



# MONTANA LEGISLATIVE BRANCH

## Legislative Fiscal Division

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### Summary of HB 924 (2025 Session): Montana Growth and Opportunity Trust

HB 924 was passed by the 69<sup>th</sup> Legislature during the 2025 Session. This bill creates a significant state trust, the Montana Growth and Opportunity Trust, or GO Trust, and makes several other meaningful changes to existing components of state finance. The purpose of this memo is to summarize this bill and its various impacts.

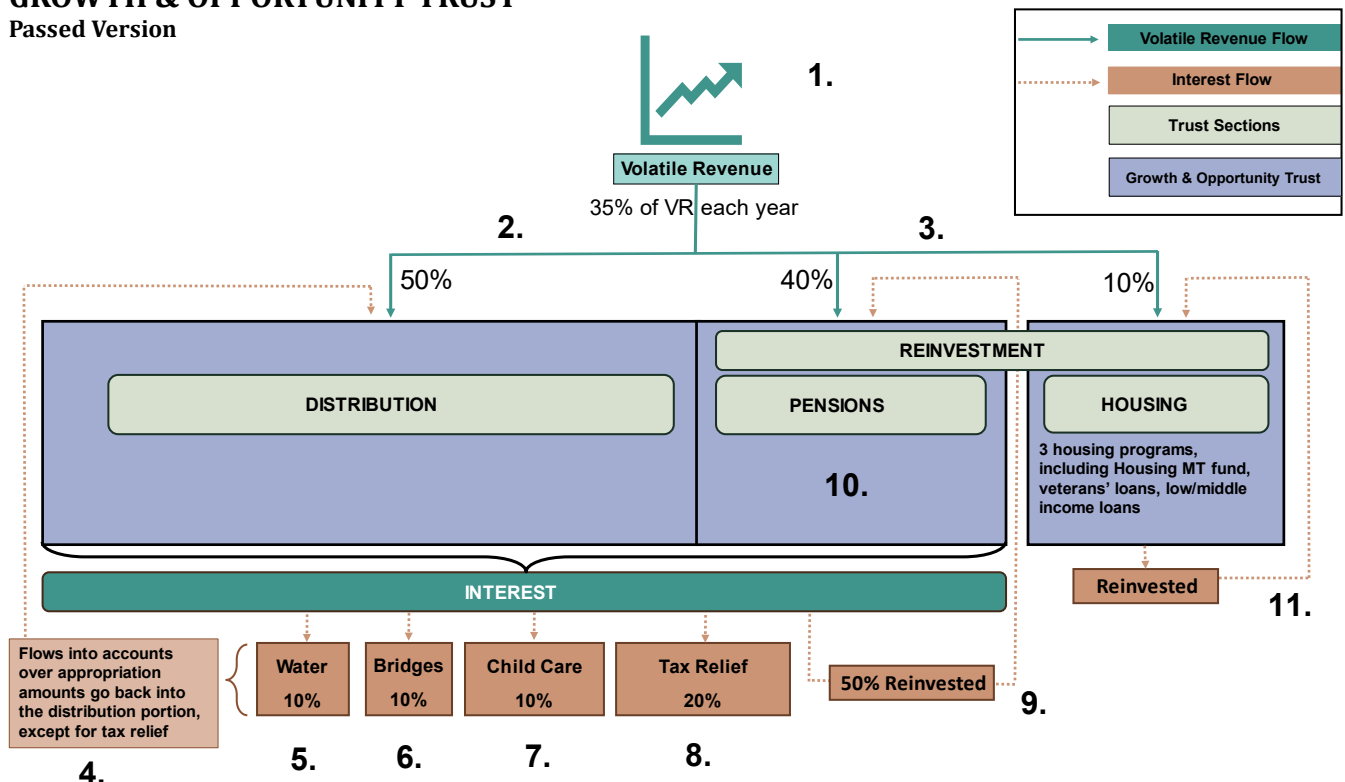
The remainder of the memo summarizes the structure of the GO Trust (Section 1), describes volatile revenue and the process by which volatile revenue is calculated and transferred to the GO Trust (Section 2), describes the distributions out of the GO Trust (Section 3), and covers impacts outside of the GO Trust in HB 924 (Section 4). The final two sections of the memo describe the appropriations and transfers in the GO Trust (Section 5) and lists the sections of HB 924 with a brief description of the content of the sections (Section 6).

### 1. Structure of GO Trust

The image below shows the general structure of the GO Trust. Each number in the image corresponds to an explanation item on the following pages.

## GROWTH & OPPORTUNITY TRUST

Passed Version



**1.** Flows in from volatile revenue - Montana's individual income tax is often volatile, and this volatility is driven by swings in both capital gains and partnership income. Interest earned off treasury cash (TCA Interest) is also volatile and is governed by both cash levels and interest rates. The total "volatile revenue" is the difference between the forecasted amounts for these sources in the official revenue estimate (HJ 2) and the lowest year (inflation-adjusted) in the past seven years. In HB 924, **35%** of this volatile revenue is transferred to the GO trust. The executive can reduce the size of this transfer if the projected general fund ending fund balance falls below the operating reserve. More detail on this component follows in Section 2 below.

**2.** 50% of volatile revenue flows to the distribution portion.

**3.** 50% of volatile revenue flows to the reinvestment portion (80% to pensions, 20% to housing).

**4.** Flows into water, bridges, and childcare accounts can't be above the appropriations for those accounts – overages flow back into the distribution portion.

**5.** 10% of interest to water development - 90% of funding is directed to rehabilitation of dams and irrigation systems, with 10% directed towards dam inspections and pilot projects.

**6.** 10% of interest to bridges -This provides a fund for engineering and construction of the 2,196 "off-system" bridges or local bridges which are not eligible for federal funding assistance. The local entities would provide 20% or more in local matching funds.

**7.** 10% of interest to childcare - provides grants to childcare businesses, education, quality improvements, affordability and innovation.

**8.** 20% of interest to property tax relief/assistance.

**9.** 50% of interest generated to the reinvestment portion (pensions).

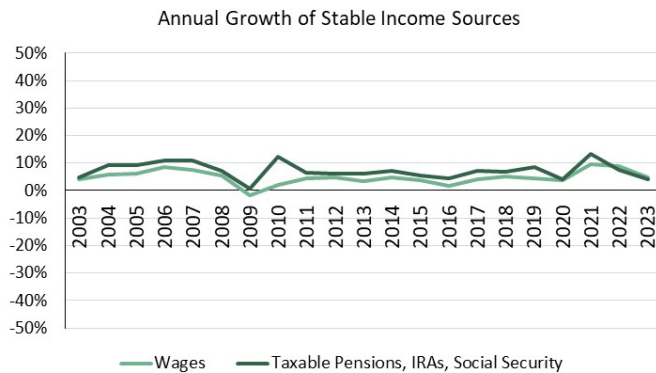
**10.** Pensions portion of GO Trust is available for transfer to pension systems under certain conditions. If the PERS/TRS pension boards certify that the inception-to-date return on investments (currently 7.76%) falls below the adopted assumed rate (currently 7.30%) for two consecutive years, then a transfer is initiated from the GO pension fund. The transfer is the amount necessary to bring the inception-to-date return up to the assumed rate. The transfer cannot exceed 25% of the GO pension fund's balance and cannot exceed \$300 million over a two-year period. In addition, the bill increases employer contribution rates for PERS and TRS by 0.1% per year for 20 years starting with FY 2028. There is a total \$335 million transfer from the general fund to the GO pension fund across FY 2025-2027.

**11.** Housing portion of GO Trust: HB 924 creates the Montana Housing Trust, which includes the housing programs currently help in the Coal Trust (veterans' and low-income loans) as well as the Housing Montana Fund.

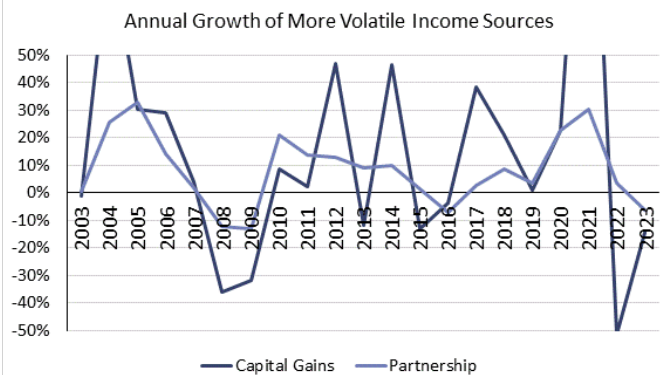
## 2. Volatile Revenue

Beginning in FY 2028, HB 924 directs that 17.5% of volatile revenue be transferred by November 1 and 17.5% be transferred by May 1 to the GO Trust. In HB 924, volatile revenue is defined as the sum of capital gains volatile revenue, partnership volatile revenue, and a portion of TCA interest earnings.

These streams of revenue to the state are ongoing in nature but are subject to large increases or decreases on an annual basis. Whereas wage and retirement income are stable through economic cycles, capital gains and partnership income are far more reactive. Figure 1 below shows the historical annual growth of wages and retirement income claimed on Montana returns, whereas Figure 2 shows growth rates for capital gains and partnership income claimed on Montana returns.



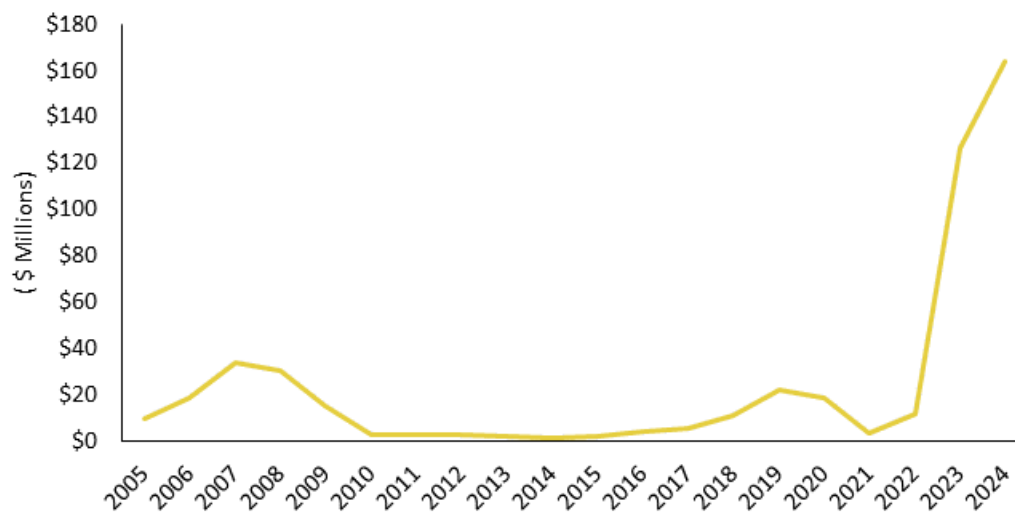
**Figure 1: Stable Income Sources**



**Figure 2: Volatile Income Sources**

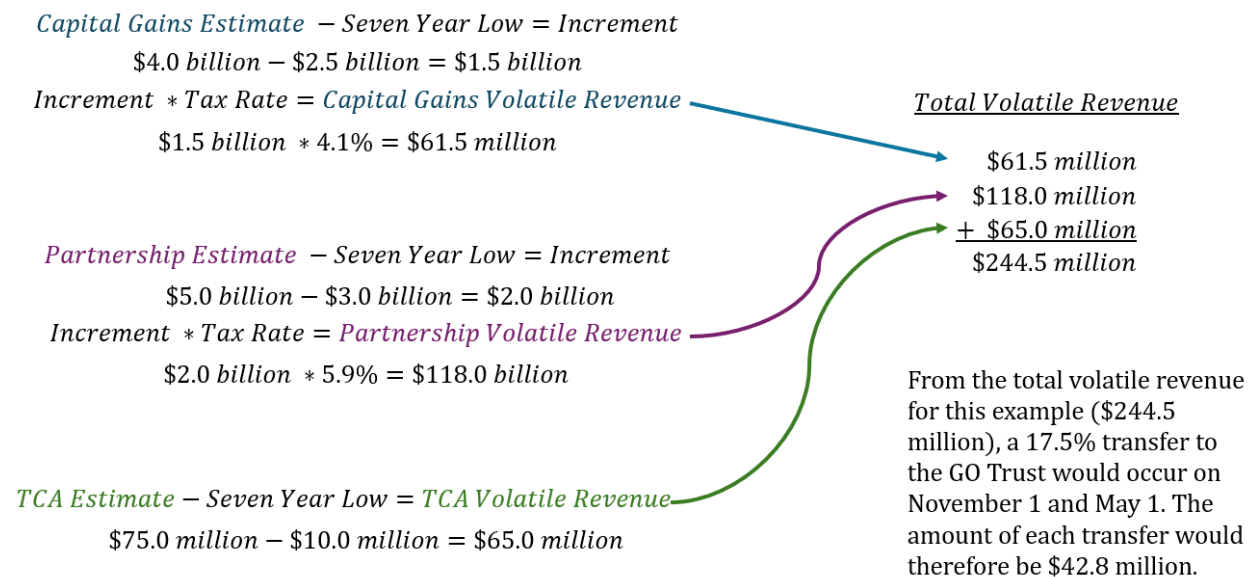
TCA interest earnings are dependent on treasury cash balances and interest rates, specifically short-term interest rates as the majority of treasury cash is invested in the state's short-term investment pool (STIP). Over the last two decades these earnings have varied from a low of \$1.8 million in FY 2014 to a recent high of \$163.7 million in FY 2024. Figure 3 below shows the history of the TCA interest earnings over the last two decades.

**Figure 3: Historical TCA Interest Earnings**



For each of the two income tax components, the volatile revenue is determined by first calculating the increment. The increment is the difference between the estimate contained in House Joint Resolution 2 (HJ 2) and the lowest inflation-adjusted actual collections from the past seven years of available data. The capital gains increment and partnership increment are then multiplied by the corresponding top marginal tax rates outlined in Montana Code Annotated (MCA).

The portion of TCA interest earnings that are considered volatile revenue is the difference between the estimate contained in HJ 2 and the lowest inflation-adjusted collections from the past seven years. Figure 4 below illustrates a hypothetical calculation of the various volatile revenue components in HB 924 based on current tax rates. Note that the capital gains income has a different income tax rate than the partnership income, and by FY 2028 the partnership income tax rate will have been reduced to 5.4%.



**Figure 4: Volatile Revenue Calculation Example**

Under certain conditions, the governor can reduce or eliminate, for a biennium, flows of volatile revenue into the GO Trust. The governor may reduce transfers of volatile revenue to the GO Trust by up to 50% if the budget director estimates a projected general fund ending fund balance that is less than the operating reserve (8.3% of 2<sup>nd</sup> year general revenue appropriations) at the end of the biennium. There is a specific sequence of notifications to the Legislative Finance Committee (LFC) and Legislative Fiscal Analyst if this event occurs. Additionally, the governor may cancel transfers to the GO Trust for the biennium in the event of a certified projected general fund budget deficit (under 17-7-140, MCA).

### 3. Distributions from GO Trust

Distributions from the GO Trust include:

A. Montana water development state special revenue account:

This account receives 10% of the interest generated by the non-housing portion of the GO Trust. It is also seeded with a \$10 million transfer in FY 2025. Funds in this account are distributed 90% to the water storage state special revenue account established in 85-1-631, MCA, and 10% to the natural resources projects state special revenue account established in 15-38-302, MCA. The cap on distributions into this account is \$10 million per year.

B. State property tax assistance state special revenue account:

This account receives 20% of the interest generated by the non-housing portion of the GO Trust. It is also seeded with a \$20 million transfer in FY 2025. When the balance of this account exceeds \$50 million, it is used to provide property tax assistance in the form of credits to owners of primary residences in Montana. The cap on distributions into this account is \$20 million per year.

C. Better local bridges state special revenue account:

This account receives 10% of the interest generated by the non-housing portion of the GO Trust. It is also seeded with a \$10 million transfer in FY 2025. Funds in this account can be used for grants to local governments for the engineering and construction of off-system bridges. Local governments must provide a match of no less than 20% for any grants received. The cap on distributions into this account is \$10 million per year.

D. Montana early childhood state special revenue account:

This account receives 10% of the interest generated by the non-housing portion of the GO Trust. It is also seeded with a \$10 million transfer in FY 2025. Funds in this account can be used to pay for programs and grants authorized by the Montana early childhood account board, which is established in HB 924. Examples of eligible activities include recruitment and retention grants for childcare workers, childcare affordability initiatives, and technical assistance grants for starting or expanding childcare businesses. The cap on distributions into this account is \$10 million per year.

E. Pension fund:

This account receives 50% of the interest generated by the non-housing portion of the GO Trust. When volatile revenue is transferred into the GO Trust, the pension fund receives 40% of the total transfer. It is also seeded with a \$250 million transfer in FY 2025. The pension fund balance is capped at \$1.0 billion. Funds in this account can be transferred to a state-administered pension fund if the actual rate of return is lower than the assumed rate of return for two consecutive years. No more than \$300 million may be transferred out of the pension fund in any two-year period.

F. Montana housing trust:

When volatile revenue is transferred into the GO Trust, the Montana housing trust receives 10% of the total transfer. This account retains its own interest and earnings. The balance of the Montana housing trust is capped at \$500 million. Within the Montana housing trust are three programs:

1. Housing Montana Fund
2. Montana Veteran's Home Loan Mortgage Program

3. Loans for development and preservation of homes and apartments to assist eligible low-income and moderate-income applicants

The Montana Veterans' Loan Mortgage Program is for eligible first-time homebuyer veterans. Loans under this program are offered at interest rates 1.0% below the federal national mortgage association's delivery rate or 1.0% lower than the lowest rate charged by the Montana Housing Board for other programs, whichever is less, to enhance affordability for veterans. Principal payments are reinvested in the trust, while interest earnings may be used by the board to pay for origination and servicing of the loan by participating financial institutions and for administrative costs. Each fiscal year, this program shall administer \$50.0 million or more of the Montana housing trust fund.

Loans for low to moderate income applicants can be used for various housing projects, including the development or preservation of mobile home parks, provided they serve eligible income groups. Loans must be in the first lien position and cannot exceed 95.0% of total development costs. The minimum interest rate is set at 0.5% below the current coal trust fund investment performance, ensuring affordability while maintaining fund sustainability. As loans are repaid, principal payments are reinvested into the trust, while interest earnings cover administrative costs, with any surplus returned to the fund. Each fiscal year, this program shall administer \$65.0 million or more of the Montana housing trust fund.

#### **4. HB 924 Impacts Beyond the GO Trust**

HB 924 impacts areas of Montana statute beyond the creation of the GO Trust. These impacts include:

In Section 23, additional purposes are added for the debt and liability free account, including the replacement of rescinded federal funds and to mitigate the need for general fund supplemental appropriations. Also added is a provision that up to \$12.5 million per year of volatile revenue is transferred into the debt and liability free account up to an account cap of \$12.5 million.

In Section 27, flows of excess revenue after the budget stabilization reserve fund and capital development fund are at their cap are directed 75% to the GO Trust and 25% remain in the general fund. Existing statute directs such flows 75% to the pension fund created in the 2023 Session.

In Sections 29 and 30, employer pension contribution rates are adjusted upward by 0.1% per fiscal year for fiscal years 2028-2047.

In Section 40, the pension fund created during the 2023 Session is repealed.

## 5. Transfers and Appropriations in HB 924

The following table shows the transfers in HB 924. Most of the transfers are from the GF to various components of the GO Trust. The coal trust receives \$115 million from the debt and liability free account to “purchase” the housing loan programs that move to the GO Trust.

Transfers in HB 924			
From the General Fund	FY 2025	FY 2026	FY 2027
Property Tax Assistance Account	\$ 20,000,000		
Water Development Account	\$ 10,000,000		
Better Local Bridges Account	\$ 10,000,000		
Early Childhood Account	\$ 10,000,000		
Pension Fund	\$ 250,000,000	\$ 48,200,000	\$ 36,800,000
Distribution Portion of GO Trust	\$ 224,000,000	\$ 60,200,000	\$ 46,000,000
Montana Housing Trust		\$ 12,000,000	\$ 9,200,000
Total General Fund Transfers	<u>\$ 524,000,000</u>	<u>\$ 120,400,000</u>	<u>\$ 92,000,000</u>
From the Debt and Liability Free Account			
Montana Housing Trust	\$ 26,000,000		
Coal Trust	\$ 89,000,000		
Total Debt and Liability Free Transfers	<u>\$ 115,000,000</u>		
From the Capital Development Fund			
Montana Housing Trust		\$ 10,000,000	
Grand Total Transfers (\$861.4 Million)	<u>\$ 639,000,000</u>	<u>\$ 130,400,000</u>	<u>\$ 92,000,000</u>

The transfers detailed in the table above for FY 2025 did occur in the amounts denoted at FYE 2025, and the balance of the combined components of the GO Trust and related accounts is \$639.0 million.

The table below shows the appropriations in HB 924 for FY 2026 and 2027. The 2027 appropriations are considering part of the budgetary base entering the 2029 biennium.

Appropriations in HB 924		
	FY 2026	FY 2027
Water Development Account	\$ 7,500,000	\$ 10,000,000
Better Local Bridges Account	\$ 7,500,000	\$ 10,000,000
Early Childhood Account	\$ 7,500,000	\$ 10,000,000

## **6. HB 924 Bill Text Section Breakdown**

1. Creates the GO Trust and specifies how transfers in are deposited: half to the distribution portion, and half to the reinvestment portion
2. Describes how interest earnings from the distribution portion of the GO Trust are allocated
3. Describes how transfers into the reinvestment portion are allocated: 80% to pensions and 20% to housing
4. Specifies that interest earnings from the distribution portion and pension portion are split, with 50% to the four state special revenue accounts (water, bridges, childcare, and property tax relief), and 50% to the pension fund
5. Describes the calculation and transfers of volatile revenue – see Section 2 of this memo for more detail
6. Amends 15-7-102 MCA to require notice to taxpayers of the property tax relief account created in HB 924
7. Amends 15-10-420 MCA to note local government entities may not include revenue distributed to a county to provide property tax relief under the property tax relief account created in HB 924 when calculating mills
8. Amends 15-15-101 MCA related to county tax appeal board ability to determine eligibility as a primary residence pursuant to Section 36, which describes the process for the certification of a primary residence to be eligible for assistance from the property tax relief account created in HB 924
9. Amends 15-15-102 MCA related to primary residence certification
10. Amends 15-15-103 MCA related to primary residence certification
11. Amends 15-16-101 MCA related to county treasurer notifications for property taxes. This section adds property tax relief under the property tax relief account created in HB 924 to this notice.
12. Amends 15-16-101 MCA related to county treasurer tax lien notifications
13. Amends 15-38-302 MCA related to purposes of the water development state special revenue account created in Section 15 of HB 924
14. Creates the state property tax assistance account and specifies conditions on distributions from the account
15. Creates the Montana water development state special revenue account and specifies conditions on distributions from the account
16. Creates the better local bridges state special revenue account and specifies conditions on distributions from the account



17. Creates the Montana early childhood state special revenue account and specifies conditions on distributions from the account
18. Describes the pension portion of the GO Trust, including specifying that funds in the account may only be transferred to a state-administered pension fund, and that in any 2-year period no more than \$300 million may be transferred out of the pension portion
19. Creates the Montana early childhood account board, which is administratively attached to DPHHS and oversees distributions from the Montana early childhood state special revenue account
20. Describes eligible uses of funds from the Montana early childhood state special revenue account
21. States that the Montana early childhood state special revenue account may accept contributions, gift, and grants
22. Describes an annual reporting requirement for the Montana early childhood account board
23. Amends 17-6-214 MCA to add eligible uses of the debt and liability free account; caps the transfer into the debt and liability free account at \$12.5 million per year
24. Amends 17-6-308 MCA to remove the Montana veterans' home loan mortgage program and low/moderate income housing loan program from the coal trust; moves those loan programs to the GO Trust
25. Amends 17-6-317 MCA to change a statutory reference related to coal trust loans
26. Creates the Montana housing trust portion of the GO Trust
27. Amends 17-7-130 MCA to specify that excess revenue over the capped amounts in the Budget Stabilization Reserve Fund and Capital Development Fund flows 75% to the GO Trust and 25% remains in the general fund
28. Amends 17-7-140 MCA to permit the governor to cancel transfers to the GO Trust for the biennium in the event of a certified projected general fund budget deficit
29. Amends 19-3-316 MCA to adjust employer pension contribution rates upward by 0.1% per fiscal year for fiscal years 2028-2047.
30. Amends 19-20-609 MCA to adjust employer pension contribution rates upward by 0.1% per fiscal year for fiscal years 2028-2047.
31. Amends 85-1-631 MCA to specify that the water storage state special revenue account receives 90% of the interest earned from the Montana water development state special revenue account established in Section 15 of HB 924
32. Amends 90-6-137 MCA to change housing loan references from the coal trust to the Montana housing trust in the GO Trust; changes administrator of loans from board of investments to board of housing

33. Amends 90-6-603 MCA to change veterans' home loan mortgage program references from the coal trust to the Montana housing trust in the GO Trust; changes administrator of loans from board of investments to board of housing
34. Permits the governor to reduce transfers of volatile revenue to the GO Trust by up to 50% if the budget director estimates a projected general fund ending fund balance that is less than the operating reserve (8.3% of 2<sup>nd</sup> year general revenue appropriations) at the end of the biennium; specifies sequence of notifications to the Legislative Finance Committee and Legislative Fiscal Analyst
35. Describes how property tax assistance pursuant to Section 14 is credited to owners of primary residences
36. Describes the sequence for certification of a primary residence related to property tax assistance in Section 14
37. Describes penalties for fraudulent applicants for property tax assistance
38. Describes the appeal process for denial of property tax assistance
39. Statutory reference to debt and liability free account
40. Repeals 17-7-134 MCA, the pension state special revenue account
41. Directs transfers in FY 2025, 2026, and 2027. Most of the transfers are from the general fund to various components of the GO Trust. See Section 5 of this memo for detail.
42. Creates appropriations in FY 2026 and 2027 for the water development, bridges, and early childhood accounts.
43. Codification instruction
44. Coordination instruction with SB 56 (changes pension employer contribution) and SB 287 (generally revise state finance, did not pass)
45. Coordination instruction with SB 324
46. Effective date (passage and approval)