



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2027 Biennium

Bill#/Title: **SB0409.03 (003): Generally revise laws related to the department of commerce**

Primary Sponsor: Daniel Zolnikov 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>
<b>Expenditures</b>				
State Special Revenue (02)	\$334,006	\$355,041	(\$612,640)	(\$632,973)
02274 Park Maintenance	\$0	\$0	\$26,000	\$26,000
02284 Aquatic Invasive Species	\$64,144	\$66,773	\$73,375	\$74,392
<b>Revenues</b>				
State Special Revenue (02)	\$334,006	\$355,041	(\$612,640)	(\$632,973)
02274 Park Maintenance	\$0	\$0	\$26,000	\$26,000
02284 Aquatic Invasive Species	\$64,144	\$66,773	\$73,375	\$74,392
<b>Net Impact</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>General Fund Balance</b>				

### Description of fiscal impact

SB 409, as amended, does not have an impact to the general fund however, multiple state special revenue accounts for various agencies will change or be eliminated from the changes in tax distributions. The bill as amended in Senate committee revised distribution of state special revenue. The bill as amended in House committee revises the program for victims of domestic violence or human trafficking with no fiscal impact change.

### FISCAL ANALYSIS

#### Assumptions

#### Department of Commerce

1. Under current law, the Department of Commerce receives 60.2% of the 4% lodging facilities use tax through June 30, 2027. The distribution will increase to 63% beginning July 1, 2027. This distribution is for the following uses specified in 90-1-122, MCA.
  - a. 43% for tourism media, advertising film programs, made-in-Montana promotions and main street programs, wayfinding and signage, and support to trade offices;
  - b. 22.5% for rural tourism, under-visited area attraction projects, and tribal tourism, including infrastructure, tourism-related emergency services, marketing, and promotional activities;
  - c. 23% for tourism grants, including agritourism grants and Montana-based film grants;
  - d. 6.5% for revolving loan programs and regional tourism assistance; and
  - e. 5% to use in collaboration with the office of economic development established in 2-15-218, MCA for

new tourism attractions, other state business development programs, and support for the activities in this section.

2. Per 15-65-121, MCA, the lodging facility use tax funds allocated to the department are statutory appropriated. For the purposes of this fiscal note, it is assumed that all revenue allocated will be expended.
3. Current HJ 2 estimates suggest that the amount of the lodging use tax allocated to the department 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.
4. SB 409, as amended, repeals 90-1-122, MCA, and reduces the total distribution to 60.0% broken out for the following uses:
  - a. 24.5% to be used for tourism media, advertising film programs, made-in-Montana promotions and main street programs, wayfinding and signage, and support trade offices;
  - b. 16.5% to be used by the department for rural tourism, under-visited area attraction projects, and tribal tourism, including infrastructure, marketing, and promotional activities;
  - c. 15.5% to be used by the department for tourism-related emergency services and tourism grants, including agritourism grants and Montana-based film grants;
  - d. 2.5% to be used by the department of commerce in collaboration with the office of economic development established in 2-15-218 for regional tourism assistance, new tourism attractions, and other state business development programs;
5. The tourism media, advertising, film, Made in Montana, Main Street, wayfinding and signage, support trade offices line-item would be reduced \$889,036 in FY 2026, \$925,478 in FY 2027, \$1.6 million in FY 2028 and \$1.7 million in FY 2029.
6. The rural tourism, under-visited area attraction, tribal tourism, tourism-emergency related services, marketing and promotion line-item would be increased \$1.9 million in FY 2026, \$2.0 million in 2027, \$1.6 million in FY 2028 and \$1.7 million in FY 2029.
7. Tourism grants, agritourism grants and Montana based film grants line-item would be increased \$1.1 million in FY 2026, \$1.1 million in FY 2027, \$740,000 in FY 2028 and \$750,000 in FY 2029.
8. Under SB 409 the revolving loan fund and regional assistance line-item would be combined with the Governor's Office of Economic Development, new tourism attractions, and other state business development line item. The combined reduction of these two line-items is \$2.8 million in FY 2026, \$3.0 million in FY 2027, \$3.2 million in FY 2028, and \$3.2 million in FY 2029.
9. Under current law the Montana Heritage Commission (MHC) receives 2.7% of the lodging facility use tax, or \$1 million whichever is less, through June 30, 2027. Beginning July 1, 2027, the percentage distribution would terminate, and MHC would receive \$400,000 of the use tax prior to any other distributions being taken out. Historically the 2.7% has been greater than \$1 million, so MHC's distribution has been capped at that \$1 million.
10. SB 409 would remove the \$1 million cap, permanently set the distribution for MHC at 2.0%, and remove the \$400,000 allocation set to begin July 1, 2027.
11. Based on HJ 2 revenue estimates for the lodging use tax, revising the distribution and removing the cap would result in additional revenue for MHC of \$282,880 in FY 2026, and \$335,467 in FY 2027. Replacing the \$400,000 allocation with the 2.0% distribution would result in additional revenue for MHC of \$955,499 in FY 2028, and \$975,831 in FY 2029.
12. Any increase in revenue would be used by MHC for capital improvements to properties in Virginia City and Nevada City, and Reeder's Alley in Helena.
13. As a result of removing the \$400,000 allocation to MHC in FY 2028 and FY 2029, the remaining distributions would increase. The 22.5% distributed by the department to regional nonprofit tourism corporations would increase by \$90,000 each year, and the 0.5% for use by the state-tribal economic development commission would increase by \$2,000 each year.

#### **Department of Fish, Wildlife, and Parks**

14. SB 409 increases the distribution of lodging facility use tax revenues to the FWP Aquatic Invasive Species (AIS) state special account from 1.4% to 1.5%.

15. Based on projected Accommodation Tax Revenue figures received from the Department of Commerce, FWP estimates an increase in AIS state special revenue of \$64,144 for FY 2026, \$66,773 for FY 2027, \$73,375 for FY 2028, and \$74,392 for FY 2029.
16. SB 409 leaves the current allocation of tax proceeds to FWP for maintenance of park facilities at 6.5%.
17. This bill removes the requirement for depositing \$400,000 into the Montana Heritage Preservation and Development Account for FY 2028 and FY 2029 before agency distribution, thereby increasing the total available allocation. This amendment increases the FWP Parks Maintenance state special fund revenue by \$26,000 for each of these fiscal years.
18. This bill is effective July 1, 2025.

**Commissioner of Higher Education**

19. This bill would reduce the funding provided to the Institute of Tourism and Recreation Research (ITRR) at the University of Montana.
20. The proposed legislation reduces the funding allocation from 2.5% to 2.0% from the lodging facilities use tax.
21. The appropriation would be reduced by approximately \$300,000 annually.
22. A few annual Tourism Advisory Council (TAC) projects will be conducted on a limited basis.
23. This reduced appropriation would limit the ability to execute many one-time projects submitted by stakeholders to the TAC, such as Comprehensive Annual Visitor Use - Bob Marshall Wilderness Complex and Impacts of Short-term Rentals in Montana.
24. There would be a need to reduce staff and overall project capacity in response to the reduced funding allocation.

**Historical Society**

25. The amended SB 409 does not have a fiscal impact to funding for the Historical Society.

**Department of Justice**

26. If passed, SB 409 would increase both revenue and statutorily appropriated spending authority available to the DOJ for the prescribed purpose.
27. The current spending authority available to the Division of Criminal Investigation (DCI) is \$88,557. With a distribution increase to 2.5%, state special revenues distributed to the DCI are estimated to be \$1,202,700, an increase of \$1,114,143 above current spending. Calculations use the FY 2026 estimated tax revenue of \$48,108,000 as noted on the State of Montana, *Legislative Fiscal Division 2027 Biennium Revenue Estimate and Comparison to The Executive*, pg. 4, Other Business Taxes/Lodging Facilities Sales Tax.
28. The emergency lodging and recovery program for victims of domestic violence or human trafficking grants (44-4-1505, MCA) utilizes designated special revenue funds to provide short-term lodging and is amended to include "recovery assistance" to victims of domestic violence or human trafficking. SB 409 provides language amendment only with no fiscal impact.
29. As amended in House committee, Section 2 of the bill includes language for funds to be expended on a recovery program for victims of domestic violence or human trafficking, where participating establishments may enroll and seek reimbursement. Enrolling participating establishments and processing referrals from designated organizations would be absorbed by current staff.
30. An inflationary increase of 1.5% is not assumed for FY 2028 and FY 2029.

**Department of Revenue**

31. SB 409 would change the distribution of the lodging facilities tax revenue. Section 2(l) of the bill states that, "any unspent funds from the accounts in subsections (2)(c) through (2)(f) must be deposited into the account of subsection (2)(e)." The Department of Revenue would need to work with the Department of Commerce to determine the unspent amount. No fiscal impact is anticipated for the Department of Revenue.

## Fiscal Analysis Table

## Commissioner of Higher Education

	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>	<u>FY 2028 Difference</u>	<u>FY 2029 Difference</u>
<b><u>Fiscal Impact</u></b>				
<b><u>Expenditures</u></b>				
Transfers	(\$293,289)	(\$293,289)	(\$315,285)	(\$315,285)
<b>TOTAL Expenditures</b>	<b>(\$293,289)</b>	<b>(\$293,289)</b>	<b>(\$315,285)</b>	<b>(\$315,285)</b>
<b><u>Funding of Expenditures</u></b>				
State Special Revenue (02)	(\$293,289)	(\$293,289)	(\$315,285)	(\$315,285)
<b>TOTAL Funding of Expenditures</b>	<b>(\$293,289)</b>	<b>(\$293,289)</b>	<b>(\$315,285)</b>	<b>(\$315,285)</b>
<b><u>Revenues</u></b>				
State Special Revenue (02)	(\$293,289)	(\$293,289)	(\$315,285)	(\$315,285)
<b>TOTAL Revenues</b>	<b>(\$293,289)</b>	<b>(\$293,289)</b>	<b>(\$315,285)</b>	<b>(\$315,285)</b>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u></b>				
State Special Revenue (02)	\$0	\$0	\$0	\$0

## Department of Commerce

	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>	<u>FY 2028 Difference</u>	<u>FY 2029 Difference</u>
<b><u>Fiscal Impact</u></b>				
<b><u>Expenditures</u></b>				
Operating Expenses	(\$769,728)	(\$801,280)	(\$2,458,997)	(\$2,499,662)
Capital Outlay	\$282,880	\$335,467	\$955,499	\$975,831
Local Assistance	\$0	\$0	\$90,000	\$90,000
Grants	\$0	\$0	\$2,000	\$2,000
<b>TOTAL Expenditures</b>	<b>(\$486,848)</b>	<b>(\$465,813)</b>	<b>(\$1,411,498)</b>	<b>(\$1,431,831)</b>
<b><u>Funding of Expenditures</u></b>				
State Special Revenue (02)	(\$486,848)	(\$465,813)	(\$1,411,498)	(\$1,431,831)
<b>TOTAL Funding of Expenditures</b>	<b>(\$486,848)</b>	<b>(\$465,813)</b>	<b>(\$1,411,498)</b>	<b>(\$1,431,831)</b>
<b><u>Revenues</u></b>				
State Special Revenue (02)	(\$486,848)	(\$465,813)	(\$1,411,498)	(\$1,431,831)
<b>TOTAL Revenues</b>	<b>(\$486,848)</b>	<b>(\$465,813)</b>	<b>(\$1,411,498)</b>	<b>(\$1,431,831)</b>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u></b>				
State Special Revenue (02)	\$0	\$0	\$0	\$0



**Department of Fish, Wildlife, and Parks**

	<b><u>FY 2026 Difference</u></b>	<b><u>FY 2027 Difference</u></b>	<b><u>FY 2028 Difference</u></b>	<b><u>FY 2029 Difference</u></b>
<b><u>Fiscal Impact</u></b>				
<b><u>Expenditures</u></b>				
Operating Expenses	\$64,144	\$66,773	\$99,375	\$100,392
<b>TOTAL Expenditures</b>	<b>\$64,144</b>	<b>\$66,773</b>	<b>\$99,375</b>	<b>\$100,392</b>
<b><u>Funding of Expenditures</u></b>				
State Special Revenue (02)	\$0	\$0	\$0	\$0
02274 Park Maintenance	\$0	\$0	\$26,000	\$26,000
02284 Aquatic Invasive Species	\$64,144	\$66,773	\$73,375	\$74,392
<b>TOTAL Funding of Expenditures</b>	<b>\$64,144</b>	<b>\$66,773</b>	<b>\$99,375</b>	<b>\$100,392</b>
<b><u>Revenues</u></b>				
State Special Revenue (02)	\$0	\$0	\$0	\$0
02274 Park Maintenance	\$0	\$0	\$26,000	\$26,000
02284 Aquatic Invasive Species	\$64,144	\$66,773	\$73,375	\$74,392
<b>TOTAL Revenues</b>	<b>\$64,144</b>	<b>\$66,773</b>	<b>\$99,375</b>	<b>\$100,392</b>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u></b>				
State Special Revenue (02)	\$0	\$0	\$0	\$0
02274 Park Maintenance	\$0	\$0	\$0	\$0
02284 Aquatic Invasive Species	\$0	\$0	\$0	\$0

**Department of Justice**

	<b><u>FY 2026 Difference</u></b>	<b><u>FY 2027 Difference</u></b>	<b><u>FY 2028 Difference</u></b>	<b><u>FY 2029 Difference</u></b>
<b><u>Fiscal Impact</u></b>				
<b><u>Expenditures</u></b>				
Grants	\$1,114,143	\$1,114,143	\$1,114,143	\$1,114,143
<b>TOTAL Expenditures</b>	<b>\$1,114,143</b>	<b>\$1,114,143</b>	<b>\$1,114,143</b>	<b>\$1,114,143</b>
<b><u>Funding of Expenditures</u></b>				
State Special Revenue (02)	\$1,114,143	\$1,114,143	\$1,114,143	\$1,114,143
<b>TOTAL Funding of Expenditures</b>	<b>\$1,114,143</b>	<b>\$1,114,143</b>	<b>\$1,114,143</b>	<b>\$1,114,143</b>
<b><u>Revenues</u></b>				
State Special Revenue (02)	\$1,114,143	\$1,114,143	\$1,114,143	\$1,114,143
<b>TOTAL Revenues</b>	<b>\$1,114,143</b>	<b>\$1,114,143</b>	<b>\$1,114,143</b>	<b>\$1,114,143</b>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u></b>				
State Special Revenue (02)	\$0	\$0	\$0	\$0

**STATEWIDE SUMMARY**

	<b><u>FY 2026 Difference</u></b>	<b><u>FY 2027 Difference</u></b>	<b><u>FY 2028 Difference</u></b>	<b><u>FY 2029 Difference</u></b>
<b><u>Fiscal Impact</u></b>				
TOTAL Fiscal Impact	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<b><u>Expenditures</u></b>				
Operating Expenses	(\$705,584)	(\$734,507)	(\$2,359,622)	(\$2,399,270)
Transfers	(\$293,289)	(\$293,289)	(\$315,285)	(\$315,285)
Capital Outlay	\$282,880	\$335,467	\$955,499	\$975,831
Local Assistance	\$0	\$0	\$90,000	\$90,000
Grants	\$1,114,143	\$1,114,143	\$1,116,143	\$1,116,143
TOTAL Expenditures	<u>\$398,150</u>	<u>\$421,814</u>	<u>(\$513,265)</u>	<u>(\$532,581)</u>
<b><u>Funding of Expenditures</u></b>				
State Special Revenue (02)	\$334,006	\$355,041	(\$612,640)	(\$632,973)
02274 Park Maintenance	\$0	\$0	\$26,000	\$26,000
02284 Aquatic Invasive Species	\$64,144	\$66,773	\$73,375	\$74,392
TOTAL Funding of Expenditures	<u>\$398,150</u>	<u>\$421,814</u>	<u>(\$513,265)</u>	<u>(\$532,581)</u>
<b><u>Revenues</u></b>				
State Special Revenue (02)	\$334,006	\$355,041	(\$612,640)	(\$632,973)
02274 Park Maintenance	\$0	\$0	\$26,000	\$26,000
02284 Aquatic Invasive Species	\$64,144	\$66,773	\$73,375	\$74,392
TOTAL Revenues	<u>\$398,150</u>	<u>\$421,814</u>	<u>(\$513,265)</u>	<u>(\$532,581)</u>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u></b>				
State Special Revenue (02)	\$0	\$0	\$0	\$0
02274 Park Maintenance	\$0	\$0	\$0	\$0
02284 Aquatic Invasive Species	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

NO SPONSOR SIGNATURE

4/17

Sponsor's Initials

Date



Budget Director's Initials

4/15/2025

Date