



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: **SB0307.02 (003): Reallocate Montana marijuana tax revenue**

Primary Sponsor: **Tom McGillvray** Status: **As Amended in Senate 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</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)	\$294,227	\$0	\$0	\$0
State Special Revenue (02)	(\$13,368,000)	(\$14,223,608)	(\$5,550,262)	(\$5,634,300)
Revenues				
General Fund (01)	\$5,190,000	\$5,233,000	\$5,268,000	\$5,308,000
State Special Revenue (02)	(\$10,379,000)	(\$10,466,000)	(\$10,537,000)	(\$10,616,000)
Net Impact	<u>\$4,895,773</u>	<u>\$5,233,000</u>	<u>\$5,268,000</u>	<u>\$5,308,000</u>
General Fund Balance				

Description of fiscal impact

SB 307 revises the revenue distribution out of the marijuana state special revenue account. The bill creates and funds the marijuana law enforcement operations account, increases the distribution to the HEART fund, and eliminates distributions to state special revenue funds administered by the Department of Fish, Wildlife, and Parks. Distributions to the general fund increase by \$5,190,000 in FY 2026, \$5,233,000 in FY 2027, \$5,268,000 in FY 2028, and \$5,308,000 in FY 2029.

FISCAL ANALYSIS

Assumptions

Department of Revenue

- SB 307, as amended, creates a new distribution of the revenue from the marijuana state special revenue account, replacing the current distribution structure in 16-12-111, MCA. This bill does not change the estimated marijuana tax and license fee revenues to be collected and distributed into the marijuana state special revenue account.
- Under current law, at the end of each fiscal year, the Department of Revenue distributes the revenue balance from the marijuana state special revenue account as follows:
 - Administrative costs for the department as appropriated in HB 2;
 - \$6 million to the HEART fund;
 - Of the remaining balance, 20% to FWP for wildlife habitat;
 - 4% to the state park account;
 - 4% to the trails and recreational facilities account;
 - 4% to the nongame wildlife account;
 - \$200,000 to the veterans and surviving spouses account;

- h. \$150,000 to the board of crime control; and
 - i. The remainder to the general fund.
3. The following table shows the estimated distribution amounts to the above accounts based on the HJ 2 estimated marijuana revenue.

Table 1. Current Law Marijuana Account Distributions (\$millions)										
FY	HJ2 Marijuana Revenue	GF	Wildlife Habitat	State Parks	Trails & Rec	Nongame Wildlife	Veterans	Crime Control	Heart Fund	DOR Costs
2026	\$62.795	\$33.306	\$9.899	\$1.980	\$1.980	\$1.980	\$0.200	\$0.150	\$6.000	\$7.300
2027	\$64.969	\$34.785	\$10.334	\$2.067	\$2.067	\$2.067	\$0.200	\$0.150	\$6.000	\$7.300
2028	\$66.712	\$35.970	\$10.682	\$2.136	\$2.136	\$2.136	\$0.200	\$0.150	\$6.000	\$7.300
2029	\$68.721	\$37.336	\$11.084	\$2.217	\$2.217	\$2.217	\$0.200	\$0.150	\$6.000	\$7.300

4. SB 307, as amended, creates a new state special revenue account: the marijuana law enforcement operations account. The bill revises the distributions out of the marijuana state special revenue account as follows:
- a. \$7.3 million to the Department of Revenue for administrative costs, then of the remaining:
 - b. \$200,000 to the veterans and surviving spouses account,
 - c. \$150,000 to the board of crime control,
 - d. 26% to the HEART fund,
 - e. 4% to the marijuana law enforcement operations account, and
 - f. The remainder to the general fund.
5. The following table shows the estimated distributions under SB 307, which has an effective date of July 1, 2025, so the distribution changes would apply beginning with FY 2026.

Table 2. SB 307 Proposed law distributions (\$ millions)										
FY	HJ2 Marijuana Taxes	GF	Wildlife Habitat	Marijuana Law Enforcement Op	Habitat	FWP others	Veterans	Crime	Heart Fund	DOR Costs
2026	\$62.795	\$38.496	\$0.000	\$2.220	\$0.000	\$0.000	\$0.200	\$0.150	\$14.429	\$7.300
2027	\$64.969	\$40.018	\$0.000	\$2.307	\$0.000	\$0.000	\$0.200	\$0.150	\$14.994	\$7.300
2028	\$66.712	\$41.238	\$0.000	\$2.376	\$0.000	\$0.000	\$0.200	\$0.150	\$15.447	\$7.300
2029	\$68.721	\$42.645	\$0.000	\$2.457	\$0.000	\$0.000	\$0.200	\$0.150	\$15.970	\$7.300

6. This bill increases general fund revenues by \$5,190,000 in FY 2026, \$5,233,000 in FY 2027, \$5,268,000 in FY 2028, and \$5,308,000 in FY 2029. State special revenue distributions to the FWP accounts will decrease by the amounts shown in table 1, which total just under an estimated \$16 million in FY 2026. Distributions to the HEART fund will more than double, from \$6 million per year to the amounts shown in table 2.
7. The Department of Revenue would not incur any additional administrative costs as a result of this bill, but the bill proposes to set the administrative cost distribution to the department at \$7.3 million per year. That is approximately equal to the current cost and appropriation the department requested in HB 2 for FY 2026 and FY 2027.

Department of Justice

8. SB 307 designates 4% of the marijuana tax revenue be used to fund the marijuana law enforcement office. Revenue to is estimated at \$2,220,000 in FY 2026, \$2,307,500 in FY 2027, \$2,376,000 in FY 2028, and \$2,457,000 in FY 2029. See table 2 in Assumption #5 for more detail.
9. The Central Services Division (CSD) assumes a half-time accountant would be needed to manage the local grants required in Section 4. CSD assumes this position will have a cost of \$39,978 for personal services and associated benefits. CSD assumes \$9,110 will be needed in FY 2026 to cover costs associated with computer and office setup, cell phone costs, and technology fixed costs. \$4,758 in operating costs would be requested starting in FY 2027.
10. Legal Services Division (LSD) assumes one prosecutor will be needed as part of the marijuana law enforcement office. An annual cost of \$122,040 would be needed for personal services and benefits. In FY 2026, \$15,025 in operating costs would be needed to fund computer, cell phone and office set up costs, travel, training and technology fixed costs. \$10,673 in operating costs would be requested starting in FY 2027.

11. SB 307 requires the creation of two marijuana enforcement teams, one based in western Montana and one based in eastern Montana. The Division of Criminal Investigation (DCI) assumes each team would be comprised of a supervisor, five agents and one administrative support. The marijuana law enforcement office would be under a new law enforcement manager position.
12. DCI assumes the law enforcement manager position would cost \$110,641 in personal services and benefits. Operating costs of \$33,084 would be needed in FY 2026 for travel, training, computer and office set up, cell phone costs, and technology fixed costs. \$27,192 in operating costs would be requested starting in FY 2027.
13. DCI assumes the team supervisor positions would each cost \$101,164 in personal services and benefits each year. Total operating costs of \$62,702 would be needed in FY 2026 for travel, training, computer and office set up, cell phone costs, and technology fixed costs. \$49,015 in operating costs would be requested starting in FY 2027.
14. DCI assumes each team would have five crime investigators for a total of ten. \$877,120 would be needed in personal services and benefits for the ten crime investigator positions. Total operating costs of \$313,027 would be needed in FY 2026 for travel, training, computer and office set up, cell phone costs, and technology fixed costs. \$237,461 in operating costs would be requested starting in FY 2027. DCI assumes the crime investigators would travel extensively and would each need a vehicle. Each vehicle is estimated at \$35,000 for a total of \$350,000 requested.
15. DCI assumes each team would have an administrative assistant assigned to them. The total cost of personal services and benefits is \$134,598 each year for these positions. Operating costs of \$22,574 would be needed in FY 2026 for computer and office set up, phone costs, and technology fixed costs. \$13,888 in operating costs would be requested starting in FY 2027.
16. An inflationary increase of 1.5% is added to FY 2028 and FY 2029.

Department of Public Health and Human Services (DPHHS/department)

17. SB 307 allocates 26% of the remaining tax revenue to the Healing and Ending Addiction through Recovery and Treatment (HEART) account. The \$6 million per year revenue formerly allocated is replaced with this 26% allocation for a total of \$14,429,000 for FY 2026, \$14,994,000 for FY 2027, \$15,447,000 for FY 2028 and \$15,970,000 for FY 2029.
 - a. The allocation of the 26% to the HEART account results in an overall increase of \$8,429,000 in FY 2026, and \$8,994,000 in FY 2027, \$9,447,000 in FY 2028, and \$9,970,000 in FY 2029.
18. The Department assumes there will be no changes in HEART expenditures in FY 2026 and FY 2027. The Department assumes it will spend the additional revenues received in FY 2028 and FY 2029 on HEART initiatives.
19. The department intends to contract out the data collection, analysis, and completion of the marijuana impact report, and intends to use HEART state special revenue, and estimates the cost to be \$250,000 for FY 2026.
20. DPHHS assumes a 1.5% inflation factor for expenses in FY 2027, FY 2028 and FY 2029.

Department of Fish, Wildlife, and Parks (FWP)

21. Based on the HJ 2 estimates and changes due to SB 307, FWP will lose state special revenue of \$15,838,000 in FY 2026, \$16,540,000 in FY 2027, \$17,098,000 in FY 2028, and \$17,741,000 in FY 2029. See the following table for a fund and fiscal year detail.

FPW State Special Fund	Distribution Amount	FY Projected Loss of Revenue (millions)			
		FY 2026	FY 2027	FY 2028	FY 2029
Habitat Montana - 02114	20%	-9.899	-10.334	-10.682	-11.084
Non-Game Wildlife - 02061	4%	-1.980	-2.067	-2.136	-2.217
State Parks - 02411	4%	-1.980	-2.067	-2.136	-2.217
Trails & Rec Facilities - 02724	4%	-1.980	-2.067	-2.136	-2.217
Totals	32%	-15.838	-16.534	-17.092	-17.735

22. The Habitat Montana Fund is for the conservation of habitat through acquisition, easement, or lease. The elimination of this revenue would remove the ability to expand the habitat conservation lease program acreage beyond 71,668 acres.
23. The Non-Game Wildlife Account funds the management and conservation of nongame wildlife in Montana, including species that are federally listed or being considered for federal listing.

24. The State Parks Account funds the general operation and maintenance of the state park system.
25. The Trails and Rec Facilities account funds a trails and recreational facilities grant program. The elimination of this revenue would reduce the ability to grant to eligible recipients.
26. Expenditure reductions in the fiscal Analysis Table for FWP are shown as operating costs.

Department of Military Affairs

27. Under current law, the Montana Veterans Administration Division (MVAD) receives \$200,000 annually in marijuana tax revenue for use by the veterans and surviving spouses state special revenue account.
28. Currently, the MVAD utilizes the allocated marijuana tax revenue to provide outreach services to Montana veterans living in towns outside of our nine offices. This funding is also used for the veterans cemetery program to update outdated irrigation systems, repair broken equipment, and provide adequate landscaping.

Office of Budget and Program Planning

29. The table below includes impact of SB 307, including both increases and decreases in authority referenced in previous assumptions. Net impacts can be found in the Revenues section of the Fiscal Analysis tables for the corresponding agency.

State Special Revenue - Projected Net Impact by Agency (millions)					
FY	FWP	DOJ	DPHHS	DMA	DOR
2026	-\$15.838	\$2.220	\$8.429	\$0.000	\$0.000
2027	-\$16.534	\$2.307	\$8.994	\$0.000	\$0.000
2028	-\$17.092	\$2.376	\$9.447	\$0.000	\$0.000
2029	-\$17.735	\$2.457	\$9.970	\$0.000	\$0.000

Fiscal Analysis Table**Department of Fish, Wildlife, and Parks**

	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
<u>Fiscal Impact</u>				
<u>Expenditures</u>				
Operating Expenses	(\$15,838,000)	(\$16,534,000)	(\$17,092,000)	(\$17,735,000)
TOTAL Expenditures	(\$15,838,000)	(\$16,534,000)	(\$17,092,000)	(\$17,735,000)
<u>Funding of Expenditures</u>				
State Special Revenue (02)	(\$15,838,000)	(\$16,534,000)	(\$17,092,000)	(\$17,735,000)
TOTAL Funding of Expenditures	(\$15,838,000)	(\$16,534,000)	(\$17,092,000)	(\$17,735,000)
<u>Revenues</u>				
State Special Revenue (02)	(\$15,838,000)	(\$16,534,000)	(\$17,092,000)	(\$17,735,000)
TOTAL Revenues	(\$15,838,000)	(\$16,534,000)	(\$17,092,000)	(\$17,735,000)
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
State Special Revenue (02)	\$0	\$0	\$0	\$0

Department of Justice

	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
<u>Fiscal Impact</u>				
FTE	16.50	16.50	16.50	16.50
TOTAL Fiscal Impact	16.50	16.50	16.50	16.50
<u>Expenditures</u>				
Personal Services	\$1,486,705	\$1,486,705	\$1,509,006	\$1,531,641

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Operating Expenses	\$455,522	\$342,987	\$348,132	\$353,359
Equipment	\$350,000	\$0	\$0	\$0
Grants	\$222,000	\$230,700	\$237,600	\$245,700
TOTAL Expenditures	\$2,514,227	\$2,060,392	\$2,094,738	\$2,130,700

Funding of Expenditures

General Fund (01)	\$294,227	\$0	\$0	\$0
State Special Revenue (02)	\$2,220,000	\$2,060,392	\$2,094,738	\$2,130,700
TOTAL Funding of Expenditures	\$2,514,227	\$2,060,392	\$2,094,738	\$2,130,700

Revenues

State Special Revenue (02)	\$2,220,000	\$2,307,000	\$2,376,000	\$2,457,000
TOTAL Revenues	\$2,220,000	\$2,307,000	\$2,376,000	\$2,457,000

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

General Fund (01)	(\$294,227)	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$246,608	\$281,262	\$326,300

Department of Public Health and Human Services

<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>
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Fiscal Impact**Expenditures**

Operating Expenses	\$250,000	\$250,000	\$9,447,000	\$9,970,000
TOTAL Expenditures	\$250,000	\$250,000	\$9,447,000	\$9,970,000

Funding of Expenditures

State Special Revenue (02)	\$250,000	\$250,000	\$9,447,000	\$9,970,000
TOTAL Funding of Expenditures	\$250,000	\$250,000	\$9,447,000	\$9,970,000

Revenues

State Special Revenue (02)	\$8,429,000	\$8,994,000	\$9,447,000	\$9,970,000
TOTAL Revenues	\$8,429,000	\$8,994,000	\$9,447,000	\$9,970,000

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

State Special Revenue (02)	\$8,179,000	\$8,744,000	\$0	\$0
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Department of Revenue

<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>
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Fiscal Impact**Expenditures****Funding of Expenditures**

Revenues

General Fund (01)	\$5,190,000	\$5,233,000	\$5,268,000	\$5,308,000
State Special Revenue (02)	(\$5,190,000)	(\$5,233,000)	(\$5,268,000)	(\$5,308,000)
TOTAL Revenues	\$0	\$0	\$0	\$0

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

General Fund (01)	\$5,190,000	\$5,233,000	\$5,268,000	\$5,308,000
State Special Revenue (02)	(\$5,190,000)	(\$5,233,000)	(\$5,268,000)	(\$5,308,000)

STATEWIDE SUMMARY

	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
Fiscal Impact				
FTE	16.50	16.50	16.50	16.50
TOTAL Fiscal Impact	16.50	16.50	16.50	16.50
Expenditures				
Personal Services	\$1,486,705	\$1,486,705	\$1,509,006	\$1,531,641
Operating Expenses	(\$15,132,478)	(\$15,941,013)	(\$7,296,868)	(\$7,411,641)
Equipment	\$350,000	\$0	\$0	\$0
Grants	\$222,000	\$230,700	\$237,600	\$245,700
TOTAL Expenditures	(\$13,073,773)	(\$14,223,608)	(\$5,550,262)	(\$5,634,300)
Funding of Expenditures				
General Fund (01)	\$294,227	\$0	\$0	\$0
State Special Revenue (02)	(\$13,368,000)	(\$14,223,608)	(\$5,550,262)	(\$5,634,300)
TOTAL Funding of Expenditures	(\$13,073,773)	(\$14,223,608)	(\$5,550,262)	(\$5,634,300)
Revenues				
General Fund (01)	\$5,190,000	\$5,233,000	\$5,268,000	\$5,308,000
State Special Revenue (02)	(\$10,379,000)	(\$10,466,000)	(\$10,537,000)	(\$10,616,000)
TOTAL Revenues	(\$5,189,000)	(\$5,233,000)	(\$5,269,000)	(\$5,308,000)
Net Impact to Fund Balance (Revenue minus Funding of Expenditures)				
General Fund (01)	\$4,895,773	\$5,233,000	\$5,268,000	\$5,308,000
State Special Revenue (02)	\$2,989,000	\$3,757,608	(\$4,986,738)	(\$4,981,700)

Effect on County or Other Local Revenues or Expenditures**Department of Justice**

1. Section 2(2)(b) states that 10% of the monies in the account must be used by the Department of Justice for

local marijuana law enforcement grants. Based on estimates in this analysis, this would provide between \$220,000 and \$ 246,000 in local grant funds annually.

Technical Concerns

Department of Revenue

1. SB 307 removes the 3-month operating reserve for the Department of Revenue to cover operating costs and just sets the department funding at \$7.3 million per year. Under current law, the department's budget is set and funded through HB 2 and this bill has the potential to conflict with that appropriation.

Department of Public Health and Human Services

1. The bill does not give the department any additional appropriation to spend the increased revenue.



Sponsor's Initials

3-26-25

Date



Budget Director's Initials

3/25/2025

Date