



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2023 Biennium

Bill # SB0355

Title: Revise payments related to state school trust lands

Primary Sponsor: Lang, Mike

Status: As Amended in Senate 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 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$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 355 redirects \$482,000 of the lodging facility taxes away from the Montana Historical Society, University System, Fish, Wildlife, and Parks, Commerce and Tribal Economic Development and distributes the funds to 16 counties where more than 6% of the land area is owned by the state. Additionally, SB 355 as amended, would eliminate the \$400,000 distribution currently for the Heritage Commission and would reduce the percentage of funds to the Department of Commerce from 63% to 60% and allocate 3% to the Heritage Commission for the operation and maintenance of Virginia City and Nevada City. SB 355 creates no state general fund impact.

FISCAL ANALYSIS

Assumptions:

Department of Revenue

- SB 355 distributes \$482,000 of lodging facility use tax revenue each year to 16 select counties with more than 6% of the county's land area that is owned by the state. The bill claims the state exemption for property taxes places an undue burden on schools and local governments.
- The bill as amended also eliminates a \$400,000 per year distribution to the Montana heritage preservation and development account made prior to allocating the balance of the tax proceeds on a percentage basis for various

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purposes. The amended bill also reduces the 63% distribution to the Department of Commerce to 60% and provides 3% of the funds to the Montana Heritage Commission for operation and maintenance of Virginia City and Nevada City.

- The redistribution of funds would reduce the balance of lodging facility use tax revenue that is distributed to eight different state special revenue accounts. The changes to each of these accounts are shown in the table below.

	Percentage	FY 2022
MT Heritage Preservation Society	3.0%	\$503,205
Montana Historical Society	1.0%	(\$820)
University System	2.5%	(\$2,050)
Fish, Wildlife, & Park – State Parks	6.5%	(\$5,330)
Invasive Species	1.4%	(\$1,148)
Commerce	60.0%	(\$954,865)
Regional Travel Promotion	22.5%	(\$18,450)
Montana Historical Interpretation	2.6%	(\$2,132)
Tribal Economic Development	0.5%	(\$410)
SB 355 Distribution to Counties with >6% state lands		\$482,000
Total	100%	\$0

- SB 355 directs the distribution of \$482,000 to 16 counties based on state owned lands in the county. The following table shows the included counties, distribution percentages and the amount of funding each county would receive each year.

County	Percentage	Annual Amount
Daniels	69.40%	\$334,508
Chouteau	12.89%	\$62,130
Liberty	2.64%	\$12,725
Hill	1.76%	\$8,483
Judith Basin	0.87%	\$4,193
Toole	1.14%	\$5,495
Wheatland	0.98%	\$4,724
Teton	1.03%	\$4,965
Prairie	0.07%	\$337
Lake	2.47%	\$11,905
Fallon	3.29%	\$15,858
Powder River	0.25%	\$1,205
Carter	0.98%	\$4,724
Custer	0.53%	\$2,555
Musselshell	0.37%	\$1,783
Richland	<u>1.33%</u>	<u>\$6,411</u>
Total	100.00%	\$482,000

- The department would incur minimal additional costs associated with updating the integrated revenue information system to make the distributions set forth in this bill.

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Department of Commerce

6. The Department of Commerce currently receives 63.0% of the lodging use tax distribution in 15-65-121, MCA, for nonresident tourism and film promotion funding. SB 355 as amended, would reduce this distribution to 60% eliminating the Tourism Grant Program and the remainder would be a reduction in marketing efforts.
7. The Heritage Commission currently receives \$400,000 each year which is eliminated in SB 355 as amended. These funds are distributed to various agencies including Commerce. The Heritage Commission would receive 3.0% of the lodging use tax per amended SB 355 which would raise \$503,210 in FY 2022, \$676,880 in FY 2023, \$693,250 in FY 2024 and \$709,866 in FY 2025 to be used for operating expenses and capital improvements to properties in Virginia/Nevada Cities and Reeder's Alley.
8. The Department of Commerce currently receives 22.5% as a pass through for the tourism regions and convention and visitors' bureaus (CVB's). Regions and CVBs budgets would be reduced \$18,450 each year. These entities use their funds for both administrative costs throughout the state as well as marketing efforts. These costs are recorded as a Local Assistance payment from the Department of Commerce.
9. Tribal tourism currently receives 0.5% to promote tourism activities in Indian Country. This budget would be reduced \$410 each year. The tribal tourism budget reduction would result in fewer guidebooks being printed.

Montana Historical Society

10. Montana Historical Society sites and signs program would receive 1.0% of the reduction which would reduce the National Register Sign program for Montana's historic places by \$820.
11. Montana Historical Society historical interpretation operation would be reduced by 2.6 % of the reduction which would reduce funding for exhibits and educational support for Montana teachers by \$2,132.

Montana University System

12. The Montana University System (MUS) currently receives 2.5% of the lodging use tax distributed in 15-65-121, MCA. The MUS would see a reduction of \$2,050 state special revenue used to support the Institute of Tourism and Travel Research in SB 355 as amended.

Fish, Wildlife and Parks

13. Fish, Wildlife and Parks (FWP) receives 6.5% state special revenue from the lodging use tax distribution in 15-65-121, MCA, for maintenance of state parks facilities. The lost revenue to this account from SB 355 as amended would be \$5,330 per year.
14. FWP also receives 1.4% of the tax distribution for a state special revenue account for invasive species. This fund would see a reduction of \$1,148 per year.

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(continued)

	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Commerce				
Operating Expenses	(\$104,638)	(\$104,638)	(\$104,638)	(\$104,638)
Capital Improvements	\$402,568	\$402,568	\$402,568	\$402,568
Local Assistance	(\$18,450)	(\$18,450)	(\$18,450)	(\$18,450)
Grants	(\$750,000)	(\$750,000)	(\$750,000)	(\$750,000)
Montana Historical Society				
Operating Expenses (Nat'l Register Sign Program)	(\$820)	(\$820)	(\$820)	(\$820)
Operating Expenses (Historical Interpretation)	(\$2,132)	(\$2,132)	(\$2,132)	(\$2,132)
Fish, Wildlife, & Parks				
Operating Expenses (State Parks)	(\$5,330)	(\$5,330)	(\$5,330)	(\$5,330)
Operating Expenses (Invasive Species)	(\$1,148)	(\$1,148)	(\$1,148)	(\$1,148)
University System				
Operating Expenses (MT Travel Research Pgm)	(\$2,050)	(\$2,050)	(\$2,050)	(\$2,050)
Distribution to counties	<u>\$482,000</u>	<u>\$482,000</u>	<u>\$482,000</u>	<u>\$482,000</u>
TOTAL Expenditures	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
TOTAL Funding of Exp.	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
TOTAL Revenues	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
<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

Effect on County or Other Local Revenues or Expenditures:

- Sixteen counties with greater than 6% of their state owned lands would receive \$482,000 from the Lodging Facilities Tax, 15-65-121, MCA.

Technical Notes:

- The bill does not include a date that the transfers to the counties must be made by, and it does not specify whether it should be one payment each year for the total amount or broken out into monthly payments. The date of the transfer would have to be late enough to ensure that enough lodging facility use tax revenue has been collected.

NO SPONSOR SIGNATURE 3/22
Sponsor's Initials *Date*

KA 3-18-21
Budget Director's Initials *Date*