



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: HB0914.01: Generally revise allocation of lodging facility use taxes

Primary Sponsor: Scott Rosenzweig 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				
Revenues				
Net Impact	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
General Fund Balance	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact

HB 914 changes the distribution of lodging facility tax revenue. Commerce is limited to specific dollars and the changes in funding are distributed to a new county roads and infrastructure state special revenue fund and a new municipal roads and infrastructure state special revenue fund, both statutorily appropriated. There is no new state fiscal impact only redistribution of revenue.

FISCAL ANALYSIS

Assumptions

Department of Commerce

- Under current law, the Department of Commerce receives 60.2% of the 4% lodging facilities use tax for the following uses specified in 90-1-122, MCA. Beginning July 1, 2027, the allocation increases to 63.0%.
 - 43% for tourism media, advertising film programs, made-in-Montana promotions and main street programs, wayfinding and signage, and support to trade offices;
 - 22.5% for rural tourism, under-visited area attraction projects, and tribal tourism, including infrastructure, tourism-related emergency services, marketing, and promotional activities;
 - 23% for tourism grants, including agritourism grants and Montana-based film grants;
 - 6.5% for revolving loan programs and regional tourism assistance; and
 - 5% to use in collaboration with the office of economic development established in 2-15-218 for new tourism attractions, other state business development programs, and support for the activities in this section.
- Per 15-65-121, MCA, the lodging facility use tax funds allocated to the department are statutorily appropriated. For the purposes of this fiscal note, it is assumed that all revenue allocated will be expended.
- Current HJ 2 estimates suggest that the amount of the lodging use tax allocated to the department for the uses provided in 90-1-122, MCA, will be \$38.6 million in FY 2026, \$40.2 million in FY 2027, \$42.4 million in FY 2028, and \$43.1 million in FY 2029.
- HB 914 would cap the amount received by the department at \$22.4 million in FY 2026 and FY 2027. The bill allows for an adjustment for each biennium equal to half the average rate of inflation. The Department

- of revenue estimates that rate to be 2.6% at the end of FY 2027, resulting in a 1.3% adjustment. The amount received by the department would then be \$22.7 million in FY 2028 and FY 2029.
5. Compared to current law estimates detailed in assumption 3 above, this would be a reduction of \$16.2 million in FY 2026, \$17.8 million in FY 2027, \$19.8 million in FY 2028, and \$20.4 million in FY 2029.
 6. Per 90-1-122, MCA, the reductions to Commerce will be realized in the following manner:
 - a. Eliminate printing all publications including the printed state highway map, elimination of the Governor's Conference on Tourism, state Diplomacy Program, and the Japan and Taiwan Trade Offices. Reductions to the Main Street Montana program, Made in Montana program, Pilot Community grants, statewide tourism marketing both domestic and international (paid media and earned media), statewide tourism industry research data, and the Montana Film Office.
 - b. Reductions in Rural Tourism Development, Tribal economic development including Tribal Tourism Small Business Grants, Tribal Tourism Grant Program, and Emergency Services Travel Related Grants, agritourism and rural tourism specific marketing.
 - c. Elimination of Agritourism Grants, Event Grants, and the Big Sky Film Grants. Additionally there would be no new Pilot Community Readiness Grants and a reduction to Pilot grants that have already been awarded.
 - d. Reduction to the Regional Assistance Program grants.
 - e. Reduction in new tourism attraction and other state business development including the air service sponsorship program.
 7. Elimination and/or reduction of these programs would result in the elimination of 21.0 FTE.
 8. Under current law, the department receives 22.5% of the 4% lodging facilities use tax for distribution to regional nonprofit tourism corporations and convention and visitors bureaus (CVBs).
 9. Current HJ 2 estimates suggest that the amount allocated to the tourism regions and CVBs will be \$14.4 million in FY 2026, \$15.0 million in FY 2027, \$15.2 million in FY 2028, and \$15.4 million in FY 2029.
 10. HB 914 would cap the amount received for the regions and CVBs at \$8.3 million in FY 2026 and FY 2027. The bill allows for an adjustment for each biennium equal to half the average rate of inflation. The amount received by the department would be \$8.4 million in FY 2028 and FY 2029.
 11. Compared to current law estimates detailed in assumption 9 above, this would be a reduction of \$6.1 million in FY 2026, \$6.7 million in FY 2027, \$6.8 million in FY 2028, and \$7.0 million in FY 2029.
 12. The reductions to revenue in assumption 11 would be realized as reduced disbursements to the regional nonprofit tourism corporations.

Department of Transportation

13. The county roads and infrastructure state special revenue fund and the municipal roads and infrastructure state special revenue fund created in HB 914 are statutorily appropriated to the Department of Transportation.
14. The distribution to all counties and consolidated city-counties in the state is the ratio that the county or consolidated city-county collected the lodging facility use tax in the immediately preceding fiscal year. The funds must be distributed to all cities and towns in the state based on population. No city or town may receive less than 0.5% or more than 8% of the total amount of funds deposited in the account.
15. The allocation to the new county and municipal state special revenue accounts is transferred in equal amounts to each new account.
16. The following statutory and dedicated revenue information applies to both of the new state special revenue accounts, the county.

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	

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(continued)

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>				
Grants	\$0	\$0	\$0	\$0
County Roads and Infrastructure	\$11,173,544	\$12,260,773	\$13,253,234	\$13,687,841
Municipal Roads and Infrastructure	\$11,173,544	\$12,260,773	\$13,253,234	\$13,687,841
TOTAL Expenditures	\$22,347,088	\$24,521,546	\$26,506,468	\$27,375,682
<u>Funding of Expenditures</u>				
State Special Revenue (02)	\$22,347,088	\$24,521,546	\$26,506,468	\$27,375,682
TOTAL Funding of Expenditures	\$22,347,088	\$24,521,546	\$26,506,468	\$27,375,682
<u>Revenues</u>				
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
State Special Revenue (02)	(\$22,347,088)	(\$24,521,546)	(\$26,506,468)	(\$27,375,682)

Department of Commerce

	<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	-21.00	-21.00	-21.00	-21.00
TOTAL Fiscal Impact	-21.00	-21.00	-21.00	-21.00
<u>Expenditures</u>				
Personal Services	(\$1,815,442)	(\$1,819,356)	(\$1,846,647)	(\$1,874,346)
Operating Expenses	(\$5,967,608)	(\$8,542,822)	(\$7,635,757)	(\$7,915,486)
Local Assistance	(\$6,132,400)	(\$6,724,000)	(\$6,751,460)	(\$6,980,200)
Grants	\$0	\$0	\$0	\$0
Commerce	(\$8,431,638)	(\$7,435,368)	(\$10,272,604)	(\$10,605,650)
TOTAL Expenditures	(\$22,347,088)	(\$24,521,546)	(\$26,506,468)	(\$27,375,682)
<u>Funding of Expenditures</u>				
State Special Revenue (02)	(\$22,347,088)	(\$24,521,546)	(\$26,506,468)	(\$27,375,682)
TOTAL Funding of Expenditures	(\$22,347,088)	(\$24,521,546)	(\$26,506,468)	(\$27,375,682)
<u>Revenues</u>				
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
State Special Revenue (02)	\$22,347,088	\$24,521,546	\$26,506,468	\$27,375,682

STATEWIDE SUMMARY

	<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	-21.00	-21.00	-21.00	-21.00
TOTAL Fiscal Impact	-21.00	-21.00	-21.00	-21.00
<u>Expenditures</u>				
Personal Services	(\$1,815,442)	(\$1,819,356)	(\$1,846,647)	(\$1,874,346)
Operating Expenses	(\$5,967,608)	(\$8,542,822)	(\$7,635,757)	(\$7,915,486)
Local Assistance	(\$6,132,400)	(\$6,724,000)	(\$6,751,460)	(\$6,980,200)
Grants	\$0	\$0	\$0	\$0
Commerce	(\$8,431,638)	(\$7,435,368)	(\$10,272,604)	(\$10,605,650)
County Roads and Infrastructure	\$11,173,544	\$12,260,773	\$13,253,234	\$13,687,841
Municipal Roads and Infrastructure	\$11,173,544	\$12,260,773	\$13,253,234	\$13,687,841
TOTAL Expenditures	\$0	\$0	\$0	\$0
<u>Funding of Expenditures</u>				
TOTAL Funding of Expenditures	\$0	\$0	\$0	\$0
<u>Revenues</u>				
TOTAL Revenues	\$0	\$0	\$0	\$0
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
	\$0	\$0	\$0	\$0

Technical Concerns

Department of Commerce

1. HB 914, as currently written, eliminates funding for the 21 local convention and visitor bureaus across the state.

Department of Revenue

2. There could be timing issues with deposits to the new state special revenue funds and the distribution of the funding. The revenue is received on a quarterly basis with allowance for receipt and distribution.
3. Clarification is needed for order of distribution of the specified dollar amounts for Commerce and distribution to the percentage distributions in HB 914.

NOT SIGNED BY SPONSOR

Sponsor's Initials

Date



Budget Director's Initials

4/2/2025

Date



Dedication of Revenue 2027 Biennium

GOVERNOR'S OFFICE OF
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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

Yes, the revenue is directed from the lodging facility use tax. 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?

No

The revenue is from the lodging facility use tax and is not relevant to city and county construction, reconstruction, maintenance, and repair of county and municipal roads and other county infrastructure and marketing projects.

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

Yes

Yes, for construction, reconstruction, maintenance, and repair of county and municipal roads and other county infrastructure and marketing projects.

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 construction, reconstruction, maintenance, and repair of county and municipal roads and other county infrastructure and marketing projects 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 county and municipal roads and infrastructure.

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.