(b). The Montana Department of Transportation (MDT) will be required to distribute funds, to any qualifying regional rail authority, once per year, in August.

FISCAL ANALYSIS

Assumptions

1. Rental car tax revenue is currently allocated 75% to be deposited into the General Fund and 25% to be deposited into a state special revenue fund for transportation services for seniors and the disabled, pursuant to 7-14-112, MCA.
2. HB 848 establishes the big sky rail account and changes the distribution of rental car tax revenue so that 50% of the rental car tax revenue would be deposited into the general fund, 25% into the fund for transportation services for seniors and the disabled, and 25% into the big sky rail account.
3. Total rental car tax revenue from the HJ 2 revenue estimate is \$10,676,000 in FY 2026, \$10,732,000 in FY 2027, \$10,827,000 in FY 2028 and \$11,086,000 in FY 2029.
4. The amount of revenue deposited into the big sky rail account is equal to 25% of the total revenue or \$2,669,000 in FY 2026, \$2,683,000 in FY 2027, \$2,707,000 in FY 2028 and \$2,771,000 in FY 2029. The annual distribution of rental car tax revenue to the general fund would be reduced by these same amounts.
5. Section 1(3) requires that MDT distribute funds once per year, by August 1, to regional rail authorities established before January 1, 2025. There is only one rail authority in the state that was established prior to January 1, 2025 so the revenue generated by this bill would not be eligible for any other rail authority.
6. MDT would use existing resources to process the once per year distribution of funds.

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	

Fiscal Analysis Table

Department of Transportation				
	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
<u>Fiscal Impact</u>				
<u>Expenditures</u>				
Operating Expenses	\$2,669,000	\$2,683,000	\$2,707,000	\$2,771,000
TOTAL Expenditures	\$2,669,000	\$2,683,000	\$2,707,000	\$2,771,000
<u>Funding of Expenditures</u>				
State Special Revenue (02)	\$2,669,000	\$2,683,000	\$2,707,000	\$2,771,000
TOTAL Funding of Expenditures	\$2,669,000	\$2,683,000	\$2,707,000	\$2,771,000
<u>Revenues</u>				
General Fund (01)	(\$2,669,000)	(\$2,683,000)	(\$2,707,000)	(\$2,771,000)
State Special Revenue (02)	\$2,669,000	\$2,683,000	\$2,707,000	\$2,771,000
TOTAL Revenues	\$0	\$0	\$0	\$0
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
State Special Revenue (02)	\$0	\$0	\$0	\$0
General Fund (01)	(\$2,669,000)	(\$2,683,000)	(\$2,707,000)	(\$2,771,000)

Technical Concerns

1. If SB 90 passes there is a conflict in the proposed changes to the distribution of the rental car tax revenue.
2. HB 848 does not clarify how its new funding source (a 25% share of rental car tax revenue) will work in conjunction with the power to levy a tax in mills within its boundaries as authorized under 7-14-1632, MCA ("The authority may certify annually to the board of county commissioners the amount of money necessary for the operation of the authority. . . ."). To date, the only rail authority in the state that will qualify as a regional rail authority under HB 848 is Big Sky Passenger Rail Authority, and it has not levied a tax in mills within its boundaries.
3. There is a conflict between the broad spending power authorized under Section 1(3) of HB 848 and the more specific purposes and physical boundaries given for rail authority activities as defined in Title 7, Chapter 14, Part 16, MCA. Rail authority purposes include "the preservation and improvement of abandoned rail service for agriculture, industry, or passenger traffic and to provide for the preservation of

abandoned railroad right-of-way for future transportation uses” (7-14-1602, MCA) and are created and jointly operated by counties – political subdivisions of the State – but the bill says a regional rail authority is able to use the funds for things including:

- a. the “development of cooperative relationships with the federal government, other states, Canadian provinces, railroads, and other parties . . . to advance plan, design, develop, implement, and operate rail projects and services throughout and connecting beyond the state . . .”; and
 - b. to “develop energy production and distribution facilities and services for transportation and related purposes.”
4. The broad spending power of regional rail authorities, mentioned above, may also cause conflict or confusion over relative authority between Montana departments and agencies related to energy, utilities, and transportation, both within the boundaries of the regional rail authority and outside its boundaries.

NOT SIGNED BY SPONSOR
Sponsor's Initials _____
Date 3/27/25



Budget Director's Initials

3/26/2025

Date



Dedication of Revenue 2027 Biennium

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17-1-507, MCA.

1. Are there persons or entities that benefit from this dedicated revenue that do not pay?

Yes

The rental car sales tax is paid primarily by visitors from out of state.

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?

Yes

There is less competition for the source of funding.

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

Yes

Mildly, insofar as the rail projects are related to nonresident visitation.

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

No

Funding from the general fund is an option.

5. Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending?

No

Legislation can change the use of these funds.

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

Yes

Funding for regional rail projects.

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?

Yes