



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:

SB0540 - Revise allowable state-funded tourism promotion laws (Zolnikov, Daniel)

Status: As Introduced

- Significant Local Gov Impact
 Needs to be included in HB 2
 Technical Concerns
 Included in the Executive Budget
 Significant Long-Term Impacts
 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	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact: SB 540 revises the allowable uses of lodging facilities use tax by the Department of Commerce. Additionally, it transfers the fund balances of any accounts identified in 15-65-121(2) to fund a newly created revolving loan program.

FISCAL ANALYSIS

Assumptions:**Department of Commerce**

- The 60.3% portion of the lodging facility use tax designated for use by the Department of Commerce remains the same amount only the distribution of how those funds may be spent changes.
- All activities that are currently being undertaken may continue although the focus of such efforts and the amount of funds dedicated to those activities may change.
- Film grants are not specifically identified as an eligible expense in new section 1(1)(c), it is assumed they are an eligible expense under section 1(1)(a) that identifies the film program.
- Per new section 1(2), any general administrative and operating expenses can be spread in proportion to the amounts identified in new section 1(1) including auditing costs identified in HB 2.
- New section 1(1)(a) makes 38% of proceeds available for tourism media and advertising and film projects, this would equate to a reduction of spending on these activities of approximately \$4.7 million compared to

current year spending. This would be accomplished by eliminating the film grant program, as well as reducing various paid, earned, and owned marketing efforts.

6. New section 1(1)(b) calls for 25% of the funds available to be used for rural tourism and under-visited area attraction projects. Items in this section would need to meet both the rural tourism and under-visited criteria to be eligible for these funds. Expenditures in these areas would be increased by approximately \$2.4 million over current year spending.
7. New section 1(1)(c) calls for 20% of the available funds to be used for tourism grants, including agritourism grants. Expenditures in these areas would be increased by approximately \$940,000. It is assumed that all existing grants would be reviewed and that totally new grants might occur.
8. New section 1(1)(d) calls for 6% of the available funds to be used for a revolving loan program annually. This is a new program. This would result in \$2.7 million available for loans annually.
9. New section 1(4)(b) specifies that fees may be charged for loans and grants as defined in rule. Since rules are not yet promulgated to create the fees, it is assumed, for the purposes of this fiscal note, that all administrative expenses for the revolving loan fund will be paid out of the 7% loan program percentage identified in section 1(1)(e).
10. Since the loan program is a totally new program and based upon models of other department loan programs, 2.00 FTE would be required to administer this program.
11. New section 1(1)(e) calls for 7% of the available funds to be used in collaboration with the Governor's Office of Economic Development. This is a new use of funds and would result in \$3.2 million available.
12. New section 1(1)(f) calls for 2% of the available funds to be used for made-in-Montana promotions and Main Street Program. This would reduce spending for these programs by \$139,000 compared to current year spending. This reduction would be taken out of grants available to the Main Street communities.
13. New section 1(1)(g) calls for 1% of the available funds to be used for wayfinding and signage. This would be an increase of approximately \$430,000. It is assumed these would be grant programs.
14. New section 1(1)(g) calls for 1% of the available funds to be used to support trade offices. This would be an increase over current year of \$142,000.
15. New section 3 calls for the transfer of all unencumbered funds in the state special revenue funds designated in 15-65-121(2) no later than June 30, 2023, to the credit of the revolving loan program in the Department of Commerce in section 1(1)(d) of SB 540. Due to changing revenues and expense amounts, it is unknown what the unencumbered fund balances will be in all the 15-65-121(2) agencies. Therefore, it is not possible to quantify this amount at this time.

	<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	2.00	2.00	2.00	2.00
<u>Expenditures:</u>				
Personal Services	\$190,454	\$192,200	\$195,083	\$198,010
Operating Expenses	(\$62,107)	(\$63,853)	(\$66,736)	(\$69,663)
Grants	(\$128,347)	(\$128,347)	(\$128,347)	(\$128,347)
TOTAL Expenditures	\$0	\$0	\$0	\$0

<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
TOTAL Funding of Exp.	\$0	\$0	\$0	\$0

<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
TOTAL Revenues	\$0	\$0	\$0	\$0

<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0

Technical Notes:

1. An immediate effective date could cause existing agreements to exceed the newly identified percentages with less than three months in the existing fiscal year to make adjustments.
2. New section 1(3)(a) calls for unspent funds to be redistributed for advertising, promotional activities, or tourism grants by June 30 of each year. New section 3 calls for all unencumbered funds to be transferred to the revolving loan program by June 30, 2023. This causes confusion on where the funds are to be transferred.
3. New section 1(3)(a) transfer should occur after the fiscal year closes and the Department of Revenue’s revenue account accrual reconciliation occurs.
4. New sections 1(3)(a) and (b) will be very difficult to track administratively without the revenue being deposited into separate funds.
5. New section 3 calls for the transfer of all unencumbered funds in the state special revenue funds designated in 15-65-121(2) no later than June 30, 2023. This would be extremely difficult to do as current fiscal year bills are being processed and current year accruals may not yet appear in SABHRS.
6. It is unclear if the transfer intent is for all unencumbered funds designated in 15-65-121(2) to all entities in that section of law which includes: Montana Historical Society, university system, Department of Fish, Wildlife, and Parks; an invasive species account; and State-Tribal Economic Development Commission, is to

be transferred to the Department of Commerce Revolving Loan Program or just the Department of Commerce unencumbered funds referred to in 15-65-121(2), MCA.

- 7. If unspent funds are transferred as called for in new section 1(3)(a) and new section 3, the department may be required to request a loan from the Department of Administration until the Department of Revenue deposits sufficient additional lodging facility use tax funds.
- 8. New section 1(1)(c) allocates 20% for tourism grants and new section 1(1)(h) allocates 1% to support trade offices. It is unclear if these percentages include currently appropriated lodging facility use funds in HB 2 or if these are in addition to the currently appropriated funds for these programs. For purposes of this fiscal note, it was assumed that the separate appropriation was included in the percentage totals.
- 9. The bill does not specify whether or not interest can be charged and retained in the revolving loan program established in section 1(1)(d).

NO SPONSOR SIGNATURE

3/29/23

NO

3-28-23

Sponsor's Initials

Date

Budget Director's Initials

Date