



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note for 2020 Initiative

Bill #	Ballot Issue #14
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Title:	Montana Marijuana Regulation and Taxation Act
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|--|--|---|
| <input checked="" type="checkbox"/> Significant Local Gov Impact | <input checked="" 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 checked="" type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2021 Difference</u>	<u>FY 2022 Difference</u>	<u>FY 2023 Difference</u>	<u>FY 2024 Difference</u>	<u>FY 2025 Difference</u>
Expenditures:					
General Fund	\$6,078,285	\$60,495	\$45,951	\$48,245	\$50,575
State Special Revenue	\$0	\$14,639,101	\$25,756,017	\$35,176,362	\$44,050,667
Revenue:					
General Fund	\$0	\$373,996	\$1,895,614	\$3,012,079	\$4,049,731
State Special Revenue	\$0	\$14,312,682	\$25,698,009	\$35,117,484	\$43,990,906
Net Impact-General Fund Balance	(\$6,078,285)	\$313,501	\$1,849,663	\$2,963,834	\$3,999,156

Description of fiscal impact: Ballot Issue #14 provides for the legalization, taxation, and regulation of marijuana for adults 21 years of age or older. Retail sales of adult-use marijuana would be taxed at a rate of 20 percent. This tax is estimated to generate total revenue of \$3,516,200 in FY 2022, \$18,007,800 in FY 2023, \$28,640,800 in FY 2024, and \$38,523,200 in FY 2025, with 10.5 percent of the revenue going to the state general fund and the remaining portion dedicated to state special revenue accounts for specified uses by Fish, Wildlife & Parks, the Department of Public Health and Human Services, the Department of Commerce, and Veteran Affairs. Specifically, funding in the state special revenue accounts would be used for: wildlife, parks and trails; grants to help individuals with substance use disorders with treatment, education, job placement, and housing; wage increases to health care workers who provide direct Medicaid funded home and community health services for elderly and disabled persons; and to provide services to and assistance to veterans and their families. Marijuana provider, manufacturing, and dispensary licensing and application fees will generate additional revenue to the Department of Revenue for regulation and administration activities.

FISCAL ANALYSIS

Assumptions:

Department of Revenue (DOR)

1. Ballot Issue #14 would legalize, tax, and regulate the sale of marijuana in Montana for adults over the age of 21.

2. The Department of Revenue would be responsible for the regulation and administration of commercial marijuana activity and collection of the fees for commercial licenses and taxes on retail sales.
3. The following types of licenses would be issued by the department:
 - a. Adult-use providers;
 - b. Adult-use marijuana infused product providers;
 - c. Adult-use dispensaries; and
 - d. Manufacturing endorsements.
4. The adult-use providers and adult-use marijuana-infused product providers would be licensed according to a tiered canopy system, ranging from a micro tier canopy of up to 250 square feet at one registered premise, to tier 10, which would allow for a canopy of up to 30,000 square feet at up to seven registered premises.
5. For the first 12 months of implementation of the act, the department may only issue licenses to applicants who are already licensed under Title 50, chapter 46, part 3 of the MCA for medical marijuana. This would likely limit the number of applications and licensed premises for the first year.
6. In accordance with Section 26 of this act, by adoption of administrative rule, the application and license fees for the above licenses would be established by the DOR with the intent to cover the costs of administering and enforcing the provisions of this act. The act states that the license fees, imposed penalties, and other revenue collected through the sales tax must be sufficient to cover the expenses of administering this program, but not exceed those costs.
7. DOR is allowed by rule to set fees and a tiering structure to support the costs to administer the program. This fiscal note assumes that fees charged by the DOR will generate revenue to exactly cover the estimated costs beginning with FY 2022. That said, a simple adoption of the current DPHHS medical marijuana fee structure by DOR for similar recreational providers would likely be insufficient to cover the costs of administration and operations for the DOR.
8. The act exempts personal cultivation and use of marijuana from DOR regulation.

Department of Revenue Expenditures

9. The licensing, monitoring, and inspection aspects of this act would be administered by the Alcoholic Beverage Control Division (ABCD). New FTE that would need to be added beginning in FY 2021 are an operations manager, two program managers, two management analysts, and a licensing specialist II. Beginning in FY 2022, the division anticipates needing 20 investigators (increasing to 35 in FY 2023), 12 license permit technicians (increasing to 21 in FY 2023), six auditors (increasing to seven in FY 2023), two administration support specialists, and one compliance specialist (increasing to two in FY 2023). Additional costs include vehicles, firearms, radios and travel for the investigators, lamination machines, and paper for printing licenses and training and travel for administrators and managers.
10. The tax filing and compliance aspects of this act would be administered by the Business and Income Tax division (BIT). This is expected to require an additional seven tax examiners beginning in FY 2021.
11. Other new positions that would be necessary within the DOR beginning in FY 2021 include one lawyer, one paralegal, one administrative law judge, one HR specialist, one public relations specialist, and one customer service assistant. Beginning in FY 2022, the DOR would also need two computer operators and one collections specialist.
12. For the tax collection aspect, which would be administered by the Information Management and Collections Division (IMCD), the DOR would have additional costs for contracting an armored car and security guard. Other costs associated with the tax collection include a buildout for a cash control and drop room, security system hardware and maintenance, an automated deposit module, and other cash collection equipment. Total operating costs for IMCD would be \$336,660 in FY 2022 and \$81,160 each subsequent year.
13. This act would require significant updates to the DOR's integrated revenue information systems through contracted services, which would cost \$4 million in each FY 2021 and FY 2022. The track-and-trace system described in Section 6 of the act, would be provided by Metrc at an annual cost of \$65,000, beginning in FY 2022. Beginning in FY 2021, DOR will need two computer systems analysts.

14. Total estimated costs to the DOR are \$6,311,155 in FY 2021, \$11,165,683 in FY 2022, \$9,581,028 in FY 2023, \$9,483,968 in FY 2024 and \$9,512,642 in FY 2025.
15. This fiscal note assumes costs in FY 2021 would be paid out of the general fund, because there would not yet be license fees or tax revenue.

Sales Tax Revenue

16. This act would introduce a tax of 20 percent on retail sales of commercial marijuana. There would be no change to the tax on Medical Marijuana. To estimate the commercial sales and corresponding tax revenue upon implementation of this act, monthly sales and per capita sales for Colorado, Oregon, and Washington were collected and scaled by population and inflation to estimate monthly sales in Montana beginning in February 2022. This start date for sales is based on the assumption that license applications would begin being accepted on January 1, 2022.
17. The following table shows the inflation adjusted annual sales per person for Washington, Colorado and Oregon from the first 41 months of legal marijuana sales in each of those states. The estimated Montana sales were calculated using the average sales per person at the monthly level times the estimated Montana population at the given time and then aggregated to the appropriate fiscal year.

Fiscal year of MT Sales	Other States Adjusted Sales Per Person			Average Sales per person
	WA (2014-2017)	CO (2014-2017)	OR (2016-2019)	
2022*	\$5.24	\$19.50	\$23.01	\$15.91
2023	\$61.99	\$89.31	\$91.80	\$81.03
2024	\$107.80	\$142.82	\$132.11	\$127.58
2025	\$145.76	\$201.87	\$162.20	\$169.94
*Only sales from February-June 2022				

18. This act would require the sales tax to be submitted by the sellers quarterly, along with a report including the total dollar amount of sales. This payment and report must be submitted within 15 days of the end of the quarter, so the tax collections would occur in the month following the quarter that the sales occurred in, but would be accrued to the fiscal year in which the sales occurred. As can be seen in the table below, tax revenue collected in FY 2022 would consist of the tax on sales in February through June of 2022.

Fiscal Year	Total Sales	Tax Revenue (20%)
2022*	\$17,581,000	\$3,516,200
2023	\$90,039,000	\$18,007,800
2024	\$143,204,000	\$28,640,800
2025	\$192,616,000	\$38,523,200
*Only sales from February-June 2022		

19. The tax revenue shown in the table above would be deposited in the dedicated marijuana compensation state special revenue account and then allocated as follows (Section 35 of the act):
 - a. 4.125% in the nongame wildlife account established in 87-5-121;
 - b. 4.125% in the state park account established in 23-1-105(1);
 - c. 4.125% in the trails and recreational facilities account established in 23-2-108;
 - d. 37.125% to the credit of Fish, Wildlife, and Parks to be used as funding for wildlife habitat in the same manner as funding generated under 87-1-242(3) and used pursuant to 87-1-209;
 - e. 10.5% to the state general fund;

- f. 10% into a subaccount for DPHHS to issue grants for drug addiction treatment, overdose prevention education, and job placement, housing and counseling for those with substance abuse disorders.
- g. 10% into a subaccount for Commerce for distribution to the local government representing the locality where the retail sales occurred;
- h. 10% into a subaccount for the veterans' affairs division of the department of military affairs to provide services for Montana veterans; and
- i. 10% into a subaccount for DPHHS to administer Medicaid rate increases that provide for a wage increase to health care workers who provide direct Medicaid funded home and community health services for elderly and disabled persons.

The following table shows the distribution of the estimated tax revenue to each of the accounts listed above.

Distribution of Tax Revenue						
Fiscal Year	Nongame Wildlife Account (4.125%)	State Park Account (4.125%)	Trails and Rec Facilities Account (4.125%)	FWP for Wildlife Habitat(37.125%)	State General Fund (10.5%)	10% for each of the 4 Subaccounts
2022*	\$145,043	\$145,043	\$145,043	\$1,305,389	\$369,201	\$351,620
2023	\$742,822	\$742,822	\$742,822	\$6,685,396	\$1,890,819	\$1,800,780
2024	\$1,181,433	\$1,181,433	\$1,181,433	\$10,632,897	\$3,007,284	\$2,864,080
2025	\$1,589,082	\$1,589,082	\$1,589,082	\$14,301,738	\$4,044,936	\$3,852,320

Department of Public Health & Human Services (DPHHS)

20. Section 35 (f)(i) of the Act creates a revenue distribution of 10% of marijuana sales taxes to be administered by DPHHS to provide grants to existing agencies and not-for-profit organizations, whether government or community-based, to increase access to evidence-based low-barrier drug addiction treatment, prioritizing medically proven treatment and overdose prevention and reversal methods and public or private treatment options with an emphasis on reintegrating recipients into their local communities, to support overdose prevention education, and to support job placement, housing, and counseling for those with substance use disorders. The Department of Revenue estimates that will result in the following revenue increases: \$351,620 in FY 2022, \$1,800,780 FY 2023, \$2,864,080 in FY 2024, and \$3,852,320 in FY 2025.
21. The Addictive and Mental Disorders division will administer this program and would need to hire 1.00 FTE Program Specialist in FY 2022 to implement and monitor programs for the treatment and prevention of drug addiction.
 - a. Salary and Benefits for the 1.00 FTE is estimated at \$78,989 in FY 2022 and \$79,978 in FY 2023.
 - b. Operating costs are estimated at 3% of personal service costs.
 - c. There will be a one-time expense of \$2,800 in FY 2022 for computer and office set-up.
22. Section 35 (f) (iv) creates a revenue distribution of 10% of marijuana sales taxes to be administered by DPHHS to administer Medicaid rate increases that provide for a wage increase to health care workers who provide direct Medicaid funded home and community health services for elderly and disabled persons. The Department of Revenue estimates that will result in the following revenue increases: \$351,620 in FY 2022, \$1,800,780 FY 2023, \$2,864,080 in FY 2024, and \$3,852,320 in FY 2025.
23. The Senior and Long-Term Care Division currently administers Direct Care Wages (DCW) and will administer these rate increases using existing FTE. DCW are paid on a quarter hour unit basis which is converted to an hourly basis for this fiscal note.
24. In FY 2020 there were 5,229 Home and Community Based direct care workers and 2,861,070 services hours were used for DCW.
25. Based on the Department of Revenue estimates for tax revenue to be allocated for Home and Community Based Services DCW, by FY 2025, workers would receive an hourly wage increase between \$1.00 and \$1.35.

26. The Public Health & Safety Division operates the state public health laboratory (PHL), which is responsible to license testing laboratories to perform the testing required under Sections 12 and 17. The PHL currently provides this function and assumes the four testing laboratories currently in Montana are not operating at capacity and could absorb additional testing needs in western Montana. To the extent that additional testing laboratories are opened to meet increased demand for services, additional FTE may be required in order to complete testing in timeframes required by the initiative.
27. This fiscal note assumes that the Montana Medical Marijuana Program authorized under Title 50, Chapter 46, Part 3 will continue to operate at current levels.

Department of Fish, Wildlife & Parks (FWP)

28. The nongame wildlife account, parks account, and the trails and recreational facilities account will each receive 4.125% of the tax proceeds. 37.125% will be directed to wildlife habitat acquisition.
29. FWP is estimated to receive the following new revenue: \$1,740,519 in FY 2022, \$8,913,861 in FY 2023, \$14,177,196 in FY 2024, and \$19,068,984 in FY 2025.

Department of Commerce

30. Section 35(f)(ii) of Initiative 14 requires that 10% of tax revenue be deposited into a subaccount to be administered by the Department of Commerce for distribution to the local government representing the locality where the retail sales occurred. For the purposes of this fiscal note, it is assumed that the Department of Revenue would furnish Commerce with the necessary information to make the distributions to the local governments representing where the retail sales occurred. It is further assumed the distributions to the local governments would be a pass-through distribution. Please see the technical note #13 at the end of the fiscal note.
31. The DOR estimates that the Department of Commerce would receive revenue for the disbursements to the local governments of \$351,620 in FY 2022, \$1,800,780 FY 2023, \$2,864,080 in FY 2024, and \$3,852,320 in FY 2025.

Department of Military Affairs (DMA)

32. DMA Veterans Affairs would expand their outreach program and upgrade the current Veterans Cemeteries with the expected revenue, which is estimated at \$351,620 in FY 2022, \$1,800,780 FY 2023, \$2,864,080 in FY 2024, and \$3,852,320 in FY 2025.

Department of Justice (DOJ)

33. The Montana Highway Patrol (MHP) assumes an increase of DUI drug arrests based on reports from Colorado after the legalization of recreational marijuana in that state.
34. Based on the previous assumption, there would be an additional 14 citations written. This would result in an increase in fine revenue of \$9,590 ($\$685 \times 14 = \$9,590$).
35. Half of the fine revenue is deposited into the general fund and the remaining 50% is returned to the county in which the citation was written. This results in an increase to the general of fund of \$4,795. ($\$9,590 \times .50 = \$4,795$)
36. MHP currently has 10 canines that are trained to pick up on the scent of marijuana along with other illegal drugs. This bill would make it necessary for our canine program to purchase new canines which will detect the smell of other drugs but not marijuana.
37. The cost for one new canine and associated training is approximately \$13,000. This would result in an increase in expenditures of \$130,000 ($10 \times \$13,000 = \$130,000$).
38. The training for the canine and the handler is 8 weeks long and is in Salt Lake City, UT. This would result in \$86,400 in personal services and \$48,000 in operating costs for the 8-week course.
39. The Forensic Science Division (FSD) assumes an increase in caseload from DUI drug investigations based on reports from Washington state after the legalization of recreational marijuana.
40. FSD assumes the increase in investigations to result in approximately 2,700 DUI cases per year for all jurisdictions. Currently 1 FTE can perform 800 DUI case investigations per year. The additional caseload would require an addition 3.5 FTE toxicologists and 0.5 FTE toxicology technician.
41. The increase of 2,700 cases would require an additional 0.5 FTE in the evidence intake section to process incoming cases.

- 42. Operating costs associated with a single DUI drug case is \$46.77/Case.
- 43. The Division of Criminal Investigation (DCI) would be required to perform database expungement of previous criminal convictions. This additional workload would require 1.0 FTE Administrative Assistant to perform the expungement process.
- 44. Total personal services will increase by \$180,895 for new positions for FY 2022 and FY 2023, \$183,609 for FY 2024, and \$186,364 for FY 2025.
- 45. Operating expense one-time-only (OTO) costs are \$18,555 and ongoing costs are \$30,029.
- 46. An inflation rate of 1.5% has been applied in FY 2024 and FY 2025 costs.

Office of the State Public Defender (OPD)

- 47. In fiscal year 2019, the OPD represented clients on 638 cases in which the only offense was related to MCA 45-9-102 and 45-10-103 in regard to marijuana possession and/or paraphernalia; the OPD assumes all of these cases would be eliminated.
- 48. The cost per misdemeanor case for fiscal year 2019 was \$365 per case.
- 49. The OPD assumes a fiscal year savings of \$232,870 per year through FY 2025 (638 cases x \$365 cost per case).

Judicial Branch

- 50. The Judicial Branch anticipates increased judicial workload across the state resulting from: Section 8, personal use and cultivation of marijuana – penalties; Section 20, unlawful conduct by licensees – penalties; and Section 21, fraudulent representation – penalties. Workload increases may be offset by decreases in criminal charges or cases.
- 51. Section 36, retroactive application, allows a person currently serving a sentence or who has completed a sentence for an act that is permitted under sections 1 through 36 to petition the district court for an expungement of the conviction. The petition process allowed in this section will increase judicial workload.
- 52. This initiative may have technology implications for the Judicial Branch. The Judicial Branch uses a case management system, Full Court, which may need to be modified to create a civil infraction and fine. Potential costs associated with changes to the case management system cannot be determined at this time.
- 53. Section 8, personal use and cultivation, limits Youth Court interventions for youth under age 18 to a civil fine, community service, or drug education. Youth Court may not impose fines on cases handled through the informal process. It is unlikely any fines will be collected from youth under age 18 as almost all offenses will be handled informally. By limiting interventions with youth charged with possession, the workload associated with serving these youth may decrease. In addition, the Youth Court may see a decrease in evaluation and treatment costs for youth referred to Youth Court for marijuana possession.

Department of Environmental Quality (DEQ)

- 54. DEQ permitting, inspections, or other requirements for proper waste management for solid and/or hazardous wastes produced by marijuana production and sales will be managed using existing regulatory requirements.
- 55. Any costs incurred would be covered or absorbed through required permits or associated fees by the DEQ waste management programs.

Department of Agriculture

- 56. While the Department of Agriculture does not cite a specific fiscal impact, the agency would have a need for operating, personal services, and equipment costs should the need for inspection and/or lab analysis arise.

Department of Corrections (DOC)

- 57. Section 8 (10), prohibits the punishment or penalization of a person under state supervision for conduct permitted in the Montana Marijuana Regulation and Tax Act. Current statute does not differentiate between drug types, and instead refers to dangerous drugs. If Ballot Issue #14 is passed, the DOC staff will have to review the sentencing documents for every offender sentenced for a drug crime to determine if the judgment includes marijuana and if other concurrent or consecutive sentences would be impacted. It is for these reasons the DOC cannot determine a fiscal impact.

Fiscal Note Request – As Introduced
(continued)

DEPT OF REVENUE	<u>FY 2021</u> <u>Difference</u>	<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>					
FTE	21.00	65.00	91.00	91.00	91.00
<u>Expenditures:</u>					
Personal Services	\$2,035,832	\$5,607,461	\$7,781,923	\$7,799,749	\$7,817,760
Operating Expenses	\$4,275,323	\$5,343,422	\$1,467,205	\$1,382,319	\$1,392,982
Equipment	\$0	\$214,800	\$331,900	\$301,900	\$301,900
TOTAL Expenditures	<u>\$6,311,155</u>	<u>\$11,165,683</u>	<u>\$9,581,028</u>	<u>\$9,483,968</u>	<u>\$9,512,642</u>
<u>Funding of Expenditures:</u>					
General Fund (01)	\$6,311,155	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$11,165,683	\$9,581,028	\$9,483,968	\$9,512,642
TOTAL Funding of Exp.	<u>\$6,311,155</u>	<u>\$11,165,683</u>	<u>\$9,581,028</u>	<u>\$9,483,968</u>	<u>\$9,512,642</u>
<u>Revenues:</u>					
General Fund (01) - TAX	\$0	\$369,201	\$1,890,819	\$3,007,284	\$4,044,936
State Special Revenue (02) - FEES	\$0	\$11,165,683	\$9,581,028	\$9,483,968	\$9,512,642
TOTAL Revenues	<u>\$0</u>	<u>\$11,534,884</u>	<u>\$11,471,847</u>	<u>\$12,491,252</u>	<u>\$13,557,578</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>					
General Fund (01)	(\$6,311,155)	\$369,201	\$1,890,819	\$3,007,284	\$4,044,936
State Special Revenue (02)	\$0	\$0	\$0	\$0	\$0

DPHHS	<u>FY 2021</u> <u>Difference</u>	<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>					
FTE	0.00	1.00	1.00	1.00	1.00
<u>Expenditures:</u>					
Personal Services	\$0	\$79,989	\$79,978	\$81,505	\$82,002
Operating Expenses	\$0	\$2,800	\$2,800	\$0	\$0
Benefits	\$0	\$620,451	\$3,518,782	\$5,646,655	\$7,622,638
TOTAL Expenditures	<u>\$0</u>	<u>\$703,240</u>	<u>\$3,601,560</u>	<u>\$5,728,160</u>	<u>\$7,704,640</u>
<u>Funding of Expenditures:</u>					
State Special Revenue (02)	\$0	\$703,240	\$3,601,560	\$5,728,160	\$7,704,640
TOTAL Funding of Exp.	<u>\$0</u>	<u>\$703,240</u>	<u>\$3,601,560</u>	<u>\$5,728,160</u>	<u>\$7,704,640</u>
<u>Revenues:</u>					
State Special Revenue (02)	\$0	\$703,240	\$3,601,560	\$5,728,160	\$7,704,640
TOTAL Revenues	<u>\$0</u>	<u>\$703,240</u>	<u>\$3,601,560</u>	<u>\$5,728,160</u>	<u>\$7,704,640</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>					
State Special Revenue (02)	\$0	\$0	\$0	\$0	\$0

Fiscal Note Request – As Introduced
(continued)

FISH, WILDLIFE & PARKS	<u>FY 2021 Difference</u>	<u>FY 2022 Difference</u>	<u>FY 2023 Difference</u>	<u>FY 2024 Difference</u>	<u>FY 2025 Difference</u>
<u>Fiscal Impact:</u>					
<u>Expenditures:</u>					
Operating Expenses	\$0	\$290,087	\$1,485,644	\$2,362,866	\$3,178,164
Acquisition/Easement HB5	\$0	\$1,305,389	\$6,685,396	\$10,632,897	\$14,301,738
Grants/Local Assistance	\$0	\$145,043	\$742,822	\$1,181,433	\$1,589,082
TOTAL Expenditures	\$0	\$1,740,519	\$8,913,861	\$14,177,196	\$19,068,984
<u>Funding of Expenditures:</u>					
State Special Revenue (02)	\$0	\$1,740,519	\$8,913,861	\$14,177,196	\$19,068,984
TOTAL Funding of Exp.	\$0	\$1,740,519	\$8,913,861	\$14,177,196	\$19,068,984
<u>Revenues:</u>					
State Special Revenue (02)	\$0	\$1,740,519	\$8,913,861	\$14,177,196	\$19,068,984
TOTAL Revenues	\$0	\$1,740,519	\$8,913,861	\$14,177,196	\$19,068,984
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>					
State Special Revenue (02)	\$0	\$0	\$0	\$0	\$0

DEPT OF COMMERCE	<u>FY 2021 Difference</u>	<u>FY 2022 Difference</u>	<u>FY 2023 Difference</u>	<u>FY 2024 Difference</u>	<u>FY 2025 Difference</u>
<u>Fiscal Impact:</u>					
<u>Expenditures:</u>					
Grants/Local Assistance	\$0	\$351,620	\$1,800,780	\$2,864,080	\$3,852,320
TOTAL Expenditures	\$0	\$351,620	\$1,800,780	\$2,864,080	\$3,852,320
<u>Funding of Expenditures:</u>					
State Special Revenue (02)	\$0	\$351,620	\$1,800,780	\$2,864,080	\$3,852,320
TOTAL Funding of Exp.	\$0	\$351,620	\$1,800,780	\$2,864,080	\$3,852,320
<u>Revenues:</u>					
State Special Revenue (02)	\$0	\$351,620	\$1,800,780	\$2,864,080	\$3,852,320
TOTAL Revenues	\$0	\$351,620	\$1,800,780	\$2,864,080	\$3,852,320
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>					
State Special Revenue (02)	\$0	\$0	\$0	\$0	\$0

Fiscal Note Request – As Introduced

(continued)

DEPT. MILITARY AFFAIRS	FY 2021 Difference	FY 2022 Difference	FY 2023 Difference	FY 2024 Difference	FY 2025 Difference
<u>Fiscal Impact:</u>					
<u>Expenditures:</u>					
Operating Expenses	\$0	\$351,620	\$1,800,780	\$2,864,080	\$3,852,320
TOTAL Expenditures	\$0	\$351,620	\$1,800,780	\$2,864,080	\$3,852,320
<u>Funding of Expenditures:</u>					
State Special Revenue (02)	\$0	\$351,620	\$1,800,780	\$2,864,080	\$3,852,320
TOTAL Funding of Exp.	\$0	\$351,620	\$1,800,780	\$2,864,080	\$3,852,320
<u>Revenues:</u>					
State Special Revenue (02)	\$0	\$351,620	\$1,800,780	\$2,864,080	\$3,852,320
TOTAL Revenues	\$0	\$351,620	\$1,800,780	\$2,864,080	\$3,852,320

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

State Special Revenue (02)	\$0	\$0	\$0	\$0	\$0
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DEPT OF JUSTICE	FY 2021 Difference	FY 2022 Difference	FY 2023 Difference	FY 2024 Difference	FY 2025 Difference
<u>Fiscal Impact:</u>					
FTE	0.00	5.50	5.50	5.50	5.50
<u>Expenditures:</u>					
Personal Services	\$0	\$267,295	\$180,895	\$183,609	\$186,364
Operating Expenses	\$0	\$222,489	\$155,934	\$156,384	\$156,842
Equipment	\$0	\$130,000	\$0	\$0	\$0
TOTAL Expenditures	\$0	\$619,784	\$336,829	\$339,993	\$343,206
<u>Funding of Expenditures:</u>					
General Fund (01)	\$0	\$293,365	\$278,821	\$281,115	\$283,445
State Special Revenue (02)	\$0	\$326,419	\$58,008	\$58,878	\$59,761
TOTAL Funding of Exp.	\$0	\$619,784	\$336,829	\$339,993	\$343,206
<u>Revenues:</u>					
General Fund (01) - FINES	\$0	\$4,795	\$4,795	\$4,795	\$4,795
State Special Revenue (02)	\$0	\$0	\$0	\$0	\$0
TOTAL Revenues	\$0	\$4,795	\$4,795	\$4,795	\$4,795

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

General Fund (01)	\$0	(\$288,570)	(\$274,026)	(\$276,320)	(\$278,650)
State Special Revenue (02)	\$0	(\$326,419)	(\$58,008)	(\$58,878)	(\$59,761)

Fiscal Note Request – As Introduced

(continued)

PUBLIC DEFENDER	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>
<u>Fiscal Impact:</u>					
<u>Expenditures:</u>					
Operating Expenses	(\$232,870)	(\$232,870)	(\$232,870)	(\$232,870)	(\$232,870)
TOTAL Expenditures	(\$232,870)	(\$232,870)	(\$232,870)	(\$232,870)	(\$232,870)
<u>Funding of Expenditures:</u>					
General Fund (01)	(\$232,870)	(\$232,870)	(\$232,870)	(\$232,870)	(\$232,870)
TOTAL Funding of Exp.	(\$232,870)	(\$232,870)	(\$232,870)	(\$232,870)	(\$232,870)
<u>Revenues:</u>					
General Fund (01)	\$0	\$0	\$0	\$0	\$0
TOTAL Revenues	\$0	\$0	\$0	\$0	\$0

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

General Fund (01)	\$232,870	\$232,870	\$232,870	\$232,870	\$232,870
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STATEWIDE	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>
<u>Fiscal Impact:</u>					
FTE	21.00	71.50	97.50	97.50	97.50
<u>Expenditures:</u>					
Personal Services	\$2,035,832	\$5,954,745	\$8,042,796	\$8,064,863	\$8,086,126
Operating Expenses	\$4,042,453	\$5,977,548	\$4,679,493	\$6,532,779	\$8,347,438
Equipment	\$0	\$344,800	\$331,900	\$301,900	\$301,900
Acquisition/Easement HB5	\$0	\$1,305,389	\$6,685,396	\$10,632,897	\$14,301,738
Grants/Local Assistance	\$0	\$496,663	\$2,543,602	\$4,045,513	\$5,441,402
Benefits	\$0	\$620,451	\$3,518,782	\$5,646,655	\$7,622,638
TOTAL Expenditures	\$6,078,285	\$14,699,596	\$25,801,968	\$35,224,607	\$44,101,242
<u>Funding of Expenditures:</u>					
General Fund (01)	\$6,078,285	\$60,495	\$45,951	\$48,245	\$50,575
State Special Revenue (02)	\$0	\$14,639,101	\$25,756,017	\$35,176,362	\$44,050,667
TOTAL Funding of Exp.	\$6,078,285	\$14,699,596	\$25,801,968	\$35,224,607	\$44,101,242
<u>Revenues:</u>					
General Fund (01) - FINES	\$0	\$4,795	\$4,795	\$4,795	\$4,795
General Fund (01) - TAX	\$0	\$369,201	\$1,890,819	\$3,007,284	\$4,044,936
State Special Revenue (02)	\$0	\$14,312,682	\$25,698,009	\$35,117,484	\$43,990,906
TOTAL Revenues	\$0	\$14,686,678	\$27,593,623	\$38,129,563	\$48,040,637
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>					
General Fund (01)	(\$6,078,285)	\$313,501	\$1,849,663	\$2,963,834	\$3,999,156
State Special Revenue (02)	\$0	(\$326,419)	(\$58,008)	(\$58,878)	(\$59,761)

Effect on County of Other Local Revenues or Expenditures:

1. According to Section 8 of the act, local law enforcement would be responsible for monitoring and enforcing the restrictions on personal cultivation and use of marijuana.

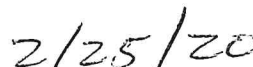
Technical Notes:

1. Language could be added to Section 4 to allow the Department of Revenue (DOR) to conduct financial background investigations of applicants to ensure the money used for the proposed business is coming from a reliable source. Financial audits should be allowed as warranted after licensure as well.
2. Section 4(6)(b) requires the DOR to approve or deny applications within 30 days of receiving an application for an existing medical marijuana licensee or within 90 days of receiving a new applicant's application. The DOR is concerned that with the likely interest of new applicants at the effective date of this act, and the subsequent workflow of renewals at the same time of each following year, it may not be possible to process all the applications and perform the inspections within the 30 or 90 day time limit.
3. The date that the DOR is required to make applications available and begin issuing licenses is January 1, 2022 in Section 4(6), but is October 1, 2021 in Section 5. The estimates in this fiscal note are based on the January 1, 2022 date, but the language in those two sections should be edited to remove the contradiction. To the extent DOR issues licenses before February 1, 2022, tax collections would increase in FY 2022.
4. Section 7(3) requires the DOR to investigate inconsistent testing results among testing laboratories. Everything else in this section is the responsibility of the state laboratory within DPHHS, and this aspect could be as well.
5. Section 9(1)(a)(vi) limits fees for provider licenses "to not exceed the cost of required background checks and associated administrative costs of processing the license." This language appears contradictory to the language in Section 26(1)(o) requiring license fees, penalties, and other tax revenue to be sufficient to cover the costs of administration.
6. Section 26(1)(n) states that the DOR may adopt rules regarding requirements and incentives to promote renewable energy, reduce water usage, etc. but providing tax incentives is not possible without legislative action.
7. Section 26(1)(o) states that the licensing fees established by rule, along with fees and other revenue collected through the taxes paid under Section 27 and penalties, must be sufficient to offset the expenses of administering this act, but may not exceed the amount necessary to cover the costs to the department. It is impossible to establish fees that would generate the exact revenue to cover the costs of administering the program. Also, it is not clear what the "other revenue collected through the taxes paid" includes.
8. In section 27, the retail price on which the tax is based is not clearly defined. This could present issues with bundled goods, where part of the bundle may be taxable but part may not be.
9. Section 32 should include language for a statute of limitations for assessments.
10. Section 36, expungement of prior drug criminal offenses, does not belong in Title 15, because the department has no authority over criminal offenses.
11. Section 49 amends 53-6-1201, MCA to provide for deposit of the new funds from marijuana taxes under Section 35. However, Section 35 directs the funds to a Marijuana Compensation state special revenue fund. DPHHS portions in Section 35(f)(i) and (iv) are directed to "subaccounts" of the Marijuana Compensation state revenue account. It is unclear if this means the account in 53-6-1201, MCA.
12. As stated in assumption #27 for DPHHS, the Montana Medical Marijuana Program is expected to continue operating at current levels. While there are costs associated with an individual obtaining their medical marijuana card, compared to no costs associated with being able to purchase recreational marijuana, the tax rate differential will be a factor of ten (2% for medical vs 20% for recreational). The disparity between the tax rates makes it impossible to determine how many current medical marijuana patients will move off the program in favor of only consuming recreational marijuana. In the event a significant number of medical marijuana cardholders move to recreational, there would be impacts to the DPHHS budget.

13. DOR is responsible for licensing providers and collecting the sales tax revenue, and the Department of Commerce is wholly reliant on DOR to determine and to provide to Department of Commerce the amount of funds to be disbursed to each local government. The initiative does not call for any oversight by Department of Commerce or place any restrictions on the local government recipients that would necessitate Department of Commerce monitoring or review. It would be more efficient for DOR to distribute the 10% allocation back to the local governments without Department of Commerce involvement.
14. All expenditure assumptions contained in this fiscal note are subject to legislative appropriation.



Budget Director's Signature



Date



Dedication of Revenue 2021 Biennium

GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

17-1-507, MCA.

- a) Are there persons or entities that benefit from this dedicated revenue that do not pay? Yes
- 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 fund structure will result in accounting efficiencies.
- 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
No
- d) Does the need for this state special revenue provision still exist? ___ Yes ___ No
Yes
- e) Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending?
No
- f) Does the dedicated revenue fulfill a continuing, legislatively recognized need?
Unknown
- g) How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency?
This fund will be subject to standard accounting and auditing.