



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: **SB0255.01: Revise recreational marijuana laws to require a marijuana identification card**

Primary Sponsor: Greg Hertz 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 Difference</u>	<u>FY 2027 Difference</u>	<u>FY 2028 Difference</u>	<u>FY 2029 Difference</u>
Expenditures				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$2,403,893	\$2,338,786	\$2,405,883	\$2,447,543
Revenues				
General Fund (01)	(\$8,857,607)	(\$21,673,494)	(\$22,449,440)	(\$23,380,129)
State Special Revenue (02)	(\$4,168,286)	(\$10,199,292)	(\$10,564,443)	(\$11,002,414)
Net Impact	<u>(\$8,857,607)</u>	<u>(\$21,673,494)</u>	<u>(\$22,449,440)</u>	<u>(\$23,380,129)</u>
General Fund Balance				

Description of fiscal impact

SB 255 requires adult-use marijuana consumers to apply for and purchase a marijuana identification card to legally purchase, possess, and consume marijuana. This change is expected to reduce the number of marijuana purchasers and shift consumers back to the medical marijuana program, reducing overall marijuana tax collections. The administration of the new marijuana ID cards will be labor intensive for the Department of Revenue and require an additional 24 FTE to meet the processing requirements in the bill.

FISCAL ANALYSIS

Assumptions

Department of Revenue (DOR/department)

1. SB 255 makes changes to the adult-use marijuana industry in Montana by requiring consumers to apply for and purchase a marijuana identification card to legally purchase, possess or consume marijuana in Montana.
2. The marijuana ID card costs \$200 with the initial application and every year for renewal. The Department of Revenue would be responsible for processing the applications and maintaining a registry of all marijuana ID card holders.
3. The department currently receives and processes cardholder applications for medical marijuana consumers. The annual fee for a medical marijuana card is \$20 and there are currently about 14,000 medical cardholders, which is down from a peak of close to 42,000 cardholders in 2021 before adult-use marijuana was legalized.
4. Since adult-use marijuana sales began January 1, 2022, medical marijuana cardholders and sales had declined each year, while adult-use sales have gradually increased, despite the 4 percent tax rate for medical cardholders and 20 percent tax rate for adult-use sales. This decline in medical marijuana sales is most likely

due to the cost and inconvenience of having to get a medical provider prescription to be approved for a medical marijuana card.

5. SB 255 would significantly increase the cost and burden of purchasing adult-use marijuana, above the upfront cost to become a medical marijuana cardholder in addition to the higher tax rate on adult-use sales. For this reason, it is assumed that under SB 255, medical cardholders and sales would increase back up to and likely beyond the pre-adult-use legalization. Adult-use ID cardholders are expected to be fewer than medical cardholders and remain relatively constant at the initial level moving forward.
6. In addition to the shift from the adult-use to the medical marijuana market, the cost and residence requirement to obtain an adult-use marijuana ID would prohibit any non-residents from purchasing marijuana from a dispensary and would likely mostly eliminate the casual and low-volume users from the market. Based on tourism spending reports and marijuana sales data by dispensary, it is assumed that non-residents account for approximately 20 percent of adult-use marijuana sales.
7. The table below shows the projected number of cardholders and dispensary sales for both medical and adult-use marijuana for FY 2021 to FY 2029. Note that the bill applies to sales beginning January 1, 2026, so the first half of FY 2026 would be under current law and the second half under the requirements of the bill (\$140 million in adult-use sales the first 6 months and \$40 million in the second 6 months).

Estimated Marijuana Sales and Cardholders				
Fiscal Year	Medical Sales	Adult-Use Sales	Medical Cardholders	SB 255 ID cards
2021	\$166,000,000	\$0	41,638	-
2022	\$142,000,000	\$95,000,000	40,300	-
2023	\$76,000,000	\$238,000,000	23,769	-
2024	\$51,000,000	\$249,000,000	18,118	-
2025	\$53,000,000	\$256,000,000	14,080	-
2026	\$80,000,000	\$180,000,000	35,000	25,000
2027	\$150,000,000	\$80,000,000	45,000	25,000
2028	\$160,000,000	\$80,000,000	48,000	25,000
2029	\$170,000,000	\$80,000,000	50,000	25,000

8. The following table shows the estimated tax and license fee revenue under SB 255. The tax revenue estimates are calculated by applying the medical and adult-use sales tax rates to the estimated sales in the table above. The total license fee revenue is calculated by adding the license fee revenue associated with the estimated number of cardholders in the table above to the current law license fee revenue as estimated in HJ 2. It is assumed that under current law the number of registered medical cardholders would remain at about 14,000 each year moving forward.

Marijuana License Fee and Tax Revenue Impact				
Fiscal Year	SB 255 Total Marijuana Revenue	SB 255 Medical Marijuana Tax Revenue	SB 255 Adult Use Tax Revenue	SB 255 License Fee Revenue
2025	\$60,623,000	\$2,129,000	\$51,202,000	\$7,292,000
2026	\$52,173,000	\$3,200,000	\$36,000,000	\$12,973,000
2027	\$35,435,000	\$6,000,000	\$16,000,000	\$13,435,000
2028	\$36,104,000	\$6,400,000	\$16,000,000	\$13,704,000
2029	\$36,786,000	\$6,800,000	\$16,000,000	\$13,986,000

9. The following table shows the estimated reduction in total marijuana tax and license fee revenue under SB 255 relative to the current law HJ 2 estimates as well as the additional administrative costs to the Department of Revenue, as outlined in the next section.

Impact of SB 255 on Revenue Distributions Relative to Current Law					
Fiscal Year	Current Law HJ 2 Estimated Marijuana Revenue	SB 255 Total Marijuana Revenue	SB 255 Change in Marijuana Revenue	SB 255 Additional DOR Costs	SB 255 Change in General Fund Revenue
2026	\$62,795,000	\$52,173,000	-\$10,622,000	\$2,403,893	-\$8,857,607
2027	\$64,969,000	\$35,435,000	-\$29,534,000	\$2,338,786	-\$21,673,494
2028	\$66,712,000	\$36,104,000	-\$30,608,000	\$2,405,883	-\$22,449,440
2029	\$68,721,000	\$36,786,000	-\$31,935,000	\$2,447,543	-\$23,380,129

10. Based on the estimated revenue reduction and additional administrative costs shown in the table above, the general fund distribution out of the marijuana state special revenue fund would be as shown in the last column of the table. Additionally, state special revenue distributed to the Fish, Wildlife, and Parks accounts laid out in 16-12-111, MCA would decrease by an estimated total of \$4,168,286 in FY 2026, \$10,199,292 in FY 2027, \$10,564,443 in FY 2028, and \$11,002,414 in FY 2029.

DOR Administrative Costs

11. SB 255 will create a significant additional workload for the Department of Revenue in the form of processing the new marijuana ID card applications and the additional medical marijuana cards. This bill requires the department to process an application and issue the card within 30 days of receiving the application or refund the card fee back to the applicant. The department currently has six license technicians processing the approximately 14,000 current medical cardholder applications, which are distributed over the year. These license technicians also process 5,800 worker permits, and 900 business site location licenses annually.
12. The additional card applications estimated in this bill would likely be concentrated around the effective date of the bill and necessitate the department be able to process all those applications within 30 days of receiving them. To handle the estimated 46,000-61,000 additional card applications in the time requirements established in this bill, the department would require an additional 24 FTE, beginning with FY 2026. Of those 24 positions, two would be managers, 21 would be license technicians, and one resolution officer. Total costs for these FTE would be \$2,131,213 in FY 2026, \$2,090,461 in FY 2027, \$2,118,069 in FY 2028, and \$2,146,144 in FY 2029.
13. The new ID card would require development changes to the seed-to-sale tracking system, which would require contracted services at an estimated cost of \$200,000 in FY 2026.
14. The department would also incur additional mailing costs for the new cards and notification letters of card expiration to cardholders. These costs are directly proportional to the number of card applications received and letters that need to be mailed. Based on the current mailing costs and number of letters sent to the current medical cardholders, these additional mailing costs are estimated to be \$72,680 in FY 2026, \$248,325 in FY 2027, \$287,814 in FY 2028, and \$301,399 in FY 2029. The expiration reminder letters for new cards would not begin being sent out until FY 2027, so the FY 2026 cost is the only new cards being mailed out.
15. Total additional costs to the department would be \$2,403,893 in FY 2026, \$2,338,786 in FY 2027, \$2,405,883 in FY 2028, and \$2,447,543 in FY 2029.

Department of Public Health and Human Services

16. SB 255 amends 16-12-111 to include license fee and marijuana cardholder fees be deposited into the marijuana state special revenue account. The department receives a funding transfer from the marijuana state special revenue account to the healing and addiction through recovery and treatment (HEART) account. This funding is capped at \$6 million so the amendment to this MCA will have no fiscal impact on the department. The remaining provisions of SB 255 will not affect the department.

Department of Justice

17. There will likely be an increase in violations for possession of marijuana without a card. The Montana Highway Patrol does not track the number of people legally possessing marijuana in encounters and cannot make a reasonable assumption on the numbers of potential violations.

Fiscal Analysis Table

	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>	<u>FY 2028 Difference</u>	<u>FY 2029 Difference</u>
<u>Fiscal Impact</u>				
FTE	24.00	24.00	24.00	24.00
TOTAL Fiscal Impact	<u>24.00</u>	<u>24.00</u>	<u>24.00</u>	<u>24.00</u>
<u>Expenditures</u>				
Personal Services	\$1,840,549	\$1,863,589	\$1,886,973	\$1,910,704
Operating Expenses	\$563,344	\$475,197	\$518,910	\$536,839
TOTAL Expenditures	<u>\$2,403,893</u>	<u>\$2,338,786</u>	<u>\$2,405,883</u>	<u>\$2,447,543</u>
<u>Funding of Expenditures</u>				
State Special Revenue (02)	\$2,403,893	\$2,338,786	\$2,405,883	\$2,447,543
TOTAL Funding of Expenditures	<u>\$2,403,893</u>	<u>\$2,338,786</u>	<u>\$2,405,883</u>	<u>\$2,447,543</u>
<u>Revenues</u>				
General Fund (01)	(\$8,857,607)	(\$21,673,494)	(\$22,449,440)	(\$23,380,129)
State Special Revenue (02)	(\$4,168,286)	(\$10,199,292)	(\$10,564,443)	(\$11,002,414)
TOTAL Revenues	<u>(\$13,025,893)</u>	<u>(\$31,872,786)</u>	<u>(\$33,013,883)</u>	<u>(\$34,382,543)</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
State Special Revenue (02)	(\$6,572,179)	(\$12,538,078)	(\$12,970,326)	(\$13,449,957)
General Fund (01)	<u>(\$8,857,607)</u>	<u>(\$21,673,494)</u>	<u>(\$22,449,440)</u>	<u>(\$23,380,129)</u>

NO SPONSOR SIGNATURE

2/21

Sponsor's Initials

Date



Budget Director's Initials

2/21/2025

Date