



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:

HB0082 - Create Montana national guard enlistment incentive program (Nikolakakos, George)

Status: As Amended in House Committee

- 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	\$250,000	\$0	\$0	\$0
State Special Revenue	\$100,000	\$100,000	\$87,500	\$87,500
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$300,000	\$50,000	\$50,000	\$50,000
Net Impact-General Fund Balance:	<u>(\$250,000)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact: HB 82, as amended in the House Appropriations committee, establishes a Montana National Guard Enlistment Incentive Program within the Department of Military Affairs (DMA). The program would provide an incentive payment of up to \$500 for enlistment and re-enlistments in the Montana National Guard. Funding would be provided from general fund transfer of \$250,000 in FY 2024 and the revenue garnered from a check-off on the Montana individual income tax form to be deposited in a new state special revenue fund. The program sunsets in FY 2029.

FISCAL ANALYSIS

Assumptions:**Department of Military Affairs**

- HB 82 creates a Montana National Guard Enlistment Incentive Program. The program provides an incentive payment of up to \$500 based on enlistments and reenlistments in the National Guard for approved pay grades.
- To fund the incentive payment, HB 82 creates a voluntary checkoff on Montana state individual income tax returns and provides \$250,000 transferred from the general fund for the 2025 biennium in FY 2024.
- The Montana National Guard is currently short approximately 500 service members. DMA anticipates 200 incentive payments will be made in FY 2024 and FY 2025, and 100 incentive payments in FY 2026.

- If state special revenues from the tax checkoff are received at the rate of \$50,000 per year (see assumptions #7 and #8), an additional 75 incentive payments would be made in FY 2026 (for a total of 175). Then, from FY 2027 through the FY 2029 sunset, there would be approximately 175 incentive payments issued per year.

Department of Revenue

- HB 82 creates a voluntary checkoff for the program on Montana state individual income tax returns.
- In TY 2020 and TY 2021, approximately \$45,000 and \$40,000, respectively, was voluntarily provided by taxpayers for current Montana Military Relief Fund Voluntary Checkoff Program.
- It is assumed that total voluntary donations to the National Guard Enlistment Incentive Program will be \$50,000 each tax year, starting TY 2023. The \$50,000 in voluntary donations will be received by the Department of Military Affairs (DMA) in the fiscal year following the tax year when taxpayers file returns.
- The creation of the new checkoff program will require the department to modify its income tax return forms starting TY 2023. The form changes can be made during the annual forms process and will not require any additional expenditures by the department.

<u>Fiscal Impact:</u>	<u>FY 2024 Difference</u>	<u>FY 2025 Difference</u>	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>
FTE	0.00	0.00	0.00	0.00
<u>Expenditures:</u>				
Benefits	\$100,000	\$100,000	\$87,500	\$87,500
Transfers	\$250,000	\$0	\$0	\$0
TOTAL Expenditures	\$350,000	\$100,000	\$87,500	\$87,500
<u>Funding of Expenditures:</u>				
General Fund (01)	\$250,000	\$0	\$0	\$0
State Special Revenue (02)	\$100,000	\$100,000	\$87,500	\$87,500
TOTAL Funding of Exp.	\$350,000	\$100,000	\$87,500	\$87,500
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$300,000	\$50,000	\$50,000	\$50,000
TOTAL Revenues	\$300,000	\$50,000	\$50,000	\$50,000

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

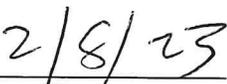
General Fund (01)	(\$250,000)	\$0	\$0	\$0
State Special Revenue (02)	\$200,000	(\$50,000)	(\$37,500)	(\$37,500)

Long-Term Impacts:

- In FY 2028 and FY 2029 there would be approximately 175 incentive payments per year, which would draw the fund balance down to zero at the sunset of the program.



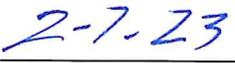
 Sponsor's Initials



 Date



 Budget Director's Initials



 Date



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Dedication of Revenue 2025 Biennium

17-1-507, MCA.

- a) **Are there persons or entities that benefit from this dedicated revenue that do not pay? (Please explain)** The funds are to be incentive payments for Montana National Guard enlistments and re-enlistments that meet certain criteria. The funds will originate from a general fund transfer and subsequently from voluntary contributions identified on Montana individual Income tax form “checkoffs”.
- 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?**
The funds will be segregated for specific qualified expenditures, though the funds will originate from two separate sources.
- 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)** Yes
- d) **Does the need for this state special revenue provision still exist? Yes No (Explain)**
Yes, this is a new expenditure with a new source as specified in HB 82.
- e) **Does the dedicated revenue affect the legislature’s ability to scrutinize budgets, control expenditures, or establish priorities for state spending? (Please Explain)**
Yes, the dedicated revenue recoding will facilitate legislative oversight of the program
- f) **Does the dedicated revenue fulfill a continuing, legislatively recognized need? (Please Explain)** Yes, the funds will be used to incentivize enlistments in certain National Guard grades and specialties to bring the Guard up to full strength
- 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?)**
The new fund would segregate the appropriation and revenue and the targeted expenditures from other Department of Military Affairs activities