



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2025 Biennium

**Bill information:**

SB0540 - Revise allowable state-funded tourism promotion laws (Zolnikov, Daniel )

**Status:** As Amended in House Committee

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|--|--|--|
| <input checked="" type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2  | <input checked="" type="checkbox"/> Technical Concerns   |
| <input type="checkbox"/> Included in the Executive Budget        | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

	<b>FY 2024 Difference</b>	<b>FY 2025 Difference</b>	<b>FY 2026 Difference</b>	<b>FY 2027 Difference</b>
<b>Expenditures:</b>				
General Fund	\$0	\$0	\$0	\$0
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
<b>Net Impact-General Fund Balance:</b>	\$0	\$0	\$0	\$0

**Description of fiscal impact:** SB 540 revises the allowable uses of lodging facilities use tax by the Department of Commerce. Additionally, it transfers the fund balances of any accounts identified in 15-65-121(2) to fund a newly created revolving loan program.

### FISCAL ANALYSIS

**Assumptions:**

**Department of Commerce**

1. The 60.3% portion of the lodging facility use tax designated for use by the Department of Commerce remains the same amount only the distribution of how those funds may be spent changes.
2. All activities that are currently being undertaken may continue although the focus of such efforts and the amount of funds dedicated to those activities may change.
3. Per new section 1(2), any general administrative and operating expenses can be spread in proportion to the amounts identified in new section 1(1) including auditing costs identified in HB 2.
4. New section 1(1)(a) makes 43% of proceeds available for tourism media, advertising and film programs, made-in-Montana promotions and main street programs, wayfinding and signage and support to trade offices, this would equate to a reduction of spending on these activities of approximately \$2.1 million compared to current year spending. This would be accomplished by reducing various paid, earned, and owned marketing efforts including publications.


5. New section 1(1)(b) calls for 22.5% of the funds available to be used for rural tourism, under-visited area attraction projects and tribal tourism. These funds could be used for infrastructure, tourism-related emergency services, marketing, and promotional activities. Expenditures in these areas would be increased by approximately \$1.5 million over current year spending.
6. New section 1(1)(c) calls for 23% of the available funds to be used for tourism grants, including agritourism grants and Montana-based film grants. Expenditures in these areas would be increased by approximately \$860,000. It is assumed that all existing grants would be reviewed and that totally new grants might occur.
7. New section 1(1)(d) calls for 6.5% of the available funds to be used for a revolving loan program and regional tourism assistance. This is a new program. This would result in \$2.6 million available for loans and regional tourism assistance annually.
8. New section 1(4)(a) specifies that the department may adopt rules to define the criteria for a rural area, and undervisited area, and qualification for fund for attraction projects under subsection (1)(b).
9. New section 1(4)(b) specifies that fees may be charged for loans and grants as defined in rule. Since rules are not yet promulgated to create the fees, it is assumed, for the purposes of this fiscal note, that all administrative expenses for the revolving loan fund will be paid out of the 7% loan program percentage identified in section 1(1)(e).
10. Since the loan program is a totally new program and based upon models of other department loan programs, 2.00 FTE would be required to administer this program.
11. New section 1(1)(e) calls for 5% of the available funds to be used in collaboration with the Governor's Office of Economic Development. This is a new use of funds and would result in \$2.3 million available.
12. If the tax proceeds designated for the revolving loan program and regional tourism assistance exceeds \$35 million, the tax funds in excess of \$35 million must be redistributed in the proportions provided for in this bill's new section in 1(1)(e). This threshold is not expected to be reached during the timeline covered in this fiscal note.
13. New section 3 calls for the transfer of all unencumbered funds in the state special revenue funds designated in 15-65-121(2)(e) no later than October 1, 2023, to the credit of the revolving loan program in the Department of Commerce in section 1(1)(d) of SB 540. Due to changing revenues and expense amounts, it is unknown what the unencumbered fund balances will be. Therefore, it is not possible to quantify this amount at this time.

	<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>
<b><u>Fiscal Impact:</u></b>				
FTE	2.00	2.00	2.00	2.00
<b><u>Expenditures:</u></b>				
Personal Services	\$190,454	\$192,200	\$195,083	\$198,010
Operating Expenses	(\$190,454)	(\$192,200)	(\$195,083)	(\$198,010)
<b>TOTAL Expenditures</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
<b>TOTAL Funding of Exp.</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b><u>Revenues:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
<b>TOTAL Revenues</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0

**Technical Notes:**

1. The bill does not specify whether or not interest can be charged and retained in the revolving loan program established in section 1(1)(d).

**NO SPONSOR SIGNATURE**

\_\_\_\_\_      4.20.23            4-19-23  
 Sponsor's Initials      Date      Budget Director's Initials      Date