



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:

HB0128 - Generally revise marijuana laws (Kassmier, Joshua)

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	(\$11,475)	(\$14,495)	(\$11,983)	(\$9,429)
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	(\$11,475)	(\$14,495)	(\$11,983)	(\$9,429)
Net Impact-General Fund Balance:	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact: HB 128 cleans up many components of the administration of adult-use and medical marijuana and transfers the administration of marijuana testing labs from the Department of Public Health and Human Services (DPHHS) to the Department of Revenue (DOR). This would result in an additional 2.00 FTE for the department, 1.50 of which will be transferred from DPHHS. The bill contains an appropriation for spending by DOR.

FISCAL ANALYSIS

Assumptions:**Department of Revenue (DOR)**

- HB 128 makes numerous clean-up changes to DOR's administration of the adult-use and medical marijuana industry in Montana.
- Some of the changes make compliance and licensing easier, such as removing some background check requirements, and clarifying some age restrictions and limitations.
- HB 128 extends the moratorium on new licenses from July 1, 2023, to July 1, 2025. This is not expected to significantly change total sales or tax revenue, because there is no indication of any supply shortage, meaning sales are being dictated by consumer demand.

4. The bill also transfers authority over marijuana testing labs from DPHHS to DOR, which will require two new positions, with 1.50 FTE transferring from DPHHS to DOR and 0.50 new FTE for DOR.
5. The total additional cost to DOR would be \$191,419 for FY 2024, \$188,399 for FY 2025, \$190,911 for FY 2026, and \$193,465 for FY 2027.
6. Authority transferred from DPHHS, in excess of personal services and operating costs at DOR, is listed as Excess Authority in the summary tables on pages 3 and 4.

Department of Public Health and Human Services (DPHHS)

7. To meet the requirement of HB 129, the Public Health and Safety Division (PHSD) would transfer 2.00 permanent FTE to the DOR.
8. Salary and benefits for the two FTE positions within PHSD are \$159,024 in FY 2024 and \$159,024 in FY 2025.
9. Additional state special authority for cannabis fund in the DPHHS budget will also be transferred to DOR. Total authority transferred to DOR is \$102,894 in each year of the 2025 Biennium.

Department of Public Health and Human Services Impact

	<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	(\$159,024)	(\$159,024)	(\$159,024)	(\$159,024)
Operating Expenses	(\$43,870)	(\$43,870)	(\$43,870)	(\$43,870)
TOTAL Expenditures	(\$202,894)	(\$202,894)	(\$202,894)	(\$202,894)
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	(\$202,894)	(\$202,894)	(\$202,894)	(\$202,894)
TOTAL Funding of Exp.	(\$202,894)	(\$202,894)	(\$202,894)	(\$202,894)
<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)	\$202,894	\$202,894	\$202,894	\$202,894

Department of Revenue

	<u>FY 2024 Difference</u>	<u>FY 2025 Difference</u>	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>
<u>Fiscal Impact:</u>				
FTE	2.00	2.00	2.00	2.00
<u>Expenditures:</u>				
Personal Services	\$168,303	\$171,005	\$173,191	\$175,409
Operating Expenses	\$23,116	\$17,394	\$17,720	\$18,056
TOTAL Expenditures	\$191,419	\$188,399	\$190,911	\$193,465
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$191,419	\$188,399	\$190,911	\$193,465
TOTAL Funding of Exp.	\$191,419	\$188,399	\$190,911	\$193,465
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
TOTAL Revenues	\$0	\$0	\$0	\$0

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

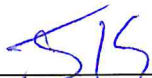
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	(\$191,419)	(\$188,399)	(\$190,911)	(\$193,465)

STATEWIDE IMPACT

	<u>FY 2024 Difference</u>	<u>FY 2025 Difference</u>	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>
<u>Fiscal Impact:</u>				
FTE	0.00	0.00	0.00	0.00
<u>Expenditures:</u>				
Personal Services	\$9,279	\$11,981	\$14,167	\$16,385
Operating Expenses	(\$20,754)	(\$26,476)	(\$26,150)	(\$25,814)
TOTAL Expenditures	(\$11,475)	(\$14,495)	(\$11,983)	(\$9,429)
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	(\$11,475)	(\$14,495)	(\$11,983)	(\$9,429)
TOTAL Funding of Exp.	(\$11,475)	(\$14,495)	(\$11,983)	(\$9,429)
<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)	\$11,475	\$14,495	\$11,983	\$9,429

Technical Notes:

1. Section 21 (2) on page 57 should be amended to change “canopy” to “cultivator” because canopy is outdated language.
2. 1.50 FTEs were established in the implementation of HB 598 from the 2019 session. .50 FTE was inactivated in 2020. Only one permanent position can be transferred from DPHHS to DOR, the second FTE working for this program is in a modified position that will need to be created at DOR.
3. During the implementation of HB 598 from the 2019 Session, 1.50 FTE were established in the DPHHS budget. Language in Section 30 references the transfer of 2 FTE from DPHHS. In addition, the appropriation in Section 30 does not align with the base appropriations for the funds in the DPHHS budget. Section 30 should be amended to read, “Appropriation. There is appropriated ~~\$149,285.58~~ \$244,970 from the marijuana state special revenue account provided for in 16-12-111, MCA, to the Department of Revenue, which comprises 1.50 FTE transferred from the department of Public Health and Human Services to the Department of Revenue and 0.50 new FTE for the Department of Revenue.” The \$244,970 is made up of \$202,984 in transfer authority from DPHHS and \$42,076 for the additional 0.5 FTE for DOR.
4. The effective date for section 30 should be July 1, 2023, instead of October 1, 2023.



Sponsor's Initials



Date



Budget Director's Initials



Date