



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: **SB0324.03 (002): Revise vehicle registration fees and allocate revenue for bridges and victims of crime**

Primary Sponsor: Josh Kassmier Status: As Amended in House 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 Difference</u> | <u>FY 2027 Difference</u> | <u>FY 2028 Difference</u> | <u>FY 2029 Difference</u> |
|-----------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Expenditures | | | | |
| General Fund (01) | \$50,012,000 | \$0 | \$0 | \$0 |
| State Special Revenue (02) | \$13,937,777 | \$14,278,234 | \$15,480,053 | \$15,417,721 |
| Other | \$0 | \$0 | \$0 | \$0 |
| Revenues | | | | |
| General Fund (01) | (\$1,200,000) | (\$1,200,000) | \$0 | \$0 |
| State Special Revenue (02) | \$59,971,488 | \$18,375,376 | \$11,189,450 | \$10,577,555 |
| Other | \$0 | \$0 | \$0 | \$0 |
| Permanent Trust (09) | (\$500,000) | (\$500,000) | (\$500,000) | (\$500,000) |
| Net Impact | <u>(\$51,212,000)</u> | <u>(\$1,200,000)</u> | <u>\$0</u> | <u>\$0</u> |
| General Fund Balance | | | | |

Description of fiscal impact

SB 324 increases fees on certain luxury light vehicle and motorhome registrations, increases funding for the Montana Highway Patrol, establishes a funding source for a new victims of crime advocates fund, eliminates the 3% administrative fee on motor vehicle transactions, and provides funding for local bridge construction and repair.

FISCAL ANALYSIS

Assumptions

Department of Justice

Luxury vehicle registration fees

1. The Motor Vehicle Division will need to adjust programming within the Credentialing and Registration System (CARS) to implement the changes provided for in SB 324 at an estimated cost of \$30,000 in FY 2026.
2. Currently, light vehicles with an MSRP greater than \$150,000 pay an annual luxury fee of \$825 in each year of registration until the vehicle is greater than 10 years old.
3. SB 324 raises the light vehicle luxury fee to an amount equal to 1% of MSRP for the first year of

- registration in the state. For each subsequent year until the vehicle is 11 years old or older the fee remains at \$825. This fee change goes into effect January 1, 2026.
4. The MSRP threshold of \$150,000 is inflated by 2% per year for each calendar year after 2026.
 5. First time luxury light vehicle registrations are estimated to average about 4,800 per year for the period FY 2026 – FY 2029.
 6. The average MSRP of first-time luxury light vehicle registrations is projected to average \$324,000 based on historical observations. This results in an average fee of \$3,240 for these registrations, an increase of \$2,415 from the current law fee of \$825.
 7. Luxury motorhomes with an MSRP above \$300,000 are also assessed an annual luxury fee under current law. This fee is \$800 in each year of registration until the motorhome is greater than 10 years old.
 8. SB 324 treats motorhomes similarly to light vehicles, raising the luxury fee to an amount equal to 1% of MSRP in the first year of registration. It also raises the renewal fee from \$800 to \$825 until the vehicle reaches 11 years of age. These fee changes are effective January 1, 2026.
 9. The MSRP threshold of \$300,000 is inflated by 2% per year for each calendar year after 2026.
 10. First time motorhome registrations are estimated to average about 800 per year for the period FY 2026 – FY 2029.
 11. The average MSRP of first-time motorhome registrations is projected to average \$642,000 based on historical observations. This results in an average fee of \$6,420 for these registrations, an increase of \$5,620 from the current law fee of \$800.
 12. Motorhome renewal registrations average about 4,000 annually for the period FY 2026 – FY 2029. Fees for these registrations will increase by \$25 compared to current law.
 13. With the changes made by SB 324, total revenue from luxury fees assessed on light vehicle and motorhomes is projected to be \$19.898 million in FY 2026, \$28.152 million in FY 2027, \$28.165 million in FY 2028, and \$27.697 million in FY 2029.
 14. Compared to current law projections of total luxury vehicle fee revenue using assumptions of vehicle revenue growth from the HJ 2 revenue estimate, the fiscal impact of SB 324 on luxury vehicle fee revenue is estimated to be \$9.729 million in FY 2026, \$17.889 million in FY 2027, \$17.808 million in FY 2028, and \$17.246 million in FY 2029.
 15. Currently, all revenue from luxury vehicle fees is deposited into the Motor Vehicle Division (MVD) administration account in the state special revenue fund. The distribution of this revenue is changed in SB 324 to include additional recipients. Beginning in FY 2026, the first \$2 million of luxury vehicle fee revenue is deposited into the newly established victims of crime account in the state special revenue fund. For FY 2026, the remaining luxury fee revenue after the allocation to the victims of crime account is distributed 26% to the Montana Highway Patrol and 74% to the MVD administration account. Starting in FY 2027 and for each fiscal year thereafter, luxury vehicle fee revenue net of the victims of crime account allocation is distributed 12% to the Montana Highway Patrol, 62% to the MVD administration account, and 26% to the newly established better local bridge fund account.

MVD administration account

16. Luxury vehicle fee revenue to the MVD administration account under SB 324 is projected to be \$14.778 million in FY 2026, \$16.214 million in FY 2027, \$16.223 million in FY 2028, and \$15.932 million in FY 2029.
17. Currently, MVD assesses a 3% fee on all Title 61 transactions (61-3-111, MCA). SB 324 repeals this fee effective June 30, 2027.
18. Revenue from the 3% administrative fee is deposited into the MVD administration account.
19. Because of the increased fee on first-time luxury light vehicle and motorhome registrations, and the increased fee for luxury motorhome renewal registrations, there will be additional revenue generated from the 3% administrative fee in FY 2026 and FY 2027 before it is eliminated in FY 2028. This new revenue is estimated to be \$243,000 in FY 2026 and \$486,500 in FY 2027.
20. The reduction in revenue to the MVD administration account from the elimination of the 3% administrative fee is estimated to be \$6.617 million in FY 2028 and \$6.669 million in FY 2029.

21. Section 3 of the bill changes the conditions of 61-3-321(23), MCA, that dictate how much ending balance is allowed in the MVD administration account. Currently an amount equal to 25% of the current fiscal year appropriation is allowed to remain in the account with the rest being transferred to the general fund. The bill eliminates this general fund transfer provision for the FY 2026 – FY 2027 biennium, allowing for a higher ending fund balance in the MVD administration account. Eliminating the general fund transfer results in a reduction to general fund revenue of \$1.2 million in each year of the 2027 biennium. Beginning in FY 2028, current law is changed such that if the amount equal to the account's end balance minus 25% of the current fiscal year appropriation is greater than \$1.5 million then the amount that is above \$1.5 million can be retained in the account.
22. The table below shows the fiscal impact of SB 324 on the MVD administration account.

| SB 324 Fiscal Impact to Motor Vehicle Division Administration Account | | | | |
|--|--------------------|--------------------|-------------------|---------------------|
| Department of Justice | | | | |
| | FY 2026 | FY 2027 | FY 2028 | FY 2029 |
| Current Law | | | | |
| 61-3-111, MCA, Fee Amount | 3% | 3% | 3% | 3% |
| 61-3-111, MCA, Fee Revenue | \$6,509,715 | \$6,562,944 | \$6,617,165 | \$6,668,599 |
| Luxury Vehicle Fee Revenue | \$10,169,003 | \$10,263,226 | \$10,359,196 | \$10,450,992 |
| Proposed Law | | | | |
| 61-3-111, MCA, Fee Amount** | 3% | 3% | 0% | 0% |
| 61-3-111, MCA, Fee Revenue | \$6,752,741 | \$7,049,415 | \$0 | \$0 |
| Luxury Vehicle Fee Revenue | \$14,777,648 | \$16,214,321 | \$16,222,802 | \$15,932,231 |
| Fiscal Impact | \$4,851,671 | \$6,437,566 | -\$753,559 | -\$1,187,360 |
| ** 3% administration fee is effective thru June 30, 2027 | | | | |

Montana Highway Patrol

23. SB 324 provides the MHP pay and retention account with a new source of funding from luxury vehicle fee revenue, which is estimated to be \$3.120 million in FY 2026, \$3.138 million in FY 2027, \$3.140 million in FY 2028, and \$3.084 million in FY 2029.
24. Additionally, SB 324 strikes the annual \$500,000 transfer from the MHP pay and retention account to the highway patrol officers' retirement pension trust fund.
25. The total fiscal impact to the MHP pay and retention account is \$3.620 million in FY 2026, \$3.638 million in FY 2027, \$3.640 million in FY 2028, and \$3.584 million in FY 2029.
26. In FY 2026, \$3.033 million of the \$3.620 million increase in funding to MHP will be allocated to personal services and \$587,122 will be allocated to operating expenses. For FYs 2027 - 2029, all additional revenue will be used for personal services.
27. The fiscal impact of SB 324 on MHP funding is presented in the table below.

| SB 324 Fiscal Impact to Montana Highway Patrol Pay & Retention Account | | | | |
|---|--------------------|--------------------|--------------------|--------------------|
| Department of Justice | | | | |
| | FY 2026 | FY 2027 | FY 2028 | FY 2029 |
| Proposed Law | | | | |
| Luxury Vehicle Fee Revenue | \$3,119,777 | \$3,138,256 | \$3,139,897 | \$3,083,658 |
| Discontinuation of HPORS Transfer | \$500,000 | \$500,000 | \$500,000 | \$500,000 |
| Fiscal Impact | \$3,619,777 | \$3,638,256 | \$3,639,897 | \$3,583,658 |

Victims of Crime Advocates

28. Section 4 of the bill establishes a new victims of crime state special revenue account. The account receives the first \$2 million of luxury vehicle fee revenue each fiscal year beginning in FY 2026. All revenue received will be sent out in grants for victim services. The table below summarizes the fiscal impact of SB 324 for the victims of crime account.

| SB 324 Fiscal Impact to Victims of Crime Account | | | | |
|--|-------------|-------------|-------------|-------------|
| Board of Crime Control | | | | |
| | FY 2026 | FY 2027 | FY 2028 | FY 2029 |
| Proposed Law | | | | |
| Luxury Vehicle Fee Revenue | \$2,000,000 | \$2,000,000 | \$2,000,000 | \$2,000,000 |

Department of Transportation

29. By June 30, 2025, \$50 million will be transferred from the general fund to the better local bridge fund account.
30. For FY 2027 and each fiscal year thereafter, 26% of total luxury vehicle fee revenue in section 3(2) and (7) of the bill will be deposited into the better local bridge fund.
31. With total revenue projections of \$28.152 million in FY 2027, \$28.165 million in FY 2028, and \$27.697 million in FY 2029, revenue into the better local bridge fund will be \$6.800 million in FY 2027, \$6.803 million in FY 2028, and \$6.681 million in FY 2029.
32. Up to 5% of revenue received may be used for administrative costs.
33. Anticipated administrative expenditures are \$339,978 in FY 2027, \$340,156 in FY 2028, and \$334,063 in FY 2029.
34. In each fiscal year, MDT can award up to \$10 million to local entities through the grant program. As the department develops the grant program, the local government award amounts will be determined.
35. The following table shows the fiscal impact of SB 324 for the better local bridge fund.

| SB 324 Fiscal Impact to Better Local Bridge Fund | | | | |
|--|--------------|-------------|-------------|-------------|
| Department of Transportation | | | | |
| | FY 2026 | FY 2027 | FY 2028 | FY 2029 |
| General Fund Transfer | \$50,000,000 | | | |
| Luxury Vehicle Fee Revenue % Share | 0% | 26% | 26% | 26% |
| Better Local Bridge Fund Revenue | \$50,000,000 | \$6,799,554 | \$6,803,111 | \$6,681,258 |
| *DOT share of 61-3-321, MCA, luxury vehicle fee revenue begins FY 2027 | | | | |

Fiscal Analysis Table**Department of Justice**

| | FY 2026 <u>Difference</u> | FY 2027 <u>Difference</u> | FY 2028 <u>Difference</u> | FY 2029 <u>Difference</u> |
|-----------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| <u>Fiscal Impact</u> | | | | |
| <u>Expenditures</u> | | | | |
| Personal Services | \$3,032,655 | \$3,638,256 | \$3,639,897 | \$3,583,658 |
| Operating Expenses | \$617,122 | \$0 | \$0 | \$0 |
| Transfers | (\$1,700,000) | (\$1,700,000) | (\$500,000) | (\$500,000) |
| Grants | \$2,000,000 | \$2,000,000 | \$2,000,000 | \$2,000,000 |
| TOTAL Expenditures | \$3,949,777 | \$3,938,256 | \$5,139,897 | \$5,083,658 |

Funding of Expenditures

| | | | | |
|--------------------------------------|--------------------|--------------------|--------------------|--------------------|
| General Fund (01) | \$12,000 | \$0 | \$0 | \$0 |
| State Special Revenue (02) | \$3,937,777 | \$3,938,256 | \$5,139,897 | \$5,083,658 |
| TOTAL Funding of Expenditures | \$3,949,777 | \$3,938,256 | \$5,139,897 | \$5,083,658 |

Revenues

| | | | | |
|----------------------------|--------------------|--------------------|--------------------|--------------------|
| General Fund (01) | (\$1,200,000) | (\$1,200,000) | \$0 | \$0 |
| State Special Revenue (02) | \$9,971,488 | \$11,575,822 | \$4,386,339 | \$3,896,297 |
| Other | \$0 | \$0 | \$0 | \$0 |
| Permanent Trust (09) | (\$500,000) | (\$500,000) | (\$500,000) | (\$500,000) |
| TOTAL Revenues | \$8,271,488 | \$9,875,822 | \$3,886,339 | \$3,396,297 |

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

| | | | | |
|----------------------------|---------------|---------------|-------------|---------------|
| General Fund (01) | (\$1,212,000) | (\$1,200,000) | \$0 | \$0 |
| State Special Revenue (02) | \$6,033,711 | \$7,637,566 | (\$753,558) | (\$1,187,361) |
| Other | \$0 | \$0 | \$0 | \$0 |
| Permanent Trust (09) | (\$500,000) | (\$500,000) | (\$500,000) | (\$500,000) |

Department of Transportation

| | FY 2026 Difference | FY 2027 Difference | FY 2028 Difference | FY 2029 Difference |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Fiscal Impact | | | | |
| Expenditures | | | | |
| Operating Expenses | \$0 | \$339,978 | \$340,156 | \$334,063 |
| Transfers | \$50,000,000 | \$0 | \$0 | \$0 |
| Grants | \$10,000,000 | \$10,000,000 | \$10,000,000 | \$10,000,000 |
| TOTAL Expenditures | \$60,000,000 | \$10,339,978 | \$10,340,156 | \$10,334,063 |
| Funding of Expenditures | | | | |
| General Fund (01) | \$50,000,000 | \$0 | \$0 | \$0 |
| State Special Revenue (02) | \$10,000,000 | \$10,339,978 | \$10,340,156 | \$10,334,063 |
| TOTAL Funding of Expenditures | \$60,000,000 | \$10,339,978 | \$10,340,156 | \$10,334,063 |
| Revenues | | | | |
| State Special Revenue (02) | \$50,000,000 | \$6,799,554 | \$6,803,111 | \$6,681,258 |
| TOTAL Revenues | \$50,000,000 | \$6,799,554 | \$6,803,111 | \$6,681,258 |
| Other | \$0 | \$0 | \$0 | \$0 |
| Net Impact to Fund Balance (Revenue minus Funding of Expenditures) | | | | |
| General Fund (01) | (\$50,000,000) | \$0 | \$0 | \$0 |
| State Special Revenue (02) | \$40,000,000 | (\$3,540,424) | (\$3,537,045) | (\$3,652,805) |
| Other | \$0 | \$0 | \$0 | \$0 |

STATEWIDE SUMMARY

| | FY 2026 Difference | FY 2027 Difference | FY 2028 Difference | FY 2029 Difference |
|----------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Fiscal Impact | | | | |
| TOTAL Fiscal Impact | 0.00 | 0.00 | 0.00 | 0.00 |
| Expenditures | | | | |
| Personal Services | \$3,032,655 | \$3,638,256 | \$3,639,897 | \$3,583,658 |

Fiscal Note Request - As Amended in House Committee*(continued)*

| | | | | |
|---------------------------|---------------------|---------------------|---------------------|---------------------|
| Operating Expenses | \$617,122 | \$339,978 | \$340,156 | \$334,063 |
| Transfers | \$48,300,000 | (\$1,700,000) | (\$500,000) | (\$500,000) |
| Grants | \$12,000,000 | \$12,000,000 | \$12,000,000 | \$12,000,000 |
| TOTAL Expenditures | \$63,949,777 | \$14,278,234 | \$15,480,053 | \$15,417,721 |

Funding of Expenditures

| | | | | |
|--------------------------------------|---------------------|---------------------|---------------------|---------------------|
| General Fund (01) | \$50,012,000 | \$0 | \$0 | \$0 |
| State Special Revenue (02) | \$13,937,777 | \$14,278,234 | \$15,480,053 | \$15,417,721 |
| TOTAL Funding of Expenditures | \$63,949,777 | \$14,278,234 | \$15,480,053 | \$15,417,721 |

Revenues

| | | | | |
|----------------------------|---------------------|---------------------|---------------------|---------------------|
| General Fund (01) | (\$1,200,000) | (\$1,200,000) | \$0 | \$0 |
| State Special Revenue (02) | \$59,971,488 | \$18,375,376 | \$11,189,450 | \$10,577,555 |
| Other | \$0 | \$0 | \$0 | \$0 |
| Permanent Trust (09) | (\$500,000) | (\$500,000) | (\$500,000) | (\$500,000) |
| TOTAL Revenues | \$58,271,488 | \$16,675,376 | \$10,689,450 | \$10,077,555 |

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

| | | | | |
|----------------------------|----------------|---------------|---------------|---------------|
| General Fund (01) | (\$51,212,000) | (\$1,200,000) | \$0 | \$0 |
| State Special Revenue (02) | \$46,033,711 | \$4,097,142 | (\$4,290,603) | (\$4,840,166) |
| Other | \$0 | \$0 | \$0 | \$0 |
| Permanent Trust (09) | (\$500,000) | (\$500,000) | (\$500,000) | (\$500,000) |

Effect on County or Other Local Revenues or Expenditures

1. SB 324 provides for grants to local governments for the costs associated with engineering and construction of local, off-system bridges. Grants to local governments must include no less than 20% local matching funds.
2. The department shall enact rules for distribution of annual grants to local governments.

NO SPONSOR SIGNATURE

Sponsor's Initials

Date

4/22



Budget Director's Initials

4/22/2025

Date



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

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?

Yes

Yes, the revenue is directed from the general fund and is funded by the taxpayers of Montana and any non-Montanans that pay taxes into the General Fund. The benefactors of this bill are the traveling public or anyone receiving goods or services that are transported using the local roads and streets.

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

By using a special revenue fund, MDT can account and track the exact amount of monies being expended each year. Also, MDT can ensure that only the proper expenditures are applied to the money.

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

Yes

Yes, the program will fund the grants to local government for the costs associated with engineering and construction of local and off-system bridges. The locals are still required a match of at least 20%.

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

Yes

Yes, the revenues are designated for local grants associated with engineering and construction of local off system bridges. The need still exists to ensure that the revenue is used for the legislative purpose.

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

No

No, the dedicated revenue being accounted for in a special revenue helps ensure that the expenditures for these grants are segregated and easier to budget for.

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

Yes

Yes, the need for constant maintenance and improvement of Montana bridges.

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

MDT's primary funding is accounted for through special revenue funds. By using a special revenue fund, MDT can use the economies of scale gained through the existing special revenue funds to account for and budget more efficiently.