



# MONTANA LEGISLATIVE BRANCH

## Legislative Fiscal Division

Room 110 Capitol Building \* P.O. Box 201711 \* Helena, MT 59620-1711 \* (406) 444-2986 \* FAX (406) 444-3036

**Director**  
AMY CARLSON

DATE: August 25, 2020

TO: State and Veterans Affairs Interim Committee

FROM: Kris Wilkinson, Lead Fiscal Analyst, Legislative Fiscal Division

RE: Veterans' Affairs Division Budget

The State and Veterans Affairs Interim Committee has oversight responsibility for the Department of Military Affairs, including the Veterans Affairs' Division. The purpose of this memorandum is to provide information on the 2021 biennium budget for the Veterans Affairs Division and to provide additional information on motor vehicle registration fees that support a portion of the budget.

The Veterans' Affairs Division assists discharged veterans and their families, cooperates with state and federal agencies, promotes the general welfare of veterans, and provides information on veterans' benefits. The program also administers the veterans' cemeteries located at Miles City, Fort Harrison in Helena, and Missoula. The Board of Veterans' Affairs is administratively attached to the Department of Military Affairs and operates under a state mandate provided in Title 10, Chapter 2, MCA.

## CURRENT BUDGET

Appropriation authority for the 2021 biennium is provided through HB 2, HB 158, HB 172, and statutory authority. Figure 1 shows the sources of authority for the 2021 biennium, the expenditures and fund types for the budget, by year, the spending associated with each, and the budget remaining.

Figure 1

Department of Military Affairs Veterans' Affairs Division Budget and Expenditures FY 2020 and FY 2021						
	FY 2020			FY 2021		
	Appropriation	Expenditures	Budget Remaining	Appropriation	Expenditures	Budget Remaining
<b>Source of Authority</b>						
HB 2	\$2,252,384	\$2,139,584	\$112,800	\$2,285,456	\$215,628	\$2,069,828
HB 158 - Purple heart	50,000	0	50,000	50,000	0	50,000
HB 172 - County VA Officers	30,000	30,000	0	30,000	0	30,000
Statutory Authority	<u>798,768</u>	<u>471,198</u>	<u>327,570</u>	<u>806,485</u>	<u>47,481</u>	<u>759,004</u>
Total Authority	<u>\$3,131,152</u>	<u>\$2,640,782</u>	<u>\$490,370</u>	<u>\$3,171,941</u>	<u>\$263,109</u>	<u>\$2,908,832</u>
<b>Expenditure Categories</b>						
Personal Services	\$2,429,459	\$2,261,431	\$168,028	\$2,405,838	\$235,722	\$2,170,116
Operating Expenses	558,343	343,155	215,188	686,103	27,387	658,716
Equipment & Intangible Assets	6,700	6,195	505	0	0	0
Capital Outlay	56,650	0	56,650	0	0	0
Grants	35,000	30,000	5,000	35,000	0	35,000
Transfers Out	<u>45,000</u>	<u>0</u>	<u>45,000</u>	<u>45,000</u>	<u>0</u>	<u>45,000</u>
Total Expenditures	<u>\$3,131,152</u>	<u>\$2,640,782</u>	<u>\$490,370</u>	<u>\$3,171,941</u>	<u>\$263,109</u>	<u>\$2,908,832</u>
<b>Fund Type</b>						
General Fund	\$1,372,834	\$1,344,568	\$28,266	\$1,391,875	\$194,498	\$1,197,377
State Special Revenue	<u>1,758,318</u>	<u>1,296,213</u>	<u>462,105</u>	<u>1,780,066</u>	<u>68,611</u>	<u>1,711,456</u>
Total Funds	<u>\$3,131,152</u>	<u>\$2,640,782</u>	<u>\$490,370</u>	<u>\$3,171,941</u>	<u>\$263,109</u>	<u>\$2,908,833</u>

## Sources of Budget Authority

The majority of the legislative budget is included in HB 2, the General Appropriations Act. General fund and state special revenue are provided to support functions throughout the division.

In any given year the legislature passes additional appropriation bills. In the 2021 biennium, the Veterans' Affairs Division received authority from two additional appropriation bills:

- HB 158 revising and funding Purple Heart scholarships for recipients of Purple Heart or higher medal for combat related service. The bill provided \$50,000 in general fund each year of the 2021 biennium. The funds were transferred into a state special revenue account. In FY 2020 Veterans' Affairs Division did not receive any applications for scholarship funding.
- HB 172 establishing county and multicounty veterans' service offices. The bill provided \$30,000 in general fund each year of the biennium for grants awarded to counties or multicounties. The intent of the legislature is that the funds become part of the base budget for the 2023 biennium.

The Veterans' Affairs Division has a statutory appropriation for the operation of the Montana Veterans' Cemetery Program. The statutory appropriations are permanent funding sources for the division. Funding allocations are changed through statute, unlike HB 2 which is provided for a two-year period after which time the legislature determines the funding levels for the next two years.

## **Budget Expenditure Categories**

As shown in the figure above, 76.7% of the budget from the sources discussed above is used for personal services. The Veterans' Affairs Division has 25.09 FTE supported in HB 2 and 7.53 FTE funded through the statutorily appropriated Veterans' Cemetery Program. In FY 2020 93.1% of the funding budgeted for personal services was expended.

Operating expenses are 19.7% of the budget in FY 2020 and were 61.5% expended. Expenditures by source of authority vary, HB 2 budgeted appropriations were 72.7% expended while statutory appropriations were 46.7% expended. Statutory appropriations are impacted by the level of funding generated by the sources of revenue discussed below.

## **Fund Types**

### ***HB 2***

General fund supports 59.6% of the 2021 biennium budget in HB 2 while state special revenue provides 40.4%. State special revenue is provided to the veterans' service account. The veterans' service account was created by the legislature during the 2003 regular session in SB 401, which allocated proceeds from the sale of veterans' specialty license plates. In addition to the revenue received from the sale of some specialty license plates, this account and the veterans' affairs cemeteries account receive a portion of motor vehicle registration revenue that is deposited in the general fund each year. The 2013 Legislature increased the percentage of motor vehicle fees into this account from 0.64% to 0.81%.

### ***Statutory Appropriations***

The statutory funding for the Veterans' Cemetery Program is supported by state special revenue. The state special revenue funds are generated from cemetery plot allowances and donations as well as a percentage of the license plate funding.

## **IMPACTS OF CHANGES TO MOTOR VEHICLE FEES**

The State Administration and Veterans' Affairs Interim Committee (SAVA) is proposing a bill draft to increase the funding for the veterans' services account by \$300,000. The following narrative describes potential changes to motor vehicle license fees or the allocation of the fees to generate the additional funding.

### **Motor Vehicle License Fees**

Light vehicles, motorcycles and quadricycles, snowmobiles, buses, trucks, truck tractors having a manufacturer's rated capacity of more than 1 ton, motor homes, and certain trailers and travel trailers are taxed under a fee schedule that varies by age and weight. With the exception of fees to support the Motor Vehicle Division and the Montana Highway Patrol in the Department of Justice, the motor vehicle license fees are deposited into the general fund. See Appendix A for 61-3-321, MCA showing the various motor vehicle license fees.

Figure 2 shows updated revenue estimates motor vehicle fees deposited into the general fund as projected by the Legislative Fiscal Division.

Figure 2

Motor Vehicle Registration Fees Forecasted Deposits Into the General Fund* (in millions)				
Vehicle Type	FY 2020	FY 2021	FY 2022	FY 2023
Large Truck	\$2.785	\$2.793	\$2.813	\$2.837
Motor Home	2.101	2.106	2.122	2.140
Light Vehicle	81.356	81.583	82.184	82.863
Boats/Snow Mobile	1.412	1.416	1.427	1.439
Total General Fund	<u>\$87.654</u>	<u>\$87.898</u>	<u>\$88.546</u>	<u>\$89.279</u>

\*Estimates as of August 2020, below HJ 2 estimates

There are two options to increase the funding going to the veterans' services account:

- Increase the overall fee for motor vehicle registration
- Change the percentage of the funding allocated to the Department of Military Affairs

As shown in Figure 2, the majority of the fees are collected on light vehicle registrations. An increase of \$1 in the registration fees would generate \$887,570 in funding. To generate an additional \$300,000 would require an increase of \$0.34 in light vehicle registration fees. This would require a change in the percentage of funding allocated from the general fund to the various programs.

15-1-122, MCA provides for transfers of a portion of the motor vehicle registration fees deposited into the general fund. Figure 3 shows the entities receiving the funds and the percentage allocated to each.

Figure 3

Motor Vehicle Registration Fee Distribution (in millions)					
Entity	% Allocation	FY 2020	FY 2021	FY 2022	FY 2023
Motor Vehicle Recycling and Disposal Program	1.48%	\$1.297	\$1.301	\$1.310	\$1.321
Noxious Weed Program	1.50%	1.315	1.318	1.328	1.339
Department of Fish, Wildlife, and Parks	0.72%	0.631	0.633	0.638	0.643
Department of Military Affairs	0.81%	0.710	0.712	0.717	0.723
State Veterans' Cemetery Account	24.55%	0.174	0.175	0.176	0.178
Veterans' Services Account	75.45%	0.536	0.537	0.541	0.546
Search and Rescue	0.04%	0.035	0.035	0.035	0.036
Livestock Loss Mitigation Account	300,000	0.300	0.300	0.300	0.300
Sage Grouse Stewardship Account*	2,000,000	<u>2.000</u>	<u>2.000</u>	<u>0.000</u>	<u>0.000</u>
Remaining in General Fund		<u>\$81.366</u>	<u>\$81.355</u>	<u>\$83.325</u>	<u>\$83.292</u>

\* Transfer ends in FY 2021

To generate an additional \$300,000 per year in funding without changing the amount of the motor vehicle registration fees, the percentage allocated to the Department of Military Affairs would need to increase by 0.35% to 1.16% and the allocation to the veterans' services account would need to increase to 82.22% or 6.77%. The allocation to the state veterans' cemetery account would need to decrease by the same amount to 17.78%. This option would decrease the amount in the general fund by about \$300,000.

## APPENDIX A

NOTE: Sections 19 through 22 are not included, those sections relate to additional fees beyond motor vehicle registration fees

**61-3-321. Registration fees of vehicles and vessels -- certain vehicles exempt from registration fees -- disposition of fees -- definition.** (1) Except as otherwise provided in this section, registration fees must be paid upon registration or, if applicable, renewal of registration of motor vehicles, snowmobiles, watercraft, trailers, semitrailers, and pole trailers as provided in subsections (2) through (20).

(2) (a) Except as provided in subsection (2)(b), unless a light vehicle is permanently registered under **61-3-562**, the annual registration fee for light vehicles, trucks, and buses that weigh 1 ton or less and for logging trucks that weigh 1 ton or less is as follows:

- (i) if the vehicle is 4 or less years old, \$217;
- (ii) if the vehicle is 5 through 10 years old, \$87; and
- (iii) if the vehicle is 11 or more years old, \$28.

(b) For a light vehicle with a manufacturer's suggested retail price of more than \$150,000 that is 10 years old or less, the annual registration fee is the amount provided for in subsection (2)(a) plus \$825.

(3) (a) Except as provided in subsections (3)(b) and (15), the one-time registration fee based on the declared weight of a trailer, semitrailer, or pole trailer is as follows:

- (i) if the declared weight is less than 6,000 pounds, \$61.25; or
- (ii) if the declared weight is 6,000 pounds or more, \$148.25.

(b) For a trailer, semitrailer, or pole trailer that is registered under **61-3-701**, the annual registration fee based on the declared weight is as follows:

- (i) if the declared weight is less than 6,000 pounds, \$30; or
- (ii) if the declared weight is 6,000 pounds or more, \$60.

(4) Except as provided in subsection (15), the one-time registration fee for motor vehicles owned and operated solely as collector's items pursuant to **61-3-411**, based on the weight of the vehicle, is as follows:

- (a) 2,850 pounds and over, \$10; and
- (b) under 2,850 pounds, \$5.

(5) (a) Except as provided in subsections (5)(b) and (15), the one-time registration fee for off-highway vehicles other than a quadricycle or motorcycle is \$61.25.

(b) Whenever a valid summer motorized recreation trail pass issued pursuant to **23-2-111** is affixed to an off-highway vehicle other than a quadricycle or motorcycle, the one-time registration fee is \$41.25.

(6) The annual registration fee for heavy trucks, buses, and logging trucks in excess of 1 ton is \$22.75.

(7) (a) Except as provided in subsection (7)(c), the annual registration fee for a motor home, based on the age of the motor home, is as follows:

- (i) less than 2 years old, \$282.50;
- (ii) 2 years old and less than 5 years old, \$224.25;

(iii) 5 years old and less than 8 years old, \$132.50; and

(iv) 8 years old and older, \$97.50.

(b) The owner of a motor home that is 11 years old or older and that is subject to the registration fee under this section may permanently register the motor home upon payment of:

(i) a one-time registration fee of \$237.50;

(ii) unless a new set of license plates is being issued, an insurance verification fee of \$5, which must be deposited in the account established under **61-6-158**;

(iii) if applicable, five times the renewal fees for personalized license plates under **61-3-406**; and

(iv) if applicable, the donation fee for a generic specialty license plate under **61-3-480** or a collegiate license plate under **61-3-465**.

(c) For a motor home with a manufacturer's suggested retail price of more than \$300,000 that is 10 years old or less, the annual registration fee is the amount provided in subsection (7)(a) plus \$800.

(8) (a) (i) Except as provided in subsections (8)(b), (8)(c), and (15), the one-time registration fee for motorcycles and quadricycles registered for use on the public highways is \$53.25, the one-time registration fee for motorcycles and quadricycles registered for off-highway use is \$53.25, and the one-time registration fee for motorcycles and quadricycles registered for both off-road use and for use on the public highways is \$114.50.

(ii) An additional fee of \$16 must be collected for the registration of each motorcycle or quadricycle as a safety fee, which must be deposited in the state motorcycle safety account provided for in **20-25-1002**.

(b) (i) The annual registration fee for motorcycles and quadricycles registered for use on the public highways under **61-3-701** is \$44.

(ii) The annual registration fee for motorcycles and quadricycles registered for off-highway use under **61-3-701** is \$44.

(iii) The annual registration fee for motorcycles and quadricycles registered for both off-road use and for use on the public highways under **61-3-701** is \$88.

(iv) An additional safety fee of \$7 must be collected annually for each motorcycle or quadricycle registered under **61-3-701**. The safety fee must be deposited in the state motorcycle safety account provided for in **20-25-1002**.

(c) Whenever a valid summer motorized recreation trail pass issued pursuant to **23-2-111** is affixed to a motorcycle or quadricycle, the one-time registration fee for motorcycles and quadricycles registered for:

(i) use on the public highways is \$33.25; and

(ii) both off-road use and for use on the public highways is \$94.50.

(9) Except as provided in subsection (15), the one-time registration fee for travel trailers, based on the length of the travel trailer, is as follows:

(a) under 16 feet in length, \$72; and

(b) 16 feet in length or longer, \$152.

(10) Except as provided in subsection (15), the one-time registration fee for a motorboat, sailboat, personal watercraft, or motorized pontoon required to be numbered under **23-2-512** is as follows:

(a) for a personal watercraft or a motorboat, sailboat, or motorized pontoon less than 16 feet in length, \$65.50;

(b) for a motorboat, sailboat, or motorized pontoon at least 16 feet in length but less than 19 feet in length, \$125.50; and

(c) for a motorboat, sailboat, or motorized pontoon 19 feet in length or longer, \$295.50.

(11) (a) Except as provided in subsections (11)(b), (11)(c), and (15), the one-time registration fee for a snowmobile is \$60.50.

(b) Whenever a valid snowmobile trail pass issued pursuant to **23-2-636** is affixed to a snowmobile, the one-time registration fee is \$40.50.

(c) (i) A snowmobile that is licensed by a Montana business and is owned exclusively for the purpose of daily rental to customers is assessed:

(A) a fee of \$40.50 in the first year of registration; and

(B) if the business reregisters the snowmobile for a second year, a fee of \$20.

(ii) If the business reregisters the snowmobile for a third year, the snowmobile must be permanently registered and the business is assessed the registration fee imposed in subsection (11)(a).

(12) (a) The one-time registration fee for a low-speed electric vehicle is \$25.

(b) The one-time registration fee for a golf cart that is owned by a person who has or is applying for a low-speed restricted driver's license is \$25.

(c) The one-time registration fee for golf carts authorized to operate on certain public streets and highways pursuant to **61-8-391** is \$25. Upon receipt of the fee, the department shall issue the owner a decal, which must be displayed visibly on the golf cart.

(13) (a) Except as provided in subsection (13)(b), a fee of \$10 must be collected when a new set of standard license plates, a new single standard license plate, or a replacement set of special license plates required under **61-3-332** is issued. The \$10 fee imposed under this subsection does not apply when previously issued license plates are transferred under **61-3-335**. All registration fees imposed under this section must be paid if the vehicle to which the plates are transferred is not currently registered.

(b) An additional fee of \$15 must be collected if a vehicle owner elects to keep the same license plate number from license plates issued before January 1, 2010, when replacement of those plates is required under **61-3-332(3)**.

(c) The fees imposed in this subsection (13) must be deposited in the account established under **61-6-158**, except that \$2 of the fee imposed in subsection (13)(a) must be deposited in the state general fund.

(14) The provisions of this part with respect to the payment of registration fees do not apply to and are not binding upon motor vehicles, trailers, semitrailers, snowmobiles, watercraft, or tractors owned or controlled by the United States of America or any state, county, city, or special district, as defined in **18-8-202**, or to a vehicle or vessel that meets the description of property exempt from taxation under **15-6-201(1)(a)**, **(1)(d)**, **(1)(e)**, **(1)(g)**, **(1)(h)**, **(1)(i)**, **(1)(k)**, **(1)(l)**, **(1)(n)**, or **(1)(o)**, **15-6-203**, or **15-6-215**, except as provided in **61-3-520**.

(15) Whenever ownership of a trailer, semitrailer, pole trailer, off-highway vehicle, motorcycle, quadricycle, travel trailer, motor home, motorboat, sailboat, personal watercraft, motorized pontoon, snowmobile, motor vehicle owned and operated solely as a collector's item pursuant to **61-3-411**, or low-speed electric vehicle is transferred, the new owner shall title and register the vehicle or vessel as required by this chapter and pay the fees imposed under this section.

(16) A person eligible for a waiver under **61-3-460** is exempt from the fees required under this section.

(17) Except as otherwise provided in this section, revenue collected under this section must be deposited in the state general fund.

(18) The fees imposed by subsections (2) through (12) are not required to be paid by a dealer for the enumerated vehicles or vessels that constitute inventory of the dealership.

(23) (a) The \$800 and \$825 amounts collected based on the manufacturer's suggested retail price in subsections (2) and (7) are exempt from the provisions of **15-1-122** and must be deposited in the motor vehicle division administration account established in **61-3-112**.

(b) By August 15 of each year, beginning in the fiscal year beginning July 1, 2019, the department of justice shall deposit into the general fund an amount equal to the fiscal yearend balance minus 25% of the current fiscal year appropriation for the account established in **61-3-112**.

(24) For the purposes of this section, "manufacturer's suggested retail price" means the price suggested by a manufacturer for each given type, style, or model of a light vehicle or motor home produced and first made available for retail sale by the manufacturer.