

# DEPARTMENT OF REVENUE

## Section A

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### JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

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-----Agencies-----

Commissioner of Political Practice  
Dept. of Administration  
Dept. of Commerce  
Dept. of Labor & Industry  
Dept. of Military Affairs  
Dept. of Revenue

Governor's Office  
Legislative Branch  
Montana Consumer Counsel  
Secretary of State  
State Auditor's Office

-----Committee Members-----

House

Representative Terry Falk (Chair)  
Representative Luke Musziewicz  
Representative Ken Walsh

Senate

Senator Forrest Mandeville (Vice Chair)  
Senator Derek Harvey  
Senator Tony Tezak

-----Fiscal Division Staff-----

Molly DelCurto  
Ethan Bergen  
Katie Guenther

Agency Base Budget Comparison

The following table compares the base budget with the requested expenditures for the upcoming biennium by type of expenditure and source of funding.

Agency Base Budget Comparison					
Budget Item	Base Budget	Requested Budget		Biennium Change from Base	
	FY 2025	FY 2026	FY 2027	Amount	Percent
PB	668.92	677.06	677.06	8.14	0.6%
General Fund	66,890,920	68,602,451	69,257,899	4,078,510	3.0%
State/Other Special Rev. Funds	98,549,795	100,056,798	100,160,479	3,117,687	1.6%
Federal Spec. Rev. Funds	503,023	503,023	503,023		0.0%
Proprietary Funds	224,030,446	224,531,518	224,547,989	1,018,615	0.2%
<b>Total Funds</b>	<b>389,974,184</b>	<b>393,693,790</b>	<b>394,469,390</b>	<b>8,214,812</b>	<b>1.1%</b>
Personal Services	56,603,989	57,779,236	57,951,890	2,523,148	2.2%
Operating Expenses	159,377,905	161,922,264	162,525,210	5,691,664	1.8%
Equipment & Intangible Assets	153,154	153,154	153,154		0.0%
Local Assistance	2,000,000	2,000,000	2,000,000		0.0%
Transfers	170,601,500	170,601,500	170,601,500		0.0%
Debt Service	1,237,636	1,237,636	1,237,636		0.0%
<b>Total Expenditures</b>	<b>389,974,184</b>	<b>393,693,790</b>	<b>394,469,390</b>	<b>8,214,812</b>	<b>1.1%</b>
<b>Total Ongoing</b>	<b>389,974,184</b>	<b>393,693,790</b>	<b>394,469,390</b>	<b>8,214,812</b>	<b>1.1%</b>
<b>Total One-Time-Only</b>	<b>135,000</b>			<b>(270,000)</b>	<b>(100.0%)</b>

Agency Highlights

Department of Revenue Major Budget Highlights
<ul style="list-style-type: none"> <li>• The Department of Revenue's 2027 biennium requested appropriations are approximately \$8.2 million or 1.1% higher than the FY 2025 base budget. Significant requested changes include:                             <ul style="list-style-type: none"> <li>◦ Increases of \$1.2 million for software operating and maintenance costs primarily for GenTax, seed-to-sale, and liquor warehouse software</li> <li>◦ The department requests an increase of approximately \$1.8 million for 7.00 PB within the Cannabis Control Division for compliance related to statutory changes</li> <li>◦ Increases of \$1.0 million in the Property Assessment Division for personal services and operating costs that are contingent on legislation</li> <li>◦ Increase of \$730,000 for temporary staff, overtime, and termination payouts in the Alcoholic Beverage and Control Division</li> </ul> </li> </ul>

**Executive Request**

The following table shows the total executive request with the base budget and the statewide present law adjustments, present law adjustments, and new proposals by source of funding.

Department of Revenue 2027 Biennium Base Budget and Requested Adjustments										
	FY 2026					FY 2027				
	General Fund	State Special	Federal Special	Total Funds	% of Budget Request	General Fund	State Special	Federal Special	Total Funds	% of Budget Request
<b>Base Budget</b>	<b>66,890,920</b>	<b>98,549,795</b>	<b>503,023</b>	<b>389,974,184</b>	<b>99.1%</b>	<b>66,890,920</b>	<b>98,549,795</b>	<b>503,023</b>	<b>389,974,184</b>	<b>98.9%</b>
Statewide PL										
Personal Services	34,125	23,323	0	42,947	0.0%	169,836	28,345	0	190,599	0.0%
Fixed Costs	593,219	(13,577)	0	558,384	0.1%	687,532	(10,015)	0	658,556	0.2%
Inflation Deflation	(27,526)	(3,479)	0	(31,174)	(0.0%)	(18,603)	(2,352)	0	(21,069)	(0.0%)
<b>Total Statewide PL</b>	<b>599,818</b>	<b>6,267</b>	<b>0</b>	<b>570,157</b>	<b>0.1%</b>	<b>838,765</b>	<b>15,978</b>	<b>0</b>	<b>828,086</b>	<b>0.2%</b>
Present Law (PL)	472,213	1,445,236	0	1,968,449	0.5%	879,714	1,538,206	0	2,470,120	0.6%
New Proposals	639,500	55,500	0	1,181,000	0.3%	648,500	56,500	0	1,197,000	0.3%
<b>Total HB 2 Adjustments</b>	<b>1,711,531</b>	<b>1,507,003</b>	<b>0</b>	<b>3,719,606</b>	<b>0.9%</b>	<b>2,366,979</b>	<b>1,610,684</b>	<b>0</b>	<b>4,495,206</b>	<b>1.1%</b>
<b>Total Requested Budget</b>	<b>68,602,451</b>	<b>100,056,798</b>	<b>503,023</b>	<b>393,693,790</b>		<b>69,257,899</b>	<b>100,160,479</b>	<b>503,023</b>	<b>394,469,390</b>	

*Statewide Present Law Adjustment for Personal Services*

In order to explain the factors influencing personal services changes, the proposed statewide personal services present law adjustment (DP1) has been broken down into three categories, as follows:

- Legislative changes - This category includes adjustments explicitly approved by the legislature, such as, changes to benefit rates, longevity adjustments required by statute, and changes in rates for workers' compensation and unemployment insurance
- Management changes - This category includes agency management decisions that adjust personal services related to changes in pay. This includes changes such as hiring positions budgeted (PB) at a lower rate to replace senior staff and broadband pay adjustments for recruitment and retention
- Budget modifications - This category includes other modifications to the FY 2025 personal services base budget such as management decisions to transfer personal services funding between programs within an agency or movement of personal services funding to or from another expenditure category (e.g. moving funding from operating expenses to personal services)

The figure below shows the analysis of the executive budget for personal services for each program. Further detail is provided within each program.

Department of Revenue				
FY 2026 Statewide Present Law Adjustment for Personal Services (DP1)				
Program	Legislative Changes	Management Changes	Budget Modifications	Total DP1
01 Directors Office	\$ 94,360	44,255	-	\$138,615
02 Technology Services Division	18,210	(59,524)	-	(41,314)
03 Alcoholic Beverage Control Division	106,616	(121,117)	-	(14,501)
04 Cannabis Control Division	39,874	(16,551)	-	23,323
05 Information Management & Collections Division	90,927	(88,539)	-	2,388
07 Business & Income Taxes Division	43,552	(20,923)	-	22,629
08 Property Assessment Division	270,940	(359,133)	-	(88,193)
<b>Agency Total</b>	<b>\$ 664,479</b>	<b>\$ (621,532)</b>	<b>\$ -</b>	<b>\$ 42,947</b>

*Present Law Adjustments*

The Department of Revenue has one present law adjustment request that is made in numerous divisions within the agency. The executive is requesting authority for increased parking costs and possible increases in leasing expenses because the current lease expires on December 30, 2026. The request, across all divisions, is for an increase of authority of \$250,000.

*New Proposal*

The Department of Revenue has one new proposal that is in multiple divisions within the agency. The executive is requesting funding for rental space in Livingston, Butte, and Boulder. This space will serve as a shared space for staff across multiple divisions. The request, across all divisions is for an increase in authority of \$320,000.

**Funding**

The following table shows proposed agency funding for all sources of authority.

Total Department of Revenue Funding by Source of Authority 2027 Biennium Budget Request						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
<b>01100 General Fund</b>	<b>137,860,350</b>			<b>352,583,000</b>	<b>490,443,350</b>	<b>37.9%</b>
02442 Cannabis	198,135,869				198,135,869	15.3%
02168 MT Oil Production Tax				130,606,005	130,606,005	10.1%
02083 Oil & Gas Local Assistance				10,242,000	10,242,000	0.8%
02008 Tobacco And Cig. Tribal Agree.				6,159,910	6,159,910	0.5%
02966 Tribal Agreement - Alcohol				2,018,000	2,018,000	0.2%
Other State Special Revenue	2,081,408			3,912,037	5,993,445	0.5%
<b>State Special Revenue Total</b>	<b>200,217,277</b>	-	-	<b>152,937,952</b>	<b>353,155,229</b>	<b>27.3%</b>
03928 Royalty Audit - NRCT	1,006,046				1,006,046	0.1%
<b>Federal Special Revenue Total</b>	<b>1,006,046</b>	-	-	-	<b>1,006,046</b>	<b>0.1%</b>
06005 Liquor Division	449,079,507				449,079,507	34.7%
06554 Bad Debt Collection Services			700,666		700,666	0.1%
<b>Proprietary Fund Total</b>	<b>449,079,507</b>	-	<b>700,666</b>	-	<b>449,780,173</b>	<b>34.7%</b>
<b>Total of All Funds</b>	<b>788,163,180</b>	-	<b>700,666</b>	<b>505,520,952</b>	<b>1,294,384,798</b>	
<b>Percent of All Sources of Authority</b>	<b>60.9%</b>	<b>0.0%</b>	<b>0.1%</b>	<b>39.1%</b>		

*HB 2 Appropriations*General Fund

The Department of Revenue (DOR) is funded in part by general fund with portions of this in both HB 2 appropriations and statutory appropriations. More detail on the general fund appropriations is provided at the division level.

State Special Revenue

Within the Cannabis Control Division, state special revenue is the primary source of funding. Revenues in this fund are generated from taxes collected on cannabis purchases as well as from fees for licensing and cardholder registration. Detail on fund balance, revenues, and expenditures for this specific fund can be found within program funding description.

Federal Special Revenue

Within the agency, federal special revenue equates to a small portion of the total appropriations with this fund supporting federal mineral royalty audits.

Proprietary

The liquor division proprietary fund is the only HB 2 proprietary fund and supports the operation of the Alcoholic Beverage Control Division and other divisions that support alcoholic beverage control functions or the staff of the Alcoholic Beverage Control Division.

*Non-Budgeted Proprietary Funds*

The finances of the bad debt collection services are funded with non-budgeted proprietary funds which will be discussed in the Proprietary Rates analysis.

*Statutory Appropriations*General Fund

Statutory appropriations out of the general fund are in the Director's Office. The Director's Office manages a pass-through general fund appropriation for the state entitlement share and is responsible for the statutorily appropriated distributions of various tax revenues to local and tribal governments. These statutory appropriations are described in more detail at the program level.

State Special Revenue

State special revenue funds that are statutorily appropriated primarily lie within the Director's Office. These appropriations include oil and natural gas production tax, tribal alcohol and cigarette cooperative agreements, as well as others. Further detail on these appropriations can be found at the program level.

Agency Actuals and Budget Comparison

The following table compares FY 2024 actual expenditures, FY 2024 and FY 2025 appropriations, and the expenditures requested for FY 2026 and FY 2027 by type of expenditure and source of funding.

Agency Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2024	Approp. Fiscal 2024	Approp. Fiscal 2025	Request Fiscal 2026	Request Fiscal 2027
PB	0.00	668.92	668.92	677.06	677.06
Personal Services	53,482,112	53,616,317	56,738,989	57,779,236	57,951,890
Operating Expenses	135,060,268	156,773,164	159,377,905	161,922,264	162,525,210
Equipment & Intangible Assets	2,774,829	2,775,198	153,154	153,154	153,154
Local Assistance	0	2,000,000	2,000,000	2,000,000	2,000,000
Transfers	108,204,085	161,207,720	170,601,500	170,601,500	170,601,500
Debt Service	1,274,044	1,274,072	1,237,636	1,237,636	1,237,636
<b>Total Expenditures</b>	<b>\$300,795,338</b>	<b>\$377,646,471</b>	<b>\$390,109,184</b>	<b>\$393,693,790</b>	<b>\$394,469,390</b>
General Fund	62,068,379	64,349,841	66,890,920	68,602,451	69,257,899
State/Other Special Rev. Funds	60,558,320	88,824,420	98,549,795	100,056,798	100,160,479
Federal Spec. Rev. Funds	502,175	502,175	503,023	503,023	503,023
Proprietary Funds	177,666,464	223,970,035	224,165,446	224,531,518	224,547,989
<b>Total Funds</b>	<b>\$300,795,338</b>	<b>\$377,646,471</b>	<b>\$390,109,184</b>	<b>\$393,693,790</b>	<b>\$394,469,390</b>
<b>Total Ongoing</b>	<b>\$299,988,675</b>	<b>\$376,718,854</b>	<b>\$389,974,184</b>	<b>\$393,693,790</b>	<b>\$394,469,390</b>
<b>Total OTO</b>	<b>\$806,663</b>	<b>\$927,617</b>	<b>\$135,000</b>	<b>\$0</b>	<b>\$0</b>

Agency Description

The Department of Revenue administers about 40 Montana taxes and fees to achieve equity and integrity in taxation. Additionally, the department:

- Values all property as accurately as possible and supervises Montana's property tax system
- Administers liquor and cannabis laws to protect public health and safety
- Receives abandoned property and seeks to return it to its rightful Montana owners
- Administers unlocatable mineral trusts
- Informs and advises the Governor, the Legislature, and the public on tax trends and issues
- Cooperates with local, state, tribal, and federal governments to advance the public interest under the law

Please refer to the agency profile [here](#) for additional information about the agency's organization structure, historical expenditures, goals and objectives, and recent studies and audits.

FY 2024 Appropriations Compared to FY 2024 Expenditures

Within the Department of Revenue, FY 2024 appropriations were 79.6% expended, with the majority of expenditures being in proprietary funding. Of the \$377.6 million in HB 2 authority, \$224.0 million is proprietary funding, \$64.3 million in general fund, \$88.8 million in state special revenue funding, and the remaining \$502,000 in federal special revenue. Within the agency, 84.2% of the total appropriations are centralized in operating expenses and transfers. These are the two expenditure types with the lowest percent expended. Transfers are primarily within the Alcoholic Beverage Control Division. According to the agency, funds transferred from the liquor fund to the general fund were lower-than-anticipated due to lower revenues. Details surrounding each of these aspects will be described further at the program level.

*FY 2024 Appropriations Compared to FY 2025 Appropriations*

Appropriations within the Department of Revenue in FY 2025 are 3.3% higher than that of FY 2024. Further detail surrounding this increase in appropriations in FY 2025 can be found at the agency level.

*Comparison of FY 2025 Legislative Budget to FY 2025 Base*

The figure below illustrates the beginning FY 2025 budget as adopted by the 2023 Legislature compared to the FY 2025 base budget, which includes modifications as approved by the approving authority (as authorized in statute) during the interim. The FY 2025 base budget was agreed upon by the Office of Budget and Program Planning and the Fiscal Division to be the point from which any changes would be recorded for the 2027 biennium budgeting process.

Department of Revenue				
Comparison of the FY 2025 Legislative Budget to the FY 2025 Base Budget				
	Legislative Budget	Executive Modifications	Base Budget	% Change
<b>01 DIRECTORS OFFICE</b>				
61000 Personal Services	6,665,486	(169,375)	6,496,111	-2.5%
62000 Operating Expenses	2,171,927	(52,493)	2,119,434	-2.4%
65000 Local Assistance	2,000,000		2,000,000	0.0%
68000 Transfers	1,500		1,500	0.0%
69000 Debt Service	10,413		10,413	0.0%
<b>Total</b>	<b>10,849,326</b>	<b>(221,868)</b>	<b>10,627,458</b>	<b>-2.0%</b>
<b>02 TECHNOLOGY SERVICES DIVISION</b>				0.0%
61000 Personal Services	4,355,701	52,838	4,408,539	1.2%
62000 Operating Expenses	6,064,578	(120,791)	5,943,787	-2.0%
63000 Equipment & Intangible Assets		122,600	122,600	100.0%
<b>Total</b>	<b>10,420,279</b>	<b>54,647</b>	<b>10,474,926</b>	<b>0.5%</b>
<b>03 ALCOHOLIC BEVERAGE CONTROL DIV</b>				0.0%
61000 Personal Services	2,851,925		2,851,925	0.0%
62000 Operating Expenses	141,175,613		141,175,613	0.0%
63000 Equipment & Intangible Assets	30,554		30,554	0.0%
68000 Transfers	79,500,000		79,500,000	0.0%
69000 Debt Service	35,275		35,275	0.0%
<b>Total</b>	<b>223,593,367</b>		<b>223,593,367</b>	<b>0.0%</b>
<b>04 CANNABIS CONTROL DIVISION</b>				0.0%
61000 Personal Services	3,203,049		3,203,049	0.0%
62000 Operating Expenses	2,640,936	(75,000)	2,565,936	-2.8%
68000 Transfers	91,100,000		91,100,000	0.0%
69000 Debt Service		75,000	75,000	100.0%
<b>Total</b>	<b>96,943,985</b>	<b>-</b>	<b>96,943,985</b>	<b>0.0%</b>
<b>05 INFORMATION MGMT &amp; COLLECTIONS</b>				0.0%
61000 Personal Services	5,211,946	(52,838)	5,159,108	-1.0%
62000 Operating Expenses	2,001,977	(1,809)	2,000,168	-0.1%
69000 Debt Service	256,255		256,255	0.0%
<b>Total</b>	<b>7,470,178</b>	<b>(54,647)</b>	<b>7,415,531</b>	<b>-0.7%</b>
<b>07 BUSINESS &amp; INCOME TAXES DIV</b>				0.0%
61000 Personal Services	11,561,716	169,375	11,731,091	1.5%
62000 Operating Expenses	2,075,211	52,493	2,127,704	2.5%
69000 Debt Service	7,558		7,558	0.0%
<b>Total</b>	<b>13,644,485</b>	<b>221,868</b>	<b>13,866,353</b>	<b>1.6%</b>
<b>08 PROPERTY ASSESSMENT DIVISION</b>				0.0%
61000 Personal Services	22,754,166		22,754,166	0.0%
62000 Operating Expenses	3,445,263		3,445,263	0.0%
69000 Debt Service	853,135		853,135	0.0%
<b>Total</b>	<b>27,052,564</b>		<b>27,052,564</b>	<b>0.0%</b>
<b>Agency Total</b>	<b>389,974,184</b>	<b>-</b>	<b>389,974,184</b>	<b>0.0%</b>



In comparing the FY 2025 legislative budget to the FY 2025 base budget, there were executive modifications that were made effecting the FY 2025 base budget. Two of the executive modifications transferred 2.00 PB amongst programs. The first of which was transferring 1.00 PB out of the Directors Office into the Business and Income Taxes Division. This moved both personal services and operating expense authority. The second program transfer was the movement of 1.00 PB out of the Information Management and Collections Division into the Technology Services Division. Similar to the previous modification, this moved the associated personal services and operating expenses authority. The other modification made by the executive that impacted the FY 2025 base budget was a budget change within the Technology Services Division and Cannabis Control Division. In the Technology Services Division, there was a transfer of appropriation authority from operating expenses to equipment and intangible assets to account for software expenses. The second aspect of this was the transfer of authority from operating expenses to debt service in the Cannabis Control Division to pay licensing fees for a cloud-based software that needs to be expensed as debt service, per state accounting standards.

**Program Base Budget Comparison**

The following table compares the base budget with the requested expenditures for the upcoming biennium by type of expenditure and source of funding.

Program Base Budget Comparison						
Budget Item	Base Budget	Requested Budget		Biennium Change from Base		
	FY 2025	FY 2026	FY 2027	Amount	Percent	
PB	65.19	65.19	65.19	0.00	0.0%	
General Fund	10,123,168	10,335,994	10,360,167	449,825	2.2%	
State/Other Special Rev. Funds	348,540	368,540	368,540	40,000	5.7%	
Proprietary Funds	155,750	155,750	155,750		0.0%	
<b>Total Funds</b>	<b>10,627,458</b>	<b>10,860,284</b>	<b>10,884,457</b>	<b>489,825</b>	<b>2.3%</b>	
Personal Services	6,496,111	6,634,726	6,648,139	290,643	2.2%	
Operating Expenses	2,119,434	2,213,645	2,224,405	199,182	4.7%	
Local Assistance	2,000,000	2,000,000	2,000,000		0.0%	
Transfers	1,500	1,500	1,500		0.0%	
Debt Service	10,413	10,413	10,413		0.0%	
<b>Total Expenditures</b>	<b>10,627,458</b>	<b>10,860,284</b>	<b>10,884,457</b>	<b>489,825</b>	<b>2.3%</b>	
<b>Total Ongoing</b>	<b>10,627,458</b>	<b>10,860,284</b>	<b>10,884,457</b>	<b>489,825</b>	<b>2.3%</b>	
<b>Total One-Time-Only</b>					<b>0.0%</b>	

**Program Highlights**

<b>Director's Office Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The Director's Office 2027 biennium requested appropriations are approximately \$490,000 or 2.3% higher than the FY 2025 base budget</li> <li>• Significant requested changes include:                             <ul style="list-style-type: none"> <li>◦ Appropriations for personal services are requested to increase \$291,000 over the biennium, or 2.2%. This request is due to increases in pay rates and benefits</li> <li>◦ Operating expense increase of 4.7%, or \$199,000 in the 2027 biennium due to increases in fixed costs for information technology costs and Capitol complex rent</li> </ul> </li> </ul>

**Executive Request**

The following table shows the total executive request with the base budget and the statewide present law adjustments, present law adjustments, and new proposals by source of funding.

Director's Office 2027 Biennium HB 2 Base Budget and Requested Adjustments										
	FY 2026					FY 2027				
	General Fund	State Special	Federal Special	Total Funds	% of Budget Request	General Fund	State Special	Federal Special	Total Funds	% of Budget Request
<b>Base Budget</b>	<b>10,123,168</b>	<b>348,540</b>	<b>0</b>	<b>10,627,458</b>	<b>97.9%</b>	<b>10,123,168</b>	<b>348,540</b>	<b>0</b>	<b>10,627,458</b>	<b>97.6%</b>
Statewide PL										
Personal Services	138,615	0	0	138,615	1.3%	152,028	0	0	152,028	1.4%
Fixed Costs	59,557	0	0	59,557	0.5%	69,042	0	0	69,042	0.6%
Inflation Deflation	(846)	0	0	(846)	(0.0%)	(571)	0	0	(571)	(0.0%)
Total Statewide PL	197,326	0	0	197,326	1.8%	220,499	0	0	220,499	2.0%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	15,500	20,000	0	35,500	0.3%	16,500	20,000	0	36,500	0.3%
<b>Total HB 2 Adjustments</b>	<b>212,826</b>	<b>20,000</b>	<b>0</b>	<b>232,826</b>	<b>2.1%</b>	<b>236,999</b>	<b>20,000</b>	<b>0</b>	<b>256,999</b>	<b>2.4%</b>
<b>Total Requested Budget</b>	<b>10,335,994</b>	<b>368,540</b>	<b>0</b>	<b>10,860,284</b>		<b>10,360,167</b>	<b>368,540</b>	<b>0</b>	<b>10,884,457</b>	

**Funding**

The following table shows proposed program funding for all sources of authority.

Department of Revenue, 01-Director's Office Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	20,696,161	0	0	352,583,000	373,279,161	70.8%	
02008 Tobacco And Cig. Tribal Agree.	0	0	0	6,159,910	6,159,910	4.0%	
02011 THC Tribal Coop Tax Agreements	0	0	0	592,000	592,000	0.4%	
02083 Oil & Gas Local Assistance	0	0	0	10,242,000	10,242,000	6.7%	
02088 SSR Administrative Funds	75,128	0	0	0	75,128	0.0%	
02168 MT Oil Production Tax	0	0	0	130,606,005	130,606,005	85.0%	
02169 Bentonite Production Tax	0	0	0	1,600,000	1,600,000	1.0%	
02442 Cannabis	576,628	0	0	0	576,628	0.4%	
02511 Oil and Gas Natural Resource	0	0	0	1,652,995	1,652,995	1.1%	
02790 6901-Statewide Tobacco Sttlmnt	85,324	0	0	0	85,324	0.1%	
02966 Tribal Agreement - Alcohol	0	0	0	2,018,000	2,018,000	1.3%	
<b>State Special Total</b>	<b>\$737,080</b>	<b>\$0</b>	<b>\$0</b>	<b>\$152,870,910</b>	<b>\$153,607,990</b>	<b>29.1%</b>	
<b>Federal Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>	
06005 Liquor Division	311,500	0	0	0	311,500	100.0%	
<b>Proprietary Total</b>	<b>\$311,500</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$311,500</b>	<b>0.1%</b>	
<b>Total All Funds</b>	<b>\$21,744,741</b>	<b>\$0</b>	<b>\$0</b>	<b>\$505,453,910</b>	<b>\$527,198,651</b>		

*HB 2 Appropriations*

General Fund

Funding for the Director's Office HB 2 budget is primarily from the general fund. General fund supports staff salary and benefit expenditures as well as operational expenses.

State Special Revenue

Within the Director's Office, HB 2 state special revenue funds include the administrative funds, tobacco settlement fund, and the cannabis fund. The tobacco settlement fund is used within this program towards the attorney that supports tobacco tax compliance activities. The cannabis fund was established during the 2021 Legislative Session and is used for attorney costs in the Director's Office.

Proprietary Funding

Proprietary funding is from a direct appropriation of Alcoholic Beverage Control Division proprietary fund and is for the Alcoholic Beverage Control Division's share of Director's Office support costs. The allocation is calculated as a percentage of the program's budget. Alcoholic Beverage Control Division proprietary funds are an indirect use of general fund since net liquor revenues are deposited in the general fund after operating costs are deducted.

*Statutory Appropriations*General Fund

Funding for the Director's Office also includes two general fund statutory appropriations. The largest of the statutory appropriations is a pass-through general fund appropriation for the state entitlement share, as provided in 15-1-121, MCA. This distribution resulted from HB 124 in the 2001 Legislative Session, which reallocated revenue received by local governments, school districts, and some state special revenue accounts (from alcohol, vehicle, and gambling taxes as well as district court fees for local governments) to the general fund and replaced foregone revenue with permanent state entitlement grants to counties and cities. A second general fund statutory appropriation included in the Director's Office is a direct use by the department for out of state debt collection services as provided for in 15-1-218, MCA.

State Special Revenue

The Director's Office is responsible for the statutorily appropriated distributions of various tax revenues to local and tribal governments, including the following:

- Tribal alcohol, cigarette, and cannabis cooperative agreement (18-11-101 through 18-11-121, MCA) - The State of Montana has taxation agreements with tribal nations for alcohol, cigarette, and cannabis sales to prevent possibilities of dual taxation while promoting state, local and tribal economic development
- Oil and natural gas production tax (15-36-331 through 15-36-332, MCA) - All oil and natural gas producers are required to file an oil and natural gas production tax quarterly return where they will be taxed on the gross value of oil or natural gas sold. Local governments receive a portion of this revenue. Additionally, local governments distribute the revenue to various school retirement funds, countywide transportation funds, school districts, and community colleges
- Metal mines distribution (15-37-117, MCA) - Individuals who operate any mine or mining property are required to pay a license tax which is based on the gross value of production. A portion of this revenue is distributed semiannually to local governments where the mine is located or a county that is experiencing fiscal impacts from the mine
- Bentonite production tax distribution (15-39-110, MCA) - All bentonite producers must file a bentonite production tax return every six months. Revenue is distributed semi-annually to local governments where the production occurred: Carter County and Carbon County

**Program Actuals and Budget Comparison**

The following table compares FY 2024 actual expenditures, FY 2024 and FY 2025 appropriations, and the expenditures requested for FY 2026 and FY 2027 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2024	Approp. Fiscal 2024	Approp. Fiscal 2025	Request Fiscal 2026	Request Fiscal 2027
PB	0.00	65.19	65.19	65.19	65.19
Personal Services	6,327,153	6,328,595	6,496,111	6,634,726	6,648,139
Operating Expenses	1,523,708	1,656,928	2,119,434	2,213,645	2,224,405
Local Assistance	0	2,000,000	2,000,000	2,000,000	2,000,000
Transfers	0	1,500	1,500	1,500	1,500
Debt Service	8,364	8,364	10,413	10,413	10,413
<b>Total Expenditures</b>	<b>\$7,859,225</b>	<b>\$9,995,387</b>	<b>\$10,627,458</b>	<b>\$10,860,284</b>	<b>\$10,884,457</b>
General Fund	7,082,948	9,218,610	10,123,168	10,335,994	10,360,167
State/Other Special Rev. Funds	620,519	621,018	348,540	368,540	368,540
Proprietary Funds	155,758	155,759	155,750	155,750	155,750
<b>Total Funds</b>	<b>\$7,859,225</b>	<b>\$9,995,387</b>	<b>\$10,627,458</b>	<b>\$10,860,284</b>	<b>\$10,884,457</b>
<b>Total Ongoing</b>	<b>\$7,783,459</b>	<b>\$9,919,621</b>	<b>\$10,627,458</b>	<b>\$10,860,284</b>	<b>\$10,884,457</b>
<b>Total OTO</b>	<b>\$75,766</b>	<b>\$75,766</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

*Program Description*

The Director's Office (DO) supports the agency's director, provides guidance and oversight for the department, and coordinates the department's legislative efforts. The DO is comprised of the following offices:

- The Financial Services Office manages the department's centralized accounting, budgeting, and asset management functions
- The Citizen Outreach Office communicates with internal and external stakeholders and is responsible for media relations, digital communications, design and branding, public education and outreach, and training and employee development. In addition, this office also oversees the department's call center
- The Taxpayer Advocate works independently from the department's divisions to ensure citizens have an impartial advocate to hear their concerns and questions
- The Executive Office provides administrative support services for the work units within the Director's Office as well as support for e-Stop business licensing
- The Human Resources Office manages organization and workforce development, policy and practice interpretation, employee and labor relations, staffing, employment law, performance reviews, and compensation
- The Legal Services Office supervises the overall legal efforts of the department, including rules, policies, and bankruptcy
- The Office of Dispute Resolution independently hears and/or mediates cases between the department and taxpayers, liquor licensees, and other members of the public. The office provides an accessible, cost-effective means for taxpayers and licensees to appeal agency determinations or proposed department actions
- The Procurement, Contracts, and Facilities Office manages the planning, procurement, contract negotiation, creation, and execution, performance measurement, contract resolution and invoice verification for the department
- The Tax Policy and Research Office provides accurate and timely information for the Governor, the Legislature, and Montana citizens. This includes the compilation of basic tax data and the publication of the statutory biennial report
- The Professional Development Program provides mission-centric and adaptive professional development opportunities specific to the department's administration of taxes, property valuation, liquor control, and cannabis regulation

*FY 2024 Appropriations Compared to FY 2024 Expenditures*

Within the Director's Office of the Department of Revenue, appropriations for FY 2024 were 78.6% expended. This division is primarily comprised of general fund, with smaller amounts of state special revenue and proprietary funding as well. Personal services for the Director's Office were 100.0% expended with operating expenses also being 92.0% expended. Expenditures within local assistance were 0.0% expended with the \$2.0 million in appropriations being unspent. This appropriation is regarding centrally assessed protested tax valuations. As the agency did not require the use of this funding, it did not have any corresponding expenditures.

FY 2024 Appropriations Compared to FY 2025 Appropriations

Appropriations in FY 2025 within the Director's Office are 6.3% higher than appropriations in FY 2024. Increases in appropriation are primarily in personal services and operating expenses. The main reason for the increase in appropriations in FY 2025 is due to a transfer of authority which shifted appropriations out of the Director's Office in FY 2024 into the Technology Services Division.

**Present Law Adjustments**

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	-----Fiscal 2026-----					-----Fiscal 2027-----				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	138,615	0	0	138,615	0.00	152,028	0	0	152,028
DP 2 - Fixed Costs	0.00	59,557	0	0	59,557	0.00	69,042	0	0	69,042
DP 3 - Inflation Deflation	0.00	(846)	0	0	(846)	0.00	(571)	0	0	(571)
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$197,326</b>	<b>\$0</b>	<b>\$0</b>	<b>\$197,326</b>	<b>0.00</b>	<b>\$220,499</b>	<b>\$0</b>	<b>\$0</b>	<b>\$220,499</b>

\*\*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2025 biennium

Department of Revenue Director's Office FY 2026 Statewide Present Law Adjustment for Personal Services (DP1)	
Legislative Changes	\$ 94,360
Management Changes	44,255
Total Budget Modifications	-
<b>Total</b>	<b>\$ 138,615</b>

The executive requests an increase in personal services funding in the upcoming biennium. This change is primarily in legislative changes with a portion of management changes as well. The increase in legislative changes is mainly due to the increase in cost of benefits within the division. The increase shown in management changes is due to various pay increases made by the division, including career ladder adjustments and promotions.

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: audit fees, Capitol complex rent, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include in-state state motor pool and motor pool leased vehicles.

**New Proposals**

The "New Proposals" table shows new proposals for spending.

New Proposals	-----Fiscal 2026-----					-----Fiscal 2027-----				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 15 - DO, CCD, BITD, PAD Administrative Resources	0.00	15,500	0	0	15,500	0.00	16,500	0	0	16,500
DP 101 - DO E-Stop Budget Increase	0.00	0	20,000	0	20,000	0.00	0	20,000	0	20,000
<b>Total</b>	<b>0.00</b>	<b>\$15,500</b>	<b>\$20,000</b>	<b>\$0</b>	<b>\$35,500</b>	<b>0.00</b>	<b>\$16,500</b>	<b>\$20,000</b>	<b>\$0</b>	<b>\$36,500</b>

\*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 15 - DO, CCD, BITD, PAD Administrative Resources -

The executive requests an increase in general fund appropriation authority in the upcoming biennium. This request would be utilized towards rental space in Livingston, Boulder, and Butte for staff of various divisions. As the agency experiences challenges in recruitment and training in high cost-of-living locations, this allows for staff of multiple divisions to work in one location to limit the need for travel.

DP 101 - DO E-Stop Budget Increase -

The executive requests an increase in state special revenue authority for the upcoming biennium. This authority would be used towards general operating expenses within the e-Stop Program.

**Program Base Budget Comparison**

The following table compares the base budget with the requested expenditures for the upcoming biennium by type of expenditure and source of funding.

Program Base Budget Comparison					
Budget Item	Base Budget	Requested Budget		Biennium Change from Base	
	FY 2025	FY 2026	FY 2027	Amount	Percent
PB	43.00	43.00	43.00	0.00	0.0%
General Fund	10,043,848	10,364,314	10,700,241	976,859	4.9%
State/Other Special Rev. Funds	166,639	186,639	186,639	40,000	12.0%
Proprietary Funds	264,439	385,439	391,439	248,000	46.9%
<b>Total Funds</b>	<b>10,474,926</b>	<b>10,936,392</b>	<b>11,278,319</b>	<b>1,264,859</b>	<b>6.0%</b>
Personal Services	4,408,539	4,367,225	4,377,371	(72,482)	(0.8%)
Operating Expenses	5,943,787	6,446,567	6,778,348	1,337,341	11.2%
Equipment & Intangible Assets	122,600	122,600	122,600		0.0%
<b>Total Expenditures</b>	<b>10,474,926</b>	<b>10,936,392</b>	<b>11,278,319</b>	<b>1,264,859</b>	<b>6.0%</b>
<b>Total Ongoing</b>	<b>10,474,926</b>	<b>10,936,392</b>	<b>11,278,319</b>	<b>1,264,859</b>	<b>6.0%</b>
<b>Total One-Time-Only</b>					<b>0.0%</b>

**Program Highlights**

<b>Technology Services Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The Technology Services Division's 2027 biennium requested appropriations are approximately \$1.3 million or 6.0% higher than the FY 2025 base budget</li> <li>• The largest portion of the requested increase is in general fund with requested appropriations increasing \$977,000, or 4.9%. Significant requested general fund changes include:                             <ul style="list-style-type: none"> <li>◦ An increase of \$865,000 for contracted maintenance and service agreements for software systems, which is primarily for the GenTax system</li> </ul> </li> <li>• Proprietary funding is requested to increase \$248,000 or 46.9% over the biennium for maintenance of new software at the liquor warehouse</li> </ul>

**Executive Request**

The following table shows the total executive request with the base budget and the statewide present law adjustments, present law adjustments, and new proposals by source of funding.



Technology Services Division 2027 Biennium HB 2 Base Budget and Requested Adjustments										
	FY 2026					FY 2027				
	General Fund	State Special	Federal Special	Total Funds	% of Budget Request	General Fund	State Special	Federal Special	Total Funds	% of Budget Request
<b>Base Budget</b>	<b>10,043,848</b>	<b>166,639</b>	<b>0</b>	<b>10,474,926</b>	<b>95.8%</b>	<b>10,043,848</b>	<b>166,639</b>	<b>0</b>	<b>10,474,926</b>	<b>92.9%</b>
Statewide PL										
Personal Services	(41,314)	0	0	(41,314)	(0.4%)	(31,168)	0	0	(31,168)	(0.3%)
Fixed Costs	49,311	0	0	49,311	0.5%	71,582	0	0	71,582	0.6%
Inflation Deflation	(31)	0	0	(31)	(0.0%)	(21)	0	0	(21)	(0.0%)
<b>Total Statewide PL</b>	<b>7,966</b>	<b>0</b>	<b>0</b>	<b>7,966</b>	<b>0.1%</b>	<b>40,393</b>	<b>0</b>	<b>0</b>	<b>40,393</b>	<b>0.4%</b>
Present Law (PL)	312,500	0	0	312,500	2.9%	616,000	0	0	616,000	5.5%
New Proposals	0	20,000	0	141,000	1.3%	0	20,000	0	147,000	1.3%
<b>Total HB 2 Adjustments</b>	<b>320,466</b>	<b>20,000</b>	<b>0</b>	<b>461,466</b>	<b>4.2%</b>	<b>656,393</b>	<b>20,000</b>	<b>0</b>	<b>803,393</b>	<b>7.1%</b>
<b>Total Requested Budget</b>	<b>10,364,314</b>	<b>186,639</b>	<b>0</b>	<b>10,936,392</b>		<b>10,700,241</b>	<b>186,639</b>	<b>0</b>	<b>11,278,319</b>	

**Funding**

The following table shows proposed program funding for all sources of authority.

Department of Revenue, 02-Technology Services Division Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	21,064,555	0	0	0	21,064,555	94.8%	
02442 Cannabis	160,000	0	0	0	160,000	42.9%	
02790 6901-Statewide Tobacco Sttlmnt	173,278	0	0	0	173,278	46.4%	
02950 Agriculture-GenTax	40,000	0	0	0	40,000	10.7%	
<b>State Special Total</b>	<b>\$373,278</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$373,278</b>	<b>1.7%</b>	
<b>Federal Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>	
06005 Liquor Division	776,878	0	0	0	776,878	100.0%	
<b>Proprietary Total</b>	<b>\$776,878</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$776,878</b>	<b>3.5%</b>	
<b>Total All Funds</b>	<b>\$22,214,711</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$22,214,711</b>		

*HB 2 Appropriations*

General Fund

The Technology Services Division is almost entirely funded from the general fund. These appropriations are used to support technology requirements and business operations.

State Special Revenue

The Technology Services Division receives state special revenue appropriations from the tobacco settlement and cannabis funds for technology support provided to the Business Income Taxes Division. The agriculture-GenTax state special revenue fund provides maintenance for the tax software, GenTax. Revenues into this fund are provided through a Memorandum of Understanding (MOU) with the Department of Agriculture.

Proprietary

Appropriations from the liquor enterprise fund supports technology services for the Alcoholic Beverage Control Division.

**Program Actuals and Budget Comparison**

The following table compares FY 2024 actual expenditures, FY 2024 and FY 2025 appropriations, and the expenditures requested for FY 2026 and FY 2027 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2024	Approp. Fiscal 2024	Approp. Fiscal 2025	Request Fiscal 2026	Request Fiscal 2027
PB	0.00	43.00	43.00	43.00	43.00
Personal Services	4,201,010	4,287,304	4,408,539	4,367,225	4,377,371
Operating Expenses	4,592,255	4,602,251	5,943,787	6,446,567	6,778,348
Equipment & Intangible Assets	2,705,390	2,705,759	122,600	122,600	122,600
Transfers	706,220	706,220	0	0	0
<b>Total Expenditures</b>	<b>\$12,204,875</b>	<b>\$12,301,534</b>	<b>\$10,474,926</b>	<b>\$10,936,392</b>	<b>\$11,278,319</b>
General Fund	11,323,548	11,419,838	10,043,848	10,364,314	10,700,241
State/Other Special Rev. Funds	516,656	516,656	166,639	186,639	186,639
Proprietary Funds	364,671	365,040	264,439	385,439	391,439
<b>Total Funds</b>	<b>\$12,204,875</b>	<b>\$12,301,534</b>	<b>\$10,474,926</b>	<b>\$10,936,392</b>	<b>\$11,278,319</b>
<b>Total Ongoing</b>	<b>\$12,190,990</b>	<b>\$12,201,534</b>	<b>\$10,474,926</b>	<b>\$10,936,392</b>	<b>\$11,278,319</b>
<b>Total OTO</b>	<b>\$13,885</b>	<b>\$100,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

*Program Description*

The Technology Services Division (TSD) serves as the technological foundation for the department, leveraging IT systems and services to increase internal business operations efficiencies and optimize citizen services. TSD consists of two bureaus and three units:

- The Applications Development Services Bureau provides software development and maintenance support for the department's core systems and business and individual income tax and property assessment software applications
- The Technical Operations Bureau provides server and computer support for department hardware and software systems, as well as oversight on new system implementation and system upgrades and endpoint support
- The Information Protection Office provides access control to systems, data protection, audit services, and security training to staff
- The Miscellaneous Applications Development Unit provides software development and maintenance support for the department's miscellaneous applications, workflow tools, and customer web applications
- The Business Services Unit provides business analysis, testing support, and project coordination, facilitation, and management to the department

*FY 2024 Appropriations Compared to FY 2024 Expenditures*

Appropriations for the Technology Services Division totaled \$12.3 million in FY 2024, of which 99.2% were expended. Within this division, appropriations primarily are in general fund, with \$517,000 in state special revenue and \$365,000 in proprietary funding.

*FY 2024 Appropriations Compared to FY 20245 Appropriations*

In comparing the appropriations of the Technology Services Division in FY 2025 to that of FY 2024, appropriations have decreased 14.8%. This decrease is almost entirely due to a program transfer in FY 2024 which moved authority from multiple divisions to the Technology Services Division to accrue expenses relating to its tax processing software.

**Present Law Adjustments**

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	Fiscal 2026					Fiscal 2027				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	(41,314)	0	0	(41,314)	0.00	(31,168)	0	0	(31,168)
DP 2 - Fixed Costs	0.00	49,311	0	0	49,311	0.00	71,582	0	0	71,582
DP 3 - Inflation Deflation	0.00	(31)	0	0	(31)	0.00	(21)	0	0	(21)
DP 16 - TSD, PAD, and IMCD - Administrative Cost Adjustment	0.00	26,000	0	0	26,000	0.00	38,000	0	0	38,000
DP 201 - TSD Hardware and Software Maintenance	0.00	286,500	0	0	286,500	0.00	578,000	0	0	578,000
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$320,466</b>	<b>\$0</b>	<b>\$0</b>	<b>\$320,466</b>	<b>0.00</b>	<b>\$656,393</b>	<b>\$0</b>	<b>\$0</b>	<b>\$656,393</b>

\*\*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2025 biennium

Department of Revenue Technology Services Division FY 2026 Statewide Present Law Adjustment for Personal Services (DP1)	
Legislative Changes	\$ 18,210
Management Changes	(59,524)
Total Budget Modifications	-
Total	<u>\$ (41,314)</u>

The executive requests a decrease in personal services authority in the upcoming biennium. This decrease is due to management changes for greater vacancy savings and changes in the median market pay rate for vacant positions.

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: audit fees, Capitol complex rent, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include in-state state motor pool and motor pool leased vehicles.

DP 16 - TSD, PAD, and IMCD - Administrative Cost Adjustment -

The executive requests an increase in general fund appropriations in the upcoming biennium. This requested increase is due to the increase in parking costs associated with staff located at the Donovan building in downtown Helena. This increase also includes a possible increase in leasing expenses as the current lease expires on December 30, 2026.

DP 201 - TSD Hardware and Software Maintenance -

The executive requests an increase in general fund appropriations in the 2027 biennium. These expenses are for contracted maintenance and service agreements for various software within the agency. The largest portion of this requested increase is within the agency’s tax processing software, GenTax.

**New Proposals**

The “New Proposals” table shows new proposals for spending.

New Proposals	-----Fiscal 2026-----					-----Fiscal 2027-----				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 202 - TSD Agriculture Fee Collection	0.00	0	20,000	0	20,000	0.00	0	20,000	0	20,000
DP 203 - TSD Liquor Warehouse Software Maintenance	0.00	0	0	0	121,000	0.00	0	0	0	127,000
<b>Total</b>	<b>0.00</b>	<b>\$0</b>	<b>\$20,000</b>	<b>\$0</b>	<b>\$141,000</b>	<b>0.00</b>	<b>\$0</b>	<b>\$20,000</b>	<b>\$0</b>	<b>\$147,000</b>

\*\*Total Funds\* amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 202 - TSD Agriculture Fee Collection -

The executive requests an increase in state special revenue authority. This increase is related to operating and maintenance fees for integrated tax software that is specified in a memorandum of understanding (MOU) between the Department of Agriculture and the Department of Revenue. Through a MOU between these two agencies, signed in FY 2023, the Department of Agriculture is to pay DOR for the cost of maintenance.

DP 203 - TSD Liquor Warehouse Software Maintenance -

The executive requests an increase in proprietary funds for the upcoming biennium. This authority would be utilized towards contracted support services and maintenance for the new liquor warehouse automated storage and retrieval system and management software.

**Program Base Budget Comparison**

The following table compares the base budget with the requested expenditures for the upcoming biennium by type of expenditure and source of funding.

Program Base Budget Comparison					
Budget Item	Base Budget	Requested Budget		Biennium Change from Base	
	FY 2025	FY 2026	FY 2027	Amount	Percent
PB	33.00	33.00	33.00	0.00	0.0%
Proprietary Funds	223,593,367	223,973,439	223,983,910	770,615	0.2%
<b>Total Funds</b>	<b>223,593,367</b>	<b>223,973,439</b>	<b>223,983,910</b>	<b>770,615</b>	<b>0.2%</b>
Personal Services	2,851,925	3,202,424	3,209,343	707,917	12.4%
Operating Expenses	141,175,613	141,205,186	141,208,738	62,698	0.0%
Equipment & Intangible Assets	30,554	30,554	30,554		0.0%
Transfers	79,500,000	79,500,000	79,500,000		0.0%
Debt Service	35,275	35,275	35,275		0.0%
<b>Total Expenditures</b>	<b>223,593,367</b>	<b>223,973,439</b>	<b>223,983,910</b>	<b>770,615</b>	<b>0.2%</b>
<b>Total Ongoing</b>	<b>223,593,367</b>	<b>223,973,439</b>	<b>223,983,910</b>	<b>770,615</b>	<b>0.2%</b>
<b>Total One-Time-Only</b>	<b>135,000</b>			<b>(270,000)</b>	<b>(100.0%)</b>

**Program Highlights**

<b>Alcoholic Beverage Control Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The Alcoholic Beverage Control Division's 2027 biennium requested appropriations are approximately \$771,000 or 0.2% higher than the FY 2025 base budget. Significant requested changes include:                             <ul style="list-style-type: none"> <li>◦ An increase of \$730,000 in personal services due to temporary staffing, overtime, and termination payouts</li> </ul> </li> </ul>

**Executive Request**

The following table shows the total executive request with the base budget and the statewide present law adjustments, present law adjustments, and new proposals by source of funding.

Alcoholic Beverage Control Division 2027 Biennium HB 2 Base Budget and Requested Adjustments										
	FY 2026					FY 2027				
	General Fund	State Special	Federal Special	Total Funds	% of Budget Request	General Fund	State Special	Federal Special	Total Funds	% of Budget Request
<b>Base Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>223,593,367</b>	<b>99.8%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>223,593,367</b>	<b>99.8%</b>
Statewide PL										
Personal Services	0	0	0	(14,501)	(0.0%)	0	0	0	(7,582)	(0.0%)
Fixed Costs	0	0	0	(21,258)	(0.0%)	0	0	0	(18,961)	(0.0%)
Inflation Deflation	0	0	0	(169)	(0.0%)	0	0	0	(114)	(0.0%)
Total Statewide PL	0	0	0	(35,928)	(0.0%)	0	0	0	(26,657)	(0.0%)
Present Law (PL)	0	0	0	51,000	0.0%	0	0	0	52,200	0.0%
New Proposals	0	0	0	365,000	0.2%	0	0	0	365,000	0.2%
<b>Total HB 2 Adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>380,072</b>	<b>0.2%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>390,543</b>	<b>0.2%</b>
<b>Total Requested Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>223,973,439</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>223,983,910</b>	

**Funding**

The following table shows proposed program funding for all sources of authority.

Department of Revenue, 03-Alcoholic Beverage Control Division Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	0	0	0	0	0	0.0%	
<b>State Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>	
<b>Federal Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>	
06005 Liquor Division	447,957,349	0	0	0	447,957,349	100.0%	
<b>Proprietary Total</b>	<b>\$447,957,349</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$447,957,349</b>	<b>100.0%</b>	
<b>Total All Funds</b>	<b>\$447,957,349</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$447,957,349</b>		

*HB 2 Appropriations*

Proprietary

The division is funded with a direct appropriation of Alcoholic Beverage Control Division proprietary funds. Net revenues from liquor sales are transferred to the general fund after operating costs are deducted from gross revenues. Consequently, any proposals funded through this program are an indirect use of state general fund.

<b>LFD COMMENT</b>	Expenditures out of the liquor enterprise fund are listed in the below table with the actuals presented for FY 2024, the estimated amounts for FY 2025, and the requested amounts for FY 2026 and FY 2027. The revenues for this fund are estimations made based upon historical average growth.
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Department of Revenue				
Liquor Enterprise Fund- 06005				
	Actual FY 2024	Estimated FY 2025	Proposed FY 2026	Proposed FY 2027
Beginning Balance	\$ 8,929,422	\$ 9,506,953	\$ -	\$ (6,996,035)
Revenue	192,363,453	205,294,418	219,107,207	233,849,359
Expenditures				
Personal Services	4,339,685	5,106,404	5,116,209	5,116,582
Operating Expenses	121,560,334	132,168,595	143,311,800	143,322,239
Transfer-Out	65,771,567	77,391,836	77,540,439	77,546,087
Debt Services	114,336	134,536	134,795	134,805
Total Department of Revenue Expenditures	191,785,922	214,801,371	226,103,242	226,119,713
Ending Fund Balance	\$ 9,506,953	\$ -	\$ (6,996,035)	\$ 733,611

In FY 2025, the agency plans to reduce the amount expended through transfers to the general fund to mitigate any potential negative fund balance. The FY 2025 estimates assume that there is an adjustment to transfers in FY 2025. Using projected revenues and the expenditures proposed in the budgeting system, there is an estimated negative fund balance in FY 2026 and FY 2027. The Legislative Fiscal Division anticipates that the transfers to the general fund will be reduced to mitigate any negative fund balance. Legislative options include for FY 2026 and FY 2027 include:

- Reducing transfer authority within the Alcoholic Beverage Control Division to reflect estimated transfers with estimated revenues. With this option transfer authority would decrease by \$7.0 million in FY 2026
- Keeping the requested transfer authority as proposed. The division will only transfer net revenue received. This would allow for excess appropriation authority within the division to transfer funds to the general fund if the revenues are higher than the estimates

**Program Actuals and Budget Comparison**

The following table compares FY 2024 actual expenditures, FY 2024 and FY 2025 appropriations, and the expenditures requested for FY 2026 and FY 2027 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2024	Approp. Fiscal 2024	Approp. Fiscal 2025	Request Fiscal 2026	Request Fiscal 2027
PB	0.00	33.00	33.00	33.00	33.00
Personal Services	2,865,046	2,900,141	2,986,925	3,202,424	3,209,343
Operating Expenses	120,457,267	140,996,914	141,175,613	141,205,186	141,208,738
Equipment & Intangible Assets	10	10	30,554	30,554	30,554
Transfers	53,771,568	79,500,000	79,500,000	79,500,000	79,500,000
Debt Service	35,247	35,275	35,275	35,275	35,275
<b>Total Expenditures</b>	<b>\$177,129,138</b>	<b>\$223,432,340</b>	<b>\$223,728,367</b>	<b>\$223,973,439</b>	<b>\$223,983,910</b>
Proprietary Funds	177,129,138	223,432,340	223,728,367	223,973,439	223,983,910
<b>Total Funds</b>	<b>\$177,129,138</b>	<b>\$223,432,340</b>	<b>\$223,728,367</b>	<b>\$223,973,439</b>	<b>\$223,983,910</b>
<b>Total Ongoing</b>	<b>\$177,028,736</b>	<b>\$223,297,340</b>	<b>\$223,593,367</b>	<b>\$223,973,439</b>	<b>\$223,983,910</b>
<b>Total OTO</b>	<b>\$100,402</b>	<b>\$135,000</b>	<b>\$135,000</b>	<b>\$0</b>	<b>\$0</b>

*Program Description*

The Alcoholic Beverage Control Division (ABCD) provides administration of the Montana alcoholic beverage code. The division includes two bureaus:

- The Licensing and Compliance Bureau protects the welfare and safety of the public by regulating alcoholic beverage licensing laws in a uniform and fair manner
- The Liquor Distribution Bureau maintains a regulated channel of distribution to fulfill the public's demand for distilled spirits and fortified wine through agency liquor stores

*FY 2024 Appropriations Compared to FY 2024 Expenditures*

In FY 2024, the Alcoholic Beverage Control Division's HB 2 appropriations were \$223.4 million, with all of this being in proprietary funds. Of its appropriations, 79.3% was expended in FY 2024 with personal services and operating expenses being 98.8% and 85.4% expended, respectively. The largest portion of unspent authority in FY 2024 for this division is in transfers. According to the agency, funds transferred from the liquor fund to the general fund were lower-than-anticipated due to lower revenues.

*FY 2024 Appropriations Compared to FY 2025 Appropriations*

Comparing the appropriations for FY 2025 to that of FY 2024 within the Alcoholic Beverage Control Division, FY 2025 is 0.1% greater in appropriations.

**Present Law Adjustments**

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	-----Fiscal 2026-----					-----Fiscal 2027-----				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	0	0	(14,501)	0.00	0	0	0	(7,582)
DP 2 - Fixed Costs	0.00	0	0	0	(21,258)	0.00	0	0	0	(18,961)
DP 3 - Inflation Deflation	0.00	0	0	0	(169)	0.00	0	0	0	(114)
DP 301 - ABCD Warehouse Administrative Resources	0.00	0	0	0	51,000	0.00	0	0	0	52,200
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$15,072</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$25,543</b>

\*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2025 biennium



Department of Revenue Alcoholic Beverage Control Division FY 2026 Statewide Present Law Adjustment for Personal Services (DP1)	
Legislative Changes	\$ 106,616
Management Changes	(121,117)
Total Budget Modifications	-
Total	\$ (14,501)

The executive requests a decrease in personal services funding in the upcoming biennium. The increase in personal services within legislative changes is due to statutory pay increases as well as increased costs in benefits. Within management changes, this decrease is due to vacancy savings and hiring positions at different rates throughout the interim.

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: audit fees, Capitol complex rent, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include in-state state motor pool and motor pool leased vehicles.

DP 301 - ABCD Warehouse Administrative Resources -

The executive requests an increase in proprietary authority for the upcoming biennium. This increase will be used towards operating and maintenance costs associated with the liquor warehouse expansion.

**New Proposals**

The "New Proposals" table shows new proposals for spending.

New Proposals	-----Fiscal 2026-----					-----Fiscal 2027-----				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 302 - ABCD Overtime, Temp Staff, and Termination Payouts (BIEN)	0.00	0	0	0	365,000	0.00	0	0	0	365,000
<b>Total</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$365,000</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$365,000</b>

\*\*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 302 - ABCD Overtime, Temp Staff, and Termination Payouts (BIEN) -

The executive requests an increase in proprietary funding in the 2027 Biennium to pay personal services expenditures. These expenditures are primarily for overtime and temporary staff costs during seasons of increased demand. Also, within this request, would be the payout of accrued leave balances for employees retiring, or otherwise leaving the agency.

**LFD  
COMMENT**

Over the last several biennia, this request has been split into two separate requests for overtime and termination pay. Last biennium, as well as in previous, both were appropriated as restricted, biennial, one-time-only appropriations.

**Program Base Budget Comparison**

The following table compares the base budget with the requested expenditures for the upcoming biennium by type of expenditure and source of funding.

Program Base Budget Comparison					
Budget Item	Base Budget	Requested Budget		Biennium Change from Base	
	FY 2025	FY 2026	FY 2027	Amount	Percent
PB	35.00	42.00	42.00	7.00	10.0%
State/Other Special Rev. Funds	96,943,985	98,385,988	98,464,669	2,962,687	1.5%
<b>Total Funds</b>	<b>96,943,985</b>	<b>98,385,988</b>	<b>98,464,669</b>	<b>2,962,687</b>	<b>1.5%</b>
Personal Services	3,203,049	3,909,959	3,914,982	1,418,843	22.1%
Operating Expenses	2,565,936	3,301,029	3,374,687	1,543,844	30.1%
Transfers	91,100,000	91,100,000	91,100,000		0.0%
Debt Service	75,000	75,000	75,000		0.0%
<b>Total Expenditures</b>	<b>96,943,985</b>	<b>98,385,988</b>	<b>98,464,669</b>	<b>2,962,687</b>	<b>1.5%</b>
<b>Total Ongoing</b>	<b>96,943,985</b>	<b>98,385,988</b>	<b>98,464,669</b>	<b>2,962,687</b>	<b>1.5%</b>
<b>Total One-Time-Only</b>					<b>0.0%</b>

**Program Highlights**

<b>Cannabis Control Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The Cannabis Control Division’s 2027 biennium requested appropriations are approximately \$3.0 million or 1.5% higher than the FY 2025 base budget. Significant requested changes include:                             <ul style="list-style-type: none"> <li>◦ An increase in funding of \$1.8 million for 7.00 PB for compliance staff in relation to a statutory change</li> <li>◦ An increase in operating expenses of \$1.1 million for seed-to-sale software</li> </ul> </li> </ul>

**Executive Request**

The following table shows the total executive request with the base budget and the statewide present law adjustments, present law adjustments, and new proposals by source of funding.

Cannabis Control Division 2027 Biennium HB 2 Base Budget and Requested Adjustments										
	FY 2026					FY 2027				
	General Fund	State Special	Federal Special	Total Funds	% of Budget Request	General Fund	State Special	Federal Special	Total Funds	% of Budget Request
<b>Base Budget</b>	<b>0</b>	<b>96,943,985</b>	<b>0</b>	<b>96,943,985</b>	<b>98.5%</b>	<b>0</b>	<b>96,943,985</b>	<b>0</b>	<b>96,943,985</b>	<b>98.5%</b>
Statewide PL										
Personal Services	0	23,323	0	23,323	0.0%	0	28,345	0	28,345	0.0%
Fixed Costs	0	(13,577)	0	(13,577)	(0.0%)	0	(10,015)	0	(10,015)	(0.0%)
Inflation Deflation	0	(3,479)	0	(3,479)	(0.0%)	0	(2,352)	0	(2,352)	(0.0%)
Total Statewide PL	0	6,267	0	6,267	0.0%	0	15,978	0	15,978	0.0%
Present Law (PL)	0	1,420,236	0	1,420,236	1.4%	0	1,488,206	0	1,488,206	1.5%
New Proposals	0	15,500	0	15,500	0.0%	0	16,500	0	16,500	0.0%
<b>Total HB 2 Adjustments</b>	<b>0</b>	<b>1,442,003</b>	<b>0</b>	<b>1,442,003</b>	<b>1.5%</b>	<b>0</b>	<b>1,520,684</b>	<b>0</b>	<b>1,520,684</b>	<b>1.5%</b>
<b>Total Requested Budget</b>	<b>0</b>	<b>98,385,988</b>	<b>0</b>	<b>98,385,988</b>		<b>0</b>	<b>98,464,669</b>	<b>0</b>	<b>98,464,669</b>	

**Funding**

The following table shows proposed program funding for all sources of authority.

Department of Revenue, 04-Cannabis Control Division Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0	0.0%	
02442 Cannabis	196,850,657	0	0	0	196,850,657	100.0%	
<b>State Special Total</b>	<b>\$196,850,657</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0 \$196,850,657</b>	<b>100.0%</b>	
<b>Federal Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>	
<b>Total All Funds</b>	<b>\$196,850,657</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0 \$196,850,657</b>		

*HB 2 Appropriations*

State Special Revenue

The Cannabis Control Division is entirely funded with state special revenue generated from taxes collected on cannabis purchases as well as from fees for licensing and cardholder registration.

<b>LFD COMMENT</b>	The below chart illustrates the expenditures proposed by the executive with the revenue estimates adopted by the Revenue Interim Committee (RIC). As the revenue estimates are lower than the budgeted amounts, this appears to create a negative fund balance for the cannabis state special revenue fund in FY 2026 and FY 2027. It is important to note that the Department of Revenue will adjust the transfer from this fund to the general fund, so the fund balance will not go negative.
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Department of Revenue				
Cannabis Fund - 02442				
	Actual FY 2024	Estimated FY 2025	Proposed FY 2026	Proposed FY 2027
Beginning Balance	\$ 3,543,797	\$ 4,812,578	\$ -	\$ (35,889,094)
Revenue	59,268,658	60,970,000	63,127,000	65,288,000
Expenditures				
Department of Revenue				
Personal Services	3,592,502	6,042,325	6,133,039	6,139,461
Operating Expenses	1,115,126	1,875,560	1,903,718	1,905,712
Transfers-Out	53,226,412	57,753,960	90,866,941	90,962,089
Debt Service	65,837	110,733	112,395	112,513
Total Expenditures	57,999,877	65,782,578	99,016,094	99,119,775
Ending Fund Balance	\$ 4,812,578	\$ -	\$ (35,889,094)	\$ (69,720,869)

In FY 2025, the agency plans to reduce the amount expended through transfers to mitigate any potential negative fund balance for this fiscal year. The FY 2025 estimates assume that there is an adjustment to transfers in FY 2025. Using projected revenues adopted by RIC and the expenditures proposed in the budgeting system, there is an estimated negative fund balance in FY 2026 and FY 2027. The Legislative Fiscal Division anticipates that the transfers to the general fund will be reduced to mitigate any negative fund balance. Legislative options include:

- Reducing transfer authority within the Cannabis Control Division to reflect estimated transfers with revenue estimates from RIC. Appropriations would decrease in transfers by \$35.9 million in FY 2026 and \$33.8 million in FY 2027
- Keeping the requested transfer authority as the agency proposed. The agency will only transfer net revenues they receive. This would allow for excess appropriation authority in transfer to be utilized if revenues are higher than the estimates provided by RIC

**Program Actuals and Budget Comparison**

The following table compares FY 2024 actual expenditures, FY 2024 and FY 2025 appropriations, and the expenditures requested for FY 2026 and FY 2027 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2024	Approp. Fiscal 2024	Approp. Fiscal 2025	Request Fiscal 2026	Request Fiscal 2027
PB	0.00	35.00	35.00	42.00	42.00
Personal Services	2,995,750	2,996,251	3,203,049	3,909,959	3,914,982
Operating Expenses	991,437	1,952,352	2,565,936	3,301,029	3,374,687
Transfers	53,726,297	81,000,000	91,100,000	91,100,000	91,100,000
Debt Service	75,000	75,000	75,000	75,000	75,000
<b>Total Expenditures</b>	<b>\$57,788,484</b>	<b>\$86,023,603</b>	<b>\$96,943,985</b>	<b>\$98,385,988</b>	<b>\$98,464,669</b>
State/Other Special Rev. Funds	57,788,484	86,023,603	96,943,985	98,385,988	98,464,669
<b>Total Funds</b>	<b>\$57,788,484</b>	<b>\$86,023,603</b>	<b>\$96,943,985</b>	<b>\$98,385,988</b>	<b>\$98,464,669</b>
<b>Total Ongoing</b>	<b>\$57,788,484</b>	<b>\$86,023,603</b>	<b>\$96,943,985</b>	<b>\$98,385,988</b>	<b>\$98,464,669</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

*Program Description*

The Cannabis Control Division (CCD) is responsible for administration of the Montana Marijuana Regulation and Taxation Act. The division provides customer service, data analysis, and support to individuals, medical marijuana cardholders, and industry employees seeking a worker permit. The division is also responsible for licensing and regulatory oversight of cultivators, dispensaries, manufacturers, transporters, and testing laboratories of marijuana products for the medical and adult-use marijuana markets. The division consists of two bureaus, three regulatory support units, and the Cannabis Laboratory Program:

- The Licensing Bureau is responsible for approving registered cardholders, licensing marijuana businesses such as cultivators, manufacturers, dispensaries, testing laboratories, transporters, and issuing worker permits. The Bureau's focus is to protect the welfare and safety of the public by ensuring those who apply for a license meet the legal criteria for the cultivation, sale, and use of marijuana products in a uniform and fair manner
- The Compliance Bureau is responsible for inspection, education, and enforcement of the marijuana laws of Montana and consists of the Inspection, Synthetic Marijuana Inspection, Resolution, and Education and Outreach units
- The Inspection Unit is responsible for the health and safety of the public through the tracking of all products from seed-to-sale and holding licensees accountable for any violations of the marijuana laws
- The Synthetic Marijuana Inspection Unit works to prevent synthetic products from being sold in the state and is responsible for inspecting unlicensed businesses and educating and enforcing the prohibition on all synthetical cannabinoids
- The Resolution Unit assures that appropriate resolutions are made with licensees who are in violation of the law. This is done through a review of deficiencies found at inspection and assigns potential civil penalties, suspensions and/or revocations based on severity. This unit also entertains settlement negotiations in coordination with legal. The Education and Outreach Unit provides education to internal and external stakeholders
- The Cannabis Laboratory Program is responsible for auditing third party testing laboratories to ensure product safety and consumer protection. This is achieved through onsite laboratory audits and continuous offsite seed-to-sale monitoring of testing activities, test results, and sampling. This unit is also responsible for staying current with the latest in cannabis science, public health, and laboratory science along with providing technical expertise for the department

*FY 2024 Appropriations Compared to FY 2024 Expenditures*

The Cannabis Control Division expended 67.2% of its FY 2024 HB 2 appropriations. These appropriations are entirely within state special revenue funds with the total being \$86.0 million. Lower expenditures in FY 2024 are primarily within the transfers. According to the agency, this lower expenditure is due to the extension of a moratorium placed on licensed medical marijuana providers joining the recreational marijuana market. This moratorium was extended by the 2023 Legislature from June 30, 2023, to June 30, 2025.

FY 2024 Appropriations Compared to FY 2025 Appropriations

Appropriations for the Cannabis Control Division are 12.7% higher in FY 2025, as compared to FY 2024. The type of expenditure that experienced the largest growth from FY 2024 to FY 2025 is in transfers. Transfers increased \$10.1 million in authority, or a 12.5% increase. This is due to HB 2 language to provide the division with authority to transfer funds to various state special revenue funds and the general fund as outlined in statute (16-12-111, MCA).

**Present Law Adjustments**

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	Fiscal 2026					Fiscal 2027				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	23,323	0	23,323	0.00	0	28,345	0	28,345
DP 2 - Fixed Costs	0.00	0	(13,577)	0	(13,577)	0.00	0	(10,015)	0	(10,015)
DP 3 - Inflation Deflation	0.00	0	(3,479)	0	(3,479)	0.00	0	(2,352)	0	(2,352)
DP 401 - CCD Compliance Resources	7.00	0	901,021	0	901,021	7.00	0	881,009	0	881,009
DP 402 - CCD Contract Increase (RST, BIEN)	0.00	0	519,215	0	519,215	0.00	0	607,197	0	607,197
<b>Grand Total All Present Law Adjustments</b>	<b>7.00</b>	<b>\$0</b>	<b>\$1,426,503</b>	<b>\$0</b>	<b>\$1,426,503</b>	<b>7.00</b>	<b>\$0</b>	<b>\$1,504,184</b>	<b>\$0</b>	<b>\$1,504,184</b>

\*\*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2025 biennium

Department of Revenue Cannabis Control Division FY 2026 Statewide Present Law Adjustment for Personal Services (DP1)	
Legislative Changes	\$ 39,874
Management Changes	(16,551)
Total Budget Modifications	-
<b>Total</b>	<b>\$ 23,323</b>

The executive requests an increase in personal services in the upcoming biennium. Within the legislative changes this increase is mainly due to an increase in the cost of benefits. The decrease in management changes is due to vacancy savings within the division.

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: audit fees, Capitol complex rent, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include in-state state motor pool and motor pool leased vehicles.

DP 401 - CCD Compliance Resources -

The executive requests an increase in state special revenue authority in the upcoming biennium. As a part of this increase in authority, the executive also requests an increase of 7.00 PB within the division. With the moratorium on who qualifies for a cannabis license expiring on June 30, 2025, the division anticipates an increase of 500 new site locations. Currently, the division has 12 inspectors for approximately 1,000 site locations. The average workload is 83 inspections per inspector each year. This number only accounts for one annual inspection. However, department inspectors do complaint-based and unannounced mid-year inspections as needed. Based on the estimated increase of 500 new locations, the division requests increasing the inspector team by 6.00 PB inspectors to allow for the additional workload. Additionally, with more locations to inspect, the division anticipates an influx in deficiencies. The department currently has 1.00 PB who handles approximately 200+ cases involving some form of department regulatory action and requests an additional 1.00 PB to assist in the anticipated increase in caseload.

DP 402 - CCD Contract Increase (RST, BIEN) -

The executive requests a restricted, biennial increase in state special revenue appropriations authority for the upcoming biennium to pay for seed-to-sale software. The department pays a variety of fees including program and support fees and monthly cloud hosting fees. Some fees are based on the number of cannabis licensees, and the division estimates up to 500 additional licensees will enter the recreational cannabis market beginning July 1, 2025. The executive requests this appropriation be restricted so the department can only spend the appropriation on costs related to this software.

**New Proposals**

The "New Proposals" table shows new proposals for spending.

New Proposals	-----Fiscal 2026-----					-----Fiscal 2027-----				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 15 - DO, CCD, BITD, PAD Administrative Resources	0.00	0	15,500	0	15,500	0.00	0	16,500	0	16,500
<b>Total</b>	<b>0.00</b>	<b>\$0</b>	<b>\$15,500</b>	<b>\$0</b>	<b>\$15,500</b>	<b>0.00</b>	<b>\$0</b>	<b>\$16,500</b>	<b>\$0</b>	<b>\$16,500</b>

\*\*Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 15 - DO, CCD, BITD, PAD Administrative Resources -

The executive requests an increase in state special revenue appropriation authority in the upcoming biennium. This request would be utilized towards rental space in Livingston, Boulder, and Butte for staff of various divisions. As the agency experiences challenges in recruitment and training in high cost-of-living locations, this allows for staff of multiple divisions to work in one location to limit the need for travel.



**Program Base Budget Comparison**

The following table compares the base budget with the requested expenditures for the upcoming biennium by type of expenditure and source of funding.

Program Base Budget Comparison					
Budget Item	Base Budget	Requested Budget		Biennium Change from Base	
	FY 2025	FY 2026	FY 2027	Amount	Percent
PB	70.95	70.95	70.95	0.00	0.0%
General Fund	7,252,044	7,343,280	7,426,918	266,110	1.8%
State/Other Special Rev. Funds	146,597	146,597	146,597		0.0%
Proprietary Funds	16,890	16,890	16,890		0.0%
<b>Total Funds</b>	<b>7,415,531</b>	<b>7,506,767</b>	<b>7,590,405</b>	<b>266,110</b>	<b>1.8%</b>
Personal Services	5,159,108	5,161,496	5,173,755	17,035	0.2%
Operating Expenses	2,000,168	2,089,016	2,160,395	249,075	6.2%
Debt Service	256,255	256,255	256,255		0.0%
<b>Total Expenditures</b>	<b>7,415,531</b>	<b>7,506,767</b>	<b>7,590,405</b>	<b>266,110</b>	<b>1.8%</b>
<b>Total Ongoing</b>	<b>7,415,531</b>	<b>7,506,767</b>	<b>7,590,405</b>	<b>266,110</b>	<b>1.8%</b>
<b>Total One-Time-Only</b>					<b>0.0%</b>

**Program Highlights**

Information Management and Collections Major Budget Highlights
<ul style="list-style-type: none"> <li>• The Information Management and Collections Division’s 2027 biennium requested appropriations are approximately \$266,000 or 1.8% higher than the FY 2025 base budget. Significant requested changes include:                             <ul style="list-style-type: none"> <li>◦ Operating expenses increase by \$120,000 in the upcoming biennium due to increases in printing, postage, and information technology costs</li> </ul> </li> </ul>

**Executive Request**

The following table shows the total executive request with the base budget and the statewide present law adjustments, present law adjustments, and new proposals by source of funding.

Information Management and Collections Division 2027 Biennium HB 2 Base Budget and Requested Adjustments										
	FY 2026					FY 2027				
	General Fund	State Special	Federal Special	Total Funds	% of Budget Request	General Fund	State Special	Federal Special	Total Funds	% of Budget Request
<b>Base Budget</b>	<b>7,252,044</b>	<b>146,597</b>	<b>0</b>	<b>7,415,531</b>	<b>98.8%</b>	<b>7,252,044</b>	<b>146,597</b>	<b>0</b>	<b>7,415,531</b>	<b>97.7%</b>
Statewide PL										
Personal Services	2,388	0	0	2,388	0.0%	14,647	0	0	14,647	0.2%
Fixed Costs	37,848	0	0	37,848	0.5%	45,227	0	0	45,227	0.6%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
<b>Total Statewide PL</b>	<b>40,236</b>	<b>0</b>	<b>0</b>	<b>40,236</b>	<b>0.5%</b>	<b>59,874</b>	<b>0</b>	<b>0</b>	<b>59,874</b>	<b>0.8%</b>
Present Law (PL)	51,000	0	0	51,000	0.7%	115,000	0	0	115,000	1.5%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
<b>Total HB 2 Adjustments</b>	<b>91,236</b>	<b>0</b>	<b>0</b>	<b>91,236</b>	<b>1.2%</b>	<b>174,874</b>	<b>0</b>	<b>0</b>	<b>174,874</b>	<b>2.3%</b>
<b>Total Requested Budget</b>	<b>7,343,280</b>	<b>146,597</b>	<b>0</b>	<b>7,506,767</b>		<b>7,426,918</b>	<b>146,597</b>	<b>0</b>	<b>7,590,405</b>	

**Funding**

The following table shows proposed program funding for all sources of authority.

Department of Revenue, 05-Information Management and Collections Division Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	14,770,198	0	0	0	14,770,198	93.5%
02025 Unclaimed Property	52,630	0	0	0	52,630	18.0%
02088 SSR Administrative Funds	55,404	0	0	0	55,404	18.9%
02442 Cannabis	185,160	0	0	0	185,160	63.2%
<b>State Special Total</b>	<b>\$293,194</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$293,194</b>	<b>1.9%</b>
<b>Federal Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>
06005 Liquor Division	33,780	0	0	0	33,780	4.6%
06554 Bad Debt Collection Services	0	0	700,666	0	700,666	95.4%
<b>Proprietary Total</b>	<b>\$33,780</b>	<b>\$0</b>	<b>\$700,666</b>	<b>\$0</b>	<b>\$734,446</b>	<b>4.6%</b>
<b>Total All Funds</b>	<b>\$15,097,172</b>	<b>\$0</b>	<b>\$700,666</b>	<b>\$0</b>	<b>\$15,797,838</b>	

*HB 2 Appropriations*

General Fund

The majority of the Information Management and Collections Division’s total appropriation authority comes from general fund and supports personal service and operational expenditures of the division.

State Special Revenue

State special revenue funds the division’s administration of the livestock per capita fee, medical marijuana tax, recreational marijuana tax, and unclaimed property program. Further explanation for the unclaimed property fund is done in the Business and Income Taxes Division.

Proprietary

Appropriations from the liquor enterprise fund supports tax and revenue data collections for the Information Management and Collections Divisions.

*Non-Budgeted Proprietary Funds*

The finances of the bad debt collection services are funded with non-budgeted proprietary funds which will be discussed in the report on non-budgeted proprietary funds.

**Program Actuals and Budget Comparison**

The following table compares FY 2024 actual expenditures, FY 2024 and FY 2025 appropriations, and the expenditures requested for FY 2026 and FY 2027 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2024	Approp. Fiscal 2024	Approp. Fiscal 2025	Request Fiscal 2026	Request Fiscal 2027
PB	0.00	70.95	70.95	70.95	70.95
Personal Services	4,263,818	4,264,329	5,159,108	5,161,496	5,173,755
Operating Expenses	1,864,461	1,901,202	2,000,168	2,089,016	2,160,395
Equipment & Intangible Assets	69,429	69,429	0	0	0
Debt Service	265,400	265,400	256,255	256,255	256,255
<b>Total Expenditures</b>	<b>\$6,463,108</b>	<b>\$6,500,360</b>	<b>\$7,415,531</b>	<b>\$7,506,767</b>	<b>\$7,590,405</b>
General Fund	6,326,346	6,336,854	7,252,044	7,343,280	7,426,918
State/Other Special Rev. Funds	119,865	146,610	146,597	146,597	146,597
Proprietary Funds	16,897	16,896	16,890	16,890	16,890
<b>Total Funds</b>	<b>\$6,463,108</b>	<b>\$6,500,360</b>	<b>\$7,415,531</b>	<b>\$7,506,767</b>	<b>\$7,590,405</b>
<b>Total Ongoing</b>	<b>\$6,463,108</b>	<b>\$6,500,360</b>	<b>\$7,415,531</b>	<b>\$7,506,767</b>	<b>\$7,590,405</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

*Program Description*

The Information Management and Collections Division (IMCD) is responsible for processing tax returns, refunds, and payments timely and accurately; integrating improved technology to enhance the user experience; increasing electronic filings, resolving overdue debt, and collecting of other state debt. IMCD consists of two bureaus and four units:

The Collections Bureau is responsible for administering collection activities associated with delinquent taxes statutorily administered by the department. These activities include contacting taxpayers by phone and/or letter to establish payment arrangements, filing warrants for distraint to secure the state's interest on outstanding tax liabilities, and initiating wage and fund levies to secure payment of debts

The Information Management Bureau processes tax information, returns, and payments, and ensures the integrity and security of that data. The bureau also maintains and advances electronic alternatives for submission of data to meet the changing demands of tax compliance. The bureau is organized into three units: the Digitization Unit, the Information Governance Unit, and the Customer and Payment Management Unit

The Statewide Collections and Program Planning Unit coordinates the offset of payments from state agencies against debts owed to other state agencies, local governments entities, and universities that are considered uncollectible

*FY 2024 Appropriations Compared to FY 2024 Expenditures*

The Information Management and Collections Division expended 99.4% of its total HB 2 appropriations. This is in line with anticipated expenditures at the end of the fiscal year.

*FY 2024 Appropriations Compared to FY 2025 Appropriations*

Appropriations in FY 2025 are 14.1% greater than that of FY 2024. The main reason for the large increase in appropriations from FY 2024 to FY 2025 is due a transfer of funding from IMCD to the Technology Services Division. This HB 2 budget modification reduced the authority for this division in FY 2024, thus increasing the difference when compared to FY 2025.

**Present Law Adjustments**

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	-----Fiscal 2026-----					-----Fiscal 2027-----				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	2,388	0	0	2,388	0.00	14,647	0	0	14,647
DP 2 - Fixed Costs	0.00	37,848	0	0	37,848	0.00	45,227	0	0	45,227
DP 16 - TSD, PAD, and IMCD - Administrative Cost Adjustment	0.00	11,000	0	0	11,000	0.00	35,000	0	0	35,000
DP 501 - IMCD Administrative Resources	0.00	40,000	0	0	40,000	0.00	80,000	0	0	80,000
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$91,236</b>	<b>\$0</b>	<b>\$0</b>	<b>\$91,236</b>	<b>0.00</b>	<b>\$174,874</b>	<b>\$0</b>	<b>\$0</b>	<b>\$174,874</b>

\*\*Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2025 biennium

Department of Revenue Information Management and Collections Division FY 2026 Statewide Present Law Adjustment for Personal Services (DP1)	
Legislative Changes	\$ 90,927
Management Changes	(88,539)
Total Budget Modifications	-
<b>Total</b>	<b>\$ 2,388</b>

The executive requests an increase in personal services funding within this division. Within legislative changes, this increase is primarily because of the increase in cost of benefits. Management changes is decreased due mainly to vacancy savings as well as changes in the median market pay rate for vacant positions.

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: audit fees, Capitol complex rent, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 16 - TSD, PAD, and IMCD - Administrative Cost Adjustment -

The executive requests an increase in general fund appropriation authority for the upcoming biennium. This requested increase is due to the increase in parking costs associated with staff located at the Donovan building, which is in downtown Helena. This increase also includes a possible increase in leasing expenses as the current lease expires on December 30, 2026.

DP 501 - IMCD Administrative Resources -

The executive requests an increase of general fund appropriations for the upcoming biennium. This increase is for an increase in printing and postage costs due to inflation.

**Program Base Budget Comparison**

The following table compares the base budget with the requested expenditures for the upcoming biennium by type of expenditure and source of funding.

Program Base Budget Comparison					
Budget Item	Base Budget	Requested Budget		Biennium Change from Base	
	FY 2025	FY 2026	FY 2027	Amount	Percent
PB	134.36	135.50	135.50	1.14	0.4%
General Fund	12,436,572	12,778,037	12,842,075	746,968	3.0%
State/Other Special Rev. Funds	926,758	951,758	976,758	75,000	4.0%
Federal Spec. Rev. Funds	503,023	503,023	503,023		0.0%
<b>Total Funds</b>	<b>13,866,353</b>	<b>14,232,818</b>	<b>14,321,856</b>	<b>821,968</b>	<b>3.0%</b>
Personal Services	11,731,091	11,837,433	11,897,874	273,125	1.2%
Operating Expenses	2,127,704	2,387,827	2,416,424	548,843	12.9%
Debt Service	7,558	7,558	7,558		0.0%
<b>Total Expenditures</b>	<b>13,866,353</b>	<b>14,232,818</b>	<b>14,321,856</b>	<b>821,968</b>	<b>3.0%</b>
<b>Total Ongoing</b>	<b>13,866,353</b>	<b>14,232,818</b>	<b>14,321,856</b>	<b>821,968</b>	<b>3.0%</b>
<b>Total One-Time-Only</b>					<b>0.0%</b>

**Program Highlights**

<b>Business and Income Taxes Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The Business and Income Taxes Division’s 2027 biennium requested appropriations are approximately \$822,000 or 3.0% higher than the FY 2025 base budget. Significant requested changes include:                             <ul style="list-style-type: none"> <li>◦ Operating expenses are requested to increase 12.9%, or \$549,000, primarily due to an increase in fixed costs related to information technology and administrative service costs</li> </ul> </li> </ul>

**Executive Request**

The following table shows the total executive request with the base budget and the statewide present law adjustments, present law adjustments, and new proposals by source of funding.

Business and Income Taxes Division 2027 Biennium HB 2 Base Budget and Requested Adjustments										
	FY 2026					FY 2027				
	General Fund	State Special	Federal Special	Total Funds	% of Budget Request	General Fund	State Special	Federal Special	Total Funds	% of Budget Request
<b>Base Budget</b>	<b>12,436,572</b>	<b>926,758</b>	<b>503,023</b>	<b>13,866,353</b>	<b>97.4%</b>	<b>12,436,572</b>	<b>926,758</b>	<b>503,023</b>	<b>13,866,353</b>	<b>96.8%</b>
Statewide PL										
Personal Services	22,629	0	0	22,629	0.2%	58,069	0	0	58,069	0.4%
Fixed Costs	244,739	0	0	244,739	1.7%	272,298	0	0	272,298	1.9%
Inflation Deflation	(116)	0	0	(116)	(0.0%)	(78)	0	0	(78)	(0.0%)
<b>Total Statewide PL</b>	<b>267,252</b>	<b>0</b>	<b>0</b>	<b>267,252</b>	<b>1.9%</b>	<b>330,289</b>	<b>0</b>	<b>0</b>	<b>330,289</b>	<b>2.3%</b>
Present Law (PL)	58,713	25,000	0	83,713	0.6%	58,714	50,000	0	108,714	0.8%
New Proposals	15,500	0	0	15,500	0.1%	16,500	0	0	16,500	0.1%
<b>Total HB 2 Adjustments</b>	<b>341,465</b>	<b>25,000</b>	<b>0</b>	<b>366,465</b>	<b>2.6%</b>	<b>405,503</b>	<b>50,000</b>	<b>0</b>	<b>455,503</b>	<b>3.2%</b>
<b>Total Requested Budget</b>	<b>12,778,037</b>	<b>951,758</b>	<b>503,023</b>	<b>14,232,818</b>		<b>12,842,075</b>	<b>976,758</b>	<b>503,023</b>	<b>14,321,856</b>	

**Funding**

The following table shows proposed program funding for all sources of authority.

Department of Revenue, 07-Business and Income Taxes Division Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	25,620,112	0	0	0	25,620,112	89.5%	
02020 Cigarette Tax Stamps	0	0	0	60,000	60,000	3.0%	
02025 Unclaimed Property	920,710	0	0	0	920,710	46.1%	
02110 Accommodation Tax Admin	264,236	0	0	0	264,236	13.2%	
02293 Film Applications Credit	0	0	0	7,042	7,042	0.4%	
02442 Cannabis	363,424	0	0	0	363,424	18.2%	
02790 6901-Statewide Tobacco Stllmnt	380,146	0	0	0	380,146	19.0%	
<b>State Special Total</b>	<b>\$1,928,516</b>	<b>\$0</b>	<b>\$0</b>	<b>\$67,042</b>	<b>\$1,995,558</b>	<b>7.0%</b>	
03928 Royalty Audit - NRCT	1,006,046	0	0	0	1,006,046	100.0%	
<b>Federal Special Total</b>	<b>\$1,006,046</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,006,046</b>	<b>3.5%</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>	
<b>Total All Funds</b>	<b>\$28,554,674</b>	<b>\$0</b>	<b>\$0</b>	<b>\$67,042</b>	<b>\$28,621,716</b>		

*HB 2 Appropriations*

General Fund

The Business and Income Taxes Division is primarily funded with general fund authority. General fund supports most of the division’s personal services and operating expenses.

State Special Revenue

State special revenue comes from the unclaimed property fund for program support, tobacco tax compliance activities, cannabis tax compliance activities, and accommodations tax which funds expenses related to administering the tax.

Federal Special Revenue

Federal special revenue comes from reimbursements for performing mineral royalty audits.

*Statutory Appropriations*

The Business and Income Taxes Division has statutory authority for the Montana Economic Development Industry Advancement (MEDIA) Act film tax credit fee and the cigarette tax stamps. The Montana Legislature established the MEDIA Act (2019 Legislative Session) which provides a transferable income tax credit to eligible film production companies. To determine a company's eligibility, they must apply with both the Department of Commerce and the Department of Revenue. Statutory authority for the cigarette tax stamps results from the State of Montana charging a tax on cigarettes sold by selling tax decals to wholesalers who then attach the decal to each pack of cigarettes sold in Montana.

**Program Actuals and Budget Comparison**

The following table compares FY 2024 actual expenditures, FY 2024 and FY 2025 appropriations, and the expenditures requested for FY 2026 and FY 2027 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2024	Approp. Fiscal 2024	Approp. Fiscal 2025	Request Fiscal 2026	Request Fiscal 2027
PB	0.00	134.36	134.36	135.50	135.50
Personal Services	11,336,344	11,343,799	11,731,091	11,837,433	11,897,874
Operating Expenses	2,198,127	2,207,512	2,127,704	2,387,827	2,416,424
Debt Service	8,122	8,122	7,558	7,558	7,558
<b>Total Expenditures</b>	<b>\$13,542,593</b>	<b>\$13,559,433</b>	<b>\$13,866,353</b>	<b>\$14,232,818</b>	<b>\$14,321,856</b>
General Fund	11,541,905	11,558,001	12,436,572	12,778,037	12,842,075
State/Other Special Rev. Funds	1,498,513	1,499,257	926,758	951,758	976,758
Federal Spec. Rev. Funds	502,175	502,175	503,023	503,023	503,023
<b>Total Funds</b>	<b>\$13,542,593</b>	<b>\$13,559,433</b>	<b>\$13,866,353</b>	<b>\$14,232,818</b>	<b>\$14,321,856</b>
<b>Total Ongoing</b>	<b>\$12,925,983</b>	<b>\$12,942,582</b>	<b>\$13,866,353</b>	<b>\$14,232,818</b>	<b>\$14,321,856</b>
<b>Total OTO</b>	<b>\$616,610</b>	<b>\$616,851</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

*Program Description*

The Business and Income Taxes Division (BITD) is responsible for the administration and collection of roughly 40 Montana taxes and fees. BITD also determines valuation of all centrally assessed property in the state.

BITD is responsible for equal tax administration, tax type expertise, taxpayer education and outreach, auditing, identification of non-filers, and overall tax compliance.

BITD is comprised of numerous division and units, which include:

- The Analytics and Planning Bureau houses the division's management analysts and tax specialists. These employees focus on the division's compliance efforts, forms and administrative rule development, and finding and implementing efficiencies
- The Audits and Pass-through Bureau is responsible for administering certain aspects of Montana's individual income tax laws found in Title 15, Chapter 30. To facilitate this work, the bureau is organized into two units:
  - The Pass-through Unit processes, analyzes, and audits the pass-through returns filed with the department. The unit is also responsible for managing the Montana Economic Development Industry Advancement (MEDIA) Act Tax Credit
  - The Field Audit Unit performs compliance activities related to complex income tax issues found on Montana's individual income tax form
- The Business Taxes and Fees Bureau manages over 25 taxes and fees. The bureau is organized into three units:
  - Business Tax Unit
  - Unclaimed Property/Contractor Gross Receipts Unit
  - Centrally Assessed Property Unit



- The Income and Withholding Tax Bureau is responsible for the daily management and compliance of individual and withholding taxes. The bureau is organized into three units:
  - Compliance Unit
  - Withholding Unit
  - Taxpayer Accounting Unit
- The Natural Resources and Corporate Taxes Bureau is organized into two units:
  - The Natural Resources Unit administers the state's natural resource taxes, which includes the federal royalty program
  - The Corporate Income Tax Unit ensures compliance with Montana's corporate income tax code

*FY 2024 Appropriations Compared to FY 2024 Expenditures*

The Business and Income Taxes Division within the Department of Revenue expended 99.9% of its FY 2024 HB 2 appropriations. This is in line with anticipated expenditures at the end of the fiscal year.

*FY 2024 Appropriations Compared to FY 2025 Appropriations*

In comparing appropriations in FY 2025 to that of FY 2024 for the Business and Income Taxes Division, FY 2025 appropriations are 2.3% higher. The largest portion of these changes are within personal services with the primary reason being the HB 13 pay plan funding being greater in FY 2025.

**Present Law Adjustments**

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	-----Fiscal 2026-----					-----Fiscal 2027-----				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	22,629	0	0	22,629	0.00	58,069	0	0	58,069
DP 2 - Fixed Costs	0.00	244,739	0	0	244,739	0.00	272,298	0	0	272,298
DP 3 - Inflation Deflation	0.00	(116)	0	0	(116)	0.00	(78)	0	0	(78)
DP 701 - BITD Cannabis Local-Option Tax Administration	0.00	0	25,000	0	25,000	0.00	0	50,000	0	50,000
DP 702 - BITD Administrative Resources	1.14	58,713	0	0	58,713	1.14	58,714	0	0	58,714
<b>Grand Total All Present Law Adjustments</b>	<b>1.14</b>	<b>\$325,965</b>	<b>\$25,000</b>	<b>\$0</b>	<b>\$350,965</b>	<b>1.14</b>	<b>\$389,003</b>	<b>\$50,000</b>	<b>\$0</b>	<b>\$439,003</b>

\*\*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2025 biennium

Department of Revenue Business and Income Taxes Division FY 2026 Statewide Present Law Adjustment for Personal Services (DP1)	
Legislative Changes	\$ 43,552
Management Changes	(20,923)
Total Budget Modifications	-
Total	\$ 22,629

The executive requests an increase in personal services funding within this division. This increase is in legislative changes and because of the increase in costs of benefits. This increase is partially offset with a decrease in management changes, which is primarily due to vacancy savings.

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: audit fees, Capitol complex rent, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include in-state state motor pool and motor pool leased vehicles.

DP 701 - BITD Cannabis Local-Option Tax Administration -

The executive requests an increase in state special revenue appropriations authority for the 2027 biennium for the administration of the cannabis local-option tax. This increase is all within the cannabis state special revenue fund. In 16-12-310, MCA, the department is required to retain a percentage of the cannabis local-option tax collected. However, the department does not have an appropriation to spend this revenue. The requested budget authority would be spent on time spent administering the cannabis local-option tax in BIT. These duties include estimating, auditing, and adjusting tax returns as needed.

DP 702 - BITD Administrative Resources -

The executive requests an increase in general fund appropriation authority, as well as an increase of 1.14 PB for the upcoming biennium. Currently, the division has three auditing technician positions that are budgeted for 0.41, 0.75, and 0.70 PB, respectively. This PB request would fill these to 1.00 PB each, to more accurately represent the work these employees are doing. The division currently uses modified positions to make these positions 1.00 PB each.

**New Proposals**

The "New Proposals" table shows new proposals for spending.

New Proposals	-----Fiscal 2026-----					-----Fiscal 2027-----				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 15 - DO, CCD, BITD, PAD Administrative Resources	0.00	15,500	0	0	15,500	0.00	16,500	0	0	16,500
<b>Total</b>	<b>0.00</b>	<b>\$15,500</b>	<b>\$0</b>	<b>\$0</b>	<b>\$15,500</b>	<b>0.00</b>	<b>\$16,500</b>	<b>\$0</b>	<b>\$0</b>	<b>\$16,500</b>

\*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 15 - DO, CCD, BITD, PAD Administrative Resources -

The executive requests an increase in general fund appropriation authority in the upcoming biennium. This request would be utilized towards rental space in Livingston, Boulder, and Butte for staff of various divisions. As the agency experiences challenges in recruitment and training in high cost-of-living locations, this allows for staff of multiple divisions to work in one location to limit the need for travel.

**Program Base Budget Comparison**

The following table compares the base budget with the requested expenditures for the upcoming biennium by type of expenditure and source of funding.

Program Base Budget Comparison					
Budget Item	Base Budget	Requested Budget		Biennium Change from Base	
	FY 2025	FY 2026	FY 2027	Amount	Percent
PB	287.42	287.42	287.42	0.00	0.0%
General Fund	27,035,288	27,780,826	27,928,498	1,638,748	3.0%
State/Other Special Rev. Funds	17,276	17,276	17,276		0.0%
<b>Total Funds</b>	<b>27,052,564</b>	<b>27,798,102</b>	<b>27,945,774</b>	<b>1,638,748</b>	<b>3.0%</b>
Personal Services	22,754,166	22,665,973	22,730,426	(111,933)	(0.2%)
Operating Expenses	3,445,263	4,278,994	4,362,213	1,750,681	25.4%
Debt Service	853,135	853,135	853,135		0.0%
<b>Total Expenditures</b>	<b>27,052,564</b>	<b>27,798,102</b>	<b>27,945,774</b>	<b>1,638,748</b>	<b>3.0%</b>
<b>Total Ongoing</b>	<b>27,052,564</b>	<b>27,798,102</b>	<b>27,945,774</b>	<b>1,638,748</b>	<b>3.0%</b>
<b>Total One-Time-Only</b>					<b>0.0%</b>

**Program Highlights**

<b>Property Assessment Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The Property Assessment Division's 2027 biennium requested appropriations are approximately \$1.6 million or 3.0% higher than the FY 2025 base budget. Significant requested changes include:                             <ul style="list-style-type: none"> <li>◦ An increase in appropriations of \$224,000 due to rental space expenses for staffing needs in Livingston, Butte, and Boulder</li> <li>◦ An increase of \$431,000 in appropriations for fixed costs with this mainly due to information technology costs</li> <li>◦ \$1.0 million of increased appropriations that is contingent on other legislation for the implementation of property tax revisions</li> </ul> </li> </ul>

**Executive Request**

The following table shows the total executive request with the base budget and the statewide present law adjustments, present law adjustments, and new proposals by source of funding.

Property Assessment Division 2027 Biennium HB 2 Base Budget and Requested Adjustments										
	FY 2026					FY 2027				
	General Fund	State Special	Federal Special	Total Funds	% of Budget Request	General Fund	State Special	Federal Special	Total Funds	% of Budget Request
<b>Base Budget</b>	<b>27,035,288</b>	<b>17,276</b>	<b>0</b>	<b>27,052,564</b>	<b>97.3%</b>	<b>27,035,288</b>	<b>17,276</b>	<b>0</b>	<b>27,052,564</b>	<b>96.8%</b>
Statewide PL										
Personal Services	(88,193)	0	0	(88,193)	(0.3%)	(23,740)	0	0	(23,740)	(0.1%)
Fixed Costs	201,764	0	0	201,764	0.7%	229,383	0	0	229,383	0.8%
Inflation Deflation	(26,533)	0	0	(26,533)	(0.1%)	(17,933)	0	0	(17,933)	(0.1%)
<b>Total Statewide PL</b>	<b>87,038</b>	<b>0</b>	<b>0</b>	<b>87,038</b>	<b>0.3%</b>	<b>187,710</b>	<b>0</b>	<b>0</b>	<b>187,710</b>	<b>0.7%</b>
Present Law (PL)	50,000	0	0	50,000	0.2%	90,000	0	0	90,000	0.3%
New Proposals	608,500	0	0	608,500	2.2%	615,500	0	0	615,500	2.2%
<b>Total HB 2 Adjustments</b>	<b>745,538</b>	<b>0</b>	<b>0</b>	<b>745,538</b>	<b>2.7%</b>	<b>893,210</b>	<b>0</b>	<b>0</b>	<b>893,210</b>	<b>3.2%</b>
<b>Total Requested Budget</b>	<b>27,780,826</b>	<b>17,276</b>	<b>0</b>	<b>27,798,102</b>		<b>27,928,498</b>	<b>17,276</b>	<b>0</b>	<b>27,945,774</b>	

**Funding**

The following table shows proposed program funding for all sources of authority.

Department of Revenue, 08-Property Assessment Division Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	55,709,324	0	0	0	55,709,324	99.9%	
02088 SSR Administrative Funds	28,552	0	0	0	28,552	82.6%	
02320 Property Value, Improv. Fund	6,000	0	0	0	6,000	17.4%	
<b>State Special Total</b>	<b>\$34,552</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$34,552</b>	<b>0.1%</b>	
<b>Federal Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>	
<b>Total All Funds</b>	<b>\$55,743,876</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$55,743,876</b>		

*HB 2 Appropriations*

General Fund

The Property Assessment Division is almost entirely funded through general fund appropriations to support its business operations.

State Special Revenue

There is a small portion from state special revenue for the livestock per capita fee and the property valuation improvement fund. The livestock per capita fee fund is funded through fees placed on various livestock to impose livestock laws. The appropriations from this fund within the division are a percentage of the total fund used to help collect the fee. The property valuation improvement fund charges a photocopy fee in the county offices throughout the state. This fee is used to reimburse the cost of developing and maintaining the property valuation database.

**Program Actuals and Budget Comparison**

The following table compares FY 2024 actual expenditures, FY 2024 and FY 2025 appropriations, and the expenditures requested for FY 2026 and FY 2027 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2024	Approp. Fiscal 2024	Approp. Fiscal 2025	Request Fiscal 2026	Request Fiscal 2027
PB	0.00	287.42	287.42	287.42	287.42
Personal Services	21,492,991	21,495,898	22,754,166	22,665,973	22,730,426
Operating Expenses	3,433,013	3,456,005	3,445,263	4,278,994	4,362,213
Debt Service	881,911	881,911	853,135	853,135	853,135
<b>Total Expenditures</b>	<b>\$25,807,915</b>	<b>\$25,833,814</b>	<b>\$27,052,564</b>	<b>\$27,798,102</b>	<b>\$27,945,774</b>
General Fund	25,793,632	25,816,538	27,035,288	27,780,826	27,928,498
State/Other Special Rev. Funds	14,283	17,276	17,276	17,276	17,276
<b>Total Funds</b>	<b>\$25,807,915</b>	<b>\$25,833,814</b>	<b>\$27,052,564</b>	<b>\$27,798,102</b>	<b>\$27,945,774</b>
<b>Total Ongoing</b>	<b>\$25,807,915</b>	<b>\$25,833,814</b>	<b>\$27,052,564</b>	<b>\$27,798,102</b>	<b>\$27,945,774</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

*Program Description*

The Property Assessment Division (PAD) is responsible for Montana's property tax laws, including the valuation of all taxable property for property tax purposes. The division ensures that property classes for agricultural and forest land, residential and commercial property, and business equipment are valued uniformly and equally throughout the state. The division provides each tax jurisdiction with the total taxable value of property in the jurisdiction and local governments use these certified values to determine property taxes used to fund community services such as public schools and road construction.

*FY 2024 Appropriations Compared to FY 2024 Expenditures*

The Property Assessment Division expended 99.9% of its FY 2024 appropriations, with the primary expenditure being within personal services. This is in line with anticipated expenditures at this point in the fiscal year.

*FY 2024 Appropriations Compared to FY 2025 Appropriations*

FY 2025 appropriations for the Property Assessment Division are 4.7% higher than that of FY 2024. Growth in appropriations primarily occurs within personal services, with a \$1.2 million increase from FY 2024 to FY 2025. This increase is primarily due to the HB 13 pay plan funding.

**Present Law Adjustments**

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

	Fiscal 2026					Fiscal 2027				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	(88,193)	0	0	(88,193)	0.00	(23,740)	0	0	(23,740)
DP 2 - Fixed Costs	0.00	201,764	0	0	201,764	0.00	229,383	0	0	229,383
DP 3 - Inflation Deflation	0.00	(26,533)	0	0	(26,533)	0.00	(17,933)	0	0	(17,933)
DP 16 - TSD, PAD, and IMCD - Administrative Cost Adjustment	0.00	50,000	0	0	50,000	0.00	90,000	0	0	90,000
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$137,038</b>	<b>\$0</b>	<b>\$0</b>	<b>\$137,038</b>	<b>0.00</b>	<b>\$277,710</b>	<b>\$0</b>	<b>\$0</b>	<b>\$277,710</b>

\*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2025 biennium

Department of Revenue Property Assessment Division FY 2026 Statewide Present Law Adjustment for Personal Services (DP1)	
Legislative Changes	\$ 270,940
Management Changes	(359,133)
Total Budget Modifications	-
<b>Total</b>	<b>\$ (88,193)</b>

The executive requests a decrease in personal services funding for the upcoming biennium. Within legislative changes the increase shown is the increase in cost of benefits for the division. The decrease within management changes is mainly due to the vacancy savings within the division.

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: audit fees, Capitol complex rent, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include in-state state motor pool and motor pool leased vehicles.

DP 16 - TSD, PAD, and IMCD - Administrative Cost Adjustment -

The executive requests an increase in general fund appropriations for the upcoming biennium. This requested increase is due to the increase in parking costs associated with staff located at the Donovan building, which is located in downtown Helena. This increase also includes a possible increase in leasing expenses as the current lease expires on December 30, 2026.

**New Proposals**

The "New Proposals" table shows new proposals for spending.

New Proposals	-----Fiscal 2026-----					-----Fiscal 2027-----				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 15 - DO, CCD, BITD, PAD Administrative Resources	0.00	108,500	0	0	108,500	0.00	115,500	0	0	115,500
DP 801 - PAD Property Tax Revision Implementation (BIEN)	0.00	500,000	0	0	500,000	0.00	500,000	0	0	500,000
<b>Total</b>	<b>0.00</b>	<b>\$608,500</b>	<b>\$0</b>	<b>\$0</b>	<b>\$608,500</b>	<b>0.00</b>	<b>\$615,500</b>	<b>\$0</b>	<b>\$0</b>	<b>\$615,500</b>

\*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 15 - DO, CCD, BITD, PAD Administrative Resources -

The executive requests an increase in general fund appropriation authority in the upcoming biennium. This request would be utilized towards rental space in Livingston, Boulder, and Butte for staff of various divisions. As the agency experiences challenges in recruitment and training in high cost-of-living locations, this allows for staff of multiple divisions to work in one location to limit the need for travel.

DP 801 - PAD Property Tax Revision Implementation (BIEN) -

The executive requests an increase in general fund appropriations in the upcoming biennium, contingent on proposed legislation. The proposed increase would be utilized towards costs associated with PB and other operating expenses.

<b>LFD COMMENT</b>	DP 801 is contingent on LC0173 and may change in both appropriation and PB requested. The agency is currently working with the executive to finalize details on this request. The Legislative Finance Committee generally recommends that subcommittees not pass contingent DPs until the corresponding bill has passed. If the subcommittee wishes to approve this funding, the committee might consider language in HB 2 that this funding is contingent on approval of related legislation.
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