



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:

SB0538 - Generally revise marijuana laws (Friedel, Chris)

Status: As Introduced

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
Expenditures:				
General Fund	\$97,527	\$93,127	\$94,857	\$96,613
State Special Revenue	\$22,200	\$22,200	\$22,200	\$22,200
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$22,200	\$22,200	\$22,200	\$22,200
Net Impact-General Fund Balance:	(\$97,527)	(\$93,127)	(\$94,857)	(\$96,613)

Description of fiscal impact: SB 538 adds a fee on dispensary license renewals to fund a drug education program, increases civil fines for individuals falsely representing themselves as a cannabis licensee, and allows for misdemeanor charges against individuals in violation of 16-12-107, MCA. About \$22,200 total in fees would be collected annually and transferred to the Department of Justice on a quarterly basis. The administration of this program is expected to require 1.0 additional FTE and the associated operating costs.

FISCAL ANALYSIS

Assumptions:

Department of Justice

1. The Department of Criminal Investigation (DCI) assumes that 1.00 FTE, Program Manager, and the associated operating expenses to manage the program would be needed.
2. The cost of the 1.0 FTE Program Manager is estimated at \$109,336 in FY2024 and 2025.

3. The one time only startup operating costs for the FTE are estimated at \$4,400 in FY 2024 and includes office, computer package and other installation costs.
4. Ongoing operating costs necessary to conduct the needed activities are estimated at \$5,991 per year and include fixed costs, travel, and other necessary programmatic expenses.
5. A 1.5% inflationary increase in expenses and revenue are expected in FY 2026 and FY 2027.

Department of Revenue

6. SB 538 adds an additional \$50 fee at each renewal for dispensaries. This additional fee would be transferred quarterly to the Department of Justice (DOJ) to administer a drug education program.
7. It is assumed that with about 444 licensed dispensaries, these additional fees would generate \$22,200 annually.
8. The bill also provides that a law enforcement officer may seize marijuana and marijuana products from an individual who falsely represents themselves as a licensee or violates the provisions of 16-12-107, MCA, and may charge the individual with a misdemeanor.
9. The civil fines for an individual falsely representing themselves as a licensee would be increased from \$1,000 to \$1,500.
10. System and form changes required to implement this bill would be managed through normal maintenance and would not create any additional costs to the Department of Revenue.

	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
FTE	1.00	1.00	1.00	1.00
<u>Expenditures:</u>				
Personal Services	\$109,336	\$109,336	\$110,976	\$112,641
Operating Expenses	\$10,391	\$5,991	\$6,081	\$6,172
Transfers - Out Revenue	(\$22,200)	(\$22,200)	(\$22,200)	(\$22,200)
Transfers - In DOJ	\$22,200	\$22,200	\$22,200	\$22,200
TOTAL Expenditures	<u>\$119,727</u>	<u>\$115,327</u>	<u>\$117,057</u>	<u>\$118,813</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$97,527	\$93,127	\$94,857	\$96,613
State Special Revenue (02)	\$22,200	\$22,200	\$22,200	\$22,200
TOTAL Funding of Exp.	<u>\$119,727</u>	<u>\$115,327</u>	<u>\$117,057</u>	<u>\$118,813</u>
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$22,200	\$22,200	\$22,200	\$22,200
TOTAL Revenues	<u>\$22,200</u>	<u>\$22,200</u>	<u>\$22,200</u>	<u>\$22,200</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$97,527)	(\$93,127)	(\$94,857)	(\$96,613)
State Special Revenue (02)	\$0	\$0	\$0	\$0

17-1-507, MCA – Dedicated Revenue

- a) **Are there persons or entities that benefit from this dedicated revenue that do not pay?**
Yes, drug education program will be available statewide.
- b) **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?**
Marijuana dispensaries contribute to administration of drug education program.
- c) **Is the source of revenue relevant to current use of the funds and adequate to fund the program activity that is intended? Yes / No (if no, explain)**
No expected revenue is not sufficient to provide for programmatic costs.
- d) **Does the need for this state special revenue provision still exist? X Yes ___ No**
Yes, this fund will allow the department to offset some programmatic costs that would otherwise fall all on the general fund.
- e) **Does the dedicated revenue affect the legislature’s ability to scrutinize budgets, control expenditures, or establish priorities for state spending?**
No, revenue collected will only be appropriated by the legislature.
- f) **Does the dedicated revenue fulfill a continuing, legislatively recognized need**
The dedicated revenue does help to provide for the identified need.
- g) **How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency? (Please Explain. Also, if the program/activity were general funded, could you adequately account for the program/activity?)**
None, this will help to offset general fund obligations minimally.

17-1-507. Principles of revenue dedication. (1) It is the policy of the legislature that a revenue source not be dedicated for a specific purpose unless one or more of the following conditions are met:

- (a) The person or entity paying the tax, fee, or assessment is the direct beneficiary of the specific activity that is funded by the tax, fee, or assessment; the entire cost of the activity is paid by the beneficiary; and the tax, fee, or assessment paid is commensurate with the cost of the activity, including reasonable administrative costs.
- (b) There is an expectation that funds donated by a person or entity will be used for a specified purpose. Grants from private or public entities are considered donations under this subsection.
- (c) There is a legal basis for the revenue dedication. A legal basis is a constitutional mandate, federal mandate, or statutory requirement in which a source of funds is designated for a specific purpose.
- (d) There is a recognized need for accountability through a separation of funding from the general fund consistent with generally accepted accounting principles.

(2) The total funding for a program is a legislative budget and policy issue for which a dedicated revenue provision may not be justified if:

- (a) a general fund appropriation is needed to supplement the dedicated revenue support for the program or activity; or
- (b) dedicating a revenue source or portion of a revenue source diverts funds that could be considered a general revenue source.

(3) In the consideration of the general appropriations act for each biennium, the legislature shall determine the appropriateness of dedicating revenue to a program or activity under conditions described in subsection (2). The office of budget and program planning shall describe the occurrence in its presentation of the executive budget, and the legislative fiscal analyst shall highlight the issue in the budget analysis and for the appropriations subcommittee considering the revenue dedication.

NO SPONSOR SIGNATURE

_____ 3-30-23 _____ AO _____ 3-29-23
Sponsor's Initials *Date* *Budget Director's Initials* *Date*