



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: **SB0324.02 (001): Revise vehicle registration fees and allocate revenue for bridges and victims of crime**

Primary Sponsor: Josh Kassmier Status: As Amended in Senate 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</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>	<u>FY 2028</u> <u>Difference</u>	<u>FY 2029</u> <u>Difference</u>
Expenditures				
General Fund (01)	\$50,012,000	\$0	\$0	\$0
State Special Revenue (02)	\$9,480,079	\$6,674,073	\$9,150	(\$67,897)
Revenues				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$49,473,968	(\$1,120,453)	(\$7,784,899)	(\$7,841,046)
Net Impact	<u>(\$50,012,000)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
General Fund Balance				

Description of fiscal impact

SB 324, as amended, increases fees on certain luxury light vehicle and motorhome registrations and raises the MSRP threshold that determines when the fees are applicable. It changes the funding formula for the Montana Highway Patrol, establishes a funding source for a new victims of crime advocates fund, eliminates the 3% administrative fee on motor vehicle transactions, and provides funding for local bridge construction and repair.

FISCAL ANALYSIS

Assumptions

Department of Justice

Luxury vehicle registration fees

1. The Motor Vehicle Division will need to adjust programming within the Credentialing and Registration System (CARS) to implement the changes provided for in SB 324 at an estimated cost of \$30,000 in FY 2026 (\$12,000 general fund and \$18,000 state special revenue fund).
2. Currently, light vehicles with an MSRP greater than \$150,000 pay an annual luxury fee of \$825 in each year of registration until the vehicle is greater than 10 years old.
3. SB 324 raises the MSRP threshold for light vehicles to \$200,000 and the light vehicle luxury fee to \$1,000 for the first year of registration in the state. For each subsequent year until the vehicle is 11 years old or older the fee remains at \$825. These changes go into effect January 1, 2026.
4. Luxury motorhomes with an MSRP above \$300,000 are also assessed an annual luxury fee under current law. This fee is \$800 in each year of registration until the motorhome is greater than 10 years old.

5. SB 324 raises the MSRP threshold for motorhomes to \$400,000 and the motorhome luxury fee to \$950 in the first year of registration in the state. For each subsequent year until the vehicle is 11 years old or older the fee remains at \$800. These changes go into effect January 1, 2026.
6. With the changes made by SB 324, as amended, total revenue from luxury fees assessed on light vehicle and motorhomes is projected to be \$9.629 million in FY 2026, \$9.100 million in FY 2027, \$9.191 million in FY 2028, and \$9.279 million in FY 2029.
7. Compared to current law projections of total luxury vehicle fee revenue using assumptions of vehicle revenue growth from the HJ 2 revenue estimate, the fiscal impact of SB 324 on luxury vehicle fee revenue is estimated to be -\$540,000 in FY 2026, -\$1.164 million in FY 2027, -\$1.168 million in FY 2028, and -\$1.172 million in FY 2029.
8. The higher fee on first time registrations does not generate enough revenue to offset the revenue loss resulting from the exiting crop of vehicles from the luxury fee pool due to the higher MSRP thresholds. Using historical averages, the estimated number of vehicles no longer qualifying for luxury fee assessment is about 2,200 per year for the period FY 2027 – FY 2029 (half that in FY 2026).
9. Currently, all revenue from luxury vehicle fees is deposited into the Motor Vehicle Division (MVD) administration account in the state special revenue fund. The distribution of this revenue is changed in SB 324 to include additional recipients. For FY 2026, luxury vehicle fee revenue is distributed 38% to the Montana Highway Patrol and 62% to the MVD administration account. Starting in FY 2027 and for each fiscal year thereafter, luxury vehicle fee revenue is distributed 19% to the Montana Highway Patrol, 57% to the MVD administration account, and 24% to the newly established better local bridge fund account.

MVD administration account

10. Currently, MVD assesses a 3% fee on all Title 61 transactions (61-3-111, MCA). SB 324 repeals this fee effective June 30, 2027.
11. Revenue from the 3% administrative fee is deposited into the MVD administration account.
12. Because of the increased fee on first-time luxury light vehicle and motorhome registrations, and the increased fee for luxury motorhome renewal registrations, there will be additional revenue generated from the 3% administrative fee in FY 2026 and FY 2027 before it is eliminated in FY 2028. This new revenue is estimated to be \$12,000 in FY 2026 and \$22,000 in FY 2027.
13. The reduction in revenue to the MVD administration account from the elimination of the 3% administrative fee is estimated to be \$6.617 million in FY 2028 and \$6.669 million in FY 2029.
14. Section 3 of the bill changes the conditions of 61-3-321(23), MCA, that dictate how much ending balance is allowed in the MVD administration account. Currently an amount equal to 25% of the current fiscal year appropriation is allowed to remain in the account with the rest being transferred to the general fund. The bill allows for a higher ending fund balance by permitting that if the amount equal to the end balance minus 25% of the current fiscal year appropriation is greater than \$1.5 million then that amount that is above \$1.5 million can be retained in the account.
15. There is a negative fiscal impact to the MVD administration account in each year of the projection period. In FY 2026 and FY 2027 the impact is due to generally lower luxury vehicle fee revenue in conjunction with the account receiving only a portion of total revenue instead of the full amount under current law. The fiscal impact is exacerbated in FY 2028 and FY 2029 when the 3% administrative fee is eliminated.
16. Due to the reduction in revenue, a significant impact to services provided is expected. Both operating expenditures and personal services expenditures will be reduced by half the amount of revenue lost in each year. There will also likely be a reduction in FTE. These impacts will cause delays in the provision of essential services by MVD.
17. The table below shows the fiscal impact of SB 324 on the MVD administration account.

SB 324 Fiscal Impact to Motor Vehicle Division Administration Account				
Department of Justice				
	FY 2026	FY 2027	FY 2028	FY 2029
Current Law				
61-3-111, MCA, Fee Amount	3%	3%	3%	3%
61-3-111, MCA, Fee Revenue	\$6,509,715	\$6,562,944	\$6,617,165	\$6,668,599
Luxury Vehicle Fee Revenue	\$10,169,003	\$10,263,226	\$10,359,196	\$10,450,992
Proposed Law				
61-3-111, MCA, Fee Amount**	3%	3%	0%	0%
61-3-111, MCA, Fee Revenue	\$6,521,606	\$6,584,500	\$0	\$0
Luxury Vehicle Fee Revenue	\$7,716,235	\$5,186,806	\$5,239,133	\$5,288,770
Fiscal Impact	-\$2,440,877	-\$5,054,863	-\$11,737,227	-\$11,830,821
** 3% administration fee is effective thru June 30, 2027				

Montana Highway Patrol

18. Under current law, there is assessed on each light vehicle, trailer, semitrailer, pole trailer, heavy truck, motor home, motorcycle, quadricycle, and travel trailer registration a fee of \$10 that is deposited in a state special revenue account for the Montana Highway Patrol.
19. SB 324 changes the allocation of revenue from this \$10 fee, directing \$8 to the Montana Highway Patrol and \$2 to the victims of crime advocates account established in section 4 of the bill. This change is effective January 1, 2026.
20. This change reduces revenue to the Montana Highway Patrol by \$1.129 million in FY 2026, \$2.277 million in FY 2027, \$2.296 million in FY 2028, and \$2.314 million in FY 2029.
21. SB 324 provides MHP with a new source of funding from luxury vehicle fee revenue, which is estimated to be \$1.903 million in FY 2026, \$1.729 million in FY 2027, \$1.746 million in FY 2028, and \$1.763 million in FY 2029.
22. The net impact of the MHP funding change proposed in SB 324 is \$774,000 in FY 2026, -\$548,000 in FY 2027, -\$550,000 in FY 2028, and -\$551,000 in FY 2029.
23. In FY 2026, the \$774,000 increase in funding will be allocated to personal services. In FYs 2027 – 2029, the decrease in revenue will reduce operating expenditures.
24. The fiscal impact of SB 324 on MHP funding is presented in the table below.

SB 324 Fiscal Impact to Montana Highway Patrol Pay & Retention Account				
Department of Justice				
	FY 2026	FY 2027	FY 2028	FY 2029
Current Law				
61-3-321(20), MCA, MHP Fee Amount	\$10	\$10	\$10	\$10
61-3-321(20), MCA, MHP Fee Revenue	\$11,292,735	\$11,385,073	\$11,479,134	\$11,568,359
Proposed Law				
61-3-321(20), MCA, MHP Fee Amount*	\$10->\$8	\$8	\$8	\$8
61-3-321(20), MCA, MHP Fee Revenue	\$10,163,462	\$9,108,058	\$9,183,307	\$9,254,687
Luxury Vehicle Fee Revenue	\$1,902,954	\$1,728,935	\$1,746,378	\$1,762,923
Fiscal Impact	\$773,681	-\$548,079	-\$549,449	-\$550,748
*61-3-321(20), MCA, fee change effective Jan. 1, 2026				

Victims of Crime Advocates

25. The new \$2 distribution from the fee charged under 61-3-321(20), MCA, increases revenue to the victims of crime advocates account by \$1.129 million in FY 2026, \$2.277 million in FY 2027, \$2.296 million in FY 2028, and \$2.314 million in FY 2029. The impact is halved in FY 2026 because of the January 1, 2026, effective date. All revenue received will be sent out in grants for victim services. The table below summarizes the fiscal impact of SB 324 for the victims of crime advocates account.

SB 324 Fiscal Impact to Victims of Crime Account				
Board of Crime Control				
	FY 2026	FY 2027	FY 2028	FY 2029
61-3-321(20), MCA, VOCA Fee Amount	\$0->\$2	\$2	\$2	\$2
61-3-321(20), MCA, VOCA Fee Revenue	\$1,129,274	\$2,277,015	\$2,295,827	\$2,313,672
*61-3-321(20), MCA, fee change effective January 1, 2026				

Department of Transportation

26. By June 30, 2025, \$50 million will be transferred from the general fund to the better local bridge fund account.
27. For FY 2027 and each fiscal year thereafter, 24% of total luxury vehicle fee revenue in section 3(2) and (7) of the bill will be deposited into the better local bridge fund.
28. With total revenue projections of \$9.629 million in FY 2026, \$9.100 million in FY 2027, \$9.191 million in FY 2028, and \$9.279 million in FY 2029, revenue into the better local bridge fund will be \$2.184 million in FY 2027, \$2.206 million in FY 2028, and \$2.227 million in FY 2029.
29. Up to 5% of revenue received may be used for administrative costs.
30. Anticipated administrative expenditures are \$109,195 in FY 2027, \$110,297 in FY 2028, and \$111,342 in FY 2029.
31. In each fiscal year, MDT can award up to \$10 million to local entities through the grant program. As the department develops the grant program, the local government award amounts will be determined.
32. The following table shows the fiscal impact of SB 324 for the better local bridge fund.

SB 324 Fiscal Impact to Better Local Bridge Fund				
Department of Transportation				
	FY 2026	FY 2027	FY 2028	FY 2029
General Fund Transfer	\$50,000,000			
Luxury Vehicle Fee Revenue % Share	0%	24%	24%	24%
Better Local Bridge Fund Revenue	\$50,000,000	\$2,183,918	\$2,205,951	\$2,226,851
*DOT share of 61-3-321, MCA, luxury vehicle fee revenue begins FY 2027				

Fiscal Analysis Table**Department of Justice**

	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
<u>Fiscal Impact</u>				
<u>Expenditures</u>				
Personal Services	(\$446,758)	(\$2,527,431)	(\$5,868,614)	(\$5,915,410)
Operating Expenses	(\$1,190,438)	(\$3,075,511)	(\$6,418,063)	(\$6,466,159)
Grants	\$1,129,275	\$2,277,015	\$2,295,827	\$2,313,672

Fiscal Note Request - As Amended in Senate Committee

(continued)

TOTAL Expenditures	<u>(\$507,921)</u>	<u>(\$3,325,927)</u>	<u>(\$9,990,850)</u>	<u>(\$10,067,897)</u>
<u>Funding of Expenditures</u>				
General Fund (01)	\$12,000	\$0	\$0	\$0
State Special Revenue (02)	<u>(\$519,921)</u>	<u>(\$3,325,927)</u>	<u>(\$9,990,850)</u>	<u>(\$10,067,897)</u>
TOTAL Funding of Expenditures	<u>(\$507,921)</u>	<u>(\$3,325,927)</u>	<u>(\$9,990,850)</u>	<u>(\$10,067,897)</u>
<u>Revenues</u>				
State Special Revenue (02)	<u>(\$526,032)</u>	<u>(\$3,304,371)</u>	<u>(\$9,990,850)</u>	<u>(\$10,067,897)</u>
TOTAL Revenues	<u>(\$526,032)</u>	<u>(\$3,304,371)</u>	<u>(\$9,990,850)</u>	<u>(\$10,067,897)</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
General Fund (01)	(\$12,000)	\$0	\$0	\$0
State Special Revenue (02)	<u>(\$6,111)</u>	<u>\$21,556</u>	<u>\$0</u>	<u>\$0</u>

Department of Transportation

	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>	<u>FY 2028 Difference</u>	<u>FY 2029 Difference</u>
<u>Fiscal Impact</u>				
<u>Expenditures</u>				
Operating Expenses	\$0	\$109,195	\$110,297	\$111,342
Transfers	\$50,000,000	\$0	\$0	\$0
Grants	<u>\$10,000,000</u>	<u>\$9,890,805</u>	<u>\$9,889,703</u>	<u>\$9,888,658</u>
TOTAL Expenditures	<u>\$60,000,000</u>	<u>\$10,000,000</u>	<u>\$10,000,000</u>	<u>\$10,000,000</u>
<u>Funding of Expenditures</u>				
General Fund (01)	\$50,000,000	\$0	\$0	\$0
State Special Revenue (02)	<u>\$10,000,000</u>	<u>\$10,000,000</u>	<u>\$10,000,000</u>	<u>\$10,000,000</u>
TOTAL Funding of Expenditures	<u>\$60,000,000</u>	<u>\$10,000,000</u>	<u>\$10,000,000</u>	<u>\$10,000,000</u>
<u>Revenues</u>				
State Special Revenue (02)	<u>\$50,000,000</u>	<u>\$2,183,918</u>	<u>\$2,205,951</u>	<u>\$2,226,851</u>
TOTAL Revenues	<u>\$50,000,000</u>	<u>\$2,183,918</u>	<u>\$2,205,951</u>	<u>\$2,226,851</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
General Fund (01)	(\$50,000,000)	\$0	\$0	\$0
State Special Revenue (02)	<u>\$40,000,000</u>	<u>(\$7,816,082)</u>	<u>(\$7,794,049)</u>	<u>(\$7,773,149)</u>

STATEWIDE SUMMARY

	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>	<u>FY 2028 Difference</u>	<u>FY 2029 Difference</u>
<u>Fiscal Impact</u>				
TOTAL Fiscal Impact	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<u>Expenditures</u>				
Personal Services	(\$446,758)	(\$2,527,431)	(\$5,868,614)	(\$5,915,410)
Operating Expenses	(\$1,190,438)	(\$2,966,316)	(\$6,307,766)	(\$6,354,817)
Transfers	\$50,000,000	\$0	\$0	\$0
Grants	<u>\$11,129,275</u>	<u>\$12,167,820</u>	<u>\$12,185,530</u>	<u>\$12,202,330</u>
TOTAL Expenditures	<u>\$59,492,079</u>	<u>\$6,674,073</u>	<u>\$9,150</u>	<u>(\$67,897)</u>

Funding of Expenditures

General Fund (01)	\$50,012,000	\$0	\$0	\$0
State Special Revenue (02)	\$9,480,079	\$6,674,073	\$9,150	(\$67,897)
TOTAL Funding of Expenditures	\$59,492,079	\$6,674,073	\$9,150	(\$67,897)

Revenues

State Special Revenue (02)	\$49,473,968	(\$1,120,453)	(\$7,784,899)	(\$7,841,046)
TOTAL Revenues	\$49,473,968	(\$1,120,453)	(\$7,784,899)	(\$7,841,046)

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

General Fund (01)	(\$50,012,000)	\$0	\$0	\$0
State Special Revenue (02)	\$39,993,889	(\$7,794,526)	(\$7,794,049)	(\$7,773,149)

NO SPONSOR SIGNATURE

Sponsor's Initials_____
Date_____
Budget Director's Initials

3/25/2025

Date



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Dedication of Revenue 2027 Biennium

17-1-507, MCA.

1. Are there persons or entities that benefit from this dedicated revenue that do not pay?

Yes

Yes, the revenue is directed from the general fund and is funded by the taxpayers of Montana and any non-Montanans that pay taxes into the General Fund. The benefactors of this bill are the traveling public or anyone receiving goods or services that are transported using the local roads and streets.

2. 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?

Yes

By using a special revenue fund, MDT can account and track the exact amount of monies being expended each year. Also, MDT can ensure that only the proper expenditures are applied to the money.

3. Is the source of revenue relevant to current use of the funds and adequate to fund the program activity that is intended?

Yes

Yes, the program will fund the grants to local government for the costs associated with engineering and construction of local and off-system bridges. The locals are still required a match of at least 20%.

4. Does the need for this state special revenue provision still exist?

Yes

Yes, the revenues are designated for local grants associated with engineering and construction of local off system bridges. The need still exists to ensure that the revenue is used for the legislative purpose.

- 5. Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending?**

No

No, the dedicated revenue being accounted for in a special revenue helps ensure that the expenditures for these grants are segregated and easier to budget for.

- 6. Does the dedicated revenue fulfill a continuing, legislatively recognized need?**

Yes

Yes, the need for constant maintenance and improvement of Montana bridges.

- 7. How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency? Also, if the program/activity were general funded, could you adequately account for the program/activity?**

Yes

MDT's primary funding is accounted for through special revenue funds. By using a special revenue fund, MDT can use the economies of scale gained through the existing special revenue funds to account for and budget more efficiently.