



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:

HB0368 - Revise shared use path funding (Fern, Dave)

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
State Special Revenue	\$627,736	\$429,019	\$440,719	\$387,073
Revenue:				
General Fund	(\$1,666,000)	(\$1,733,000)	(\$1,798,000)	(\$1,866,000)
State Special Revenue	\$1,666,000	\$1,733,000	\$1,798,000	\$1,866,000
Net Impact-General Fund Balance:	<u>(\$1,666,000)</u>	<u>(\$1,733,000)</u>	<u>(\$1,798,000)</u>	<u>(\$1,866,000)</u>

Description of fiscal impact: HB 368 adds a new 4% distribution from the marijuana state special revenue account (16-12-111, MCA) to provide funding for shared-use paths. These distributions are estimated to be \$1,666,000 in FY 2024, \$1,733,000 in FY 2025, \$1,798,000 in FY 2026, and \$1,866,000 in FY 2027. General fund revenue would be reduced by equal amounts. The new funding will be used for the maintenance, repair, and new construction of shared-use paths.

FISCAL ANALYSIS

Assumptions:

- HB 368 adds a new distribution from the marijuana state special revenue account (16-12-111, MCA) to provide funding for shared-use paths. The effective date for this bill is July 1, 2023, so it would apply beginning with FY 2024. The shared-use path fund is statutorily appropriated.
- The bill dedicates 4% of the net balance remaining after distributions to the Healing and Ending Addiction through Recovery and Treatment (HEART) account to be distributed to the shared-use paths account. Projected marijuana tax revenue estimate for FY 2024 through FY 2027 were provided by the Department of Revenue.

3. FY 2024 \$41.654 million * .04 = \$1.666 million
 FY 2025 \$43.319 million * .04 = \$1.733 million
 FY 2026 \$44.962 million * .04 = \$1.798 million
 FY 2027 \$46.661 million * .04 = \$1.866 million
4. MDT would now distribute the annual tax revenue equally amongst its five districts. Each district would receive the following:
 FY 2024 \$1.666 million / 5 = \$333,200
 FY 2025 \$1.733 million / 5 = \$346,600
 FY 2026 \$1.798, million / 5 = \$359,600
 FY 2027 \$1.866 million / 5 = \$373,200
5. At least 10% of funding allocated to a district would go to the maintenance of paths that are not part of the state-maintained federal aid highway system. This allocation would be at least the following in each FY. Note that MDT does not have an inventory of paths that are not on the state-maintained federal aid highway system.
 FY 2024 \$333,200 = 10% = \$33,320
 FY 2025 \$346,600 = 10% = \$34,660
 FY 2026 \$359,600 = 10% = \$35,960
 FY 2027 \$373,200 = 10% = \$37,320
6. After the 10% allocation, the maximum per district to be used to maintain paths on the system would be as follows:
 FY 2024 \$333,200 – \$33,320 = \$299,880
 FY 2025 \$346,600 – \$34,660 = \$311,940
 FY 2026 \$359,600 – \$35,960 = \$323,640
 FY 2027 \$373,200 – \$37,320 = \$335,880
7. MDT’s current inventory of shared-use paths on federal aid eligible routes is 203.7 miles. The total miles, estimated costs of annual snow removal, annual maintenance, and the current pavement maintenance needs are provided below:

District	Miles of Path	Estimated Annual Cost of Snow Removal	Estimated Annual Cost of General Maintenance	Current Pavement Maintenance Needs (State of Good Repair)	Total Spent on Snow Removal, Maintenance, and Repair
Missoula	129.1	\$127,605.02	\$75,007.10	\$395,005.81	\$299,880.00
Butte	47.7	\$47,147.63	\$27,713.70	\$134,993.84	\$209,855.17
Great Falls	21.5	\$21,251.03	\$12,491.50	\$60,176.04	\$93,918.57
Glendive	2.7	\$2,668.73	\$1,568.70	\$8,205.82	\$12,443.25
Billings	2.7	\$2,668.73	\$1,568.70	\$7,401.33	\$11,638.76
Statewide Totals	203.7	\$201,341.15	\$118,349.70	\$605,782.84	\$327,855.75

8. Current pavement maintenance needs costs of \$605,783 are a one-time expenditure that would bring the shared-use paths up to a state of good repair. Each district will be maintained to state of good repair as the district balances allow.
9. MDT assumes the amount spent each fiscal year for maintaining shared-paths on-system is as follows:

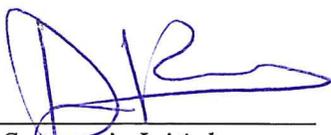
Fiscal Year	Statewide Spend on Estimated Annual Cost of Snow Removal	Statewide Spend on Estimated Annual Cost of General Maintenance	Statewide Spend on Current Pavement Maintenance Needs (State of Good Repair)	Statewide Estimated Total Spent
FY 2024	\$201,341.15	\$118,349.70	\$308,044.91	\$627,735.76
FY 2025	\$201,341.15	\$118,349.70	\$109,327.88	\$429,018.73
FY 2026	\$201,341.15	\$118,349.70	\$121,027.88	\$440,718.73
FY 2027	\$201,341.15	\$118,349.70	\$67,382.17	\$387,073.02

10. Constructing shared-use paths are estimated at \$1.500 million per mile. New construction of shared use paths in each district will take place as the district balances allow.
11. The funding directed to MDT’s Rail, Transit and Planning (RTP) Division for bicycle and pedestrian education is eliminated. MDT will be able to address bicycle and pedestrian safety education within the existing RTP budget.
12. Estimated revenue loss to RTP is \$5,000 per year for FY 2024 through FY 2027. Revenue loss is calculated using the average revenue collected during three most recent completed FYs (2020-2022).
13. Since this revenue is being redirected from the RTP to the Maintenance Division via HB 368, there will be no loss of this revenue for MDT.
14. Since this marijuana tax revenue is currently transferred to the general fund, there is an offsetting revenue reduction shown in the general fund.

	<u>FY 2024 Difference</u>	<u>FY 2025 Difference</u>	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Personal Services	\$0	\$0	\$0	\$0
Operating Expenses	\$627,736	\$429,019	\$440,719	\$387,073
TOTAL Expenditures	<u>\$627,736</u>	<u>\$429,019</u>	<u>\$440,719</u>	<u>\$387,073</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$627,736	\$429,019	\$440,719	\$387,073
TOTAL Funding of Exp.	<u>\$627,736</u>	<u>\$429,019</u>	<u>\$440,719</u>	<u>\$387,073</u>
<u>Revenues:</u>				
General Fund (01)	(\$1,666,000)	(\$1,733,000)	(\$1,798,000)	(\$1,866,000)
State Special Revenue (02)	\$1,666,000	\$1,733,000	\$1,798,000	\$1,866,000
TOTAL Revenues	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$1,038,264	\$1,303,981	\$1,357,281	\$1,478,927
State Special Revenue (02)	(\$1,666,000)	(\$1,733,000)	(\$1,798,000)	(\$1,866,000)

Technical Notes:

1. It is unclear if the change in HB 368 would allow MDT to use the accrued balance, or if these funds would be reallocated to the districts for the maintenance of shared-use paths.
2. Building new paths may be difficult based on equal distribution amongst districts, as districts may need to “bank” their allocation until there is enough funding to build any proposed paths.



Sponsor's Initials

2/7/23

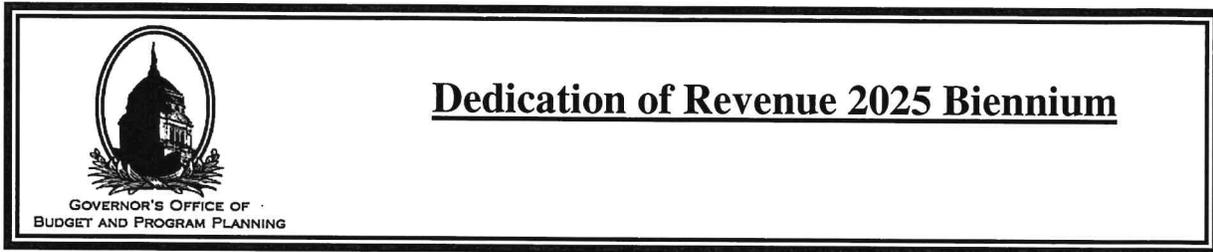
Date



Budget Director's Initials

2-6-23

Date



17-1-507, MCA.

- a) **Are there persons or entities that benefit from this dedicated revenue that do not pay? (please explain)**

Persons or entities that would benefit from this dedicated revenue, but would not pay, are those who do not partake in marijuana but use the shared-use paths.

- 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?**

This is dedicated revenue specifically for the shared-use paths and the Department of Transportation's (MDT) Maintenance Division, so it belongs in a state special revenue fund directed to MDT and not co-mingled with other funds in the general fund.

- 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, the source of revenue would adequately fund the shared-use path need.

- d) **Does the need for this state special revenue provision still exist? Yes No (Explain)**

The shared-use paths, educational component, and inventory maintenance function does not currently exist at this functional level, nor is it currently tied universally to MDT.

- e) **Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending? (Please Explain)**

No. The legislature will be able to pull revenue, expenditure, and budget information from the states accounting system when needed. HB 368 defines how funding will be allocated and spent limiting the legislature's ability to set priorities.

- f) **Does the dedicated revenue fulfill a continuing, legislatively recognized need? (Please Explain)**

The legislatively recognized need is expressed in the bill.

- 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?)**

For ease of tracking the revenues, budget, and legislative intent of HB 328, it would be best to be held in separate state special revenue fund and not in the general fund.