



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2027 Biennium

Bill#/Title: HB0494.01: Revise tobacco settlement allocations

Primary Sponsor: Ron Marshall 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>
<b>Expenditures</b>				
General Fund (01)	\$0	\$0	\$0	\$0
<b>Revenues</b>				
General Fund (01)	\$0	\$0	\$0	\$0
<b>Net Impact</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>General Fund Balance</b>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

#### Description of fiscal impact

HB 494 proposes to reduce the amount of yearly tobacco settlement proceeds received for funding statewide programs for tobacco disease prevention designed to prevent children from starting tobacco use and allocates tobacco settlement proceeds to be used as matching funds to secure the maximum amount of federal funds for the Children Health Insurance Program (CHIP). There may be funding issues as the Department of Public Health and Human Services adjusts appropriation authority. There is no net fiscal impact.

### FISCAL ANALYSIS

#### Assumptions

**Department of Public Health and Human Services  
Public Health and Safety Division (PHSD)**

1. HB 494 reduces tobacco settlement proceeds that fund statewide programs for tobacco and disease prevention from 32% to 17%.
2. The HJ 2 projected revenue for the tobacco settlement fund is \$25,237,000 in FY 2026, \$23,837,000 in FY 2027, \$24,383,000 in FY 2028 and \$20,488,000 in FY 2029.
3. PHSD will see a reduction in tobacco settlement funds of \$3,786,000 in FY 2026, \$3,576,000 in FY 2027, \$3,657,000 in FY 2028, \$3,073,000 in FY 2029.
4. Tobacco disease and prevention programs would continue to use the existing tobacco settlement proceeds fund balance until exhaustion.
5. Failure to secure alternative funding sources will result in a reduction in funding for tobacco prevention programs.

**Health Resources Division (HRD)**

6. The HJ2 forecast for the tobacco settlement collection and fund distributions are shown in the following table. All revenue amounts are in millions.

Fiscal Year	Tobacco Settlement	Tobacco Prevention (32%)	Children's Health Insurance Plan (17%)	Tobacco Trust (40%)	General Fund (11%)
2026	\$25.237	\$8.076	\$4.290	\$10.095	\$2.776
2027	\$23.837	\$7.628	\$4.052	\$9.535	\$2.622
2028	\$24.383	\$7.802	\$4.145	\$9.753	\$2.682
2029	\$20.488	\$6.556	\$3.483	\$8.195	\$2.254

7. The following table shows the projected distribution of tobacco settlement revenue under HB 494 in millions.

Fiscal Year	Tobacco Settlement	Tobacco Prevention (17%)	Children's Health Insurance Plan (32%)	Tobacco Trust (40%)	General Fund (11%)
2026	\$25.237	\$4.290	\$8.076	\$10.095	\$2.776
2027	\$23.837	\$4.052	\$7.628	\$9.535	\$2.622
2028	\$24.383	\$4.145	\$7.802	\$9.753	\$2.682
2029	\$20.488	\$3.483	\$6.556	\$8.195	\$2.254

8. The following table shows the change in revenue distributions under HB 494 in millions.

Fiscal Year	Tobacco Settlement	Tobacco Prevention (17%)	Children's Health Insurance Plan (32%)	Tobacco Trust (40%)	General Fund (11%)
2026	\$25.237	-\$3.786	\$3.786	\$0.000	\$0.000
2027	\$23.837	-\$3.576	\$3.576	\$0.000	\$0.000
2028	\$24.383	-\$3.657	\$3.657	\$0.000	\$0.000
2029	\$20.488	-\$3.073	\$3.073	\$0.000	\$0.000

9. HB 494 increases tobacco settlement proceeds to be used as matching funds to secure the maximum amount of federal funds for the CHIP from 17% to 32%.

10. HRD will not see an increase in benefit expenses or additional match of federal funds because this bill does not result in an increase in CHIP enrollment or benefits expense.

**Early Childhood and Family Support Division (ECFSD)**

7. ECFSD uses tobacco settlement proceeds to fund statewide programs for tobacco disease and prevention to fund contracts for local implementing agencies for maternal, infant, and early childhood home visiting (MIECHV) service delivery.
8. ECFSD would continue using the existing fund balance. If this fund balance reaches exhaustion, ECFSD would then switch to an alternative funding source or request general fund in future legislative sessions. Failure to secure alternative funding sources will result in a reduction to contracts for local implementing agencies and a loss of federal reimbursement in the oral health program.

**Department of Justice**

9. The Department of Justice Gambling Control Division (GCD) currently has base authority to spend a portion of the tobacco settlement. Funding from the tobacco settlement supports two investigators at GCD as well as office space in Bozeman.
10. The Legal Services Division (LSD) has a memorandum of understanding with the Department of Health and Human Services for tobacco enforcement. If DPHHS did not have sufficient funding to continue this MOU, these services would no longer be able to be provided by DOJ.

**Department of Revenue**

11. Currently, the Department of Revenue receives funds from the 32% allocation for tobacco compliance and IT work, which could be affected if the new distribution does not cover those costs.

**Effect on County or Other Local Revenues or Expenditures**

**Department of Public Health and Human Services**

1. PHSD currently contracts with local and tribal health departments and community-based programs in 50 counties with the tobacco settlement funding. The proposed reduction would directly impact the number of counties receiving funding, reduce the amount of funding received, FTE employed in these programs and limit the reach and effect of the programs in the State of Montana. The programs currently funded with the settlement funding include the arthritis program, the asthma program, the breast and cervical cancer screening program, the diabetes program, the cardiovascular health program, Alzheimer's and dementia program, and the tobacco use prevention program.
2. The decrease in funding would directly impact the level of services available to Montanans and could result in eligibility restrictions and fewer Montanans served.
3. The Montana Cancer Control Program would not be able to reach the match requirement for the CDC Cancer Screening Program, which would negate the ability to have a statewide screening program.

**Significant Long-Term Impacts**

**Department of Revenue**

1. Currently the Department of Revenue utilizes a portion of the 32% allocation for compliance and IT work. Reductions in funding could impact the State of Montana's compliance that are part of the diligent enforcement of the master settlement agreement. Failure to comply with the diligent enforcement requirement of the master settlement agreement could put Montana's tobacco settlement at risk.

**Technical Concerns**

  
Sponsor's Initials

2-20-25  
Date

  
Budget Director's Initials

2/19/2025  
Date