



BUDGET ANALYSIS

2027 BIENNIUM

LEGISLATIVE BRANCH

Section A

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	169.34	171.59	171.59	2.25	0.7%
General Fund	24,272,162	27,645,732	24,552,399	3,653,807	7.5%
State/Other Special Rev. Funds	2,419,181	3,160,590	3,152,234	1,474,462	30.5%
Total Funds	26,691,343	30,806,322	27,704,633	5,128,269	9.6%
Personal Services	19,841,829	21,170,933	20,852,939	2,340,214	5.9%
Operating Expenses	6,124,127	6,715,749	5,325,654	(206,851)	(1.7%)
Equipment & Intangible Assets	530,347	2,769,640	1,376,040	3,084,986	290.8%
Transfers	195,040	150,000	150,000	(90,080)	(23.1%)
Total Expenditures	26,691,343	30,806,322	27,704,633	5,128,269	9.6%
Total Ongoing	26,691,343	30,520,895	27,551,378	4,689,587	8.8%
Total One-Time-Only	1,105,750	285,427	153,255	(1,772,818)	(80.2%)

Agency Highlights

Legislative Branch Major Budget Highlights
<ul style="list-style-type: none"> The Legislative Branch's 2027 biennium budget request is approximately \$5.1 million or 9.6% higher than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> An increase in general fund of approximately \$2.9 million primarily for information technology upgrades An increase in general fund and state special revenue of \$1.4 million for personal services because of benefits, longevity, and pay rate changes An increase in general fund of \$880,000 in Legislative Committees and Activities because of the cyclical nature of the legislative cycle and increases in the allowed lodging and mileage rates, legislator activity dues, and increasing interim committee meetings

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.

	Legislative Branch 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
Base Budget	24,272,162	2,419,181	0	26,691,343	86.6%	24,272,162	2,419,181	0	26,691,343	96.3%
Statewide PL										
Personal Services	599,130	130,050	0	729,180	2.4%	568,755	130,985	0	699,740	2.5%
Fixed Costs	(591,805)	(2,525)	0	(594,330)	(1.9%)	(677,669)	(2,525)	0	(680,194)	(2.5%)
Inflation Deflation	(376)	(233)	0	(609)	(0.0%)	(254)	(157)	0	(411)	(0.0%)
Total Statewide PL	6,949	127,292	0	134,241	0.4%	(109,168)	128,303	0	19,135	0.1%
Present Law (PL)	3,357,382	162,109	0	3,519,491	11.4%	578,527	144,390	0	722,917	2.6%
New Proposals	9,239	452,008	0	461,247	1.5%	(189,122)	460,360	0	271,238	1.0%
Total HB 2 Adjustments	3,373,570	741,409	0	4,114,979	13.4%	280,237	733,053	0	1,013,290	3.7%
Total Requested Budget	27,645,732	3,160,590	0	30,806,322		24,552,399	3,152,234	0	27,704,633	

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.

Statewide Present Law Adjustment for Personal Services FY 2026 Decision Package 1				
Program	Legislative Changes	Management Decisions	Budget Modifications	Decision Package 1
Legislative Services Division	\$ 256,292	\$ 144,807	\$ (35,999)	\$ 365,100
Legislative Committees and Activities	(756)	3,549	-	2,793
Legislative Fiscal Division	62,799	28,612	(19,125)	72,286
Legislative Audit Division	121,839	112,038	55,124	289,001
Total	\$ 440,174	\$ 289,006	\$ -	\$ 729,180

Additional analysis on the statewide present law adjustment for personal services will be provided at the program level.

Funding

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

Total Legislative Branch 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
01100 General Fund	52,269,708	(71,577)			52,198,131	89.2%
02042 Legislative Audit	5,161,068	682,997			5,844,065	10.0%
02800 Reimbursable Activities	468,759				468,759	0.8%
State Special Revenue Total	5,629,827	682,997	-	-	6,312,824	10.8%
Federal Special Revenue Total	-	-	-	-	-	0.0%
Proprietary Fund Total	-	-	-	-	-	0.0%
Total of All Funds	57,899,535	611,420	-	-	58,510,955	
Percent of All Sources of Authority	99.0%	1.0%	0.0%	0.0%		

HB 2 Appropriations

The Legislative Branch is primarily funded with general fund. State special revenues support the costs associated with the preparation, publication, and distribution of the Montana Code Annotated, and a portion of the activities of the Legislative Audit Division.

Statutory Appropriations

While not shown in the figure above, the Legislative Branch has statutory appropriation authority for three accounts:

- Legislative Branch reserve account
- Legislative audit specialist services reserve account
- Legislative Branch retirement termination reserve account

Typically, the Legislative Branch reserve account receives unexpended and unencumbered money including funding remaining at the end of the biennium from the “feed bill” (HB 1, the bill that funds the legislative session each biennium) and remaining carryforward appropriations from the various divisions within the branch. The funds in this account may be used for major Legislative Branch information technology projects including hardware, software, consulting services for new initiatives, and replacement and upgrading of existing systems. All projects and funding from the Legislative Branch reserve account must be approved by the Legislative Council.

The legislative audit specialist services reserve account receives remaining carryforward appropriations from the Legislative Audit Division. The funds in this account may be used for contracted services necessary to provide specialist expertise in support of audit activities. All allocations of funds must be approved by the Legislative Audit Committee.

The Legislative Branch retirement reserve account has been funded with general fund transfers provided by the legislature or through the deposit of carryforward appropriations. The funds in this account may be used for staff retirement termination pay in the Legislative Branch. The funds may only be expended with the approval of the appropriate branch division director.

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	169.34	169.34	171.59	171.59
Personal Services	17,208,312	18,540,509	19,841,829	21,170,933	20,852,939
Operating Expenses	6,483,294	7,137,725	6,199,127	6,715,749	5,325,654
Equipment & Intangible Assets	1,034,370	1,783,173	1,561,097	2,769,640	1,376,040
Transfers	125,000	200,560	195,040	150,000	150,000
Total Expenditures	\$24,850,976	\$27,661,967	\$27,797,093	\$30,806,322	\$27,704,633
General Fund	22,527,740	25,140,407	25,377,912	27,645,732	24,552,399
State/Other Special Rev. Funds	2,323,236	2,521,560	2,419,181	3,160,590	3,152,234
Total Funds	\$24,850,976	\$27,661,967	\$27,797,093	\$30,806,322	\$27,704,633
Total Ongoing	\$24,395,795	\$26,375,717	\$26,691,343	\$30,520,895	\$27,551,378
Total OTO	\$455,181	\$1,286,250	\$1,105,750	\$285,427	\$153,255

Agency Description

The mission of the legislature is to exercise the legislative power of state government vested by the Constitution of the State of Montana and to fulfill its constitutional duty. The divisions within the Legislative Branch support the legislature in enacting laws, including those appropriating funding for state government within a balanced budget, and provide accountability for state programs and state spending.

Please refer to the agency profile at <https://www.legmt.gov/lfd/committees/section-a/agency-profile-legislative-branch/> for additional information about the agency's organization structure, historical expenditures, goals and objectives, and recent studies and audits.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

Overall, the Legislative Branch expended 89.8% of its \$27.7 million HB 2 modified budget as of the end of FY 2024. This is in line with the historical average percent expended of 90.6%. Equipment and intangible assets are 58.0% expended and transfers-out are 62.3% expended at the end of the fiscal year. The majority of the budget for equipment and intangible assets is for the branch integration of finance (BIF) project, which had moved from the planning phase to the executing phase at the end of the fiscal year. The transfers-out includes an annual transfer to the General Services Division for security in the Capitol. The remaining appropriation is for archiving, which has previously been completed by the Montana Historical Society. The branch anticipates completing archiving internally moving forward.

FY 2024 Appropriations Compared to FY 2025 Appropriations

Overall, the FY 2025 appropriation is \$135,000 or 0.5% higher than the FY 2024 appropriation. This is not significantly different at the agency level and more details are included at the program 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.

Legislative Branch Comparison of the FY 2025 Legislative Budget to the FY 2025 Base Budget				
	Legislative Budget	Executive Modifications	Base Budget	% Change
Legislative Services Division				
61000 Personal Services	\$ 10,410,094	\$ 35,999	\$ 10,446,093	0.3%
62000 Operating Expenses	4,914,240	-	4,914,240	0.0%
63000 Equipment & Intangible Assets	530,347	-	530,347	0.0%
68000 Transfers	195,040	-	195,040	0.0%
Total	16,049,721	35,999	16,085,720	0.2%
Legislative Committees and Activities				0.0%
61000 Personal Services	260,779	-	260,779	0.0%
62000 Operating Expenses	788,340	-	788,340	0.0%
Total	1,049,119	-	1,049,119	0.0%
Legislative Fiscal Division				0.0%
61000 Personal Services	3,366,537	19,125	3,385,662	0.6%
62000 Operating Expenses	178,046	-	178,046	0.0%
Total	3,544,583	19,125	3,563,708	0.5%
Legislative Audit Division				0.0%
61000 Personal Services	5,804,419	(55,124)	5,749,295	-0.9%
62000 Operating Expenses	243,501		243,501	0.0%
Total	6,047,920	(55,124)	5,992,796	-0.9%
Legislative Branch Total	\$ 26,691,343	\$ -	\$ 26,691,343	0.0%

The Legislative Branch had one budget modification that moved personal services funding from the Legislative Audit Division to the Legislative Services Division and the Legislative Fiscal Division to realign personal services funding in the Legislative Branch.

HB 2 Language -

LFD COMMENT

Historically, certain language has been included in HB 2 for the Legislative Branch. The legislature may wish to include this language in HB 2 again:

"All appropriations for the Legislative Branch are biennial."

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 FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
PB	88.17	90.17	90.17	2.00	1.1%
General Fund	16,034,692	18,165,942	16,121,756	2,218,314	6.9%
State/Other Special Rev. Funds	51,028	238,739	230,020	366,703	359.3%
Total Funds	16,085,720	18,404,681	16,351,776	2,585,017	8.0%
Personal Services	10,446,093	10,979,486	11,072,427	1,159,727	5.6%
Operating Expenses	4,914,240	4,505,555	3,753,309	(1,569,616)	(16.0%)
Equipment & Intangible Assets	530,347	2,769,640	1,376,040	3,084,986	290.8%
Transfers	195,040	150,000	150,000	(90,080)	(23.1%)
Total Expenditures	16,085,720	18,404,681	16,351,776	2,585,017	8.0%
Total Ongoing	16,085,720	18,404,681	16,351,776	2,585,017	8.0%
Total One-Time-Only	1,055,750			(2,111,500)	(100.0%)

Program Highlights

Legislative Services Division Major Budget Highlights	
<ul style="list-style-type: none"> The Legislative Services Division's 2027 biennium requested appropriations are approximately \$2.6 million or 8.0% higher than the FY 2025 base budget. Significant biennial changes include: <ul style="list-style-type: none"> An increase in general fund of approximately \$2.9 million primarily for information technology upgrades A decrease in general fund of approximately \$1.3 million in fixed costs, primarily due to decreases in State Information Technology Services Division rates 	

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.

Legislative 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
Base Budget	16,034,692	51,028	0	16,085,720	87.4%	16,034,692	51,028	0	16,085,720	98.4%
Statewide PL										
Personal Services	365,100	0	0	365,100	2.0%	458,040	0	0	458,040	2.8%
Fixed Costs	(588,718)	0	0	(588,718)	(3.2%)	(674,582)	0	0	(674,582)	(4.1%)
Inflation Deflation	(16)	0	0	(16)	(0.0%)	(11)	0	0	(11)	(0.0%)
Total Statewide PL	(223,634)	0	0	(223,634)	(1.2%)	(216,553)	0	0	(216,553)	(1.3%)
Present Law (PL)	2,473,405	137,352	0	2,610,757	14.2%	422,496	128,633	0	551,129	3.4%
New Proposals	(118,521)	50,359	0	(68,162)	(0.4%)	(118,879)	50,359	0	(68,520)	(0.4%)
Total HB 2 Adjustments	2,131,250	187,711	0	2,318,961	12.6%	87,064	178,992	0	266,056	1.6%
Total Requested Budget	18,165,942	238,739	0	18,404,681		16,121,756	230,020	0	16,351,776	

Funding

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

Legislative Branch, 20-Legislative 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	34,114,960	172,738	0	0	34,287,698	98.7%
02800 Reimbursable Activities	468,759	0	0	0	468,759	100.0%
State Special Total	\$468,759	\$0	\$0	\$0	\$468,759	1.3%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$34,583,719	\$172,738	\$0	\$0	\$34,756,457	

HB 2 Appropriations

The Legislative Services Division is primarily funded with general fund. The reimbursable activities state special revenue fund supports the preparation, publication, and distribution of the Montana Code Annotated.

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	88.17	88.17	90.17	90.17
Personal Services	9,027,108	9,506,032	10,446,093	10,979,486	11,072,427
Operating Expenses	5,264,759	5,299,475	4,939,240	4,505,555	3,753,309
Equipment & Intangible Assets	1,034,370	1,783,173	1,561,097	2,769,640	1,376,040
Transfers	125,000	200,560	195,040	150,000	150,000
Total Expenditures	\$15,451,237	\$16,789,240	\$17,141,470	\$18,404,681	\$16,351,776
General Fund	15,211,032	16,539,748	17,090,442	18,165,942	16,121,756
State/Other Special Rev. Funds	240,205	249,492	51,028	238,739	230,020
Total Funds	\$15,451,237	\$16,789,240	\$17,141,470	\$18,404,681	\$16,351,776
Total Ongoing	\$15,003,640	\$15,567,990	\$16,085,720	\$18,404,681	\$16,351,776
Total OTO	\$447,597	\$1,221,250	\$1,055,750	\$0	\$0

Program Description

The Legislative Services Division provides objective research, reference, legal, technical, information technology, and business services to the House, Senate, and other divisions of the Legislative Branch.

Division services include:

- Bill and amendment drafting, preparation of bills for introduction, and engrossing and enrolling bills
- Publication and records management of legislative documents of record
- Preparation, publication, and distribution of the Montana Code Annotated text and annotations
- Provision of legislative research and reference services
- Support for session and interim committees
- Legal services and counseling on legislative matters and agency legal support
- Review of the text of proposed ballot measures
- Personnel and business services
- Planning, installation, and maintenance of branch information technology
- Broadcasting of state government and public policy events
- Provision of legislative information to the public

The Legislative Council provides policy guidance to the Legislative Services Division.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The FY 2024 HB 2 budget for the Legislative Services Division was approximately \$15.6 million and was 92.0% expended as of the end of the fiscal year. Personal services were 95.0% expended and operating expenses were 99.3% expended at the end of FY 2024, which is in line with anticipated expenditures at the end of the fiscal year.

Equipment and intangible asset appropriations of \$1.8 million were 58.0% expended as of the end of FY 2024. The majority of the budget for equipment and intangible assets was for the branch integration of finance (BIF) project, which had moved from the planning phase to the executing phase at the end of the fiscal year. This project integrates the Legislative Fiscal Division (LFD) and the budgeting committees (House Appropriations Committee, Senate Finance and Claims Committee, and the six joint appropriations subcommittees) into the regular process of the Legislative Branch. The primary goal of the project is to make appropriation bill information as accessible to the public and legislators as information for other bills. This appropriation is biennial, which means it can be used in both FY 2024 and FY 2025 and work on this project has continued in FY 2025.

FY 2024 Appropriations Compared to FY 2025 Appropriations

Overall, the FY 2025 appropriation is approximately \$352,000 or 2.1% greater than the FY 2024 appropriation. This is primarily because the legislature approved HB 13 which included adjustment for the pay plan that were approximately \$382,000 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	365,100	0	0	365,100	0.00	458,040	0	0	458,040
DP 2 - Fixed Costs	0.00	(588,718)	0	0	(588,718)	0.00	(674,582)	0	0	(674,582)
DP 3 - Inflation Deflation	0.00	(16)	0	0	(16)	0.00	(11)	0	0	(11)
DP 4 - Present Law	0.00	2,473,405	137,352	0	2,610,757	0.00	422,496	128,633	0	551,129
Grand Total All Present Law Adjustments	0.00	\$2,249,771	\$137,352	\$0	\$2,387,123	0.00	\$205,943	\$128,633	\$0	\$334,576

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

DP 1 - Personal Services -

The Legislative Branch 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

Legislative Branch	
Legislative Services Division	
FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 256,292
Management Changes	144,807
Total Budget Modifications	<u>(35,999)</u>
Total	<u>\$ 365,100</u>

The Legislative Service Division's statewide present law adjustment for personal services was primarily impacted by legislative and management changes, which include:

- Legislative changes were primarily impacted by changes in benefits and longevity
- Management decisions were mainly due to increases for market adjustments, hiring differences for new staff, retention adjustments, career ladder changes, and promotions. These increases are partially offset by the funding adopted by the 2023 Legislature to stabilize legislative staff with competitive pay

In addition to the management changes, there was a budget modification that moved personal services funding from the Legislative Audit Division to the Legislative Services Division to realign personal services funding in the Legislative Branch. Since personal services funding was transferred into the Legislative Services Division, the statewide present law adjustment for personal services was reduced (note: across the Legislative Branch, this is a net zero change).

DP 2 - Fixed Costs -

The Legislative Branch 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 Legislative Branch 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 4 - Present Law -

The Legislative Branch requests an increase in general fund and state special revenue appropriations in FY 2026 and FY 2027. Significant increases requested for the biennium include:

- Closed-Circuit Cable System Replacement (\$450,000) – this project would replace the closed-circuit cable system in the Capitol that provides room broadcast and television programming to the monitors throughout the building with an internet protocol-based solution. Currently, the existing infrastructure that supports this system is incomplete, and OLIS cannot provide services to all areas of the Capitol
- Media Explorer Project (\$400,000) – this project would replace the current application used to view the online videos of legislative meetings. Anticipated improvements include a search capability, advanced agendas so users can follow along with meetings and have immediate access to all discussed documents, and streamlining the overall online streaming architecture to eliminate redundancy
- Website Enhancements (\$400,000) – this project will continue to increase the services and capabilities of the public, legislator, and staff portals. Anticipated improvements include increased filtering in the bill explorer, additional dashboards for reporting, increased calendar and search functionality, increased capability in public participation, and adding more forms
- Database Upgrades (\$300,000) – this project will analyze the remaining antiquated databases to determine viability and potential solutions
- Fiber Integration Upgrade (\$250,000) – this project will continue upgrading and conversion of committee rooms to IP-based signal transmission systems. These conversions allow for upgraded audio/video technology, reduced maintenance, and better signal quality
- Security Information and Event Management (\$180,000) – this project develops a comprehensive vulnerability management program that identifies, classifies, prioritizes, remediates, and reports on weaknesses in Legislative Branch IT infrastructure
- Network Microphone Solution (\$150,000) – this project includes installing network-based microphones in ten conference/hearing rooms. This conversion will reduce visible wiring and the microphone will be managed and supported remotely
- Vote System Upgrade (\$110,000) – this project will replace the display control equipment in the House and Senate chambers, which have reached the end of their support lifecycle
- Closed Captioning (\$104,000) – this project involves building a single in-house captioning system for compliance with the Federal Communications Commission (FCC) requirements and enhance Americans with Disabilities Act (ADA) accommodations for viewers
- VOIP Telephone Migration (\$100,000) – this project would migrate all telephony to systems supported by OLIS
- Montana Code Annotated (\$266,000) - preparation, publication, and distribution of the Montana Code Annotated

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 2005 - Capitol Security	0.00	60,000	0	0	60,000	0.00	60,000	0	0	60,000
DP 2006 - Mitchell Building Rent	0.00	(128,162)	0	0	(128,162)	0.00	(128,520)	0	0	(128,520)
DP 2007 - 1st Level Account Switch	0.00	0	0	0	0	0.00	0	0	0	0
DP 2008 - Modified PB to Permanent	2.00	0	0	0	0	2.00	0	0	0	0
DP 2009 - Fund Switch	0.00	(50,359)	50,359	0	0	0.00	(50,359)	50,359	0	0
Total	2.00	(\$118,521)	\$50,359	\$0	(\$68,162)	2.00	(\$118,879)	\$50,359	\$0	(\$68,520)

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

DP 2005 - Capitol Security -

The Legislative Branch requests general fund appropriations for the Legislative Branch's portion of the State Capitol security agreement.

DP 2006 - Mitchell Building Rent -

The Legislative Branch requests a decrease in general fund in FY 2026 and FY 2027 for Mitchell Building rent. This request is in conjunction with a request in the Legislative Audit Division (DP 2006) which proposes an increase in general fund and state special revenue appropriations for Mitchell Building rent. This reallocation would allow the rent to be split between general fund (55.0%) and state special revenue (45.0%) rather than 100.0% general fund.

DP 2007 - 1st Level Account Switch -

The Legislative Branch requests reallocating \$105,040 each fiscal year from transfers to operating expenses. The Legislative Branch previously transferred funding to the Montana Historical Society for digital archiving. The branch anticipates completing archiving internally moving forward.

DP 2008 - Modified PB to Permanent -

The Legislative Branch requests to make 2.00 modified PB permanent in FY 2026 and FY 2027. This proposal moves funding from operating expenses to personal services for the 2.00 PB, which has a net zero impact on general fund appropriations.

DP 2009 - Fund Switch -

The Legislative Branch requests a decrease in general fund and an increase in state special revenue for the expenditures related to the update and production of the MCA. The Legislative Branch requests this shift in funding because there is a sufficient fund balance to support the operating costs.

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	1.92	1.92	1.92	0.00	0.0%	
General Fund	1,049,002	2,141,424	1,214,790	1,258,210	60.0%	
State/Other Special Rev. Funds	117			(234)	(100.0%)	
Total Funds	1,049,119	2,141,424	1,214,790	1,257,976	60.0%	
Personal Services	260,779	641,138	274,775	394,355	75.6%	
Operating Expenses	788,340	1,500,286	940,015	863,621	54.8%	
Total Expenditures	1,049,119	2,141,424	1,214,790	1,257,976	60.0%	
Total Ongoing	1,049,119	1,907,497	1,114,535	923,794	44.0%	
Total One-Time-Only		233,927	100,255	334,182	0.0%	

Program Highlights

Legislative Committees and Activities Major Budget Highlights

- Legislative Committees and Activities' 2027 biennium requested appropriations are approximately \$1.3 million or 60.0% higher than the FY 2025 base budget. Significant biennial requests in general fund include:
 - An increase of approximately \$880,000 due to:
 - The cyclical nature of the legislative cycle. The appropriations in the first year of the biennium are larger because most of the committee work is completed during this time. Since the second year of the budget is smaller than the base budget, there is a larger increase requested to fund interim activities
 - Increases in the allowed lodging and mileage rates, and legislator activity
 - An increase of approximately \$334,000 for the estimated costs of the school funding interim commission that is statutorily required to meet once every ten years
 - An increase of approximately \$95,000 for legislators to participate in a two-day meeting at the Capitol to discuss budget and policy and review interim studies in preparation of the 2027 Legislative Session

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.

Legislative Committees and Activities 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
Base Budget	1,049,002	117	0	1,049,119	49.0%	1,049,002	117	0	1,049,119	86.4%
Statewide PL										
Personal Services	2,793	0	0	2,793	0.1%	(103,199)	0	0	(103,199)	(8.5%)
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	2,793	0	0	2,793	0.1%	(103,199)	0	0	(103,199)	(8.5%)
Present Law (PL)	754,489	(117)	0	754,372	35.2%	125,356	(117)	0	125,239	10.3%
New Proposals	335,140	0	0	335,140	15.7%	143,631	0	0	143,631	11.8%
Total HB 2 Adjustments	1,092,422	(117)	0	1,092,305	51.0%	165,788	(117)	0	165,671	13.6%
Total Requested Budget	2,141,424	0	0	2,141,424		1,214,790	0	0	1,214,790	

Funding

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

Legislative Branch, 21-Legislative Committees and Activities Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	3,022,032	334,182	0	0	3,356,214	100.0%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$3,022,032	\$334,182	\$0	\$0	\$3,356,214	

HB 2 Appropriations

Legislative Committees and Activities is funded entirely with general fund.

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	1.92	1.92	1.92	1.92
Personal Services	191,171	400,328	260,779	641,138	274,775
Operating Expenses	840,332	1,258,041	788,340	1,500,286	940,015
Total Expenditures	\$1,031,503	\$1,658,369	\$1,049,119	\$2,141,424	\$1,214,790
General Fund	1,031,503	1,658,252	1,049,002	2,141,424	1,214,790
State/Other Special Rev. Funds	0	117	117	0	0
Total Funds	\$1,031,503	\$1,658,369	\$1,049,119	\$2,141,424	\$1,214,790
Total Ongoing	\$1,031,503	\$1,658,369	\$1,049,119	\$1,907,497	\$1,114,535
Total OTO	\$0	\$0	\$0	\$233,927	\$100,255

Program Description

The Legislative Committees and Activities Program supports the activities of legislators and legislative committees that are conducted during the interim between legislative sessions. Program expenditures support:

- The Legislative Council
- Interim study activities, as defined in 5-5-202 through 5-5-217, MCA
- Cooperative interstate, international, and intergovernmental activities, as outlined in 5-11-303 through 5-11-305, MCA
- Other legislative activities for which appropriations are made

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

Overall, the HB 2 budget of approximately \$1.7 million was 62.2% expended as of the end of FY 2024. Lower percentage expended is a direct result of legislator participation and expenditure reimbursement. The budget for this program is based on every legislator attending every meeting to allow for full participation in meetings.

FY 2024 Appropriations Compared to FY 2025 Appropriations

Overall, the FY 2025 appropriation is approximately \$609,000 or 36.8% lower than the FY 2024 appropriation. The difference in appropriations is due to the cyclical nature of legislative business. Appropriations are less in the second year of the biennium because the majority of the interim work of the legislature occurs in the first year of the biennium.

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	2,793	0	0	2,793	0.00	(103,199)	0	0	(103,199)
DP 4 - Present Law	0.00	754,489	(117)	0	754,372	0.00	125,356	(117)	0	125,239
Grand Total All Present Law Adjustments	0.00	\$757,282	(\$117)	\$0	\$757,165	0.00	\$22,157	(\$117)	\$0	\$22,040

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

DP 1 - Personal Services -

The Legislative Branch 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

The decrease in the FY 2027 is due to the cyclical nature of the legislative business cycle. Traditionally, there are fewer interim legislative meetings in the second year of the biennium because of the legislative session.

DP 4 - Present Law -

The Legislative Branch requests an increase in general fund appropriations in FY 2026 and FY 2027. The cyclical nature of legislative business in Legislative Committees and Activities results in uneven appropriations for each fiscal year. Appropriations in the first year of the biennium are higher because most of the interim committee work is completed during this time, and the base budget is based on the second year of the biennium, which has a lower appropriation. The requested biennial increase is also partially due to an increase in the allowed lodging and mileage rates, and legislator activities and dues.

The Legislative Branch also requests a reduction in state special revenue funds. This fund has not been in use by the Legislative Branch since FY 2023, does not have a dedicated revenue source, and there is no remaining fund balance.

New Proposals

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

	-----Fiscal 2026-----					-----Fiscal 2027-----				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 2105 - 5-20-301, MCA School Funding Study (OTO)	0.00	233,927	0	0	233,927	0.00	100,255	0	0	100,255
DP 2106 - Legislator Days	0.00	66,213	0	0	66,213	0.00	28,376	0	0	28,376
DP 2107 - Legislator Participation for Educational Opportunities	0.00	35,000	0	0	35,000	0.00	15,000	0	0	15,000
Total	0.00	\$335,140	\$0	\$0	\$335,140	0.00	\$143,631	\$0	\$0	\$143,631

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

DP 2105 - 5-20-301, MCA School Funding Study (OTO) -

The Legislative Branch requests general fund appropriations in FY 2026 and FY 2027 for the school funding interim commission. Statute (5-20-301, MCA) requires the commission to meet once every ten years to conduct a study to reassess the educational needs and costs related to the basic system of free quality public elementary and secondary schools and, if necessary, recommend to the following legislature changes to the state's school funding formula.

DP 2106 - Legislator Days -

The Legislative Branch requests general fund appropriations for "Legislator Days." The requested funding allows for legislators to come to the Capitol in the summer preceding the next legislative session to discuss budget and policy issues and to review interim studies in process. This is in preparation of the 2027 Legislative Session.

DP 2107 - Legislator Participation for Educational Opportunities -

The Legislative Branch requests general fund appropriations for legislator participation in educational opportunities. Last interim, the Legislative Council approved up to \$3,000 per legislator to use for educational opportunities such as conferences hosted by the National Conference of State Legislatures (NCSL), Council of State Governments (CSG), Pacific Northwest Economic Region (PNWER), etc. Funding in the 2025 biennium came from surplus in the Legislative Committees and Activities' budget. This request would allow for funding to be included in the budget and part of the base budget moving forward.

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 FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
PB	26.50	26.50	26.50	0.00	0.0%
General Fund	3,563,708	3,786,505	3,681,752	340,841	4.8%
Total Funds	3,563,708	3,786,505	3,681,752	340,841	4.8%
Personal Services	3,385,662	3,497,406	3,450,757	176,839	2.6%
Operating Expenses	178,046	289,099	230,995	164,002	46.1%
Total Expenditures	3,563,708	3,786,505	3,681,752	340,841	4.8%
Total Ongoing	3,563,708	3,735,005	3,628,752	236,341	3.3%
Total One-Time-Only	50,000	51,500	53,000	4,500	4.5%

Program Highlights

Legislative Fiscal Division Major Budget Highlights

- The Legislative Fiscal Division's 2027 biennium requested appropriations are approximately \$341,000 or 4.8% higher than the FY 2025 base budget. Significant requested biennial changes in general fund include:
 - An increase of approximately \$126,000 for personal services because of benefits, longevity, and pay rate changes
 - An increase of approximately \$110,000 to adjust for the cyclical nature of legislative committee activities, legislator salaries, and increased travel costs
 - An increase of approximately \$105,000 for contracting actuarial analysis on the pension system

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.

Financial and Data Analysis 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
Base Budget	3,563,708	0	0	3,563,708	94.1%	3,563,708	0	0	3,563,708	96.8%
Statewide PL										
Personal Services	72,286	0	0	72,286	1.9%	53,821	0	0	53,821	1.5%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	(76)	0	0	(76)	(0.0%)	(51)	0	0	(51)	(0.0%)
Total Statewide PL	72,210	0	0	72,210	1.9%	53,770	0	0	53,770	1.5%
Present Law (PL)	99,087	0	0	99,087	2.6%	11,274	0	0	11,274	0.3%
New Proposals	51,500	0	0	51,500	1.4%	53,000	0	0	53,000	1.4%
Total HB 2 Adjustments	222,797	0	0	222,797	5.9%	118,044	0	0	118,044	3.2%
Total Requested Budget	3,786,505	0	0	3,786,505		3,681,752	0	0	3,681,752	

Funding

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

Legislative Branch, 27-Financial and Data Analysis Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	7,363,757	104,500	0	0	7,468,257	100.0%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$7,363,757	\$104,500	\$0	\$0	\$7,468,257	

HB 2 Appropriations

The Legislative Fiscal Division is funded entirely with general fund.

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	26.50	26.50	26.50	26.50
Personal Services	2,841,203	3,141,260	3,385,662	3,497,406	3,450,757
Operating Expenses	134,754	296,675	228,046	289,099	230,995
Total Expenditures	\$2,975,957	\$3,437,935	\$3,613,708	\$3,786,505	\$3,681,752
General Fund	2,975,957	3,437,935	3,613,708	3,786,505	3,681,752
Total Funds	\$2,975,957	\$3,437,935	\$3,613,708	\$3,786,505	\$3,681,752
Total Ongoing	\$2,968,373	\$3,372,935	\$3,563,708	\$3,735,005	\$3,628,752
Total OTO	\$7,584	\$65,000	\$50,000	\$51,500	\$53,000

Program Description

The Legislative Fiscal Division provides the legislature with objective fiscal information and analysis relevant to Montana public policy and budget determination.

Division services include:

- Fiscal and data analysis of state government, including local government and schools, and the furnishing of information bearing upon the financial matters of the state
- Identification of ways to effect economy and efficiency in state government
- Estimation of revenue and analysis of tax policy
- Analysis of the executive budget
- Compiling and analyzing fiscal information for legislators and legislative committees
- Staffing and support for legislative committees, including the preparation and processing of the appropriation bills for the legislative, judicial, and executive agencies

The Legislative Finance Committee provides guidance to the Legislative Fiscal Division.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

Overall, the Legislative Fiscal Division's HB 2 budget of approximately \$3.4 million was 86.6% expended at the end of FY 2024.

Personal services appropriations made up the majority of the Legislative Fiscal Division's budget in FY 2024. Appropriations of \$3.1 million were 90.4% expended at the end of the fiscal year and 88.0% of the total personal services hours budgeted were utilized. The slightly lower personal services expenditures and hours utilized were due to retirements of two long-term staff and the Deputy Director working part-time for the Legislative Council on the legislative space planning process.

Appropriations for operating expenses totaled approximately \$297,000 and were 45.4% expended at the end of the fiscal year. Lower percentage expended is a direct result of legislator participation in the interim budget committees and Modernization and Risk Analysis Committee and expenditure reimbursement. The budget for committees in the Legislative Fiscal Division is based on every legislator attending every meeting to allow for full participation in meetings.

FY 2024 Appropriations Compared to FY 2025 Appropriations

Overall, the FY 2025 appropriation is approximately \$176,000 or 5.1% greater than the FY 2024 appropriation. This is primarily because of:

- The legislative approved funding for an additional 5.50 PB with staggered start dates. Appropriations for these PB were approximately \$136,000 greater in FY 2025
- The legislature approved HB 13 which included adjustment for the pay plan that were approximately \$112,000 greater in FY 2025

The increased appropriations in FY 2025 are slightly offset because of the cyclical nature of the Legislative Finance Committee and the Interim Budget Committees meetings during the interim. The legislature approved approximately \$64,000 less in FY 2025 because these interim committees meet more in the first year of the biennium.

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	72,286	0	0	72,286		0.00	53,821	0	0	53,821
DP 3 - Inflation Deflation										
0.00	(76)	0	0	(76)		0.00	(51)	0	0	(51)
DP 4 - Present Law										
0.00	99,087	0	0	99,087		0.00	11,274	0	0	11,274
Grand Total All Present Law Adjustments										
0.00	\$171,297	\$0	\$0	\$171,297		0.00	\$65,044	\$0	\$0	\$65,044

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

DP 1 - Personal Services -

The Legislative Branch 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

Legislative Branch	
Legislative Fiscal Division	
FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 62,799
Management Changes	28,612
Total Budget Modifications	<u>(19,125)</u>
Total	<u>\$ 72,286</u>

The Legislative Fiscal Division's statewide present law adjustment for personal services was primarily impacted by legislative and management changes, which include:

- Legislative changes were primarily impacted by changes in benefits and longevity
- Management decisions mainly were mainly due to increases for market adjustments, career ladder changes, performance adjustments, and promotions. These increases are partially offset by the funding adopted by the 2023 Legislature to stabilize legislative staff with competitive pay

In addition to the management changes, there was a budget modification that moved personal services funding from the Legislative Audit Division to the Legislative Fiscal Division to realign personal services funding in the Legislative Branch. Since personal services funding was transferred into the Legislative Fiscal Division, the statewide present law adjustment for personal services was reduced (note: across the Legislative Branch, this is a net zero change).

DP 3 - Inflation Deflation -

The Legislative Branch 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 4 - Present Law -

The Legislative Branch requests an increase in general fund appropriations in FY 2026 and FY 2027. The cyclical nature of legislative business for the Legislative Finance Committee, Interim Budget Committees and Modernization and Risk Analysis Committee results in uneven appropriations in each fiscal year. Appropriations in the first year of the biennium are higher for legislative committees because most of the interim committee work is completed during this time. The requested increases are due to:

- Salary increases for the Legislative Finance Committee, Interim Budget Committees, and Modernization and Risk Analysis Committee of approximately \$51,000
- Operating expenses of \$53,000 for interim legislative committees, which is not included in the base budget because of the legislative business cycle, and \$6,000 for increased travel costs for legislator and Legislative Fiscal Division staff

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 2705 - Pension Actuarial (OTO)	0.00	51,500	0	0	51,500	0.00	53,000	0	0	53,000
Total	0.00	\$51,500	\$0	\$0	\$51,500	0.00	\$53,000	\$0	\$0	\$53,000

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

DP 2705 - Pension Actuarial (OTO) -

The Legislative Branch requests general fund appropriations for contracting an actuarial analysis on the pension system. The review is intended to provide the legislature with information to fulfill its financial fiduciary responsibilities related to the pension system.

The 2023 Legislature approved funding for this purpose as one-time-only in the 2025 biennium. HB 2 included language that stated:

"It is the intent of the Legislature that, absent clear evidence that the Pension Actuarial Analysis contract has not been sufficiently utilized at the end of the 2025 biennium, the same funding, adjusted for inflation, be included as one-time-only in the Legislative Fiscal Division's budget request for the 2027 biennium. It is the intent of the Legislature that the 2025 Legislature evaluate the results of the actuarial analyses utilized during the 2025 biennium."

**LFD
COMMENT**

During the 2025 biennium the pension actuarial analysis appropriation was used for a variety of purposes. Primarily, members of the SJ 4 study committee, in conjunction with members from the Legislative Finance Committee (LFC), participated in phone calls with the contracted actuary regarding best materials to present to the SJ 4 committee. In March 2024 the contracted actuary presented to the SJ 4 committee a report titled "Retirement System Overview for Legislators". In this presentation the contracted actuary went over best practices of pension systems as well as possible risk assessment analyses. Following this meeting the contracted actuary conducted a stress test of the Public Employees' Retirement System (PERS) and Teachers' Retirement System (TRS) and presented the results at the October SJ 4 committee. The analysis will also be presented to the Legislative Finance Committee in December. The contracted actuary is also expected to be utilized in the 2027 Legislative Session to analyze pension proposals for the legislature.

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 FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
PB	52.75	53.00	53.00	0.25	0.2%
General Fund	3,624,760	3,551,861	3,534,101	(163,558)	(2.3%)
State/Other Special Rev. Funds	2,368,036	2,921,851	2,922,214	1,107,993	23.4%
Total Funds	5,992,796	6,473,712	6,456,315	944,435	7.9%
Personal Services	5,749,295	6,052,903	6,054,980	609,293	5.3%
Operating Expenses	243,501	420,809	401,335	335,142	68.8%
Total Expenditures	5,992,796	6,473,712	6,456,315	944,435	7.9%
Total Ongoing	5,992,796	6,473,712	6,456,315	944,435	7.9%
Total One-Time-Only					0.0%

Program Highlights

Legislative Audit Division Major Budget Highlights	
<ul style="list-style-type: none"> The Legislative Audit Division's 2027 biennium requested appropriations are approximately \$944,000 or 7.9% higher than the FY 2025 base budget. Significant biennial changes include: <ul style="list-style-type: none"> An increase of \$580,000 for personal services because of benefits, longevity, and pay rate changes An increase of approximately \$257,000 for rent, which is offset by a decrease in rent in the Legislative Services Division 	

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.

Audit and Examination 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
Base Budget	3,624,760	2,368,036	0	5,992,796	92.6%	3,624,760	2,368,036	0	5,992,796	92.8%
Statewide PL										
Personal Services	158,951	130,050	0	289,001	4.5%	160,093	130,985	0	291,078	4.5%
Fixed Costs	(3,087)	(2,525)	0	(5,612)	(0.1%)	(3,087)	(2,525)	0	(5,612)	(0.1%)
Inflation Deflation	(284)	(233)	0	(517)	(0.0%)	(192)	(157)	0	(349)	(0.0%)
Total Statewide PL	155,580	127,292	0	282,872	4.4%	156,814	128,303	0	285,117	4.4%
Present Law (PL)	30,401	24,874	0	55,275	0.9%	19,401	15,874	0	35,275	0.5%
New Proposals	(258,880)	401,649	0	142,769	2.2%	(266,874)	410,001	0	143,127	2.2%
Total HB 2 Adjustments	(72,899)	553,815	0	480,916	7.4%	(90,659)	554,178	0	463,519	7.2%
Total Requested Budget	3,551,861	2,921,851	0	6,473,712		3,534,101	2,922,214	0	6,456,315	

Funding

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

Legislative Branch, 28-Audit and Examination Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	7,768,959	(682,997)	0	0	7,085,962	54.8%
02042 Legislative Audit	5,161,068	682,997	0	0	5,844,065	100.0%
State Special Total	\$5,161,068	\$682,997	\$0	\$0	\$5,844,065	45.2%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$12,930,027	\$0	\$0	\$0	\$12,930,027	

HB 2 Appropriations

The Legislative Audit Division is funded with general fund and state special revenue. The state special revenue funds are generated through a charge to state agencies for legislative audit services. The charge is based on a billing rate for audit services and is calculated in accordance with federal regulations.

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	52.75	52.75	53.00	53.00
Personal Services	5,148,830	5,492,889	5,749,295	6,052,903	6,054,980
Operating Expenses	243,449	283,534	243,501	420,809	401,335
Total Expenditures	\$5,392,279	\$5,776,423	\$5,992,796	\$6,473,712	\$6,456,315
General Fund	3,309,248	3,504,472	3,624,760	3,551,861	3,534,101
State/Other Special Rev. Funds	2,083,031	2,271,951	2,368,036	2,921,851	2,922,214
Total Funds	\$5,392,279	\$5,776,423	\$5,992,796	\$6,473,712	\$6,456,315
Total Ongoing	\$5,392,279	\$5,776,423	\$5,992,796	\$6,473,712	\$6,456,315
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Legislative Audit Division is the state's independent auditor and a key part of the Legislature's responsibility for strict accountability of public funds. The division's products and services provide legislative and executive managers of the public trust with factual, objective, and unbiased information on how state government works and how to make it work better. These products and services include:

- Auditing the state's Annual Comprehensive Financial Report and the biennial Federal Single Audit
- Conducting performance audits to focus on agency or program operations and management, efficiency and effectiveness in delivery of government services, or public policy outcomes and impacts
- Conducting financial-compliance audits of each state agency at least every two years to assess adherence to accounting principles, compliance with material laws, and internal controls
- Conducting information systems audits to address the design, operation, and maintenance of technology systems and processes, and providing assurances on the quality and reliability of system data
- Maintaining the state's hotline for reporting fraud, waste and abuse in state government and conducting work to verify allegations and substantiate reported cases
- Reporting violations of penal statutes, instances of misfeasance, malfeasance, or nonfeasance, and any instances of apparent criminal violations of the state code of ethics discovered in an audit
- Auditing records of entities under contract with the state
- Assisting the legislature, its committees, and its members by providing information related to the fiscal affairs of state government

The Legislative Auditor is responsible for managing the division and appointing and defining the duties of the division's employees. The Legislative Auditor is appointed by the Legislative Audit Committee, a twelve-member, bipartisan, bicameral permanent joint committee of the legislature.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

Overall, the Legislative Audit Division's HB 2 budget of approximately \$5.8 million was 93.3% expended at the end of FY 2024. Personal services appropriations made up the majority of the division's budget in FY 2024. Personal services appropriations of \$5.5 million were 93.7% expended at the end of the fiscal year and 88.9% of the total personal services hours budgeted were utilized. The slightly lower personal services expenditures were due to staff turnover.

FY 2024 Appropriations Compared to FY 2025 Appropriations

Overall, the FY 2025 appropriation is approximately \$216,000 or 3.7% greater than the FY 2024 appropriation. This is primarily because the legislature approved HB 13 which included adjustment for the pay plan that were approximately \$216,000 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	158,951	130,050	0	289,001	0.00	160,093	130,985	0	291,078
DP 2 - Fixed Costs	0.00	(3,087)	(2,525)	0	(5,612)	0.00	(3,087)	(2,525)	0	(5,612)
DP 3 - Inflation Deflation	0.00	(284)	(233)	0	(517)	0.00	(192)	(157)	0	(349)
DP 4 - Present Law	0.00	30,401	24,874	0	55,275	0.00	19,401	15,874	0	35,275
Grand Total All Present Law Adjustments	0.00	\$185,981	\$152,166	\$0	\$338,147	0.00	\$176,215	\$144,177	\$0	\$320,392

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

DP 1 - Personal Services -

The Legislative Branch 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

Legislative Branch	
Legislative Audit Division	
FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 121,839
Management Changes	112,038
Total Budget Modifications	<u>55,124</u>
Total	<u>\$ 289,001</u>

The Legislative Audit Division's statewide present law adjustment for personal services was primarily impacted by legislative and management changes, which include:

- Legislative changes were primarily impacted by changes in benefits and longevity
- Management decisions were mainly due to increases for market adjustments, hiring differences for new staff, performance adjustments, and career ladder changes. These increases are partially offset by the funding adopted by the 2023 Legislature to stabilize legislative staff with competitive pay

In addition to the legislative and management changes, there was a budget modification that moved personal services funding from the Legislative Audit Division to other divisions to realign personal services funding in the Legislative Branch. Since personal services funding was transferred from the Legislative Audit Division, the statewide present law adjustment for personal services was increased (note: across the Legislative Branch, this is a net zero change).

DP 2 - Fixed Costs -

The Legislative Branch 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 Legislative Branch 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 4 - Present Law -

The Legislative Branch requests general fund and state special revenue appropriations for cyclical adjustments. In FY 2026, significant requested increases include:

- \$20,000 for the Legislative Branch's contracted audit (funding for the contracted audit is not included in the base budget)
- \$15,000 for a peer review
- \$6,000 for estimated increases in lodging costs for travel
- \$7,000 for software upgrades
- \$6,500 for subscription services

In FY 2027, significant requested increases include:

- \$15,000 for a peer review
- \$6,000 for estimated increases in lodging costs for travel
- \$7,000 for software upgrades
- \$6,500 for subscription services

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 2006 - Mitchell Building Rent	0.00	70,489	57,673	0	128,162	0.00	70,686	57,834	0	128,520
DP 2805 - Modified PB to Permanent	0.25	8,034	6,573	0	14,607	0.25	8,034	6,573	0	14,607
DP 2806 - Fund Switch - Audit Appropriations (OTO)	0.00	(469,568)	469,568	0	0	0.00	(477,759)	477,759	0	0
DP 2807 - Fund Switch - Statewide Risk Assessment (OTO)	0.00	132,165	(132,165)	0	0	0.00	132,165	(132,165)	0	0
Total	0.25	(\$258,880)	\$401,649	\$0	\$142,769	0.25	(\$266,874)	\$410,001	\$0	\$143,127

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

DP 2006 - Mitchell Building Rent -

The Legislative Branch requests an increase in general fund and state special revenue funds in FY 2026 and FY 2027 for Mitchell Building rent. This request is in conjunction with a request in the Legislative Services Division (DP 2006) which proposes a reduction in general fund appropriations for Mitchell Building rent. This reallocation allows the rent to be split between general fund (55.0%) and state special revenue (45.0%) rather than 100.0% general fund.

DP 2805 - Modified PB to Permanent -

The Legislative Branch requests general fund and state special revenue appropriations for 0.25 PB (positions budgeted). This request would add 0.25 PB to an existing 0.75 PB to make this position a 1.00 PB. This position is on the editorial team. According to the Legislative Audit Division, this additional PB will assist in implementing provisions of HB 132 (2023 Legislative Session), aid in the transition to an annual federal Single Audit, support commitments to more timely reporting for the state's Annual Comprehensive Financial Report (ACFR) and allow for expansion of online reporting formats and citizen engagement.

DP 2806 - Fund Switch - Audit Appropriations (OTO) -

The Legislative Branch requests a one-time-only decrease in general fund and increase state special revenue for an anticipated change in audit appropriations for billed work. Higher Legislative Audit Division staffing levels, combined with statutory pay increases, have resulted in higher costs as a component of the divisions' billing rate. The increase in the billing rate has also combined with an increase in the number of hours associated with federal single audits in the next biennium, resulting in a significant increase in the amount of state special revenue the division anticipates collecting through agency billing.

As the number of hours needed to complete the federal single audit effort stabilizes through the transition to an annual cycle, as required under HB 132, the division anticipates this situation will reverse. State special revenue will proportionally decline as a funding source as more risk- based financial audits are implemented.

DP 2807 - Fund Switch - Statewide Risk Assessment (OTO) -

The Legislative Branch requests a one-time-only increase in general fund and a decrease in state special revenue to redirect existing resources in the division's information technology (IT) audit and analytics team. This team would assist in fully implementing a statewide risk assessment supporting the division's risk-based audit decisions and planning. This proposal redirects existing audit efforts at the Montana State Lottery, related to lottery security, and the Department of Administration, related to the Statewide Accounting, Budgeting and Human Resources System (SABHRS). The effort currently associated with these audits will instead be used to support the statewide risk assessment process, which will provide an assessment of significant IT risks across all agencies, focusing on mission-critical enterprise IT systems as well as general IT controls that support and manage those systems.

This request is one-time-only because the Legislative Audit Division is exploring other funding mechanisms for the 2029 biennium.

This decision package is contingent on other legislation that is required to address current provisions in law related to the Montana State Lottery security and IT audit.

MONTANA CONSUMER COUNSEL

Section A

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----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 FY 2025	Requested Budget		Biennium Change from Base		
		FY 2026	FY 2027	Amount	Percent	
PB	5.54	5.56	5.56	0.02	0.2%	
State/Other Special Rev. Funds	1,633,436	1,849,351	1,850,909	433,388	13.3%	
Total Funds	1,633,436	1,849,351	1,850,909	433,388	13.3%	
Personal Services	742,879	803,367	803,368	120,977	8.1%	
Operating Expenses	847,692	998,734	999,346	302,696	17.9%	
Debt Service	42,865	47,250	48,195	9,715	11.3%	
Total Expenditures	1,633,436	1,849,351	1,850,909	433,388	13.3%	
Total Ongoing	1,633,436	1,849,351	1,850,909	433,388	13.3%	
Total One-Time-Only					0.0%	

Agency Highlights

Consumer Counsel Major Budget Highlights

- The Consumer Counsel requests appropriations for the 2027 biennium that are 13.3%, or \$433,000 higher than the FY 2025 base budget. Significant requested changes include:
 - An increase of 17.9% in operating expenses, primarily due to the new proposal request of \$300,000 for a caseload contingency fund
 - Debt service increasing by 11.3% through a present law adjustment for an increase in anticipated rent payments
- An increase in personal services of \$121,000 over the biennium due to an increase in the cost of benefits and the change in pay rate for positions within the agency

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.

Consumer Counsel 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
Base Budget	0	1,633,436	0	1,633,436	88.3%	0	1,633,436	0	1,633,436	88.3%
Statewide PL										
Personal Services	0	58,275	0	58,275	3.2%	0	58,275	0	58,275	3.1%
Fixed Costs	0	(1,813)	0	(1,813)	(0.1%)	0	(1,760)	0	(1,760)	(0.1%)
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	0	56,462	0	56,462	3.1%	0	56,515	0	56,515	3.1%
Present Law (PL)	0	7,240	0	7,240	0.4%	0	8,744	0	8,744	0.5%
New Proposals	0	152,213	0	152,213	8.2%	0	152,214	0	152,214	8.2%
Total HB 2 Adjustments	0	215,915	0	215,915	11.7%	0	217,473	0	217,473	11.7%
Total Requested Budget	0	1,849,351	0	1,849,351		0	1,850,909	0	1,850,909	

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)

More details are provided in the analysis of this decision package in the Present Law Adjustments section below.

Funding

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

Total Consumer Counsel 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
02801 Dep Rev Consumer Cncl Tax	3,700,260				3,700,260	100.0%
State Special Revenue Total	3,700,260	-	-	-	3,700,260	100.0%
Federal Special Revenue Total	-	-	-	-	-	0.0%
Proprietary Fund Total	-	-	-	-	-	0.0%
Total of All Funds	3,700,260	-	-	-	3,700,260	
Percent of All Sources of Authority	100.0%	0.0%	0.0%	0.0%		

The Consumer Counsel is funded by state special revenue generated by fees imposed on all regulated entities under the jurisdiction of the Public Service Commission. The funding formula is specified in 69-1-223, MCA. Each year the Department of Revenue determines the total gross operating revenue generated by all regulated activities within the state for the previous year. The Department of Revenue then computes the percentage tax necessary to yield an amount equal to the current appropriation, with no excess funds. If collection of excess revenue occurs, the amount charged to the regulated utilities for the following year is reduced. The figure below shows the revenues, expenditures, and fund balance for the state special revenue fund between FY 2024 and FY 2027.

Consumer Counsel				
State Special Revenue Fund (02801)				
	Actual FY 2024	Budgeted FY 2025	Proposed FY 2026	Proposed FY 2027
Beginning Fund Balance	\$1,291,198	\$1,564,533	\$ 1,564,533	\$ 1,565,082
Revenue	1,135,540	1,633,436	1,849,900	1,851,366
Expenditures				
Personal Services	615,142	742,879	803,367	803,368
Operating Expenses	205,522	847,692	998,734	999,346
Equipment & Intangible Assets	-	-	-	-
Debt Service	<u>42,231</u>	<u>42,865</u>	<u>47,250</u>	<u>48,195</u>
Total Expenditures	862,895	1,633,436	1,849,351	1,850,909
Ending Fund Balance	<u>\$1,563,843</u>	<u>\$1,564,533</u>	<u>\$ 1,565,082</u>	<u>\$ 1,565,539</u>

The chart includes revenues that were collected in FY 2024 and are budgeted for in FY 2025, as well as the 2027 biennium. The budgeted amount is slightly higher than the amount collected in FY 2024; due to this, the fund balance is projected to increase or stay the same through the 2027 biennium. The 2023 Legislature adopted a caseload contingency within the agency as a \$150,000 restricted, biennial, one-time-only appropriation in each fiscal year. This caseload contingency was not utilized in FY 2024 and was not utilized in FY 2022 and FY 2023. This caseload contingency is included within the FY 2025 budget, as well as proposed as ongoing funding in the 2027 biennium budget. Additionally, carryforward authority of \$139,000 is included in the FY 2025 budget.

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	5.54	5.54	5.56	5.56
Personal Services	615,142	717,795	742,879	803,367	803,368
Operating Expenses	205,522	835,623	847,692	998,734	999,346
Debt Service	42,231	42,232	42,865	47,250	48,195
Total Expenditures	\$862,895	\$1,595,650	\$1,633,436	\$1,849,351	\$1,850,909
State/Other Special Rev. Funds	862,895	1,595,650	1,633,436	1,849,351	1,850,909
Total Funds	\$862,895	\$1,595,650	\$1,633,436	\$1,849,351	\$1,850,909
Total Ongoing	\$862,895	\$1,595,650	\$1,633,436	\$1,849,351	\$1,850,909
Total OTO	\$0	\$0	\$0	\$0	\$0

Agency Description

The mission of the Montana Consumer Counsel is to represent the utility and transportation consuming public of the state of Montana in hearings before the Public Service Commission, or any other successor agency, and before state and federal courts and administrative agencies.

For additional information, please refer to the agency profile [here](#).

FY 2024 Appropriations Compared to FY 2024 Expenditures

The Montana Consumer Counsel had a FY 2024 HB 2 modified budget of \$1.6 million, which was 54.1% expended. This is slightly below the five-year Olympic average of 66.1%. There are a variety of factors that contribute to the lower-than-average percent expended in FY 2024.

Included within the HB 2 appropriations for the Consumer Counsel is a \$150,000 one-time-only, restricted, biennial appropriation as a caseload contingency; this caseload contingency was not needed in FY 2024. Along with this, the Consumer Counsel responds to cases that regulate utilities filed with the Public Service Commission and fewer filings were made in FY 2024, contributing to the decreased in expenditures.

FY 2024 Appropriations Compared to FY 2025 Appropriations

FY 2025 appropriations for the Montana Consumer Counsel are 2.4% higher than FY 2024 appropriations. The minor differences in the appropriations between fiscal years are due to the HB 13 pay plan addition to personal services. Additionally, the agency transferred appropriation authority from operating expenses to debt service for rent payments to comply with state accounting requirements.

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.

Consumer Counsel				
Comparison of the FY 2025 Legislative Budget to the FY 2025 Base Budget				
	Legislative Budget	Executive Modifications	Base Budget	% Change
01 ADMINISTRATIVE PROGRAM				
61000 Personal Services	742,879		742,879	0.0%
62000 Operating Expenses	848,949	(1,257)	847,692	-0.1%
69000 Debt Service	41,608	1,257	42,865	3.0%
Total	1,633,436	-	1,633,436	0.0%
Agency Total	1,633,436	-	1,633,436	0.0%

In comparing the FY 2025 legislative budget to the FY 2025 base budget, the agency made one executive modification. The change that was made was the transfer of appropriations from operating expenses to debt service to accurately portray rent payments according to state accounting standards.

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	58,275	0	58,275	0.00	0	58,275	0	58,275
DP 2 - Fixed Costs	0.00	0	(1,813)	0	(1,813)	0.00	0	(1,760)	0	(1,760)
DP 4 - Operating Expenses	0.00	0	2,855	0	2,855	0.00	0	3,414	0	3,414
DP 6 - Debt Service Increase	0.00	0	4,385	0	4,385	0.00	0	5,330	0	5,330
Grand Total All Present Law Adjustments	0.00	\$0	\$63,702	\$0	\$63,702	0.00	\$0	\$65,259	\$0	\$65,259

*"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

Consumer Counsel				
FY 2026 Statewide Present Law Adjustment for Personal Services (DP1)				
Program	Legislative Changes	Management Changes	Budget Modifications	Total DP1
01 Administrative Program	\$ 17,355	\$ 40,806	\$ -	\$ 58,161
Agency Total	\$ 17,355	\$ 40,806	\$ -	\$ 58,161

The executive requests an increase in personal services funding for the upcoming biennium. This increase is within both legislative and management changes. Within legislative changes, this increase is due to higher cost in benefits. In management changes, this increase is primarily in 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 4 - Operating Expenses -

The executive requests an increase in operating expenses to address the anticipated increase in costs within the agency. This increase in operating expenses is centralized in parking fees. This request is due to a change in fee structure implemented by the Helena Parking Commission.

DP 6 - Debt Service Increase -

The executive requests an increase in FY 2026 and FY 2027 for lease payments. These increases are based on current market rates from the Department of Administration. The current right-of-use (ROU) lease for office space expires June 30, 2025.

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 5 - Contingency Fund	0.00	0	150,000	0	150,000	0.00	0	150,000	0	150,000
DP 7 - PB	0.02	0	2,213	0	2,213	0.02	0	2,214	0	2,214
Total	0.02	\$0	\$152,213	\$0	\$152,213	0.02	\$0	\$152,214	\$0	\$152,214

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

DP 5 - Contingency Fund -

The executive requests an increase in state special revenue authority for the agency's contingency fund. This authority is to be used as a caseload contingency in the event of rate cases which would require staff to be contracted by the agency.

LFD COMMENT

In previous biennia, the Montana Consumer Counsel has received a caseload contingency appropriation. This funding is provided for the potential of unusually large, controversial, or complicated cases that require agency intervention. The 2023 Legislature approved \$150,000 in each fiscal year for caseload contingency funding and designated the appropriation as restricted, biennial, and one-time-only. The legislature may wish to designate the funding as a restricted, biennial and/or one-time-only appropriation in the 2027 biennium.

DP 7 - PB -

The executive requests an increase of state special revenue for 0.02 PB. This request would provide for two additional committee members on the Legislative Consumer Committee, as outlined in SB 176 of the 2023 Legislative Session.

GOVERNOR'S OFFICE

Section A

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----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 FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
PB	60.57	60.57	60.57	0.00	0.0%
General Fund	7,973,728	20,213,420	20,047,074	24,313,038	152.5%
State/Other Special Rev. Funds	50,000	7,101,760	7,050,000	14,051,760	14,051.8%
Federal Spec. Rev. Funds		3,579,332	3,500,000	7,079,332	0.0%
Proprietary Funds		552,843	500,000	1,052,843	0.0%
Total Funds	8,023,728	31,447,355	31,097,074	46,496,973	289.7%
Personal Services	6,441,766	29,601,104	29,613,292	46,330,864	359.6%
Operating Expenses	1,581,962	1,846,251	1,483,782	166,109	5.3%
Total Expenditures	8,023,728	31,447,355	31,097,074	46,496,973	289.7%
Total Ongoing	8,023,728	31,447,355	31,097,074	46,496,973	289.7%
Total One-Time-Only					0.0%

Agency Highlights

Governor's Office Major Budget Highlights	
<ul style="list-style-type: none"> The Governor's Office 2027 biennium budget request is approximately \$46.5 million or 289.7% higher than the FY 2025 base budget. The majority of the requested change is due to: <ul style="list-style-type: none"> An increase in general fund of \$24.0 million, state special revenue of \$14.0 million, federal special revenue of \$7.0 million, and proprietary funds of \$1.0 million. This funding is proposed to be biennial and restricted to address personnel recruitment and retention issues within Executive Branch agencies If the requested appropriations for the recruitment and contingency funding are removed, the Governor's Office budget request for ordinary operations is a biennial increase of \$497,000 or 3.1% 	

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.

Governor's Office 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
Base Budget	7,973,728	50,000	0	8,023,728	25.5%	7,973,728	50,000	0	8,023,728	25.8%
Statewide PL										
Personal Services	159,338	0	0	159,338	0.5%	171,526	0	0	171,526	0.6%
Fixed Costs	71,362	51,760	79,332	252,297	0.8%	(108,120)	0	0	(108,120)	(0.3%)
Inflation Deflation	(2,048)	0	0	(2,048)	(0.0%)	(1,383)	0	0	(1,383)	(0.0%)
Total Statewide PL	228,652	51,760	79,332	412,587	1.3%	62,023	0	0	62,023	0.2%
Present Law (PL)	8,540	0	0	8,540	0.0%	8,823	0	0	8,823	0.0%
New Proposals	12,002,500	7,000,000	3,500,000	23,002,500	73.1%	12,002,500	7,000,000	3,500,000	23,002,500	74.0%
Total HB 2 Adjustments	12,239,692	7,051,760	3,579,332	23,423,627	74.5%	12,073,346	7,000,000	3,500,000	23,073,346	74.2%
Total Requested Budget	20,213,420	7,101,760	3,579,332	31,447,355		20,047,074	7,050,000	3,500,000	31,097,074	

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.

Statewide Present Law Adjustment for Personal Services FY 2026 Decision Package 1				
Program	Legislative Changes	Management Decisions	Budget Modifications	Decision Package 1
Executive Office	\$ 37,961	\$ 42,613	\$ -	\$ 80,574
Executive Residence Operations	500	(8,196)	-	(7,696)
Office of Budget and Program Planning	43,244	43,144	-	86,388
Office of Indian Affairs	1,681	9,128	-	10,809
Mental Disabilities Board of Visitors	\$ (6,095)	(4,642)	-	(10,737)
Total	\$ 83,386	\$ 86,689	\$ -	\$ 159,338

Additional analysis on the statewide present law adjustment for personal services will be provided at the program level.

Funding

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

Total Governor's Office 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
01100 General Fund	40,260,494			16,500,000	56,760,494	71.8%
02038 Governor's Office SSR	14,151,760				14,151,760	17.9%
State Special Revenue Total	14,151,760	-	-	-	14,151,760	17.9%
03001 Governor's Office FSR	7,079,332				7,079,332	9.0%
Federal Special Revenue Total	7,079,332	-	-	-	7,079,332	9.0%
06510 Governor's Office Proprietary Fund	1,052,843				1,052,843	1.3%
Proprietary Fund Total	1,052,843	-	-	-	1,052,843	1.3%
Total of All Funds	62,544,429	-	-	16,500,000	79,044,429	
Percent of All Sources of Authority	79.1%	0.0%	0.0%	20.9%		

HB 2 Appropriations

The Governor's Office has historically been primarily funded with general fund. The Office of Indian Affairs has also received state special revenue funding for tribal relations training provided by the office.

For the 2027 biennium, the executive is proposing additional general fund, state special revenue, federal special revenue, and proprietary fund appropriations in HB 2. These proposed appropriations are mainly to address personnel recruitment and retention issues as they arise in the Executive Branch and a smaller proportion for legislative audit costs related to the federal single audit.

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	60.57	60.57	60.57	60.57
Personal Services	5,827,545	6,090,678	6,441,766	29,601,104	29,613,292
Operating Expenses	1,277,481	1,645,308	1,581,962	1,846,251	1,483,782
Total Expenditures	\$7,105,026	\$7,735,986	\$8,023,728	\$31,447,355	\$31,097,074
General Fund	7,082,813	7,685,986	7,973,728	20,213,420	20,047,074
State/Other Special Rev. Funds	22,213	50,000	50,000	7,101,760	7,050,000
Federal Spec. Rev. Funds	0	0	0	3,579,332	3,500,000
Proprietary Funds	0	0	0	552,843	500,000
Total Funds	\$7,105,026	\$7,735,986	\$8,023,728	\$31,447,355	\$31,097,074
Total Ongoing	\$7,105,026	\$7,735,986	\$8,023,728	\$31,447,355	\$31,097,074
Total OTO	\$0	\$0	\$0	\$0	\$0

Agency Description

The Governor's Office oversees the activities of the Executive Branch of Montana state government, consistent with statutory and constitutional mandates.

The Office of the Governor exists under authority granted in Article VI of the Montana Constitution. The Governor has constitutional and statutory authority to administer the affairs of the State of Montana. The Governor appoints all military and civil officers of the state whose appointments are provided for by statute or the constitution, grants reprieves and pardons, and serves on various boards and commissions. The Governor approves or vetoes legislation, reports to the legislature on the condition of the state and submits a biennial executive budget. The Governor also represents the state in relations with other governments and the public.

The Governor's office is comprised of the following programs:

- The Executive Office
- The Executive Residence Operations
- The Office of Budget and Program Planning
- The Office of Indian Affairs
- The Mental Disabilities Board of Visitors

The Mental Health Ombudsman is housed within the Mental Disabilities Board of Visitors program.

Please refer to the agency profile at <https://www.legmt.gov/lfd/committees/section-a/agency-profile-governors-office/> for additional information about the agency's organization structure, historical expenditures, goals and objectives, and recent studies and audits.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Governor's Office expended 91.8% of its \$7.7 million HB 2 modified budget through the end of FY 2024. The lower expenditures are primarily due to the Executive Office Program, Executive Residence Operations Program, and Office of Indian Affairs. Additional details will be included at the program level.

FY 2024 Appropriations Compared to FY 2025 Appropriations

Overall, the FY 2025 appropriation is approximately \$288,000 or 3.7% higher than the FY 2024 appropriation. This is primarily because the legislature approved HB 13 which included adjustments for the pay plan that were approximately \$247,000 greater in FY 2025.

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.

Governor's Office					
Comparison of the FY 2025 Legislative Budget to the FY 2025 Base Budget					
	Legislative Budget	Executive Modifications	Base Budget	% Change	
Executive Office Program					
61000 Personal Services	\$ 3,059,362	\$ -	\$ 3,059,362	0.0%	
62000 Operating Expenses	596,516	-	596,516	0.0%	
Total	3,655,878	-	3,655,878	0.0%	
Executive Residence Operations					0.0%
61000 Personal Services	92,108	-	92,108	0.0%	
62000 Operating Expenses	49,941	-	49,941	0.0%	
Total	142,049	-	142,049	0.0%	
Office of Budget and Program Planning					0.0%
61000 Personal Services	2,639,970	-	2,639,970	0.0%	
62000 Operating Expenses	794,913	-	794,913	0.0%	
Total	3,434,883	-	3,434,883	0.0%	
Office of Indian Affairs					0.0%
61000 Personal Services	181,418	-	181,418	0.0%	
62000 Operating Expenses	93,189	-	93,189	0.0%	
Total	274,607	-	274,607	0.0%	
Mental Disabilities Board of Visitors					0.0%
61000 Personal Services	468,908	-	468,908	0.0%	
62000 Operating Expenses	47,403	-	47,403	0.0%	
Total	516,311	-	516,311	0.0%	
Governor's Office Total	\$ 8,023,728	\$ -	\$ 8,023,728	0.0%	

The FY 2025, budget as adopted by the 2023 Legislature, has remained unchanged.

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	29.00	29.00	29.00	0.00	0.0%
General Fund	3,655,878	3,730,491	3,733,330	152,065	2.1%
Total Funds	3,655,878	3,730,491	3,733,330	152,065	2.1%
Personal Services	3,059,362	3,139,936	3,140,654	161,866	2.6%
Operating Expenses	596,516	590,555	592,676	(9,801)	(0.8%)
Total Expenditures	3,655,878	3,730,491	3,733,330	152,065	2.1%
Total Ongoing	3,655,878	3,730,491	3,733,330	152,065	2.1%
Total One-Time-Only					0.0%

Program Highlights

**Executive Office Program
Major Budget Highlights**

- The Executive Office Program's 2027 biennium requested appropriations are approximately \$152,000 or 2.1% higher than the FY 2025 base budget. Significant proposed biennial changes in general fund include:
 - An increase of approximately \$162,000 for personal services because of benefits, longevity, and pay rate changes

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.

Executive Office Program 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
Base Budget	3,655,878	0	0	3,655,878	98.0%	3,655,878	0	0	3,655,878	97.9%
Statewide PL										
Personal Services	80,574	0	0	80,574	2.2%	81,292	0	0	81,292	2.2%
Fixed Costs	(5,102)	0	0	(5,102)	(0.1%)	(3,260)	0	0	(3,260)	(0.1%)
Inflation Deflation	(859)	0	0	(859)	(0.0%)	(580)	0	0	(580)	(0.0%)
Total Statewide PL	74,613	0	0	74,613	2.0%	77,452	0	0	77,452	2.1%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	74,613	0	0	74,613	2.0%	77,452	0	0	77,452	2.1%
Total Requested Budget	3,730,491	0	0	3,730,491		3,733,330	0	0	3,733,330	

Funding

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

Governor's Office, 01-Executive Office Program Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	7,463,821	0	0	0	7,463,821	100.0%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$7,463,821	\$0	\$0	\$0	\$7,463,821	

HB 2 Appropriations

The Executive Office is entirely funded with general fund.

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	29.00	29.00	29.00	29.00
Personal Services	2,682,951	2,934,415	3,059,362	3,139,936	3,140,654
Operating Expenses	470,530	575,484	596,516	590,555	592,676
Total Expenditures	\$3,153,481	\$3,509,899	\$3,655,878	\$3,730,491	\$3,733,330
General Fund	3,153,481	3,509,899	3,655,878	3,730,491	3,733,330
Total Funds	\$3,153,481	\$3,509,899	\$3,655,878	\$3,730,491	\$3,733,330
Total Ongoing	\$3,153,481	\$3,509,899	\$3,655,878	\$3,730,491	\$3,733,330
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Executive Office Program aids the Governor in overseeing and coordinating the activities of the Executive Branch of Montana state government. The program includes the Office of the Lieutenant Governor which is responsible for carrying out duties prescribed by statute established by Article VI, Section 4 of the Montana Constitution, as well as those delegated by the Governor.

Statutory authority is Title 2, Chapter 15, part 3, MCA. The program provides administrative, legal, and press support for the Office of the Governor. The Executive Office Program also administers programs with special impact on the citizens and governmental concerns of Montana. Special programs include the Office of Economic Development, which was created to strengthen the foundations of the state's business environment and diversify and expand existing economic endeavors to achieve long-term economic stability, and the Office of the Citizens' Advocate.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Executive Office Program's HB 2 budget of \$3.5 million was 89.8% expended as of the end of the fiscal year.

The Office of Economic Development, within the Executive Office Program, had HB 2 appropriations of approximately \$593,000, which were 75.1% expended. Personal services appropriations totaled \$453,000 and were 88.5% expended. Slightly lower personal services expenditures in this office were due to 2.00 PB that were vacant in FY 2024. Appropriations for operating expenses totaled \$140,000 and were 31.6% expended. Lower operating expenses were due to the office not hosting events in FY 2024 and no longer maintaining the site selector or business checklist online applications.

FY 2024 Appropriations Compared to FY 2025 Appropriations

Overall, the FY 2025 appropriation is approximately \$146,000 or 4.2% greater than the FY 2024 appropriation. This is primarily because the legislature approved HB 13 which included adjustments for the pay plan that were approximately \$117,000 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	80,574	0	0	80,574	0.00	81,292	0	0	81,292
DP 2 - Fixed Costs	0.00	(5,102)	0	0	(5,102)	0.00	(3,260)	0	0	(3,260)
DP 3 - Inflation Deflation	0.00	(859)	0	0	(859)	0.00	(580)	0	0	(580)
Grand Total All Present Law Adjustments	0.00	\$74,613	\$0	\$0	\$74,613	0.00	\$77,452	\$0	\$0	\$77,452

*"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

Governor's Office Executive Office FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 37,961
Management Changes	42,613
Total Budget Modifications	<u>-</u>
Total	<u>\$ 80,574</u>

The Executive Office's statewide present law adjustment for personal services was impacted by legislative changes and management changes. The increase in legislative changes is due to changes in benefits and longevity. The increase in management changes is mainly due to pay rate increases for exempt positions, different pay rates for vacant positions, and increases in pay related to new hires.

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.

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 FY 2025	Requested Budget		Biennium Change from Base		
		FY 2026	FY 2027	Amount	Percent	
PB	1.57	1.57	1.57	0.00	0.0%	
General Fund	142,049	132,279	132,266	(19,553)	(6.9%)	
Total Funds	142,049	132,279	132,266	(19,553)	(6.9%)	
Personal Services	92,108	84,412	84,410	(15,394)	(8.4%)	
Operating Expenses	49,941	47,867	47,856	(4,159)	(4.2%)	
Total Expenditures	142,049	132,279	132,266	(19,553)	(6.9%)	
Total Ongoing	142,049	132,279	132,266	(19,553)	(6.9%)	
Total One-Time-Only					0.0%	

Program Highlights

**Executive Residence Operations
Major Budget Highlights**

- The Executive Residence Operations Program's 2027 biennium requested appropriations are approximately \$20,000 or 6.9% lower than the FY 2025 base budget. Proposed biennial general fund changes include:
 - A decrease of \$15,000 primarily due to the pay plan in HB 13 not being used because the 1.57 PB were vacant during the 2025 biennium
 - A decrease of \$4,000 mainly due to a reduction in the fixed costs for messenger services and insurance

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.

Executive Residence Operations 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
Base Budget	142,049	0	0	142,049	107.4%	142,049	0	0	142,049	107.4%
Statewide PL										
Personal Services	(7,696)	0	0	(7,696)	(5.8%)	(7,698)	0	0	(7,698)	(5.8%)
Fixed Costs	(2,074)	0	0	(2,074)	(1.6%)	(2,085)	0	0	(2,085)	(1.6%)
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	(9,770)	0	0	(9,770)	(7.4%)	(9,783)	0	0	(9,783)	(7.4%)
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	(9,770)	0	0	(9,770)	(7.4%)	(9,783)	0	0	(9,783)	(7.4%)
Total Requested Budget	132,279	0	0	132,279		132,266	0	0	132,266	

Funding

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

Governor's Office, 02-Executive Residence Operations Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	264,545	0	0	0	264,545	100.0%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$264,545	\$0	\$0	\$0	\$264,545	

HB 2 Appropriations

The Executive Residence Operations Program is entirely funded with general fund.

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	1.57	1.57	1.57	1.57
Personal Services	0	5,521	92,108	84,412	84,410
Operating Expenses	29,522	49,093	49,941	47,867	47,856
Total Expenditures	\$29,522	\$54,614	\$142,049	\$132,279	\$132,266
General Fund	29,522	54,614	142,049	132,279	132,266
Total Funds	\$29,522	\$54,614	\$142,049	\$132,279	\$132,266
Total Ongoing	\$29,522	\$54,614	\$142,049	\$132,279	\$132,266
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Executive Residence Operations Program provides for the day-to-day operations of the official state Executive Residence.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The HB 2 budget of approximately \$54,000 was 54.1% expended as of the end of FY 2024.

Personal services appropriations of \$5,500 were 0.0% expended at the end of the fiscal year. The program includes 1.57 PB, which are unfilled. The legislature did not fund these positions in FY 2024 because the executive residence is not currently being used. The funding in personal services is from the pay plan in HB 13, which was not used because the positions were vacant.

Appropriations for operating expenses totaled \$49,000 in FY 2024 and were 60.1% expended at the end of the fiscal year. The executive residence is not currently in use, so operating expenses were lower in FY 2024. The Governor's personal residence has been used for business events. Caterers and contracted staff have been used, as needed, for these events.

FY 2024 Appropriations Compared to FY 2025 Appropriations

Overall, the FY 2025 appropriation is approximately \$87,000 or 160.1% higher than the FY 2024 appropriation. This is primarily because the legislature approved a reduction to FY 2024 personal services funding for 1.57 PB of approximately \$81,000. The executive residence was not anticipated to be in use in FY 2024, so the associated staff were not needed.

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	(7,696)	0	0	(7,696)	0.00	(7,698)	0	0	(7,698)
DP 2 - Fixed Costs									
0.00	(2,074)	0	0	(2,074)	0.00	(2,085)	0	0	(2,085)
Grand Total All Present Law Adjustments									
0.00	(\$9,770)	\$0	\$0	(\$9,770)	0.00	(\$9,783)	\$0	\$0	(\$9,783)

*"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

Governor's Office	
Executive Residence Operations Program	
FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 500
Management Changes	(8,196)
Total Budget Modifications	<u>-</u>
Total	<u>\$ (7,696)</u>

The Executive Residence Operations Program's statewide present law adjustment for personal services was primarily impacted by management changes. The reason for the decrease is primarily because 1.57 PB are vacant. These positions received a pay plan adjustment in HB 13; however, because they were not filled, no pay plan adjustment was applied to these positions. This reduction is partially offset because the rates for the vacant PB are slightly greater than the rates in the previous biennium.

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.

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 FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
PB	23.00	23.00	23.00	0.00	0.0%
General Fund	3,434,883	15,604,038	15,432,330	24,166,602	351.8%
State/Other Special Rev. Funds		7,051,760	7,000,000	14,051,760	0.0%
Federal Spec. Rev. Funds		3,579,332	3,500,000	7,079,332	0.0%
Proprietary Funds		552,843	500,000	1,052,843	0.0%
Total Funds	3,434,883	26,787,973	26,432,330	46,350,537	674.7%
Personal Services	2,639,970	25,726,358	25,735,799	46,182,217	874.7%
Operating Expenses	794,913	1,061,615	696,531	168,320	10.6%
Total Expenditures	3,434,883	26,787,973	26,432,330	46,350,537	674.7%
Total Ongoing	3,434,883	26,787,973	26,432,330	46,350,537	674.7%
Total One-Time-Only					0.0%

Program Highlights

Office of Budget and Program Planning Major Budget Highlights

- The Office of Budget and Program Planning's 2027 biennium requested appropriations are approximately \$46.4 million or 674.7% higher than the FY 2025 base budget. The majority of the requested change is due to:
 - An increase in general fund of \$24.0 million, state special revenue of \$14.0 million, federal special revenue of \$7.0 million, and proprietary funds of \$1.0 million. This funding is proposed to be biennial and restricted to address personnel recruitment and retention issues within Executive Branch agencies
- If the requested appropriations for the recruitment and contingency funding are removed, the Office of Budget and Program Planning's budget request for ordinary operations is a biennial increase of \$351,000 or 5.1%

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.

Office of Budget and Program Planning 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
Base Budget	3,434,883	0	0	3,434,883	12.8%	3,434,883	0	0	3,434,883	13.0%
Statewide PL										
Personal Services	86,388	0	0	86,388	0.3%	95,829	0	0	95,829	0.4%
Fixed Costs	79,247	51,760	79,332	263,182	1.0%	(102,192)	0	0	(102,192)	(0.4%)
Inflation Deflation	(20)	0	0	(20)	(0.0%)	(13)	0	0	(13)	0.0%
Total Statewide PL	165,615	51,760	79,332	349,550	1.3%	(6,376)	0	0	(6,376)	(0.0%)
Present Law (PL)	3,540	0	0	3,540	0.0%	3,823	0	0	3,823	0.0%
New Proposals	12,000,000	7,000,000	3,500,000	23,000,000	85.9%	12,000,000	7,000,000	3,500,000	23,000,000	87.0%
Total HB 2 Adjustments	12,169,155	7,051,760	3,579,332	23,353,090	87.2%	11,997,447	7,000,000	3,500,000	22,997,447	87.0%
Total Requested Budget	15,604,038	7,051,760	3,579,332	26,787,973		15,432,330	7,000,000	3,500,000	26,432,330	

Funding

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

Governor's Office, 04-Office of Budget and Program Planning Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	31,036,368	0	0	16,500,000	47,536,368	68.2%	
02038 Governor's Office SSR	14,051,760	0	0	0	14,051,760	100.0%	
State Special Total	\$14,051,760	\$0	\$0	\$0	\$14,051,760	20.2%	
03001 Governor's Office FSR	7,079,332	0	0	0	7,079,332	100.0%	
Federal Special Total	\$7,079,332	\$0	\$0	\$0	\$7,079,332	10.2%	
06510 Governor's Office Proprietary Fund	1,052,843	0	0	0	1,052,843	100.0%	
Proprietary Total	\$1,052,843	\$0	\$0	\$0	\$1,052,843	1.5%	
Total All Funds	\$53,220,303	\$0	\$0	\$16,500,000	\$69,720,303		

HB 2 Appropriations

The Office of Budget and Program Planning has historically been entirely funded with general fund. For the 2027 biennium, the executive is proposing additional general fund, state special revenue, federal special revenue, and proprietary fund appropriations in HB 2. These proposed appropriations are mainly to address personnel recruitment and retention issues as they arise in the Executive Branch and a smaller proportion for legislative audit costs related to the federal single audit.

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	23.00	23.00	23.00	23.00
Personal Services	2,552,963	2,529,522	2,639,970	25,726,358	25,735,799
Operating Expenses	696,431	882,646	794,913	1,061,615	696,531
Total Expenditures	\$3,249,394	\$3,412,168	\$3,434,883	\$26,787,973	\$26,432,330
General Fund	3,249,394	3,412,168	3,434,883	15,604,038	15,432,330
State/Other Special Rev. Funds	0	0	0	7,051,760	7,000,000
Federal Spec. Rev. Funds	0	0	0	3,579,332	3,500,000
Proprietary Funds	0	0	0	552,843	500,000
Total Funds	\$3,249,394	\$3,412,168	\$3,434,883	\$26,787,973	\$26,432,330
Total Ongoing	\$3,249,394	\$3,412,168	\$3,434,883	\$26,787,973	\$26,432,330
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Office of Budget and Program Planning (OBPP) assists the Governor in preparing the Governor's executive budget request and administering the state government budget. In addition, the OBPP prepares and monitors revenue estimates and collections, prepares and publishes fiscal notes on proposed legislation and initiatives, and acts as the approving authority for operational plan changes, program transfers, and budget amendments in the Executive Branch, in accordance with Title 17, Chapter 7, MCA. The OBPP acts as the lead Executive Branch agency for compliance with the federal Single Audit Act. The office also provides accounting, budgeting, human resource, procurement, safety, and information technology support for the entire Governor's Office.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Office of Budget and Program Planning's HB 2 budget of approximately \$3.4 million was 95.2% expended as of the end of FY 2024. This is in line with anticipated expenditures at the end of the fiscal year.

Appropriations for operating expenses totaled \$883,000 and were 78.9% expended at the end of the fiscal year. The slightly lower percentage expended is partially due to lower legislative audit expenditures, which are biennial and may be used in FY 2025, and lower information technology expenditures.

FY 2024 Appropriations Compared to FY 2025 Appropriations

Overall, the FY 2025 appropriation is approximately \$23,000 or 0.7% higher than the FY 2024 appropriation. The difference is primarily due to:

- Appropriations of \$92,000 for legislative audit costs are only in FY 2024
- Funding from HB 13, which included adjustments for the pay plan, were approximately \$97,000 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	86,388	0	0	86,388	0.00	95,829	0	0	95,829
DP 2 - Fixed Costs	0.00	79,247	51,760	79,332	263,182	0.00	(102,192)	0	0	(102,192)
DP 3 - Inflation Deflation	0.00	(20)	0	0	(20)	0.00	(13)	0	0	(13)
DP 401 - OBPP Operating Increase	0.00	3,540	0	0	3,540	0.00	3,823	0	0	3,823
Grand Total All Present Law Adjustments	0.00	\$169,155	\$51,760	\$79,332	\$353,090	0.00	(\$2,553)	\$0	\$0	(\$2,553)

***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

Governor's Office	
Office of Budget and Program Planning	
FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 43,244
Management Changes	43,144
Total Budget Modifications	-
Total	<u>\$ 86,388</u>

The Office of Budget and Program Planning's statewide present law adjustment for personal services was impacted by legislative changes and management changes. The increase in legislative changes is due to changes in benefits and longevity. The increase in management changes is mainly due to pay rate increases for retention, promotions, and increases in pay related to new hires.

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.

LFD COMMENT

The Legislative Audit Division (LAD) is proposing a new process for the federal single audit. Certain individual agencies have federal single audit costs included in their budgets based on projected hours. However, there can be volatility between the projected hours and the hours spent at an agency. According to LAD, this can result from "changes in federal funding and the requirements to replace low-risk high-dollar programs with high-risk low-dollar programs" during testing that occurs on an annual basis. The executive is proposing to include contingency funding in the Office of Budget and Program Planning to allow OBPP to transfer restricted audit appropriations

to an agency if the projected hours are lower than the actual hours LAD is working on the federal single audit in that agency.

Included in this request is \$287,000 for the federal single audit contingency fund, which includes approximately \$103,000 general fund, \$52,000 state special revenue, \$79,000 federal special revenue, and \$53,000 proprietary funds. Additionally, there are \$77,000 general fund for the traditional agency audit costs allocated to the Governor's Office.

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 - OBPP Operating Increase -

The executive requests general fund appropriations for subscription costs related to economic data. The Office of Budget and Program Planning maintains a contract for an economic data service on behalf of the OBPP, Legislative Fiscal Division, and several other state agencies. An annual increase of 8.0% is anticipated.

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 402 - Recruitment and Retention Contingency Fund (RST, BIEN)										
	0.00	12,000,000	7,000,000	3,500,000	23,000,000	0.00	12,000,000	7,000,000	3,500,000	23,000,000
Total	0.00	\$12,000,000	\$7,000,000	\$3,500,000	\$23,000,000	0.00	\$12,000,000	\$7,000,000	\$3,500,000	\$23,000,000

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

DP 402 - Recruitment and Retention Contingency Fund (RST, BIEN) -

The executive requests general fund, state special revenue, federal special revenue, and proprietary funds for a contingency fund for Executive Branch agencies. This contingency fund would be used when personnel recruitment and retention issues arise and must be dealt with, but the agency does not have the financial capacity to do so. The contingency fund would be managed by the Office of Budget and Program Planning and each request would require Budget Director approval. The funds would be used to adjust base pay for employees upon approval, so the appropriation authority would be transferred to the requesting agency and become a part of the base budget of that agency. The appropriation is requested to be restricted and biennial.

LFD COMMENT

At the end of FY 2024, the State of Montana had 12,140.25 authorized HB 2 positions budgeted (PB), and 96.2% of the \$1.1 billion budget for personal services was expended. As of the end of the fiscal year, which is a point in time, there were 10.5% or 1,284.57 PB vacant. Additionally, when looking at the number of hours utilized throughout FY 2024 by PB statewide when compared to the number of hours available, statewide 91.2% of the hours budgeted in FY 2024 have been used.

The executive is requesting restricted, biennial funding of \$23.0 million each fiscal year as a contingency fund to address personnel recruitment and retention issues as they arise in the 2027 biennium. This request is 2.2% of the HB 2 FY 2025 budget for the Executive Branch as of December 6, 2024. The table below provides additional information by fund type for

the FY 2025 HB 2 budget.

Executive Branch			
FY 2025 Personal Service Appropriations Compared to Contingency Fund Request			
	FY 2025 Personal Services	Requested Contingency Funding	Percent of FY 2025 Budget
General Fund	\$ 428,032,868	\$ 12,000,000	2.8%
State Special Revenue	400,877,152	7,000,000	1.7%
Federal Special Revenue	219,119,888	3,500,000	1.6%
Proprietary Funds	<u>8,797,513</u>	<u>500,000</u>	<u>5.7%</u>
Total	<u>\$ 1,056,827,421</u>	<u>\$ 23,000,000</u>	<u>2.2%</u>
*as of November 27, 2024			

A few considerations related to this request included:

- Reporting Requirements and/or Additional Restrictions – the legislature could add reporting requirements and/or restrictions to this appropriation in HB 13 or a companion bill
- Biennial Designation – the biennial designation allows for the Office of Budget and Program Planning to use this funding in either year of the biennium, and any unspent appropriations will continue into FY 2027. If these appropriations are not used in FY 2026, the total appropriations available in FY 2027 would be \$46.0 million and could be part of the base budget moving forward
- Base Budget – the executive is proposing that the funding transferred to the agencies become part of the base budget moving forward, which is necessary because the pay adjustments will continue into the 2029 biennium. However, if all or a portion of the funding is not transferred to agencies and remains in the Office of Budget and Program Planning's FY 2027 budget, it will become part of OBPP's base budget. If the legislature wants remaining funding in OBPP's budget not to continue into the 2029 biennium, they will need to include language in HB 2 that indicates that remaining appropriations that have not been transferred to agencies are considered one-time-only and will not be included in the base moving forward
- Target Funding – the legislature may want to directly appropriate funding within HB 2 to agencies that are currently experiencing recruitment and retention issues, and provide a smaller contingency fund to the Office of Budget and Program Planning to address additional recruitment and retention issues that may not currently be identified but become apparent during the 2027 biennium

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 FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
PB	2.00	2.00	2.00	0.00	0.0%
General Fund	224,607	234,304	234,739	19,829	4.4%
State/Other Special Rev. Funds	50,000	50,000	50,000		0.0%
Total Funds	274,607	284,304	284,739	19,829	3.6%
Personal Services	181,418	192,227	192,226	21,617	6.0%
Operating Expenses	93,189	92,077	92,513	(1,788)	(1.0%)
Total Expenditures	274,607	284,304	284,739	19,829	3.6%
Total Ongoing	274,607	284,304	284,739	19,829	3.6%
Total One-Time-Only					0.0%

Program Highlights

Office of Indian Affairs Major Budget Highlights
<ul style="list-style-type: none"> The Office of Indian Affairs' 2027 biennium requested appropriations are approximately \$20,000 or 3.6% higher than the FY 2025 base budget. Significant proposed biennial changes in general fund include: <ul style="list-style-type: none"> An increase of \$20,000 related to pay rate increases for an exempt position

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.

Office of Indian Affairs 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
Base Budget	224,607	50,000	0	274,607	96.6%	224,607	50,000	0	274,607	96.4%
Statewide PL										
Personal Services	10,809	0	0	10,809	3.8%	10,808	0	0	10,808	3.8%
Fixed Costs	38	0	0	38	0.0%	101	0	0	101	0.0%
Inflation Deflation	(1,150)	0	0	(1,150)	(0.4%)	(777)	0	0	(777)	(0.3%)
Total Statewide PL	9,697	0	0	9,697	3.4%	10,132	0	0	10,132	3.6%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	9,697	0	0	9,697	3.4%	10,132	0	0	10,132	3.6%
Total Requested Budget	234,304	50,000	0	284,304		234,739	50,000	0	284,739	

Funding

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

Governor's Office, 05-Office of Indian Affairs Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	469,043	0	0	0	469,043	82.4%
02038 Governor's Office SSR	100,000	0	0	0	100,000	100.0%
State Special Total	\$100,000	\$0	\$0	\$0	\$100,000	17.6%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$569,043	\$0	\$0	\$0	\$569,043	

HB 2 Appropriations

The majority of the Office of Indian Affairs is funded with general fund. The remaining funding is comprised of state special revenue funds generated by fees associated with tribal relations training administered by the Office of Indian Affairs.

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	2.00	2.00	2.00	2.00
Personal Services	154,218	172,766	181,418	192,227	192,226
Operating Expenses	46,524	92,027	93,189	92,077	92,513
Total Expenditures	\$200,742	\$264,793	\$274,607	\$284,304	\$284,739
General Fund	178,529	214,793	224,607	234,304	234,739
State/Other Special Rev. Funds	22,213	50,000	50,000	50,000	50,000
Total Funds	\$200,742	\$264,793	\$274,607	\$284,304	\$284,739
Total Ongoing	\$200,742	\$264,793	\$274,607	\$284,304	\$284,739
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Director of Indian Affairs serves as the Governor's liaison with state Indian tribes, provides information and policy support on issues confronting the Indians of Montana, and advises and makes recommendations on these issues to the Legislative and Executive Branches. The director also serves the Montana congressional delegation as an advisor and intermediary in the field of Indian affairs and acts as spokesperson for representative Native American organizations and groups, both public and private, whenever that support is requested. The program is mandated by 2-15-217 and 90-11-101, MCA.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Office of Indian Affairs' HB 2 budget of approximately \$265,000 was 75.8% expended as of the end of FY 2024.

Personal services appropriations of approximately \$173,000 were 89.3% expended at the end of the fiscal year and 64.1% of the total personal services hours budgeted were utilized. Personal services expenditures were lower than anticipated in the budget due to vacancies. The Office of Indian Affairs has 2.00 PB. Of these, 1.00 PB was vacant for nearly half of FY 2024.

Appropriations for operating expenses totaled approximately \$92,000 and were 50.6% expended at the end of the fiscal year. The state special revenue funding for tribal relations training has a budget of \$50,000 and is 44.4% expended, which is the primary contributor to the lower percentage expended in operating expenses. The Office of Indian Affairs held a training on November 29, 2023.

FY 2024 Appropriations Compared to FY 2025 Appropriations

Overall, the FY 2025 appropriation is approximately \$10,000 or 3.7% greater than the FY 2024 appropriation. This is primarily because the legislature approved HB 13 which included adjustments for the pay plan that were approximately \$8,000 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	10,809	0	0	10,809	0.00	10,808	0	0	10,808
DP 2 - Fixed Costs	0.00	38	0	0	38	0.00	101	0	0	101
DP 3 - Inflation Deflation	0.00	(1,150)	0	0	(1,150)	0.00	(777)	0	0	(777)
Grand Total All Present Law Adjustments	0.00	\$9,697	\$0	\$0	\$9,697	0.00	\$10,132	\$0	\$0	\$10,132

***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

Governor's Office Office of Indian Affairs FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 1,681
Management Changes	9,128
Total Budget Modifications	-
Total	<u>\$ 10,809</u>

The Office of Indian Affairs' statewide present law adjustment for personal services was primarily impacted by management changes. This increase is mainly due to pay rate increases for an exempt position.

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.

31010 - Governor's Office20-Mental Disabilities Board of Visitors and Mental Health Ombudsman

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 FY 2025	Requested Budget		Biennium Change from Base		
		FY 2026	FY 2027	Amount	Percent	
PB	5.00	5.00	5.00	0.00	0.0%	
General Fund	516,311	512,308	514,409	(5,905)	(0.6%)	
Total Funds	516,311	512,308	514,409	(5,905)	(0.6%)	
Personal Services	468,908	458,171	460,203	(19,442)	(2.1%)	
Operating Expenses	47,403	54,137	54,206	13,537	14.3%	
Total Expenditures	516,311	512,308	514,409	(5,905)	(0.6%)	
Total Ongoing	516,311	512,308	514,409	(5,905)	(0.6%)	
Total One-Time-Only					0.0%	

Program Highlights

Mental Disabilities Board of Visitors and Mental Health Ombudsman Major Budget Highlights

- The Mental Disabilities Board of Visitors and Mental Health Ombudsman's 2027 biennium requested appropriations are approximately \$6,000 or 0.6% lower than the FY 2025 base budget. Significant proposed biennial general fund changes include:
 - A decrease in personal services of \$19,000 primarily due to the consolidation of two part-time positions into 1.00 PB, which decreased health insurance benefits
 - An increase in operating expense of \$10,000 for increased travel expenses for the Mental Health Ombudsman
 - An increase in operating expenses of \$5,000 for increasing reimbursements to the Mental Disabilities Board of Visitors members to \$100 per day

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.

31010 - Governor's Office20-Mental Disabilities Board of Visitors and Mental Health Ombudsman

Mental Disabilities Board of Visitors and Mental Health Ombudsman 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
Base Budget	516,311	0	0	516,311	100.8%	516,311	0	0	516,311	100.4%
Statewide PL										
Personal Services	(10,737)	0	0	(10,737)	(2.1%)	(8,705)	0	0	(8,705)	(1.7%)
Fixed Costs	(747)	0	0	(747)	(0.1%)	(684)	0	0	(684)	(0.1%)
Inflation Deflation	(19)	0	0	(19)	(0.0%)	(13)	0	0	(13)	(0.0%)
Total Statewide PL	(11,503)	0	0	(11,503)	(2.2%)	(9,402)	0	0	(9,402)	(1.8%)
Present Law (PL)	5,000	0	0	5,000	1.0%	5,000	0	0	5,000	1.0%
New Proposals	2,500	0	0	2,500	0.5%	2,500	0	0	2,500	0.5%
Total HB 2 Adjustments	(4,003)	0	0	(4,003)	(0.8%)	(1,902)	0	0	(1,902)	(0.4%)
Total Requested Budget	512,308	0	0	512,308		514,409	0	0	514,409	

Funding

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

Governor's Office, 20-Mental Disabilities Board of Visitors and Mental Health Ombudsman Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	1,026,717	0	0	0	1,026,717	100.0%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$1,026,717	\$0	\$0	\$0	\$1,026,717	

HB 2 Appropriations

The Mental Disabilities Board of Visitors and Mental Health Ombudsman is entirely funded with general fund.

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.

31010 - Governor's Office20-Mental Disabilities Board of Visitors and Mental Health Ombudsman

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	5.00	5.00	5.00	5.00
Personal Services	437,413	448,454	468,908	458,171	460,203
Operating Expenses	34,474	46,058	47,403	54,137	54,206
Total Expenditures	\$471,887	\$494,512	\$516,311	\$512,308	\$514,409
General Fund	471,887	494,512	516,311	512,308	514,409
Total Funds	\$471,887	\$494,512	\$516,311	\$512,308	\$514,409
Total Ongoing	\$471,887	\$494,512	\$516,311	\$512,308	\$514,409
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Mental Disabilities Board of Visitors is charged with formally reviewing patient care and assisting people who have complaints about services at Montana's licensed mental health centers, community hospital psychiatric units, children's residential treatment programs, and at the state facilities that serve people with mental illnesses and developmental disabilities. The board provides legal services to patients at Montana State Hospital. The Governor appoints six board members who represent recipients of services and their families, and the mental health and developmental disability professions. The board employs administrative and legal staff and contracts with mental health and developmental disability professionals to carry out its responsibilities for patient representation and facility review. The Mental Disabilities Board of Visitors Program was created by the Developmental Disabilities Act of 1975 and the Mental Commitment and Treatment Act of 1975 and exists as a state mandate.

The Mental Health Ombudsman is statutorily directed to "represent the interests of individuals with regard to need for public mental health services". The office functions with 2.00 PB responding to statewide requests for service. The Office of the Ombudsman was created by the legislature in 1999 and is appointed by the Governor for a four-year term.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Mental Disabilities Board of Visitors and Mental Health Ombudsman's HB 2 budget of approximately \$495,000 was 95.4% expended as of the end of FY 2024. This is in line with anticipated expenditures at the end of the fiscal year.

FY 2024 Appropriations Compared to FY 2025 Appropriations

Overall, the FY 2025 appropriation is approximately \$22,000 or 4.4% greater than the FY 2024 appropriation. This is primarily because the legislature approved HB 13 which included adjustments for the pay plan that were approximately \$19,000 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.

31010 - Governor's Office20-Mental Disabilities Board of Visitors and Mental Health Ombudsman

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	(10,737)	0	0	(10,737)	0.00	(8,705)	0	0	(8,705)
DP 2 - Fixed Costs	0.00	(747)	0	0	(747)	0.00	(684)	0	0	(684)
DP 3 - Inflation Deflation	0.00	(19)	0	0	(19)	0.00	(13)	0	0	(13)
DP 2001 - MHOB Travel Increase	0.00	5,000	0	0	5,000	0.00	5,000	0	0	5,000
Grand Total All Present Law Adjustments	0.00	(\$6,503)	\$0	\$0	(\$6,503)	0.00	(\$4,402)	\$0	\$0	(\$4,402)

*"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

Governor's Office Mental Disabilities Board of Visitors and Mental Health Ombudsman FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ (6,095)
Management Changes	(4,642)
Total Budget Modifications	-
Total	<u>\$ (10,737)</u>

The Mental Disabilities Board of Visitors and Mental Health Ombudsman's statewide present law adjustment for personal services was impacted by legislative and management changes. Reasons for these changes include:

- The legislative changes are primarily because the program consolidated two part-time positions into 1.00 PB. This consolidation reduced the amount paid in benefits, specifically health insurance
- The management decisions are mainly due to an increase in vacancy savings being requested when comparing the requests in the 2023 Legislative Session and the 2025 Legislative Session

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.

31010 - Governor's Office20-Mental Disabilities Board of Visitors and Mental Health Ombudsman

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 2001 - MHOB Travel Increase -

The executive requests an increase in general fund for travel expenses for the Mental Health Ombudsman. This requested increase will allow for travel across the state for outreach and training in local communities. Currently, the Mental Health Ombudsman is providing trainings online or travel expenses are reimbursed by other entities as part of events they host, which are typically in larger cities. This request is intended to allow for the Mental Health Ombudsman to travel to smaller communities to provide training and resource materials. The requested budget is anticipated to allow for outreach to 13 locations statewide.

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 2002 - BOV Operating Increase	0.00	2,500	0	0	2,500	0.00	2,500	0	0	2,500
Total	0.00	\$2,500	\$0	\$0	\$2,500	0.00	\$2,500	\$0	\$0	\$2,500

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

DP 2002 - BOV Operating Increase -

The executive requests an increase in general fund for travel expenses and increasing reimbursements to the Mental Disabilities Board members to \$100 for each day in which the member is engaged in the performance of board duties.

LFD COMMENT

314.

During the 2023 Legislative Session, the legislature passed HB 314. This bill increased the daily compensation rate for boards from an amount not to exceed \$50 per day to \$100. HB 2 appropriations were not increased for the 2025 biennium for the Mental Health Board of Visitors to reflect changes passed in HB

COMMISSIONER OF POLITICAL PRACTICES

Section A

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	7.00	7.00	7.00	0.00	0.0%
General Fund	930,662	953,627	951,774	44,077	2.4%
Total Funds	930,662	953,627	951,774	44,077	2.4%
Personal Services	633,769	674,823	676,989	84,274	6.6%
Operating Expenses	296,893	278,804	274,785	(40,197)	(6.8%)
Total Expenditures	930,662	953,627	951,774	44,077	2.4%
Total Ongoing	930,662	953,627	951,774	44,077	2.4%
Total One-Time-Only					0.0%

Agency Highlights

Commissioner of Political Practices Major Budget Highlights
<ul style="list-style-type: none"> The Commissioner of Political Practices' 2027 biennium requested appropriations are approximately \$44,000 or 2.4% higher than the FY 2025 base budget. Significant requested changes in general fund include: <ul style="list-style-type: none"> Increases in personal services funding of \$84,000 over the next biennium because of increases for benefits and pay rates for positions Operating expenses decrease by \$40,000 in the next two fiscal years primarily due to decreases in information technology costs

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.

Commissioner of Political Practices 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
Base Budget	930,662	0	0	930,662	97.6%	930,662	0	0	930,662	97.8%
Statewide PL										
Personal Services	41,054	0	0	41,054	4.3%	43,220	0	0	43,220	4.5%
Fixed Costs	(18,050)	0	0	(18,050)	(1.9%)	(22,082)	0	0	(22,082)	(2.3%)
Inflation Deflation	(39)	0	0	(39)	(0.0%)	(26)	0	0	(26)	(0.0%)
Total Statewide PL	22,965	0	0	22,965	2.4%	21,112	0	0	21,112	2.2%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	22,965	0	0	22,965	2.4%	21,112	0	0	21,112	2.2%
Total Requested Budget	953,627	0	0	953,627		951,774	0	0	951,774	

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)

More details are provided in the analysis of this decision package in the Present Law Adjustments section below.

Funding

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

Total Commissioner of Political Practices 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
01100 General Fund	1,905,401				1,905,401	100.0%
State Special Revenue Total	-	-	-	-	-	0.0%
Federal Special Revenue Total	-	-	-	-	-	0.0%
Proprietary Fund Total	-	-	-	-	-	0.0%
Total of All Funds	1,905,401	-	-	-	1,905,401	
Percent of All Sources of Authority	100.0%	0.0%	0.0%	0.0%		

HB 2 Appropriations

All of the Commissioner of Political Practices funding is from the general fund.

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	7.00	7.00	7.00	7.00
Personal Services	541,201	604,854	633,769	674,823	676,989
Operating Expenses	145,527	292,134	296,893	278,804	274,785
Total Expenditures	\$686,728	\$896,988	\$930,662	\$953,627	\$951,774
General Fund	686,728	896,988	930,662	953,627	951,774
Total Funds	\$686,728	\$896,988	\$930,662	\$953,627	\$951,774
Total Ongoing	\$686,728	\$896,988	\$930,662	\$953,627	\$951,774
Total OTO	\$0	\$0	\$0	\$0	\$0

Agency Description

The Commissioner of Political Practices (COPP) is an independent and nonpartisan office, whose mission is to monitor and to enforce, in a fair and impartial manner:

- Campaign practices and campaign finance disclosure
- Lobbying disclosure
- Business interest disclosure of:
 - Statewide and state district candidates
 - Elected state officials
 - State department directors
 - Ethical standards of conduct for legislators
 - Public officers
 - State employees
- Investigate complaints that arise concerning any of the foregoing

The Commissioner of Political Practices has responsibilities that were defined by a legislative initiative in 1980 requiring disclosure of acts by lobbyists and business interests of elected officials. COPP also has responsibility for the ethical standards of conduct for legislators, public officers, and state employees pursuant to Title 2, Chapter 2, MCA.

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

In FY 2024, the Commissioner of Political Practices expended 76.6% of its \$897,000 HB 2 modified budget; this percent expended is slightly below the five-year Olympic average expenditure for the agency of 89.1%. Throughout FY 2024, the agency utilized carryforward authority instead of HB 2 appropriations which partially led to the decrease in percent expended in HB 2. Another reasoning behind this lower-than-anticipated expenditure level is due to the lower legal fees and court costs, relative to previous fiscal years. In the past five years these costs have been as much as \$59,000, while in FY 2024, these expenses were \$1,500.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The Commissioner of Political Practices appropriations for FY 2025 are 3.8% higher than that of FY 2024. The minor difference in the appropriation is due to the HB 13 pay plan. This inclusion increases personal services by \$29,000, or 4.8%, in FY 2025.

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.

Commissioner of Political Practices Comparison of the FY 2025 Legislative Budget to the FY 2025 Base Budget				
	Legislative Budget	Executive Modifications	Base Budget	% Change
01 ADMINISTRATION				
61000 Personal Services	633,769		633,769	0.0%
62000 Operating Expenses	296,893		296,893	0.0%
Total	930,662		930,662	0.0%
Agency Total	930,662		930,662	0.0%

Comparing the FY 2025 legislative budget to the FY 2025 base budget, the COPP did not have any executive modifications.

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	41,054	0	0	41,054	0.00	43,220	0	0	43,220
DP 2 - Fixed Costs	0.00	(18,050)	0	0	(18,050)	0.00	(22,082)	0	0	(22,082)
DP 3 - Inflation Deflation	0.00	(39)	0	0	(39)	0.00	(26)	0	0	(26)
Grand Total All Present Law Adjustments	0.00	\$22,965	\$0	\$0	\$22,965	0.00	\$21,112	\$0	\$0	\$21,112

*"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

Commissioner of Political Practices				
FY 2026 Statewide Present Law Adjustment for Personal Services (DP1)				
Program	Legislative Changes	Management Changes	Budget Modifications	Total DP1
01 Administration	\$ 15,022	\$ 20,556	\$ -	\$35,578
Agency Total	\$ 15,022	\$ 20,556	\$ -	\$35,578

The executive requests an increase in personal services funding for the 2027 biennium in the statewide present law adjustment for personal services. Within legislative changes, this increase is due to the increase in benefits for the agency. Management changes increase in this request through 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.

STATE AUDITOR'S OFFICE

Section A

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----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

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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 FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
PB	72.50	72.50	72.50	0.00	0.0%
General Fund	157,393	157,393	157,393		0.0%
State/Other Special Rev. Funds	19,963,567	28,743,001	31,781,719	20,597,586	51.6%
Federal Spec. Rev. Funds	34,100,000	45,028,466	50,000,000	26,828,466	39.3%
Total Funds	54,220,960	73,928,860	81,939,112	47,426,052	43.7%
Personal Services	7,615,321	7,552,086	7,564,468	(114,088)	(0.7%)
Operating Expenses	1,856,991	3,198,126	3,195,996	2,680,140	72.2%
Equipment & Intangible Assets	7,994	37,994	37,994	60,000	375.3%
Grants	44,031,143	62,431,143	70,431,143	44,800,000	50.9%
Benefits & Claims	157,393	157,393	157,393		0.0%
Debt Service	552,118	552,118	552,118		0.0%
Total Expenditures	54,220,960	73,928,860	81,939,112	47,426,052	43.7%
Total Ongoing	54,220,960	73,928,860	81,939,112	47,426,052	43.7%
Total One-Time-Only	1,470,000			(2,940,000)	(100.0%)

Agency Highlights

State Auditor's Office Major Budget Highlights
<ul style="list-style-type: none"> The State Auditor's Office's 2027 biennium requested appropriations are approximately \$47.4 million or 43.7% higher than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> Increased federal and state special revenue for the Montana Reinsurance Program for grant distributions Increased state special revenue for contract costs for insurer examinations and long-term care, health, property, and casualty rate filings

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.

State Auditor's Office 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
Base Budget	157,393	19,963,567	34,100,000	54,220,960	73.3%	157,393	19,963,567	34,100,000	54,220,960	66.2%
Statewide PL										
Personal Services	0	(63,235)	0	(63,235)	(0.1%)	0	(50,853)	0	(50,853)	(0.1%)
Fixed Costs	0	137,880	28,466	166,346	0.2%	0	139,147	0	139,147	0.2%
Inflation Deflation	0	(211)	0	(211)	(0.0%)	0	(142)	0	(142)	(0.0%)
Total Statewide PL	0	74,434	28,466	102,900	0.1%	0	88,152	0	88,152	0.1%
Present Law (PL)	0	8,325,000	10,900,000	19,225,000	26.0%	0	11,350,000	15,900,000	27,250,000	33.3%
New Proposals	0	380,000	0	380,000	0.5%	0	380,000	0	380,000	0.5%
Total HB 2 Adjustments	0	8,779,434	10,928,466	19,707,900	26.7%	0	11,818,152	15,900,000	27,718,152	33.8%
Total Requested Budget	157,393	28,743,001	45,028,466	73,928,860		157,393	31,781,719	50,000,000	81,939,112	

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.

State Auditor's Office FY 2026 Statewide Present Law Adjustment for Personal Services (DP 1)				
Program	Legislative Changes	Management Decisions	Budget Modifications	Total DP 1
01 Central Management Division	\$ 20,463	\$ (2,847)	\$ 10,862	\$ 28,478
03 Insurance Division	25,590	(71,076)	-	(45,486)
04 Securities Division	(2,592)	(43,635)	-	(46,227)
Total	\$ 43,461	\$ (117,558)	\$ 10,862	\$ (63,235)

The executive requests for statewide present law adjustments for personal services will be discussed in further detail at the program level.

Statewide Present Law Adjustment for Fixed Costs

The executive requests an increased statewide present law adjustment for fixed cost of 9.0% in FY 2026 and 7.5% in FY 2027 above the operating expense base budget. In FY 2026, this increase is primarily attributed to restricted biennial audit fees. These fees are only appropriated in FY 2026 but may be used in either fiscal year of the biennium. Other notable increases are for information technology and statewide indirect fixed costs.

Funding

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

Total State Auditor's Office 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
01100 General Fund	314,786			105,201,283	105,516,069	40.4%
02323 Reinsurance Assessment SB 125	37,862,286				37,862,286	14.5%
02235 Insurance Fee Account	17,105,280				17,105,280	6.5%
02283 Securities Fee Account	4,352,890				4,352,890	1.7%
02528 Captive Account	1,204,264				1,204,264	0.5%
02091 Securities Restitution Fund				300,000	300,000	0.1%
State Special Revenue Total	60,524,720	-	-	300,000	60,824,720	23.3%
03543 Reinsurance Federal SB 125	95,028,466				95,028,466	36.4%
Federal Special Revenue Total	95,028,466	-	-	-	95,028,466	36.4%
Proprietary Fund Total	-	-	-	-	-	0.0%
Total of All Funds	155,867,972	-	-	105,501,283	261,369,255	
Percent of All Sources of Authority	59.6%	0.0%	0.0%	40.4%		

*HB 2 Authority*General Fund

The State Auditor's Office general fund authority is for defrayal benefit costs of health insurance benefit mandates required by state law under the federal Patient Protection and Affordable Care Act, enacted after December 31, 2011.

State Special Revenue

The operations of the State Auditor's Office are partially funded with state special revenue. State special revenue comes from the Montana Reinsurance Program, insurance fee account, securities fee account, and the captive account.

Federal Special Revenue

Federal special revenues are received for the Montana Reinsurance Program. Under the Affordable Care and Patient Protection Act (ACA), states can apply for a section 1332 waiver. The State Auditor's Office was granted this waiver in August 2019, allowing the state to utilize annual assessments on health insurance plan premiums to be used with federal funds to offset expenses of qualifying health insurers associated with high-cost individuals who generally incur higher medical claims.

Statutory Authority

The State Auditor's Office is responsible for passing through funding for local police and firefighter retirement programs. The retirement programs are funded from general insurance (33-2-705, MCA) and firefighter insurance premium taxes (50-3-109, MCA). The premium taxes are deposited into the general fund and then a portion is transferred to the State Auditor's Office for distribution to local governments. Because these funds are statutorily appropriated, the appropriations are not included in the General Appropriations Act (HB 2).

In addition, there is state special revenue statutory appropriations for securities restitution payments paid to victims of security crimes.

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	72.50	72.50	72.50	72.50
Personal Services	6,465,819	7,100,646	7,615,321	7,552,086	7,564,468
Operating Expenses	2,637,790	3,336,445	3,326,991	3,198,126	3,195,996
Equipment & Intangible Assets	100,000	107,994	7,994	37,994	37,994
Grants	46,157,546	46,457,467	44,031,143	62,431,143	70,431,143
Benefits & Claims	8,754	20,000	157,393	157,393	157,393
Debt Service	502,224	552,118	552,118	552,118	552,118
Total Expenditures	\$55,872,133	\$57,574,670	\$55,690,960	\$73,928,860	\$81,939,112
General Fund	8,754	20,000	157,393	157,393	157,393
State/Other Special Rev. Funds	22,063,300	23,454,670	21,433,567	28,743,001	31,781,719
Federal Spec. Rev. Funds	33,800,079	34,100,000	34,100,000	45,028,466	50,000,000
Total Funds	\$55,872,133	\$57,574,670	\$55,690,960	\$73,928,860	\$81,939,112
Total Ongoing	\$54,796,746	\$56,204,670	\$54,220,960	\$73,928,860	\$81,939,112
Total OTO	\$1,075,387	\$1,370,000	\$1,470,000	\$0	\$0

Agency Description

The Office of the State Auditor operates under the authority of Article VI of the Montana Constitution. The State Auditor serves as the ex-officio Commissioner of Securities and Insurance (CSI), tasked with regulating and licensing insurance companies and agents, as well as registering and overseeing securities firms and representatives conducting business within or related to Montana. The Commissioner has the power to adopt rules and enforce laws governing both the insurance and securities industries. In addition, the Commissioner serves as a member of the Land Board and the Crop Hail Insurance Board.

The Commissioner also administers pass-through funding for various local police and firefighter retirement programs, including the Municipal Police Officers' Retirement System, Firefighters' Unified Retirement System, Volunteer Firefighters' Compensation Act, local fire department relief associations, municipalities with police department trust funds, and local police pension funds for supplemental benefits. These programs are funded through general insurance premium taxes (33-2-705, MCA) and fire insurance premium taxes (50-3-109, MCA). Since these funds are statutorily appropriated, their expenditures are excluded from the general appropriations act.

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 Appropriation Compared to FY 2024 Actual Expenditures

In FY 2024, the State Auditor's Office expended 97.0% of its \$57.6 million modified HB 2 budget. This is significantly higher than the five-year historical average expenditure of 79.9%, largely due to increased spending on grants for the Montana Reinsurance Program. The Montana Reinsurance Program provides reinsurance through grants; however, until FY 2024 spending on this program had been relatively low as it was a new initiative with limited participation.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The State Auditor's Office's appropriation authority for FY 2025 is approximately \$1.9 million, or 3.3%, lower than in FY 2024. The higher FY 2024 appropriation was due to a fiscal transfer that moved authority from FY 2025 to FY 2024 to cover budget shortfalls in grants for the Montana Reinsurance Program.

However, the FY 2025 personal services appropriation authority is 7.2% higher than in FY 2024. This increase reflects the 2023 Legislature's adjustments for statewide present law projections and additional funding from HB 13 (the pay plan). Additionally, benefits and claims appropriations have increased from \$20,000 to \$157,000 to cover costs related to HB 291 (2021 Legislative Session) for defrayal benefit costs.

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.

State Auditor's Office				
Comparison of the FY 2025 Legislative Budget to the FY 2025 Base Budget				
	Legislative Budget	Executive Modifications	Base Budget	% Change
01 CENTRAL MANAGEMENT				
61000 Personal Services	1,693,548	37,081	1,730,629	2.2%
62000 Operating Expenses	556,235		556,235	0.0%
63000 Equipment & Intangible Assets	1,683		1,683	0.0%
69000 Debt Service	126,800		126,800	0.0%
Total	2,378,266	37,081	2,415,347	1.6%
03 INSURANCE				
61000 Personal Services	4,485,865		4,485,865	0.0%
62000 Operating Expenses	1,235,326	(29,378)	1,205,948	-2.4%
63000 Equipment & Intangible Assets	5,109		5,109	0.0%
66000 Grants	44,031,143		44,031,143	0.0%
67000 Benefits & Claims	157,393		157,393	0.0%
69000 Debt Service	313,090	29,378	342,468	9.4%
Total	50,227,926	-	50,227,926	0.0%
04 SECURITIES				
61000 Personal Services	1,435,908	(37,081)	1,398,827	-2.6%
62000 Operating Expenses	94,808		94,808	0.0%
63000 Equipment & Intangible Assets	1,202		1,202	0.0%
69000 Debt Service	82,850		82,850	0.0%
Total	1,614,768	(37,081)	1,577,687	-2.3%
Agency Total	54,220,960	-	54,220,960	0.0%

The following modifications were made to the legislative budget:

- Two transfers were executed to better align job duties within divisions. The first transfer moved 0.50 PB from the Central Management Division to the Securities Division. This was partially offset by a second transfer, which moved 1.00 PB from the Securities Division to the Central Management Division
- An adjustment transferred authority from operating expenses to debt services within the Insurance Division, ensuring proper expense allocation for the Captives Insurance 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 FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
PB	17.00	17.00	17.00	0.00	0.0%
State/Other Special Rev. Funds	2,415,347	2,823,556	2,875,006	867,868	18.0%
Total Funds	2,415,347	2,823,556	2,875,006	867,868	18.0%
Personal Services	1,730,629	1,759,107	1,761,631	59,480	1.7%
Operating Expenses	556,235	935,966	984,892	808,388	72.7%
Equipment & Intangible Assets	1,683	1,683	1,683		0.0%
Debt Service	126,800	126,800	126,800		0.0%
Total Expenditures	2,415,347	2,823,556	2,875,006	867,868	18.0%
Total Ongoing	2,415,347	2,823,556	2,875,006	867,868	18.0%
Total One-Time-Only					0.0%

Program Highlights

Central Management Division Major Budget Highlights

- The Central Management Division's 2027 biennium requested appropriations are approximately \$868,000 or 18.0% higher than the FY 2025 base budget. Significant changes include:
 - A state special revenue increase for enhanced information technology systems and business processes
 - Increased state special revenue for fixed costs and personal services statewide present law adjustments

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.

Central Management 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
Base Budget	0	2,415,347	0	2,415,347	85.5%	0	2,415,347	0	2,415,347	84.0%
Statewide PL										
Personal Services	0	28,478	0	28,478	1.0%	0	31,002	0	31,002	1.1%
Fixed Costs	0	79,755	0	79,755	2.8%	0	128,673	0	128,673	4.5%
Inflation Deflation	0	(24)	0	(24)	(0.0%)	0	(16)	0	(16)	(0.0%)
Total Statewide PL	0	108,209	0	108,209	3.8%	0	159,659	0	159,659	5.6%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	300,000	0	300,000	10.6%	0	300,000	0	300,000	10.4%
Total HB 2 Adjustments	0	408,209	0	408,209	14.5%	0	459,659	0	459,659	16.0%
Total Requested Budget	0	2,823,556	0	2,823,556		0	2,875,006	0	2,875,006	

Funding

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

State Auditor's Office, 01-Central Management 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%
02235 Insurance Fee Account	4,582,188	0	0	0	4,582,188	80.4%
02283 Securities Fee Account	1,116,374	0	0	0	1,116,374	19.6%
State Special Total	\$5,698,562	\$0	\$0	\$0	\$5,698,562	100.0%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$5,698,562	\$0	\$0	\$0	\$5,698,562	

HB 2 Authority

The Central Management Division is entirely funded with HB 2 state special revenue. Insurance and securities fees are the two sources of funding, with the insurance fee account supporting the majority of the appropriations for the 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	17.00	17.00	17.00	17.00
Personal Services	1,453,293	1,592,994	1,730,629	1,759,107	1,761,631
Operating Expenses	436,249	564,708	556,235	935,966	984,892
Equipment & Intangible Assets	0	1,683	1,683	1,683	1,683
Debt Service	110,204	126,800	126,800	126,800	126,800
Total Expenditures	\$1,999,746	\$2,286,185	\$2,415,347	\$2,823,556	\$2,875,006
State/Other Special Rev. Funds	1,999,746	2,286,185	2,415,347	2,823,556	2,875,006
Total Funds	\$1,999,746	\$2,286,185	\$2,415,347	\$2,823,556	\$2,875,006
Total Ongoing	\$1,999,746	\$2,286,185	\$2,415,347	\$2,823,556	\$2,875,006
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Central Management Division is responsible for the administrative, personnel, budgeting, and accounting functions for the office. The division also provides support to the commissioner in fulfilling the duties as a member of the Land Board and Crop Hail Insurance Board.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Central Management Division expended 87.5% of its \$2.3 million HB 2 modified budget in FY 2024. This expenditure is above the historic five-year average expenditure of 75.9% primarily due to the greater percent expended for personal services, which was 91.2% expended. Approximately \$128,000 was unexpended in operating expenses, this was due to decreased spending for advertisements and travel costs.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The Central Management Division's appropriation authority for FY 2025 is approximately \$129,000, or 5.6%, higher than that of FY 2024. This increase is entirely due to higher personal services authority in FY 2025. The 2023 Legislature allocated additional personal services authority to account for statewide present law adjustment projections and included additional authority for HB 13 (the pay plan).

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	28,478	0	28,478	0.00	0	31,002	0	31,002
DP 2 - Fixed Costs	0.00	0	79,755	0	79,755	0.00	0	128,673	0	128,673
DP 3 - Inflation Deflation	0.00	0	(24)	0	(24)	0.00	0	(16)	0	(16)
Grand Total All Present Law Adjustments	0.00	\$0	\$108,209	\$0	\$108,209	0.00	\$0	\$159,659	\$0	\$159,659

*"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

State Auditor's Office Central Management Division FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 20,463
Management Changes	(2,847)
Total Budget Modifications	10,863
Total	<u><u>\$ 28,478</u></u>

The executive requests an increased statewide present law adjustment for personal services. This adjustment is primarily driven by legislative changes related to greater benefits and longevity. Additionally, budget modifications from a program transfer during the 2025 biennium have contributed to this increase due to transferring less authority associated with a position budgeted (PB) transfer. However, this growth is partially offset by management changes due to greater 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.

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 4 - Systems and Business Modernization										
0.00	0	300,000	0	300,000	0.00	0	300,000	0	300,000	
Total	0.00	\$0	\$300,000	\$0	\$300,000	0.00	\$0	\$300,000	\$0	\$300,000

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

DP 4 - Systems and Business Modernization -

The executive requests an increase in state special revenue to enhance IT systems and streamline business processes through targeted improvements. Due to limited staffing at the State Auditor's Office, an experienced process consulting and technology vendor has been engaged to provide specialized analysis and IT support over specific project phases.

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	44.00	44.00	44.00	0.00	0.0%
General Fund	157,393	157,393	157,393		0.0%
State/Other Special Rev. Funds	15,970,533	24,297,096	27,292,338	19,648,368	61.5%
Federal Spec. Rev. Funds	34,100,000	45,028,466	50,000,000	26,828,466	39.3%
Total Funds	50,227,926	69,482,955	77,449,731	46,476,834	46.3%
Personal Services	4,485,865	4,440,379	4,449,304	(82,047)	(0.9%)
Operating Expenses	1,205,948	2,106,463	2,064,314	1,758,881	72.9%
Equipment & Intangible Assets	5,109	5,109	5,109		0.0%
Grants	44,031,143	62,431,143	70,431,143	44,800,000	50.9%
Benefits & Claims	157,393	157,393	157,393		0.0%
Debt Service	342,468	342,468	342,468		0.0%
Total Expenditures	50,227,926	69,482,955	77,449,731	46,476,834	46.3%
Total Ongoing	50,227,926	69,482,955	77,449,731	46,476,834	46.3%
Total One-Time-Only	1,470,000			(2,940,000)	(100.0%)

Program Highlights

Insurance Division Major Budget Highlights	
<ul style="list-style-type: none"> The Insurance Division's 2027 biennium requested appropriations are approximately \$46.5 million or 46.3% higher than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> Increased federal and state special revenue for the Montana Reinsurance Program for grant distributions Increased state special revenue for contract costs for insurer examinations and long-term care, health, property, and casualty rate filings 	

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.

Insurance 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
Base Budget	157,393	15,970,533	34,100,000	50,227,926	72.3%	157,393	15,970,533	34,100,000	50,227,926	64.9%
Statewide PL										
Personal Services	0	(45,486)	0	(45,486)	(0.1%)	0	(36,561)	0	(36,561)	(0.0%)
Fixed Costs	0	47,173	28,466	75,639	0.1%	0	8,450	0	8,450	0.0%
Inflation Deflation	0	(124)	0	(124)	(0.0%)	0	(84)	0	(84)	(0.0%)
Total Statewide PL	0	1,563	28,466	30,029	0.0%	0	(28,195)	0	(28,195)	(0.0%)
Present Law (PL)	0	8,325,000	10,900,000	19,225,000	27.7%	0	11,350,000	15,900,000	27,250,000	35.2%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	0	8,326,563	10,928,466	19,255,029	27.7%	0	11,321,805	15,900,000	27,221,805	35.1%
Total Requested Budget	157,393	24,297,096	45,028,466	69,482,955		157,393	27,292,338	50,000,000	77,449,731	

Funding

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

State Auditor's Office, 03-Insurance Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	314,786	0	0	0	314,786	0.2%
02235 Insurance Fee Account	12,523,092	0	0	0	12,523,092	24.3%
02283 Securities Fee Account	(208)	0	0	0	(208)	(0.0%)
02323 Reinsurance Assessment SB 125	37,862,286	0	0	0	37,862,286	73.4%
02528 Captive Account	1,204,264	0	0	0	1,204,264	2.3%
State Special Total	\$51,589,434	\$0	\$0	\$0	\$51,589,434	35.1%
03543 Reinsurance Federal SB 125	95,028,466	0	0	0	95,028,466	100.0%
Federal Special Total	\$95,028,466	\$0	\$0	\$0	\$95,028,466	64.7%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$146,932,686	\$0	\$0	\$0	\$146,932,686	

HB 2 Authority

The Insurance Division is entirely funded with HB 2 authority, the majority of which comes from federal special revenue.

General Fund

Less than 1.0% of total authority comes from the general fund which was authorized for defrayal benefit costs mandated in HB 291 (2021 Legislative Session).

State Special Revenue

State special revenue accounts for over a third of the agencies funding. A portion of the funding is from the insurance fee account, which is supported by insurance licensure fees, examination fees, and penalties. The Insurance Division also is appropriated funds from the captive account, which supports the administration of the Captive Insurance Program. Fees and assessments from captive insurance providers are deposited into the state special revenue fund while fines and penalties are deposited into the general fund. At the end of the fiscal year, the balance of the captive account is transferred to the general fund.

The 2019 Legislature established the reinsurance program account within the state special revenue funds in SB 125. The account is supported by an assessment of 1.2% of total premium volume for members of the Montana Reinsurance Program, interest and income earned on the account, and any other funds accepted for the benefit of the account.

Federal Special Revenue

Federal special revenue is received for the Montana Reinsurance Program. Under the Affordable Care and Patient Protection Act (ACA), states can apply for a section 1332 waiver. The State Auditor's Office was granted this waiver in 2019 for a five year period, allowing the state to utilize annual assessments on health insurance plan premiums to be used as a match for federal funds to offset expenses of health insurers associated with high-cost individuals who incur high-cost medical claims. The State Auditor's Office applied for an extension and was approved on September 17, 2024 for another five year period.

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	44.00	44.00	44.00	44.00
Personal Services	3,852,133	4,103,751	4,485,865	4,440,379	4,449,304
Operating Expenses	2,156,154	2,670,883	2,675,948	2,106,463	2,064,314
Equipment & Intangible Assets	0	5,109	5,109	5,109	5,109
Grants	46,157,546	46,457,467	44,031,143	62,431,143	70,431,143
Benefits & Claims	8,754	20,000	157,393	157,393	157,393
Debt Service	311,144	342,468	342,468	342,468	342,468
Total Expenditures	\$52,485,731	\$53,599,678	\$51,697,926	\$69,482,955	\$77,449,731
General Fund	8,754	20,000	157,393	157,393	157,393
State/Other Special Rev. Funds	18,676,898	19,479,678	17,440,533	24,297,096	27,292,338
Federal Spec. Rev. Funds	33,800,079	34,100,000	34,100,000	45,028,466	50,000,000
Total Funds	\$52,485,731	\$53,599,678	\$51,697,926	\$69,482,955	\$77,449,731
Total Ongoing	\$51,510,344	\$52,329,678	\$50,227,926	\$69,482,955	\$77,449,731
Total OTO	\$975,387	\$1,270,000	\$1,470,000	\$0	\$0

Program Description

The Insurance Division regulates the insurance industry in Montana. This Division includes several Bureaus, which include:

- The Insurance Consumer Services Bureau is responsible for resolving insurance consumer inquiries and complaints involving agents, coverage, and companies
- The Examinations Bureau is responsible for monitoring the financial solvency of insurance companies, collecting premium taxes and company fees, and auditing insurance company annual statements. Also housed in this bureau is the captive insurance program, which promotes Montana as a captive domicile and regulates captive insurers in the state
- The Rates Bureau and the Forms Bureau are responsible for reviewing rate and form filings, respectively, to ensure compliance with the applicable insurance code
- The Insurance Services Bureau is responsible for licensing and providing continuing education to insurance agents, agencies, and adjusters
- The Legal Bureau, which serves both the Insurance and Securities Divisions, provides legal support to the divisions
- The Investigations Bureau investigates code and rule violations, including possible criminal violations and recommends referral of cases to county attorneys for prosecution

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Insurance Division expended 97.9% of its \$53.6 million modified HB 2 budget in FY 2024, well above the five-year average of 79.1%. This higher expenditure is mainly due to the 99.4% utilization of grant appropriation authority. The Montana Reinsurance Program, established in 2019 to provide reinsurance to state health care insurers, initially saw lower reimbursements as it was a new program. By FY 2024, reimbursements not only met but exceeded projections, necessitating a fiscal transfer of authority from FY 2025 to cover the increased FY 2024 needs.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The Insurance Division's FY 2025 appropriation authority is approximately \$1.9 million, or 3.5%, lower than that of FY 2024. This reduction is primarily due to the fiscal transfer that shifted authority from FY 2025 to FY 2024 to address grant-related shortfalls for the Montana Reinsurance Program, resulting in higher grant appropriation authority in FY 2024 compared to FY 2025.

However, personal services appropriation authority for FY 2025 is 9.3% higher than in FY 2024, reflecting the 2023 Legislature's adjustments for statewide present law projections and additional authority under HB 13 (the pay plan). Additionally, benefits and claims appropriation authority increased from \$20,000 to \$157,000 to cover defrayal costs associated with HB 291 (2021 Legislative Session).

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	(45,486)	0	(45,486)	0.00	0	(36,561)	0	(36,561)
DP 2 - Fixed Costs	0.00	0	47,173	28,466	75,639	0.00	0	8,450	0	8,450
DP 3 - Inflation Deflation	0.00	0	(124)	0	(124)	0.00	0	(84)	0	(84)
DP 5 - Insurer Examination & Rate Review	0.00	0	825,000	0	825,000	0.00	0	850,000	0	850,000
DP 6 - Montana Reinsurance Program	0.00	0	7,500,000	10,900,000	18,400,000	0.00	0	10,500,000	15,900,000	26,400,000
Grand Total All Present Law Adjustments	0.00	\$0	\$8,326,563	\$10,928,466	\$19,255,029	0.00	\$0	\$11,321,805	\$15,900,000	\$27,221,805

***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

State Auditor's Office Insurance Division FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 25,590
Management Changes	(71,076)
Total Budget Modifications	<u>-</u>
Total	<u><u>\$ (45,486)</u></u>

The executive requests a decrease in the statewide present law adjustment for personal services. This reduction is due to management changes because of increased vacancy savings and hiring new positions at lower wage rates. Partially offsetting these reductions are legislative changes for increased benefit costs.

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 5 - Insurer Examination & Rate Review -

The executive requests increased state special revenue to cover rising contract costs for required examinations. By statute, the State Auditor's Office (SAO) must examine each authorized insurer and captive risk retention group at least every five years and may also conduct market conduct exams as needed. To perform these examinations, the SAO retains specialized professionals such as attorneys, actuaries, and accountants, with costs borne by the examined companies. Additionally, the SAO reviews rate filings for long-term care, health, and property and casualty insurance annually. Due to limited internal expertise, the SAO anticipates continuing to contract these services, which have also increased in cost.

DP 6 - Montana Reinsurance Program -

The executive requests increased federal and state special revenue for the Montana Reinsurance Program, established under SB 125 in 2019 (Title 33, Chapter 22, part 13, MCA). Funding comes from federal pass-through funds and a 1.2% assessment on member insurers' premiums, with the Centers for Medicare & Medicaid Services providing an annual award. Unused funds may carry over to subsequent years if the program remains active, and the latest federal award increased by 26.0%. The table below shows the fund balance for the Montana Reinsurance Program state special revenue fund through FY 2024 and estimates through FY 2027.

Montana Reinsurance Assessment State Special Revenue Fund						
	Actuals			Estimates		
	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Beginning Balance	\$ 10,038,804	\$ 14,680,745	\$ 13,029,155	\$ 12,458,545	\$ 12,458,545	\$ 12,458,545
Total Revenue	10,348,777	10,303,212	11,786,857	9,931,143	17,431,143	20,431,143
Grant Expenditures	5,706,836	11,954,802	12,357,467	9,931,143	17,431,143	20,431,143
Ending Fund Balance	\$ 14,680,745	\$ 13,029,155	\$ 12,458,545	\$ 12,458,545	\$ 12,458,545	\$ 12,458,545

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 FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
PB	11.50	11.50	11.50	0.00	0.0%
State/Other Special Rev. Funds	1,577,687	1,622,349	1,614,375	81,350	2.6%
Total Funds	1,577,687	1,622,349	1,614,375	81,350	2.6%
Personal Services	1,398,827	1,352,600	1,353,533	(91,521)	(3.3%)
Operating Expenses	94,808	155,697	146,790	112,871	59.5%
Equipment & Intangible Assets	1,202	31,202	31,202	60,000	2,495.8%
Debt Service	82,850	82,850	82,850		0.0%
Total Expenditures	1,577,687	1,622,349	1,614,375	81,350	2.6%
Total Ongoing	1,577,687	1,622,349	1,614,375	81,350	2.6%
Total One-Time-Only					0.0%

Program Highlights

Securities Division Major Budget Highlights	
<ul style="list-style-type: none"> The Securities Division's 2027 biennium requested appropriations are approximately \$81,000 or 2.6% greater than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> Increased state special revenue for investor education and outreach Increased state special revenue for an investigations workflow management system subscription 	

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.

Securities 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
Base Budget	0	1,577,687	0	1,577,687	97.2%	0	1,577,687	0	1,577,687	97.7%
Statewide PL										
Personal Services	0	(46,227)	0	(46,227)	(2.8%)	0	(45,294)	0	(45,294)	(2.8%)
Fixed Costs	0	10,952	0	10,952	0.7%	0	2,024	0	2,024	0.1%
Inflation Deflation	0	(63)	0	(63)	(0.0%)	0	(42)	0	(42)	(0.0%)
Total Statewide PL	0	(35,338)	0	(35,338)	(2.2%)	0	(43,312)	0	(43,312)	(2.7%)
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	80,000	0	80,000	4.9%	0	80,000	0	80,000	5.0%
Total HB 2 Adjustments	0	44,662	0	44,662	2.8%	0	36,688	0	36,688	2.3%
Total Requested Budget	0	1,622,349	0	1,622,349		0	1,614,375	0	1,614,375	

Funding

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

State Auditor's Office, 04-Securities 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%
02091 Securities Restitution Fund	0	0	0	300,000	300,000	8.5%
02283 Securities Fee Account	3,236,724	0	0	0	3,236,724	91.5%
State Special Total	\$3,236,724	\$0	\$0	\$300,000	\$3,536,724	100.0%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$3,236,724	\$0	\$0	\$300,000	\$3,536,724	

HB 2 Authority

The Securities Division is entirely funded through state special revenue in HB 2. This state special revenue comes from the securities fee account, which is supported by portfolio notice filing fees and examination charges. The Securities Division pays for expenses associated with the regulation of portfolio activities.

Statutory Appropriations

A small portion of the Securities Division's total appropriation authority comes from statutory sources. Statute requires that 3.0% of portfolio fees be transferred to the security restitution fund to reimburse victims of securities fraud.

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	11.50	11.50	11.50	11.50
Personal Services	1,160,393	1,403,901	1,398,827	1,352,600	1,353,533
Operating Expenses	45,387	100,854	94,808	155,697	146,790
Equipment & Intangible Assets	100,000	101,202	1,202	31,202	31,202
Debt Service	80,876	82,850	82,850	82,850	82,850
Total Expenditures	\$1,386,656	\$1,688,807	\$1,577,687	\$1,622,349	\$1,614,375
State/Other Special Rev. Funds	1,386,656	1,688,807	1,577,687	1,622,349	1,614,375
Total Funds	\$1,386,656	\$1,688,807	\$1,577,687	\$1,622,349	\$1,614,375
Total Ongoing	\$1,286,656	\$1,588,807	\$1,577,687	\$1,622,349	\$1,614,375
Total OTO	\$100,000	\$100,000	\$0	\$0	\$0

Program Description

The Securities Division is responsible for the administration and enforcement of the Securities Act of Montana and the registration of securities issuers, salespeople, broker-dealers, investment advisers, investment adviser representatives and multi-level marketing companies. The division is also responsible for the investigation of unregistered and fraudulent securities transactions. The division has sole jurisdiction for investment advisor firms with assets of under \$100.0 million. The division investigates securities code and rule violations, including possible criminal violations, takes appropriate administrative action and refers criminal cases to either federal authorities or county attorneys for prosecution.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Securities Division expended 82.1% of its \$1.7 million HB 2 modified budget in FY 2024. This expenditure is below the historic five-year average expenditure of 88.1%, primarily due to lower expenditures for operating expenses, which were 45.0% expended. Lower expenditures for operating expenses were due to the division utilizing carryforward authority for some operating expenditures as well as incurring less legal costs for lawsuits and travel costs for national conferences.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The Securities Division's FY 2025 appropriation authority is approximately \$111,000, or 6.6%, lower than its FY 2024 authority. The FY 2024 budget included a one-time appropriation of \$100,000 for the purchase of case management software, which was fully expended in that fiscal year and was not needed 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	0	(46,227)	0	(46,227)	0.00	0	(45,294)	0	(45,294)
DP 2 - Fixed Costs	0.00	0	10,952	0	10,952	0.00	0	2,024	0	2,024
DP 3 - Inflation Deflation	0.00	0	(63)	0	(63)	0.00	0	(42)	0	(42)
Grand Total All Present Law Adjustments	0.00	\$0	(\$35,338)	\$0	(\$35,338)	0.00	\$0	(\$43,312)	\$0	(\$43,312)

*"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

State Auditor's Office Securities Division FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ (2,592)
Management Changes	(43,635)
Total Budget Modifications	-
Total	<u><u>\$ (46,227)</u></u>

The executive requests a decrease in the statewide present law adjustment for personal services. This reduction is primarily due to management changes resulting from a greater vacancy savings and budgeting vacant positions at a lower wage rate. Legislative changes also decreased due to a reduction in longevity pay.

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 7 - Investigations Tracking and Management System	0.00	0	30,000	0	30,000	0.00	0	30,000	0	30,000
DP 8 - Outreach and Education	0.00	0	50,000	0	50,000	0.00	0	50,000	0	50,000
Total	0.00	\$0	\$80,000	\$0	\$80,000	0.00	\$0	\$80,000	\$0	\$80,000

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

DP 7 - Investigations Tracking and Management System -

The executive requests an increase in state special revenue for a subscription-based cloud investigations workflow management system. This system automates and centralizes activities that had previously been performed manually. The system is also used to automate and centralize processes and information related to other Securities Division workflows, including registration of securities, examinations of broker-dealers and investment advisor firms, and the handling of deficient notice of filings.

The system also provides staff and management better visibility into current investigation status, investigator workloads, and enables consistent approaches to storing and managing information. In addition, as the system is populated with data, it will enable greater visibility and linking of various investigations to identify trends, pinpoint fraud hotspots, and assist investigators in identifying and investigating fraud that is increasingly more sophisticated and harder to detect.

**LFD
COMMENT**

The State Auditor's Office purchased this system using one-time-only appropriation authority in the 2025 biennium. However, further appropriation authority is needed to continue to pay for the subscription-based cost of the system.

DP 8 - Outreach and Education -

The executive requests increased state special revenue for investor education and outreach. The Securities Division provides investor education and outreach to consumers throughout Montana through live presentations, a symposium, and a summit. The target audiences include senior citizens, veterans, and Native American communities. The live presentation outreach events provide education to investors regarding financial literacy to prevent exploitation and encourage the public to contact the Securities Division with questions regarding investments or fraud. The symposium is open to and intended for state registered investment advisors to provide education on examination trends, marketplace and regulatory developments, and other topics aimed at providing education to protect their investment clients. The summit is designed to bring capital investors together to help grow the business economy in Montana and provides education on raising capital, trademarks, patents, trade secrets and intellectual property. The investor education and outreach had previously been funded through a grant from a nonprofit organization which stopped accepting new grant applications at the end of calendar year 2023.

DEPARTMENT OF REVENUE

Section A

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----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%
Total Funds	389,974,184	393,693,790	394,469,390	8,214,812	1.1%
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%
Total Expenditures	389,974,184	393,693,790	394,469,390	8,214,812	1.1%
Total Ongoing	389,974,184	393,693,790	394,469,390	8,214,812	1.1%
Total One-Time-Only	135,000			(270,000)	(100.0%)

Agency Highlights

**Department of Revenue
Major Budget Highlights**

- 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:
 - Increases of \$1.2 million for software operating and maintenance costs primarily for GenTax, seed-to-sale, and liquor warehouse software
 - 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
 - Increases of \$1.0 million in the Property Assessment Division for personal services and operating costs that are contingent on legislation
 - Increase of \$730,000 for temporary staff, overtime, and termination payouts in the Alcoholic Beverage and Control Division

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
Base Budget	66,890,920	98,549,795	503,023	389,974,184	99.1%	66,890,920	98,549,795	503,023	389,974,184	98.9%
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%)
Total Statewide PL	599,818	6,267	0	570,157	0.1%	838,765	15,978	0	828,086	0.2%
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%
Total HB 2 Adjustments	1,711,531	1,507,003	0	3,719,606	0.9%	2,366,979	1,610,684	0	4,495,206	1.1%
Total Requested Budget	68,602,451	100,056,798	503,023	393,693,790		69,257,899	100,160,479	503,023	394,469,390	

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)
Agency Total	\$ 664,479	\$ (621,532)	\$ -	\$ 42,947

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
01100 General Fund	137,860,350			352,583,000	490,443,350	37.9%
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%
State Special Revenue Total	200,217,277	-	-	152,937,952	353,155,229	27.3%
03928 Royalty Audit - NRCT	1,006,046				1,006,046	0.1%
Federal Special Revenue Total	1,006,046	-	-	-	1,006,046	0.1%
06005 Liquor Division	449,079,507				449,079,507	34.7%
06554 Bad Debt Collection Services			700,666		700,666	0.1%
Proprietary Fund Total	449,079,507	-	700,666	-	449,780,173	34.7%
Total of All Funds	788,163,180	-	700,666	505,520,952	1,294,384,798	
Percent of All Sources of Authority	60.9%	0.0%	0.1%	39.1%		

*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
Total Expenditures	\$300,795,338	\$377,646,471	\$390,109,184	\$393,693,790	\$394,469,390
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
Total Funds	\$300,795,338	\$377,646,471	\$390,109,184	\$393,693,790	\$394,469,390
Total Ongoing	\$299,988,675	\$376,718,854	\$389,974,184	\$393,693,790	\$394,469,390
Total OTO	\$806,663	\$927,617	\$135,000	\$0	\$0

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
01 DIRECTORS OFFICE				
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%
Total	10,849,326	(221,868)	10,627,458	-2.0%
02 TECHNOLOGY SERVICES DIVISION				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%
Total	10,420,279	54,647	10,474,926	0.5%
03 ALCOHOLIC BEVERAGE CONTROL DIV				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%
Total	223,593,367		223,593,367	0.0%
04 CANNABIS CONTROL DIVISION				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%
Total	96,943,985	-	96,943,985	0.0%
05 INFORMATION MGMT & COLLECTIONS				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%
Total	7,470,178	(54,647)	7,415,531	-0.7%
07 BUSINESS & INCOME TAXES DIV				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%
Total	13,644,485	221,868	13,866,353	1.6%
08 PROPERTY ASSESSMENT DIVISION				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%
Total	27,052,564		27,052,564	0.0%
Agency Total	389,974,184	-	389,974,184	0.0%

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base 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%
Total Funds	10,627,458	10,860,284	10,884,457	489,825	2.3%
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%
Total Expenditures	10,627,458	10,860,284	10,884,457	489,825	2.3%
Total Ongoing	10,627,458	10,860,284	10,884,457	489,825	2.3%
Total One-Time-Only					0.0%

Program Highlights

Director's Office Major Budget Highlights	
<ul style="list-style-type: none"> The Director's Office 2027 biennium requested appropriations are approximately \$490,000 or 2.3% higher than the FY 2025 base budget Significant requested changes include: <ul style="list-style-type: none"> 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 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 	

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
Base Budget	10,123,168	348,540	0	10,627,458	97.9%	10,123,168	348,540	0	10,627,458	97.6%
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%
Total HB 2 Adjustments	212,826	20,000	0	232,826	2.1%	236,999	20,000	0	256,999	2.4%
Total Requested Budget	10,335,994	368,540	0	10,860,284		10,360,167	368,540	0	10,884,457	

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%	
State Special Total	\$737,080	\$0	\$0	\$152,870,910	\$153,607,990	29.1%	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%	
06005 Liquor Division	311,500	0	0	0	311,500	100.0%	
Proprietary Total	\$311,500	\$0	\$0	\$0	\$311,500	0.1%	
Total All Funds	\$21,744,741	\$0	\$0	\$505,453,910	\$527,198,651		

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
Total Expenditures	\$7,859,225	\$9,995,387	\$10,627,458	\$10,860,284	\$10,884,457
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
Total Funds	\$7,859,225	\$9,995,387	\$10,627,458	\$10,860,284	\$10,884,457
Total Ongoing	\$7,783,459	\$9,919,621	\$10,627,458	\$10,860,284	\$10,884,457
Total OTO	\$75,766	\$75,766	\$0	\$0	\$0

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)
Grand Total All Present Law Adjustments	0.00	\$197,326	\$0	\$0	\$197,326	0.00	\$220,499	\$0	\$0	\$220,499

**"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	-
Total	<u>\$ 138,615</u>

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
Total	0.00	\$15,500	\$20,000	\$0	\$35,500	0.00	\$16,500	\$20,000	\$0	\$36,500

*"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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base 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%
Total Funds	10,474,926	10,936,392	11,278,319	1,264,859	6.0%
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%
Total Expenditures	10,474,926	10,936,392	11,278,319	1,264,859	6.0%
Total Ongoing	10,474,926	10,936,392	11,278,319	1,264,859	6.0%
Total One-Time-Only					0.0%

Program Highlights

Technology Services Division Major Budget Highlights	
<ul style="list-style-type: none"> The Technology Services Division's 2027 biennium requested appropriations are approximately \$1.3 million or 6.0% higher than the FY 2025 base budget 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"> An increase of \$865,000 for contracted maintenance and service agreements for software systems, which is primarily for the GenTax system Proprietary funding is requested to increase \$248,000 or 46.9% over the biennium for maintenance of new software at the liquor warehouse 	

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
Base Budget	10,043,848	166,639	0	10,474,926	95.8%	10,043,848	166,639	0	10,474,926	92.9%
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%)
Total Statewide PL	7,966	0	0	7,966	0.1%	40,393	0	0	40,393	0.4%
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%
Total HB 2 Adjustments	320,466	20,000	0	461,466	4.2%	656,393	20,000	0	803,393	7.1%
Total Requested Budget	10,364,314	186,639	0	10,936,392		10,700,241	186,639	0	11,278,319	

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%
State Special Total	\$373,278	\$0	\$0	\$0	\$373,278	1.7%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
06005 Liquor Division	776,878	0	0	0	776,878	100.0%
Proprietary Total	\$776,878	\$0	\$0	\$0	\$776,878	3.5%
Total All Funds	\$22,214,711	\$0	\$0	\$0	\$22,214,711	

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
Total Expenditures	\$12,204,875	\$12,301,534	\$10,474,926	\$10,936,392	\$11,278,319
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
Total Funds	\$12,204,875	\$12,301,534	\$10,474,926	\$10,936,392	\$11,278,319
Total Ongoing	\$12,190,990	\$12,201,534	\$10,474,926	\$10,936,392	\$11,278,319
Total OTO	\$13,885	\$100,000	\$0	\$0	\$0

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 2025 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
Grand Total All Present Law Adjustments	0.00	\$320,466	\$0	\$0	\$320,466	0.00	\$656,393	\$0	\$0	\$656,393

*"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><u>\$ (41,314)</u></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
Total	0.00	\$0	\$20,000	\$0	\$141,000	0.00	\$0	\$20,000	\$0	\$147,000

**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 FY 2025	Requested Budget		Biennium Change from Base	
		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%
Total Funds	223,593,367	223,973,439	223,983,910	770,615	0.2%
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%
Total Expenditures	223,593,367	223,973,439	223,983,910	770,615	0.2%
Total Ongoing	223,593,367	223,973,439	223,983,910	770,615	0.2%
Total One-Time-Only	135,000			(270,000)	(100.0%)

Program Highlights

Alcoholic Beverage Control Division Major Budget Highlights

- 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:
 - An increase of \$730,000 in personal services due to temporary staffing, overtime, and termination payouts

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
Base Budget	0	0	0	223,593,367	99.8%	0	0	0	223,593,367	99.8%
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%
Total HB 2 Adjustments	0	0	0	380,072	0.2%	0	0	0	390,543	0.2%
Total Requested Budget	0	0	0	223,973,439		0	0	0	223,983,910	

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%	
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%	
06005 Liquor Division	447,957,349	0	0	0	447,957,349	100.0%	
Proprietary Total	\$447,957,349	\$0	\$0	\$0	\$447,957,349	100.0%	
Total All Funds	\$447,957,349	\$0	\$0	\$0	\$447,957,349		

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.

LFD COMMENT

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.

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
Total Expenditures	\$177,129,138	\$223,432,340	\$223,728,367	\$223,973,439	\$223,983,910
Proprietary Funds	177,129,138	223,432,340	223,728,367	223,973,439	223,983,910
Total Funds	\$177,129,138	\$223,432,340	\$223,728,367	\$223,973,439	\$223,983,910
Total Ongoing	\$177,028,736	\$223,297,340	\$223,593,367	\$223,973,439	\$223,983,910
Total OTO	\$100,402	\$135,000	\$135,000	\$0	\$0

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
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	\$15,072	0.00	\$0	\$0	\$0	\$25,543

**"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
Total	0.00	\$0	\$0	\$365,000	0.00	\$0	\$0	\$0	\$365,000

**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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base 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%
Total Funds	96,943,985	98,385,988	98,464,669	2,962,687	1.5%
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%
Total Expenditures	96,943,985	98,385,988	98,464,669	2,962,687	1.5%
Total Ongoing	96,943,985	98,385,988	98,464,669	2,962,687	1.5%
Total One-Time-Only					0.0%

Program Highlights

Cannabis Control Division Major Budget Highlights	
<ul style="list-style-type: none"> 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"> An increase in funding of \$1.8 million for 7.00 PB for compliance staff in relation to a statutory change An increase in operating expenses of \$1.1 million for seed-to-sale software 	

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
Base Budget	0	96,943,985	0	96,943,985	98.5%	0	96,943,985	0	96,943,985	98.5%
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%
Total HB 2 Adjustments	0	1,442,003	0	1,442,003	1.5%	0	1,520,684	0	1,520,684	1.5%
Total Requested Budget	0	98,385,988	0	98,385,988		0	98,464,669	0	98,464,669	

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%
State Special Total	\$196,850,657	\$0	\$0	\$0	\$0 \$196,850,657	100.0%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$196,850,657	\$0	\$0	\$0	\$0 \$196,850,657	

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.

LFD COMMENT

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.

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
Total Expenditures	\$57,788,484	\$86,023,603	\$96,943,985	\$98,385,988	\$98,464,669
State/Other Special Rev. Funds	57,788,484	86,023,603	96,943,985	98,385,988	98,464,669
Total Funds	\$57,788,484	\$86,023,603	\$96,943,985	\$98,385,988	\$98,464,669
Total Ongoing	\$57,788,484	\$86,023,603	\$96,943,985	\$98,385,988	\$98,464,669
Total OTO	\$0	\$0	\$0	\$0	\$0

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 synthetic 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
Grand Total All Present Law Adjustments	7.00	\$0	\$1,426,503	\$0	\$1,426,503	7.00	\$0	\$1,504,184	\$0	\$1,504,184

*"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	-
Total	<u>\$ 23,323</u>

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
Total	0.00	\$0	\$15,500	\$0	\$15,500	0.00	\$0	\$16,500	\$0	\$16,500

**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 FY 2025	Requested Budget		Biennium Change from Base	
		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%
Total Funds	7,415,531	7,506,767	7,590,405	266,110	1.8%
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%
Total Expenditures	7,415,531	7,506,767	7,590,405	266,110	1.8%
Total Ongoing	7,415,531	7,506,767	7,590,405	266,110	1.8%
Total One-Time-Only					0.0%

Program Highlights

**Information Management and Collections
Major Budget Highlights**

- 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:
 - Operating expenses increase by \$120,000 in the upcoming biennium due to increases in printing, postage, and information technology costs

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
Base Budget	7,252,044	146,597	0	7,415,531	98.8%	7,252,044	146,597	0	7,415,531	97.7%
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%
Total Statewide PL	40,236	0	0	40,236	0.5%	59,874	0	0	59,874	0.8%
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%
Total HB 2 Adjustments	91,236	0	0	91,236	1.2%	174,874	0	0	174,874	2.3%
Total Requested Budget	7,343,280	146,597	0	7,506,767		7,426,918	146,597	0	7,590,405	

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%
State Special Total	\$293,194	\$0	\$0	\$0	\$293,194	1.9%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
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%
Proprietary Total	\$33,780	\$0	\$700,666	\$0	\$734,446	4.6%
Total All Funds	\$15,097,172	\$0	\$700,666	\$0	\$15,797,838	

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
Total Expenditures	\$6,463,108	\$6,500,360	\$7,415,531	\$7,506,767	\$7,590,405
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
Total Funds	\$6,463,108	\$6,500,360	\$7,415,531	\$7,506,767	\$7,590,405
Total Ongoing	\$6,463,108	\$6,500,360	\$7,415,531	\$7,506,767	\$7,590,405
Total OTO	\$0	\$0	\$0	\$0	\$0

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
Grand Total All Present Law Adjustments	0.00	\$91,236	\$0	\$0	\$91,236	0.00	\$174,874	\$0	\$0	\$174,874

**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	-
Total	<u>\$ 2,388</u>

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%
Total Funds	13,866,353	14,232,818	14,321,856	821,968	3.0%
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%
Total Expenditures	13,866,353	14,232,818	14,321,856	821,968	3.0%
Total Ongoing	13,866,353	14,232,818	14,321,856	821,968	3.0%
Total One-Time-Only					0.0%

Program Highlights

Business and Income Taxes Division Major Budget Highlights	
<ul style="list-style-type: none"> 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"> 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 	

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
Base Budget	12,436,572	926,758	503,023	13,866,353	97.4%	12,436,572	926,758	503,023	13,866,353	96.8%
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%)
Total Statewide PL	267,252	0	0	267,252	1.9%	330,289	0	0	330,289	2.3%
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%
Total HB 2 Adjustments	341,465	25,000	0	366,465	2.6%	405,503	50,000	0	455,503	3.2%
Total Requested Budget	12,778,037	951,758	503,023	14,232,818		12,842,075	976,758	503,023	14,321,856	

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 Sttlmnt	380,146	0	0	0	380,146	19.0%
State Special Total	\$1,928,516	\$0	\$0	\$67,042	\$1,995,558	7.0%
03928 Royalty Audit - NRCT	1,006,046	0	0	0	1,006,046	100.0%
Federal Special Total	\$1,006,046	\$0	\$0	\$0	\$1,006,046	3.5%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$28,554,674	\$0	\$0	\$67,042	\$28,621,716	

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
Total Expenditures	\$13,542,593	\$13,559,433	\$13,866,353	\$14,232,818	\$14,321,856
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
Total Funds	\$13,542,593	\$13,559,433	\$13,866,353	\$14,232,818	\$14,321,856
Total Ongoing	\$12,925,983	\$12,942,582	\$13,866,353	\$14,232,818	\$14,321,856
Total OTO	\$616,610	\$616,851	\$0	\$0	\$0

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
Grand Total All Present Law Adjustments										
1.14	\$325,965	\$25,000	\$0	\$350,965	1.14	\$389,003	\$50,000	\$0	\$439,003	

***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
Total	0.00	\$15,500	\$0	\$0	\$15,500	0.00	\$16,500	\$0	\$0	\$16,500

*"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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base 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%
Total Funds	27,052,564	27,798,102	27,945,774	1,638,748	3.0%
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%
Total Expenditures	27,052,564	27,798,102	27,945,774	1,638,748	3.0%
Total Ongoing	27,052,564	27,798,102	27,945,774	1,638,748	3.0%
Total One-Time-Only					0.0%

Program Highlights

Property Assessment Division Major Budget Highlights	
<ul style="list-style-type: none"> 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"> An increase in appropriations of \$224,000 due to rental space expenses for staffing needs in Livingston, Butte, and Boulder An increase of \$431,000 in appropriations for fixed costs with this mainly due to information technology costs \$1.0 million of increased appropriations that is contingent on other legislation for the implementation of property tax revisions 	

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
Base Budget	27,035,288	17,276	0	27,052,564	97.3%	27,035,288	17,276	0	27,052,564	96.8%
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%)
Total Statewide PL	87,038	0	0	87,038	0.3%	187,710	0	0	187,710	0.7%
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%
Total HB 2 Adjustments	745,538	0	0	745,538	2.7%	893,210	0	0	893,210	3.2%
Total Requested Budget	27,780,826	17,276	0	27,798,102		27,928,498	17,276	0	27,945,774	

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%
State Special Total	\$34,552	\$0	\$0	\$0	\$34,552	0.1%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$55,743,876	\$0	\$0	\$0	\$55,743,876	

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
Total Expenditures	\$25,807,915	\$25,833,814	\$27,052,564	\$27,798,102	\$27,945,774
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
Total Funds	\$25,807,915	\$25,833,814	\$27,052,564	\$27,798,102	\$27,945,774
Total Ongoing	\$25,807,915	\$25,833,814	\$27,052,564	\$27,798,102	\$27,945,774
Total OTO	\$0	\$0	\$0	\$0	\$0

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.

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	(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
Grand Total All Present Law Adjustments	0.00	\$137,038	\$0	\$0	\$137,038	0.00	\$277,710	\$0	\$0	\$277,710

***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	-
Total	<u>\$ (88,193)</u>

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
Total	0.00	\$608,500	\$0	\$0	\$608,500	0.00	\$615,500	\$0	\$0	\$615,500

*"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.

**LFD
COMMENT**

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.

DEPARTMENT OF ADMINISTRATION

Section A

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	143.92	144.92	144.92	1.00	0.3%
General Fund	40,438,885	57,954,872	57,237,343	34,314,445	42.4%
State/Other Special Rev. Funds	8,098,255	8,777,396	8,786,700	1,367,586	8.4%
Federal Spec. Rev. Funds	18,535	28,535	28,535	20,000	54.0%
Proprietary Funds	6,729,573	6,924,927	6,781,658	247,439	1.8%
Total Funds	55,285,248	73,685,730	72,834,236	35,949,470	32.5%
Personal Services	14,499,936	14,855,030	14,898,778	753,936	2.6%
Operating Expenses	6,836,169	8,688,486	7,359,816	2,375,964	17.4%
Equipment & Intangible Assets	50,000	50,000	50,000		0.0%
Local Assistance	28,979	38,979	38,979	20,000	34.5%
Transfers	33,441,889	49,744,535	50,177,963	33,038,720	49.4%
Debt Service	428,275	308,700	308,700	(239,150)	(27.9%)
Total Expenditures	55,285,248	73,685,730	72,834,236	35,949,470	32.5%
Total Ongoing	55,285,248	73,685,730	72,834,236	35,949,470	32.5%
Total One-Time-Only					0.0%

Agency Highlights

Department of Administration Major Budget Highlights

- The Department of Administration's 2027 biennium requested appropriations are approximately \$36.0 million or 32.5% higher than the FY 2025 base budget. Significant changes include:
 - Approximately \$33.0 million of this increase is due to a general fund transfer to the Long-Range Building Program capital development account and major repair and maintenance account, as required by statute
 - Increased authority due to statewide present law adjustments for personal services and fixed costs, the majority of which takes place in FY 2026 for biennial legislative audit costs
 - Funding for 1.00 PB to support the work of the Education and Workforce Data Governance Board

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 Administration 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
Base Budget	40,438,885	8,098,255	18,535	55,285,248	75.0%	40,438,885	8,098,255	18,535	55,285,248	75.9%
Statewide PL										
Personal Services	101,686	144,270	0	269,805	0.4%	116,129	162,642	0	313,552	0.4%
Fixed Costs	1,191,882	62,158	0	1,421,723	1.9%	23,797	47,862	0	84,565	0.1%
Inflation Deflation	(151)	(6,119)	0	(6,276)	(0.0%)	(102)	(4,136)	0	(4,242)	(0.0%)
Total Statewide PL	1,293,417	200,309	0	1,685,252	2.3%	139,824	206,368	0	393,875	0.5%
Present Law (PL)	16,322,491	290,622	10,000	16,626,941	22.6%	16,756,746	295,675	10,000	17,066,823	23.4%
New Proposals	(99,921)	188,210	0	88,289	0.1%	(98,112)	186,402	0	88,290	0.1%
Total HB 2 Adjustments	17,515,987	679,141	10,000	18,400,482	25.0%	16,798,458	688,445	10,000	17,548,988	24.1%
Total Requested Budget	57,954,872	8,777,396	28,535	73,685,730		57,237,343	8,786,700	28,535	72,834,236	

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.

Department of Administration FY 2026 Statewide Present Law Adjustment for Personal Services (DP 1)					
Program	Legislative Changes	Management Decisions	Budget Modifications	Total DP 1	
01 Director's Office	\$ 31,626	\$ (10,161)	\$ (47,000)	\$ (25,535)	
03 State Financial Services	15,707	18,373	-	34,080	
04 Architecture & Engineering	37,224	81,576	-	118,800	
05 State Procurement Services	32,793	10,523	-	43,316	
14 Banking & Financial Services	827	24,636	-	25,463	
15 Lottery Division	41,784	(17,935)	-	23,849	
25 State Human Resources	30,038	5,567	-	35,605	
37 State Tax Appeal Board	10,181	4,046	-	14,227	
Total	\$ 200,180	\$ 116,625	\$ (47,000)	\$ 269,805	

The executive requests for statewide present law adjustments for personal services will be discussed in further detail at the program level.

Statewide Present Law Adjustment for Fixed Costs

The executive requests an increased statewide present law adjustment for fixed cost of 20.8% in FY 2026 and 1.2% in FY 2027 above the operating expense base budget. In FY 2026, this increase is primarily attributed to restricted biennial audit fees. Audit fees are increasing at a greater amount due in part to the Legislative Audit Division transitioning to an annual single audit cycle. The 2027 biennium budget is reflective of the single audit cycles overlapping while in this transitional phase as well as rates for the new risk-based audit approach. These fees are only appropriated in FY 2026 but may be used in either fiscal year of the biennium. Other notable increases are for information technology and statewide indirect fixed costs.

Present Law Adjustments

The executive requests increased authority for indirect costs charged to the agency's programs for services provided by DOA employees, including accounting, human resources, legal issues. This increase is \$71,000 and accounts for less than 1.0% of the increase over the base budget.

Funding

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

Total Department of Administration 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
01100 General Fund	115,192,215			185,649,687	300,841,902	21.0%
02858 Mineral Impact				16,908,187	16,908,187	1.2%
02077 Financial Institutions Div	10,242,995				10,242,995	0.7%
02030 Arch & Engin Construction	6,113,232				6,113,232	0.4%
02211 Procurement Special Revenue	1,207,869				1,207,869	0.1%
02098 Insurance Proceeds - State Bld				91,000	91,000	0.0%
State Special Revenue Total	17,564,096		-	16,999,187	34,563,283	2.4%
03425 Forest Reserve Shared Revenue				9,760,900	9,760,900	0.7%
03095 Taylor Grazing Act Dist.				250,000	250,000	0.0%
03369 Flood Control Payments	45,414				45,414	0.0%
03320 CMIA Funds	11,656				11,656	0.0%
Federal Special Revenue Total	57,070		-	10,010,900	10,067,970	0.7%
06559 Group Benefits Claims A/C			521,460,701		521,460,701	36.5%
06001 State Lottery Fund	13,530,829			207,292,700	220,823,529	15.4%
06522 ISD Proprietary			158,960,655		158,960,655	11.1%
06532 Agency Insurance Int. Svc.			76,434,524		76,434,524	5.3%
06528 Rent And Maintenance			27,387,789		27,387,789	1.9%
Other Proprietary Fund	175,756		79,448,567		79,624,323	5.6%
Proprietary Fund Total	13,706,585		863,692,236	207,292,700	1,084,691,521	75.8%
Total of All Funds	146,519,966		863,692,236	419,952,474	1,430,164,676	
Percent of All Sources of Authority	10.2%	0.0%	60.4%	29.4%		

The majority of the Department of Administration is funded with non-budgeted proprietary funds. These funds support the operations of the Director's Office, State Financial Services Division, General Services Division, State Information Technology Services Division, Healthcare and Benefits Division, State Human Resource Division, and Risk Management and Tort Defense Division.

Statutory appropriations also comprise a significant portion of appropriations for the Department of Administration. These primarily include appropriations related to a transfer to the teacher's retirement and public employee's retirement system, and lottery prizes.

HB 2 appropriations of general fund, state special revenue funds, federal special revenue funds, and proprietary funds will be discussed in further detail 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	143.92	143.92	144.92	144.92
Personal Services	13,475,783	13,815,770	14,499,936	14,855,030	14,898,778
Operating Expenses	7,144,595	7,545,362	6,836,169	8,688,486	7,359,816
Equipment & Intangible Assets	77,090	85,000	50,000	50,000	50,000
Local Assistance	30,854	28,979	28,979	38,979	38,979
Transfers	31,632,606	31,632,606	33,441,889	49,744,535	50,177,963
Debt Service	828,907	828,908	428,275	308,700	308,700
Total Expenditures	\$53,189,835	\$53,936,625	\$55,285,248	\$73,685,730	\$72,834,236
General Fund	39,092,268	39,330,106	40,438,885	57,954,872	57,237,343
State/Other Special Rev. Funds	7,688,212	7,863,100	8,098,255	8,777,396	8,786,700
Federal Spec. Rev. Funds	13,650	5,828	18,535	28,535	28,535
Proprietary Funds	6,395,705	6,724,884	6,729,573	6,924,927	6,781,658
Total Funds	\$53,189,835	\$53,923,918	\$55,285,248	\$73,685,730	\$72,834,236
Total Ongoing	\$53,189,835	\$53,923,918	\$55,285,248	\$73,685,730	\$72,834,236
Total OTO	\$0	\$0	\$0	\$0	\$0

Agency Description

The Department of Administration (DOA) is a customer service organization providing centralized enterprise services to Montana state agencies and local governments.

Key services include:

- Financial Management: Treasury, accounting, financial reporting, Social Security Section 218 administration, and bonded indebtedness oversight
- Technology Services: IT planning, security, and management of enterprise systems for accounting, payroll, budgeting, and human resources
- Facilities & Operations: Capitol complex security, facilities and grounds maintenance, leasing, surplus property, recycling, and centralized printing
- Procurement & Human Resources: Procurement oversight, workforce development, labor relations, employee benefits, safety programs, and workers' compensation
- Insurance & Risk Management: Property/casualty insurance, risk management, and Tort Claims Act administration
- Public Service: Management of American Rescue Plan Act (ARPA) and Infrastructure Investment and Jobs Act (IIJA) broadband grants, local government audit compliance, and state financial institution regulation

Attached agencies include:

- Montana Lottery
- Montana Tax Appeal Board
- Montana Teachers' Retirement System
- Montana Public Employee Retirement Administration
- Office of State Public Defender
- State Compensation Insurance Fund

Attached boards & councils include:

- Board of Examiners
- Burial Preservation Board
- Capitol Complex Advisory Council
- Information Technology Board
- Education and Workforce Data Governing Board
- Montana Land Information Advisory Council
- State Board of County Printing
- State Employee Group Benefits Advisory Council

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 Appropriation Compared to FY 2024 Actual Expenditures

In FY 2024, the Department of Administration expended 98.6% of its \$53.9 million HB 2 modified budget. The majority of the agency's expenditures are for general fund transfers to the long-range building program capital development account and the major repair account. Further detail regarding FY 2024 expenditures is provided at the program level of this analysis.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The Department of Administration's appropriation authority for FY 2025 is approximately \$1.3 million, or 2.5%, higher than that of FY 2024. This increase is primarily for general fund transfers for the long-range building program capital development account and the major repair account. Personal services authority also increased by approximately \$684,000 due to additional appropriation authority in FY 2025 for statewide present law adjustments and HB 13, pay plan.

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 Administration Comparison of the FY 2025 Legislative Budget to the FY 2025 Base Budget				
	Legislative Budget	Executive Modifications	Base Budget	% Change
01 DIRECTORS OFFICE				
61000 Personal Services	336,129		336,129	0.0%
62000 Operating Expenses	100,861	4,141	105,002	4.1%
65000 Local Assistance	14,296		14,296	0.0%
68000 Transfers	33,441,889		33,441,889	0.0%
Total	33,893,175	4,141	33,897,316	0.0%
03 STATE FINANCIAL SERVICES DIV				
61000 Personal Services	2,785,081	(1,160,102)	1,624,979	-41.7%
62000 Operating Expenses	1,049,119	(772,942)	276,177	-73.7%
Total	3,834,200	(1,933,044)	1,901,156	-50.4%
04 ARCHITECTURE & ENGINEERING DIV				
61000 Personal Services	2,035,563		2,035,563	0.0%
62000 Operating Expenses	784,861	12,359	797,220	1.6%
Total	2,820,424	12,359	2,832,783	0.4%
05 STATE PROCUREMENT SERV. DIV.				
61000 Personal Services		1,160,102	1,160,102	100.0%
62000 Operating Expenses		717,782	717,782	100.0%
Total		1,877,884	1,877,884	100.0%
14 DIV OF BANKING & FINANCIAL INS				
61000 Personal Services	3,891,164		3,891,164	0.0%
62000 Operating Expenses	978,464	19,887	998,351	2.0%
69000 Debt Service	162,295		162,295	0.0%
Total	5,031,923	19,887	5,051,810	0.4%
15 MONTANA STATE LOTTERY				
61000 Personal Services	3,127,461		3,127,461	0.0%
62000 Operating Expenses	3,247,418		3,247,418	0.0%
63000 Equipment & Intangible Assets	50,000		50,000	0.0%
69000 Debt Service	216,816		216,816	0.0%
Total	6,641,695		6,641,695	0.0%
23 STATE HUMAN RESOURCES DIVISION				
61000 Personal Services	1,779,689		1,779,689	0.0%
62000 Operating Expenses	523,677	14,993	538,670	2.9%
Total	2,303,366	14,993	2,318,359	0.7%
37 MONTANA TAX APPEAL BOARD				
61000 Personal Services	544,849		544,849	0.0%
62000 Operating Expenses	160,169	(4,620)	155,549	-2.9%
65000 Local Assistance	14,683		14,683	0.0%
69000 Debt Service	40,764	8,400	49,164	20.6%
Total	760,465	3,780	764,245	0.5%
Agency Total	55,285,248	-	55,285,248	0.0%

The following modifications were made to the legislative budget:

- A reorganization took place in the 2025 biennium which moved the State Procurement Services from the State Financial Services Division into its own division
- An adjustment transferred operating expense authority from the State Financial Services Division to the Director's Office, Architecture and Engineering Division, Division of Banking and Financial Institutions, State Human Resources Division, and the Montana Tax Appeal Board to reallocate an inflationary adjustment authorized by the 2023 Legislature
- A transfer of operating expenses to debt service expenditures in the Montana Tax Appeal Board due to a new rental lease agreement that required greater debt service expenditure authority

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	2.50	3.50	3.50	1.00	20.0%
General Fund	33,884,609	50,294,608	50,729,465	33,254,855	49.1%
Federal Spec. Rev. Funds	12,707	22,707	22,707	20,000	78.7%
Total Funds	33,897,316	50,317,315	50,752,172	33,274,855	49.1%
Personal Services	336,129	395,883	398,152	121,777	18.1%
Operating Expenses	105,002	152,601	151,761	94,358	44.9%
Local Assistance	14,296	24,296	24,296	20,000	69.9%
Transfers	33,441,889	49,744,535	50,177,963	33,038,720	49.4%
Total Expenditures	33,897,316	50,317,315	50,752,172	33,274,855	49.1%
Total Ongoing	33,897,316	50,317,315	50,752,172	33,274,855	49.1%
Total One-Time-Only					0.0%

Program Highlights

Director's Office Major Budget Highlights	
<ul style="list-style-type: none"> The Director's Office 2027 biennium requested appropriations are approximately \$33.3 million or 49.1% higher than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> A general fund transfer to the Long-Range Building Program capital development account and major repair and maintenance account 1.00 new PB for the Education and Workforce Development Board 	

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
Base Budget	33,884,609	0	12,707	33,897,316	67.4%	33,884,609	0	12,707	33,897,316	66.8%
Statewide PL										
Personal Services	(25,535)	0	0	(25,535)	(0.1%)	(23,267)	0	0	(23,267)	(0.0%)
Fixed Costs	34,587	0	0	34,587	0.1%	33,707	0	0	33,707	0.1%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	9,052	0	0	9,052	0.0%	10,440	0	0	10,440	0.0%
Present Law (PL)	16,312,658	0	10,000	16,322,658	32.4%	16,746,126	0	10,000	16,756,126	33.0%
New Proposals	88,289	0	0	88,289	0.2%	88,290	0	0	88,290	0.2%
Total HB 2 Adjustments	16,409,999	0	10,000	16,419,999	32.6%	16,844,856	0	10,000	16,854,856	33.2%
Total Requested Budget	50,294,608	0	22,707	50,317,315		50,729,465	0	22,707	50,752,172	

Funding

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

Department of Administration, 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	101,024,073	0	0	179,583,171	280,607,244	88.8%	
02858 Mineral Impact	0	0	0	16,908,187	16,908,187	100.0%	
State Special Total	\$0	\$0	\$0	\$16,908,187	\$16,908,187	5.4%	
03095 Taylor Grazing Act Dist.	0	0	0	250,000	250,000	2.5%	
03369 Flood Control Payments	45,414	0	0	0	45,414	0.5%	
03425 Forest Reserve Shared Revenue	0	0	0	9,760,900	9,760,900	97.1%	
Federal Special Total	\$45,414	\$0	\$0	\$10,010,900	\$10,056,314	3.2%	
06020 Office of Public Information R	0	0	878,955	0	878,955	10.6%	
06504 Chief Data Office	0	0	1,219,482	0	1,219,482	14.7%	
06534 Management Services	0	0	6,173,387	0	6,173,387	74.6%	
Proprietary Total	\$0	\$0	\$8,271,824	\$0	\$8,271,824	2.6%	
Total All Funds	\$101,069,487	\$0	\$8,271,824	\$206,502,258	\$315,843,569		

HB 2 Appropriations

General Fund

General fund provides the majority of the funding for HB 2 authority. General fund authority is primarily for the transfer to the long-range building program capital development account and the major repair account. Other general fund supports the Office of Legal Services, Burial Board, and the Office of Finance and Budget.

Federal Special Revenue

Federal special revenue provides the remaining funding in HB 2 and supports the allocation of federal flood control payments. These funds are received by the department from the U.S. Army Corporation of Engineers. Funds are directed to specific counties for reimbursement for 75.0% of receipts from the leasing of lands acquired for flood control, navigation, and allied purposes pursuant to 33 U.S.C. 701c-3.

Non-Budgeted Proprietary Appropriations

A small portion of the Director's Office functions are supported by non-budgeted proprietary funds. These funds are discussed in the Proprietary Rates section of the narrative.

Statutory

In the Director's Office, statutory appropriations account for the majority of appropriations from all sources of authority. The figure below provides FY 2024 actual expenditures, FY 2025 appropriations, and current HJ 2 estimates for FY 2026 and FY 2027.

Department of Administration Director's Office Statutory Appropriations				
	FY 2024 Actual	FY 2025 Estimated	FY 2026 Estimated	FY 2027 Estimated
General Fund				
Debt Service	\$ 73,319	\$ 97,965	\$ 97,965	\$ 97,965
Local Government PERD Contribution	662,124	1,343,615	1,467,185	1,514,868
School District PERD Contribution	714,149	743,445	750,879	758,388
TRS GABA	1,079,927	1,142,000	1,151,263	1,188,679
TRS Supplemental Contribution	47,768,291	49,837,000	49,018,339	49,655,578
State Fund Division	745,286	539,000	535,000	535,000
Public Employees Retirement Transfers	35,329,705	35,683,002	36,039,832	36,400,230
Lodging Tax	118,778	186,000	186,000	186,000
Total General Fund	86,491,579	89,572,027	89,246,463	90,336,708
State Special Revenues				
Mineral Impact	11,923,593	6,764,000	8,518,514	8,389,673
Total State Special Revenue	11,923,593	6,764,000	8,518,514	8,389,673
Federal Special Revenue				
Taylor Grazing Act Fees	125,000	125,000	125,000	125,000
Forest Reserve Funds	13,396,642	4,682,450	4,802,450	4,958,450
Total Federal Special Revenue	13,521,642	4,807,450	4,927,450	5,083,450
Total Statutory Appropriations	\$ 111,936,815	\$ 101,143,477	\$ 102,692,427	\$ 103,809,831

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	2.50	2.50	3.50	3.50
Personal Services	295,181	349,507	336,129	395,883	398,152
Operating Expenses	902,058	1,036,020	105,002	152,601	151,761
Local Assistance	12,707	14,296	14,296	24,296	24,296
Transfers	31,632,606	31,632,606	33,441,889	49,744,535	50,177,963
Total Expenditures	\$32,842,552	\$33,032,429	\$33,897,316	\$50,317,315	\$50,752,172
General Fund	32,829,845	33,019,722	33,884,609	50,294,608	50,729,465
Federal Spec. Rev. Funds	12,707	0	12,707	22,707	22,707
Total Funds	\$32,842,552	\$33,019,722	\$33,897,316	\$50,317,315	\$50,752,172
Total Ongoing	\$32,842,552	\$33,019,722	\$33,897,316	\$50,317,315	\$50,752,172
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Director's Office provides leadership and management support to the Department of Administration (DOA) and its attached boards and commissions. It serves as a key liaison between DOA divisions, the cabinet, legislature, and Governor's Office, ensuring coordination and efficient operations. The Director's Office is supported by a mix of 2.50 PB funded through HB 2 and 21.51 PB funded by internal fees charged to DOA divisions and attached agencies. The office includes:

- Office of Legal Services: Advises divisions on legal matters
- Office of Human Resources: Supports agency performance through strategic HR programs
- Office of Finance & Budget: Manages budgets, compliance, and financial reporting
- Communications Director: Handles internal and external communication strategies
- Chief Data Office: Drives digital transformation and data modernization for state government, focusing on data quality, analytics, governance, and performance measures
- Office of Public Information Requests (OPIR): Centralizes public records management, coordinating intake, cost estimates, legal reviews, and responses for complex or multi-agency requests. OPIR also manages tools for tracking and preparing records for release

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Director's Office expended 99.4% of its \$33.0 million HB 2 modified budget in FY 2024. The majority of the expenditures were for transfers to the long-range building program capital development account and the major repair account, which was 100.0% expended. Personal services and operating expenses were 84.5% and 87.1% expended, respectively, which is in line with historical expenditures.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The Director's Office appropriation authority for FY 2025 is approximately \$865,000, or 2.6%, higher than that of FY 2024. This increase is entirely due to higher budgeted transfers for the long-range building program capital development account and the major repair account of approximately \$1.8 million. Operating expenses were \$931,000, or 89.9%, lower in FY 2025 due to lower appropriation authority for SB 11, which required the Chief Data Office to develop the criminal justice data warehouse. An initial one-time-only implementation cost of approximately \$840,000 was needed in FY 2024. Operating expenses were reduced in FY 2025 to reflect normal ongoing operating expenditures.

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	(25,535)	0	0	(25,535)		0.00	(23,267)	0	0	(23,267)
DP 2 - Fixed Costs										
0.00	34,587	0	0	34,587		0.00	33,707	0	0	33,707
DP 4 - Allocate Department Indirect/Administrative Costs										
0.00	10,012	0	0	10,012		0.00	10,052	0	0	10,052
DP 103 - GF Transfer to Capital Development Authority										
0.00	9,062,901	0	0	9,062,901		0.00	9,062,901	0	0	9,062,901
DP 104 - GF Transfer Min Funding to Major Maintenance Repair										
0.00	7,239,745	0	0	7,239,745		0.00	7,673,173	0	0	7,673,173
DP 107 - Increase Flood Control Appropriation										
0.00	0	0	10,000	10,000		0.00	0	0	10,000	10,000
Grand Total All Present Law Adjustments										
0.00	\$16,321,710	\$0	\$10,000	\$16,331,710		0.00	\$16,756,566	\$0	\$10,000	\$16,766,566

***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 2023 biennium

Department of Administration	
Director's Office	
FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 31,626
Management Changes	(10,161)
Total Budget Modifications	(47,000)
Total	<u>\$ (25,535)</u>

The executive requests a decreased statewide present law adjustment for personal services. This decrease is due to the loss of personal services authority granted through HB 949, which was not captured during the snapshot process. This decrease is partially offset by legislative changes due to increased benefits and longevity.

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 4 - Allocate Department Indirect/Administrative Costs -

The executive requests an adjustment to provide the funding to pay the Department of Administration's indirect costs. These costs are charged to the department's programs for services provided by DOA employees, including accounting, human resources, and legal issues.

DP 103 - GF Transfer to Capital Development Authority -

The executive requests a transfer of general fund to the capital development Long-Range Building Program account, as required by 17-7-208, MCA.

**LFD
COMMENT****Capital Development Fund Transfer**

Current law requires an appropriation transfer for capital developments of an amount equal to 1.0% of general fund revenues less current and authorized but unissued general fund general obligation bond debt service. The legislature would have the ability to authorize the use of these funds for state or local government infrastructure projects through new cash or bonded capital improvement programs, but only if the appropriations for maintaining existing state buildings has been funded at a level equal to or greater than the 0.6% of current replacement value. The appropriation is also available for use if there are general fund shortfalls experienced in the state budget, or as a "working rainy day fund."

DP 104 - GF Transfer Min Funding to Major Maintenance Repair -

The executive requests a transfer of general fund to the major repair Long-Range Building Program account, as required by 17-7-222, MCA.

**LFD
COMMENT****Major Repairs Transfer**

Current law requires that the state invests 0.6% of the current replacement value (CRV) of Long-Range Building Program (LRBP) eligible buildings for purposes of major repairs and maintenance of the buildings. The general fund appropriations are equal to the difference between 0.6% of CRV and the LRBP dedicated revenues of cigarette taxes and coal severance taxes.

DP 107 - Increase Flood Control Appropriation -

The executive requests additional federal special revenue authority in the 2027 biennium. Section 17-3-231, MCA, requires the distribution of federal flood control funds to the counties. The executive requests an increase in appropriation to facilitate the distribution of these federal funds.

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 102 - Education Workforce Data Governing Board										
1.00	88,289	0	0	88,289	1.00	88,290	0	0	88,290	
Total	1.00	\$88,289	\$0	\$0	\$88,289	1.00	\$88,290	\$0	\$0	\$88,290

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

DP 102 - Education Workforce Data Governing Board -

The executive requests 1.00 PB to support and facilitate the work of the Education and Workforce Data Governance Board, established during the 2023 Legislature, 20-7-138, MCA, that is administratively attached to the Department of Administration. The board is responsible for developing and implementing policies and procedures for the linking and sharing of education and workforce data among contributing agencies; facilitating the use of the data to inform decision making by entities to maximize the operational efficiency of the state's education and workforce systems; and ensuring compliance with federal and state privacy laws.

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 FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
PB	16.67	16.67	16.67	0.00	0.0%
General Fund	1,798,057	3,017,603	1,862,564	1,284,053	35.7%
Federal Spec. Rev. Funds	5,828	5,828	5,828		0.0%
Proprietary Funds	87,878	87,878	87,878		0.0%
Total Funds	1,891,763	3,111,309	1,956,270	1,284,053	33.9%
Personal Services	1,624,979	1,659,059	1,663,383	72,484	2.2%
Operating Expenses	266,784	1,452,250	292,887	1,211,569	227.1%
Total Expenditures	1,891,763	3,111,309	1,956,270	1,284,053	33.9%
Total Ongoing	1,891,763	3,111,309	1,956,270	1,284,053	33.9%
Total One-Time-Only					0.0%

Program Highlights

State Financial Services Division Major Budget Highlights	
<ul style="list-style-type: none"> The State Financial Services Division's 2027 biennium requested appropriations are approximately \$1.3 million or 33.9% higher than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> Statewide present law adjustments for fixed costs including audit fees in FY 2026 A general fund transfer from the State Procurement Services Division 	

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.

State Financial 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
Base Budget	1,798,057	0	5,828	1,891,763	60.8%	1,798,057	0	5,828	1,891,763	96.7%
Statewide PL										
Personal Services	34,080	0	0	34,080	1.1%	38,404	0	0	38,404	2.0%
Fixed Costs	1,168,315	0	0	1,168,315	37.6%	8,669	0	0	8,669	0.4%
Inflation Deflation	(74)	0	0	(74)	(0.0%)	(50)	0	0	(50)	(0.0%)
Total Statewide PL	1,202,321	0	0	1,202,321	38.6%	47,023	0	0	47,023	2.4%
Present Law (PL)	17,225	0	0	17,225	0.6%	17,484	0	0	17,484	0.9%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	1,219,546	0	0	1,219,546	39.2%	64,507	0	0	64,507	3.3%
Total Requested Budget	3,017,603	0	5,828	3,111,309		1,862,564	0	5,828	1,956,270	

Funding

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

Department of Administration, 03-State Financial 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	4,880,167	0	0	6,066,516	10,946,683	42.1%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
03320 CMIA Funds	11,656	0	0	0	11,656	100.0%
Federal Special Total	\$11,656	\$0	\$0	\$0	\$11,656	0.0%
06042 Local Govt Svcs AuditRptng	0	0	1,915,188	0	1,915,188	12.8%
06511 SABHRS	0	0	10,716,699	0	10,716,699	71.4%
06527 Investment Division	175,756	0	0	0	175,756	1.2%
06564 Warrant Writing	0	0	2,208,623	0	2,208,623	14.7%
Proprietary Total	\$175,756	\$0	\$14,840,510	\$0	\$15,016,266	57.8%
Total All Funds	\$5,067,579	\$0	\$14,840,510	\$6,066,516	\$25,974,605	

HB 2 Appropriations

General Fund

General fund is the primary source for the functions approved in HB 2 and supports the development of statewide accounting standards, treasury functions, accounting assistance for local government and the State Social Security Administrator function.

Federal Special Revenue

Federal special revenues provide for cash management services related to the federal Cash Management Improvement Act (CMIA). These funds are deposited into the general fund.

Proprietary Fund

Proprietary funding in HB 2 is a direct appropriation from the Board of Investments (BOI) proprietary fund for services the Treasury Unit provides to the BOI.

Non-budgeted Proprietary Appropriations

Non-budgeted proprietary funds include Local Government Services Audit Reporting, the State Accounting, Budgeting, and Human Resources System (SABHRS), and Warrant Writing. These funds are discussed in the Proprietary Rates narrative.

Statutory Appropriations

The state treasurer may contract with a financial institution to provide general depository banking services. The cost of contracting for banking services is statutorily appropriated from the general fund (17-6-101, MCA). In addition, the state treasurer has statutory authority to return any federal funds, and interest earned on the funds that may not be retained by the state according to federal law or the terms of the federal grant (17-3-106, MCA).

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	16.67	16.67	16.67	16.67
Personal Services	1,514,467	1,551,128	1,624,979	1,659,059	1,663,383
Operating Expenses	282,675	272,510	266,784	1,452,250	292,887
Debt Service	21,613	0	0	0	0
Total Expenditures	\$1,818,755	\$1,823,638	\$1,891,763	\$3,111,309	\$1,956,270
General Fund	1,733,703	1,733,702	1,798,057	3,017,603	1,862,564
Federal Spec. Rev. Funds	943	5,828	5,828	5,828	5,828
Proprietary Funds	84,109	84,108	87,878	87,878	87,878
Total Funds	\$1,818,755	\$1,823,638	\$1,891,763	\$3,111,309	\$1,956,270
Total Ongoing	\$1,818,755	\$1,823,638	\$1,891,763	\$3,111,309	\$1,956,270
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The State Financial Services Division provides centralized services and administers state and federal programs for agencies, local governments, and Montana citizens and businesses. It consists of three bureaus:

1. Statewide Accounting Bureau (SAB): Manages the financial modules of the Statewide Accounting Budgeting & Human Resources System (SABHRS), supports state agencies, ensures compliance with accounting policies, publishes the state's annual comprehensive financial report (ACFR), and oversees daily treasury operations and payment processing
2. Local Government Services Bureau (LGSB): Supports local governments with financial accountability and compliance with statutory reporting, including the Montana Single Audit Act. It also manages public access to financial and audit reports and oversees the State Social Security Administrator Program
3. SABHRS Financial Services Technology Bureau (FSTB): Provides system support, development, and maintenance for the state's enterprise accounting and budgeting systems, collaborating with key state entities to meet business requirements

The Division Strategies and Solutions Team (DSST) focuses on operational strategies and technology solutions to support division-wide initiatives.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The State Financial Services Division expended 99.7% of its \$1.8 million HB 2 modified budget in FY 2024. Personal services were 97.6% expended, and operating expenses were expended at 103.7%. The division incurred debt service expenditures due to a new government accounting standard which required rent lease payments to be recorded under debt services.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The State Financial Services Division appropriation authority for FY 2025 is approximately \$68,000, or 3.7%, higher than that of FY 2024. This increase is primarily in personal services general fund authority due to the greater amount appropriated through HB 13 (pay plan) 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	34,080	0	0	34,080	0.00	38,404	0	0	38,404
DP 2 - Fixed Costs	0.00	1,168,315	0	0	1,168,315	0.00	8,669	0	0	8,669
DP 3 - Inflation Deflation	0.00	(74)	0	0	(74)	0.00	(50)	0	0	(50)
DP 4 - Allocate Department Indirect/Administrative Costs	0.00	2,871	0	0	2,871	0.00	3,130	0	0	3,130
DP 302 - General Fund Transfer to Correct SFSD and SPSP Starting Point	0.00	14,354	0	0	14,354	0.00	14,354	0	0	14,354
Grand Total All Present Law Adjustments	0.00	\$1,219,546	\$0	\$0	\$1,219,546	0.00	\$64,507	\$0	\$0	\$64,507

***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 2023 biennium

Department of Administration State Financial Services FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 15,707
Management Changes	18,373
Total Budget Modifications	-
Total	<u><u>\$ 34,080</u></u>

The executive requests an increased statewide present law adjustment for personal services primarily driven by management changes which saw pay increases attributed to retention adjustments, hiring new employees at higher rates than the previous employees, and budgeting vacant positions at higher rates. Legislative changes also increased due to greater budgeted benefits.

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 4 - Allocate Department Indirect/Administrative Costs -

The executive requests an adjustment to provide the funding to pay the Department of Administration's indirect costs. These costs are charged to the department's programs for services provided by DOA employees, including accounting, human resources, and legal issues.

DP 302 - General Fund Transfer to Correct SFSD and SPSD Starting Point -

The executive requests a general fund transfer from the State Procurement Services Division to the State Financial Services Division to adjust starting points due to a budget change document (BCD) not processing in time to correct the starting points.

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	18.00	18.00	18.00	0.00	0.0%
State/Other Special Rev. Funds	2,832,783	3,053,664	3,059,568	447,666	7.9%
Total Funds	2,832,783	3,053,664	3,059,568	447,666	7.9%
Personal Services	2,035,563	2,154,363	2,159,709	242,946	6.0%
Operating Expenses	797,220	899,301	899,859	204,720	12.8%
Total Expenditures	2,832,783	3,053,664	3,059,568	447,666	7.9%
Total Ongoing	2,832,783	3,053,664	3,059,568	447,666	7.9%
Total One-Time-Only					0.0%

Program Highlights

Architecture & Engineering Division Major Budget Highlights

- The Architecture & Engineering Division's 2027 biennium requested HB 2 appropriations are approximately \$448,000 or 7.9% higher than the FY 2025 base budget. Significant changes include:
 - Statewide present law adjustments for personal services and fixed costs
 - An increase in operating expenses for rent increases

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.

Architecture and Engineering 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
Base Budget	0	2,832,783	0	2,832,783	92.8%	0	2,832,783	0	2,832,783	92.6%
Statewide PL										
Personal Services	0	118,800	0	118,800	3.9%	0	124,146	0	124,146	4.1%
Fixed Costs	0	14,812	0	14,812	0.5%	0	10,185	0	10,185	0.3%
Inflation Deflation	0	(2,178)	0	(2,178)	(0.1%)	0	(1,472)	0	(1,472)	(0.0%)
Total Statewide PL	0	131,434	0	131,434	4.3%	0	132,859	0	132,859	4.3%
Present Law (PL)	0	89,447	0	89,447	2.9%	0	93,926	0	93,926	3.1%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	0	220,881	0	220,881	7.2%	0	226,785	0	226,785	7.4%
Total Requested Budget	0	3,053,664	0	3,053,664		0	3,059,568	0	3,059,568	

Funding

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

Department of Administration, 04-Architecture and Engineering 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%
02030 Arch & Engin Construction	6,113,232	0	0	0	6,113,232	100.0%
State Special Total	\$6,113,232	\$0	\$0	\$0	\$6,113,232	100.0%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$6,113,232	\$0	\$0	\$0	\$6,113,232	

HB 2 Authority

The Architecture & Engineering Division is entirely funded with HB 2 state special revenue authority. The majority of this authority comes from funds transferred from the long-range building major repairs fund to the Architecture & Engineering state special revenue fund, which was established for administrative expenses related to the support of the state Long-Range Building Program.

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	18.00	18.00	18.00	18.00
Personal Services	1,999,129	1,950,281	2,035,563	2,154,363	2,159,709
Operating Expenses	669,738	836,096	797,220	899,301	899,859
Total Expenditures	\$2,668,867	\$2,786,377	\$2,832,783	\$3,053,664	\$3,059,568
State/Other Special Rev. Funds	2,668,867	2,786,377	2,832,783	3,053,664	3,059,568
Total Funds	\$2,668,867	\$2,786,377	\$2,832,783	\$3,053,664	\$3,059,568
Total Ongoing	\$2,668,867	\$2,786,377	\$2,832,783	\$3,053,664	\$3,059,568
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Architecture and Engineering Division manages remodeling and construction of state buildings and implementation of the ConnectMT broadband program. Its functions include planning new projects and remodeling projects; advertising, bidding, and awarding construction contracts; administering contracts with architects, engineers, and contractors; disbursing building construction payments; and providing design services for small projects. The division maintains the statewide, state-owned building inventory, directs the statewide facility condition assessment effort, and formulates a long-range building plan for legislative consideration each session. For ConnectMT, the division provides all grant management, reporting, and compliance functions. This division operates under the authority found in Titles 17 and 18, MCA, and Title 90, Chapter 1, Part 6, as well as other state mandates.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Architecture & Engineering Division expended 95.8% of its \$2.8 million HB 2 modified budget in FY 2024. Personal services and operating expenses were 102.5% and 80.1% expended, respectively. Greater personal services expenditures were due to the division only having one vacancy in FY 2024 which led to the division not realizing the anticipated 5.0% budgeted vacancy savings.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The Architecture & Engineering Division appropriation authority for FY 2025 is approximately \$46,000, or 1.7%, higher than that of FY 2024. This increase is entirely due to greater personal services budgeted in FY 2025 through HB 2 and HB 13, which authorized the pay plan. Operating expenses were reduced by \$39,000 or 4.6% due to a reduction in appropriation authority in HB 2 because the legislative audit fixed cost being entirely allocated to FY 2024.

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	118,800	0	118,800	0.00	0	124,146	0	124,146
DP 2 - Fixed Costs	0.00	0	14,812	0	14,812	0.00	0	10,185	0	10,185
DP 3 - Inflation Deflation	0.00	0	(2,178)	0	(2,178)	0.00	0	(1,472)	0	(1,472)
DP 4 - Allocate Department Indirect/Administrative Costs	0.00	0	1,847	0	1,847	0.00	0	2,126	0	2,126
DP 401 - Rental Expense Increase	0.00	0	87,600	0	87,600	0.00	0	91,800	0	91,800
Grand Total All Present Law Adjustments	0.00	\$0	\$220,881	\$0	\$220,881	0.00	\$0	\$226,785	\$0	\$226,785

***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 2023 biennium

Department of Administration Architecture and Engineering Division FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 37,224
Management Changes	81,576
Total Budget Modifications	-
Total	<u><u>\$ 118,800</u></u>

The executive requests an increased statewide present law adjustment for personal services, primarily due to management decisions involving pay adjustments for reclassifications, retention efforts, and hiring new employees at higher rates. This increase is further supported by legislative changes that include higher budgeted benefits and longevity adjustments.

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 4 - Allocate Department Indirect/Administrative Costs -

The executive requests an adjustment to provide the funding to pay the Department of Administration's indirect costs. These costs are charged to the department's programs for services provided by DOA employees, including accounting, human resources, and legal issues.

DP 401 - Rental Expense Increase -

The executive requests an increase in the Architecture & Engineering Division's operating budget to pay rental costs for the division's new location.

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	12.25	12.25	12.25	0.00	0.0%
General Fund	1,673,615	1,440,248	1,441,639	(465,343)	(13.9%)
State/Other Special Rev. Funds	213,662	605,037	602,832	780,545	182.7%
Total Funds	1,887,277	2,045,285	2,044,471	315,202	8.4%
Personal Services	1,160,102	1,203,418	1,205,524	88,738	3.8%
Operating Expenses	727,175	841,867	838,947	226,464	15.6%
Total Expenditures	1,887,277	2,045,285	2,044,471	315,202	8.4%
Total Ongoing	1,887,277	2,045,285	2,044,471	315,202	8.4%
Total One-Time-Only					0.0%

Program Highlights

State Procurement Services Division Major Budget Highlights	
<ul style="list-style-type: none"> The State Procurement Services Division's 2027 biennium requested HB 2 appropriations are approximately \$315,000 or 8.4% higher than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> Increased state special revenue for increased operation costs A funding shift from general fund to state special revenue for 2.00 PB Statewide present law adjustments for personal services and fixed costs 	

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.

State Procurement 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
Base Budget	1,673,615	213,662	0	1,887,277	92.3%	1,673,615	213,662	0	1,887,277	92.3%
Statewide PL										
Personal Services	43,309	7	0	43,316	2.1%	45,119	303	0	45,422	2.2%
Fixed Costs	(74,044)	6,943	0	(67,101)	(3.3%)	(76,461)	6,234	0	(70,227)	(3.4%)
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	(30,735)	6,950	0	(23,785)	(1.2%)	(31,342)	6,537	0	(24,805)	(1.2%)
Present Law (PL)	(14,422)	196,215	0	181,793	8.9%	(14,232)	196,231	0	181,999	8.9%
New Proposals	(188,210)	188,210	0	0	0.0%	(186,402)	186,402	0	0	0.0%
Total HB 2 Adjustments	(233,367)	391,375	0	158,008	7.7%	(231,976)	389,170	0	157,194	7.7%
Total Requested Budget	1,440,248	605,037	0	2,045,285		1,441,639	602,832	0	2,044,471	

Funding

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

Department of Administration, 05-State Procurement 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	2,881,887	0	0	0	2,881,887	70.5%
02211 Procurement Special Revenue	1,207,869	0	0	0	1,207,869	100.0%
State Special Total	\$1,207,869	\$0	\$0	\$0	\$1,207,869	29.5%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$4,089,756	\$0	\$0	\$0	\$4,089,756	

HB 2 Authority

The State Procurement Services Division is entirely funded with HB 2 authority. General fund supports the majority of the division's general operational expenses.

The procurement state special revenue fund receives revenue from all rebates credited to the department from using state procurement cards and term contracts. The revenue must be used to administer the state's procurement card programs, administer term contracts established by the department, and reimburse applicable funds to the federal government. The unreserved, unexpended balance of funds collected must be deposited in the general fund by the end of the fiscal year.

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	12.25	12.25	12.25	12.25
Personal Services	1,190,980	1,168,122	1,160,102	1,203,418	1,205,524
Operating Expenses	352,052	363,623	727,175	841,867	838,947
Debt Service	381,119	402,733	0	0	0
Total Expenditures	\$1,924,151	\$1,934,478	\$1,887,277	\$2,045,285	\$2,044,471
General Fund	1,599,625	1,608,880	1,673,615	1,440,248	1,441,639
State/Other Special Rev. Funds	324,526	325,598	213,662	605,037	602,832
Total Funds	\$1,924,151	\$1,934,478	\$1,887,277	\$2,045,285	\$2,044,471
Total Ongoing	\$1,924,151	\$1,934,478	\$1,887,277	\$2,045,285	\$2,044,471
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The State Procurement Services Division (SPSD) provides professional procurement services to all state agencies for the acquisition of supplies and services. SPSP oversees compliance of state agencies with all state statutes and procurement requirements, establishes statewide contracts for commonly used goods and services, manages the state's fuel and procurement card programs and offers procurement and contract management training to state agencies. Also, the SPSP monitors compliance with the Montana Procurement Act (MCA Title 18-4) and is the business process owner of the eMACS procurement software. The SPSP strives to assist the state in receiving the maximum value for taxpayer dollars.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The State Procurement Services Division utilized 99.5% of its \$1.9 million modified HB 2 budget in FY 2024. Personal services were expended at 102.0%, operating expenses at 96.8%, and debt services at 94.6%.

FY 2024 Appropriations Compared to FY 2025 Appropriations

For FY 2025, the State Procurement Services Division's appropriation authority is approximately \$47,000, or 2.4%, lower than in FY 2024. This decrease is entirely in state special revenue authority. During the 2025 biennium, the Department of Administration reorganized, moving the State Procurement Services out of the State Financial Services Division into its own division. During this reorganization, less appropriation authority was transferred in FY 2025 when compared to FY 2024.

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	43,309	7	0	43,316		0.00	45,119	303	0	45,422
DP 2 - Fixed Costs										
0.00	(74,044)	6,943	0	(67,101)		0.00	(76,461)	6,234	0	(70,227)
DP 4 - Allocate Department Indirect/Administrative Costs										
0.00	(68)	3,922	0	3,854		0.00	122	3,938	0	4,060
DP 502 - Increase in SSR Operations										
0.00	0	192,293	0	192,293		0.00	0	192,293	0	192,293
Grand Total All Present Law Adjustments										
0.00	(\$30,803)	\$203,165	\$0	\$172,362		0.00	(\$31,220)	\$202,768	\$0	\$171,548

***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 2023 biennium

Department of Administration State Procurement Services Division FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 32,793
Management Changes	10,523
Total Budget Modifications	-
Total	<u><u>\$ 43,316</u></u>

The State Procurement Services Division was created during the 2025 interim. The majority of the executive requested increase is due to legislative changes for benefits and longevity. Management changes also increased due to promotion and retention pay increases. Additionally, vacant positions were budgeted at a higher rate for the coming biennium. These increases are partially offset by a greater 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 4 - Allocate Department Indirect/Administrative Costs -

The executive requests an adjustment to provide the funding to pay the Department of Administration's indirect costs. These costs are charged to the department's programs for services provided by DOA employees, including accounting, human resources, and legal issues.

DP 502 - Increase in SSR Operations -

The executive requests funding for additional state special revenue for overall operations of the division due to increased contract costs.

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 503 - General Fund/SSR FTE Funding	0.00	(188,210)	188,210	0	0	0.00	(186,402)	186,402	0	0
Total	0.00	(\$188,210)	\$188,210	\$0	\$0	0.00	(\$186,402)	\$186,402	\$0	\$0

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

DP 503 - General Fund/SSR FTE Funding -

The executive requests a funding switch for 2.00 PB from general fund to state special revenue. The state special revenue is generated by term contract rebates and administrative fees as allowed in 18-4-227, MCA. This statute allows the division to use money in the procurement and term rebate account to administer term contracts established by the department. The division has identified the term contract area for strategic contracting opportunities for potential growth for contracts to reach across the enterprise and reduce duplicate services.

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 FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
PB	36.00	36.00	36.00	0.00	0.0%
State/Other Special Rev. Funds	5,051,810	5,118,695	5,124,300	139,375	1.4%
Total Funds	5,051,810	5,118,695	5,124,300	139,375	1.4%
Personal Services	3,891,164	3,916,627	3,929,357	63,656	0.8%
Operating Expenses	998,351	1,159,348	1,152,223	314,869	15.8%
Debt Service	162,295	42,720	42,720	(239,150)	(73.7%)
Total Expenditures	5,051,810	5,118,695	5,124,300	139,375	1.4%
Total Ongoing	5,051,810	5,118,695	5,124,300	139,375	1.4%
Total One-Time-Only					0.0%

Program Highlights

Banking & Financial Institutions Division Major Budget Highlights
<ul style="list-style-type: none"> The Banking and Financial Institutions Division's 2027 biennium requested HB 2 appropriations are approximately \$139,000 or 1.4% higher than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> Increased statewide present law adjustments for personal services and fixed costs An expenditure authority switch due to new accounting standards on rent

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.

Banking and Financial Institutions 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
Base Budget	0	5,051,810	0	5,051,810	98.7%	0	5,051,810	0	5,051,810	98.6%
Statewide PL										
Personal Services	0	25,463	0	25,463	0.5%	0	38,193	0	38,193	0.7%
Fixed Costs	0	40,403	0	40,403	0.8%	0	31,443	0	31,443	0.6%
Inflation Deflation	0	(3,941)	0	(3,941)	(0.1%)	0	(2,664)	0	(2,664)	(0.1%)
Total Statewide PL	0	61,925	0	61,925	1.2%	0	66,972	0	66,972	1.3%
Present Law (PL)	0	4,960	0	4,960	0.1%	0	5,518	0	5,518	0.1%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	0	66,885	0	66,885	1.3%	0	72,490	0	72,490	1.4%
Total Requested Budget	0	5,118,695	0	5,118,695		0	5,124,300	0	5,124,300	

Funding

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

Department of Administration, 14-Banking and Financial Institutions 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%
02077 Financial Institutions Div	10,242,995	0	0	0	10,242,995	100.0%
State Special Total	\$10,242,995	\$0	\$0	\$0	\$10,242,995	100.0%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$10,242,995	\$0	\$0	\$0	\$10,242,995	

HB 2 Authority

The Banking and Financial Institutions Division is entirely funded with state special revenues generated from assessments, application fees, and examination fees paid by the regulated financial institutions.

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	36.00	36.00	36.00	36.00
Personal Services	3,578,837	3,602,627	3,891,164	3,916,627	3,929,357
Operating Expenses	953,687	986,203	998,351	1,159,348	1,152,223
Debt Service	162,295	162,295	162,295	42,720	42,720
Total Expenditures	\$4,694,819	\$4,751,125	\$5,051,810	\$5,118,695	\$5,124,300
State/Other Special Rev. Funds	4,694,819	4,751,125	5,051,810	5,118,695	5,124,300
Total Funds	\$4,694,819	\$4,751,125	\$5,051,810	\$5,118,695	\$5,124,300
Total Ongoing	\$4,694,819	\$4,751,125	\$5,051,810	\$5,118,695	\$5,124,300
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Division of Banking and Financial Institutions licenses, supervises, regulates, and examines financial institutions doing business in Montana. Those institutions include 35 banks and trust companies with \$75.0 billion in total assets, 9 credit unions with \$3.0 billion in total assets, 236 consumer finance companies, 136 sales finance companies, and 9 escrow businesses. The division also licenses and examines residential mortgage loan service providers which includes 347 mortgage brokers, 290 mortgage lenders, 206 mortgage servicers and 4,344 mortgage loan originators. All program functions are statutorily mandated in Title 32, Chapters 1-11, and Title 31, Chapter 1, Parts 2 & 7, MCA.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Banking and Financial Institutions Division utilized 98.8% of its \$4.8 million modified HB 2 budget in FY 2024. Expenditures included 99.3% for personal services, 96.7% for operating expenses, and 100.0% for debt services.

FY 2024 Appropriations Compared to FY 2025 Appropriations

For FY 2025, the Banking and Financial Institutions Division's appropriation authority is approximately \$301,000, or 6.3%, higher than in FY 2024. This increase is primarily due to personal services, reflecting a larger statewide present law adjustment and an increased appropriation from HB 13 (pay plan). Additionally, operating expenses have risen due to statewide present law adjustments for inflation authorized by the 2023 Legislature.

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	25,463	0	25,463		0.00	0	38,193	0	38,193
DP 2 - Fixed Costs										
0.00	0	40,403	0	40,403		0.00	0	31,443	0	31,443
DP 3 - Inflation Deflation										
0.00	0	(3,941)	0	(3,941)		0.00	0	(2,664)	0	(2,664)
DP 4 - Allocate Department Indirect/Administrative Costs										
0.00	0	4,960	0	4,960		0.00	0	5,518	0	5,518
DP 1401 - Adjust BFID Debt Service Budget										
0.00	0	0	0	0		0.00	0	0	0	0
Grand Total All Present Law Adjustments										
0.00	\$0	\$66,885	\$0	\$66,885		0.00	\$0	\$72,490	\$0	\$72,490

*"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 2023 biennium

Department of Administration Banking and Financial Institutions Division FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 827
Management Changes	24,636
Total Budget Modifications	-
Total	<u><u>\$ 25,463</u></u>

The executive requests an increased statewide present law adjustment for personal services, primarily driven by management decisions regarding higher pay for career ladder adjustments, reclassifications, and budgeting vacant positions at elevated rates. Legislative changes also increased due to greater budgeted benefits.

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 4 - Allocate Department Indirect/Administrative Costs -

The executive requests an adjustment to provide the funding to pay the Department of Administration's indirect costs. These costs are charged to the department's programs for services provided by DOA employees, including accounting, human resources, and legal issues.

DP 1401 - Adjust BFID Debt Service Budget -

The executive requests moving debt services authority to operating expense authority. The Banking and Financial Institutions Division, Helena office, recently moved into a state-owned property and no longer occupies the space that was previously leased. This expense is now recorded as rent, rather than lease payments, requiring budget authority to be moved from debt service to operating expense. No additional authority is being requested.

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 FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
PB	36.75	36.75	36.75	0.00	0.0%
Proprietary Funds	6,641,695	6,837,049	6,693,780	247,439	1.9%
Total Funds	6,641,695	6,837,049	6,693,780	247,439	1.9%
Personal Services	3,127,461	3,151,310	3,162,242	58,630	0.9%
Operating Expenses	3,247,418	3,418,923	3,264,722	188,809	2.9%
Equipment & Intangible Assets	50,000	50,000	50,000		0.0%
Debt Service	216,816	216,816	216,816		0.0%
Total Expenditures	6,641,695	6,837,049	6,693,780	247,439	1.9%
Total Ongoing	6,641,695	6,837,049	6,693,780	247,439	1.9%
Total One-Time-Only					0.0%

Program Highlights

Montana State Lottery Major Budget Highlights
<ul style="list-style-type: none"> • The Montana State Lottery's 2027 biennium requested HB 2 appropriations are approximately \$247,000 or 1.9% higher than the FY 2025 base budget • This increase is primarily due to statewide present law adjustments for personal services and fixed costs

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.

Montana State Lottery 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
Base Budget	0	0	0	6,641,695	97.1%	0	0	0	6,641,695	99.2%
Statewide PL										
Personal Services	0	0	0	23,849	0.3%	0	0	0	34,781	0.5%
Fixed Costs	0	0	0	167,683	2.5%	0	0	0	12,906	0.2%
Inflation Deflation	0	0	0	(6)	(0.0%)	0	0	0	(4)	(0.0%)
Total Statewide PL	0	0	0	191,526	2.8%	0	0	0	47,683	0.7%
Present Law (PL)	0	0	0	3,828	0.1%	0	0	0	4,402	0.1%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	0	0	0	195,354	2.9%	0	0	0	52,085	0.8%
Total Requested Budget	0	0	0	6,837,049		0	0	0	6,693,780	

Funding

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

Department of Administration, 15-Montana State Lottery 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%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
06001 State Lottery Fund	13,530,829	0	0	207,292,700	220,823,529	100.0%
Proprietary Total	\$13,530,829	\$0	\$0	\$207,292,700	\$220,823,529	100.0%
Total All Funds	\$13,530,829	\$0	\$0	\$207,292,700	\$220,823,529	

HB 2 Appropriations

The Montana State Lottery is funded entirely with an enterprise proprietary fund derived from lottery game revenues. Net revenue is transferred quarterly to the general fund.

Statutory Appropriations

The Montana State Lottery has statutory appropriations for expenditures in three main areas:

- Lottery prizes
- Commissions paid to lottery ticket or chance sales agents
- Lottery contractor fees

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	36.75	36.75	36.75	36.75
Personal Services	2,978,675	2,968,668	3,127,461	3,151,310	3,162,242
Operating Expenses	3,039,015	3,370,292	3,247,418	3,418,923	3,264,722
Equipment & Intangible Assets	77,090	85,000	50,000	50,000	50,000
Debt Service	216,816	216,816	216,816	216,816	216,816
Total Expenditures	\$6,311,596	\$6,640,776	\$6,641,695	\$6,837,049	\$6,693,780
Proprietary Funds	6,311,596	6,640,776	6,641,695	6,837,049	6,693,780
Total Funds	\$6,311,596	\$6,640,776	\$6,641,695	\$6,837,049	\$6,693,780
Total Ongoing	\$6,311,596	\$6,640,776	\$6,641,695	\$6,837,049	\$6,693,780
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Montana State Lottery was created in November 1986 by a referendum vote of the people of Montana. The general purpose is to allow lottery games for purchase from the state, through the administration of the lottery, a chance to win a prize. A five-member Lottery Commission, appointed by the Governor, sets policy, and oversees program activities and procedures. Lottery's operations are accounted for in an enterprise fund. The Lottery is required to transfer the first \$2.25 million of net revenue to the STEM scholarship program each fiscal year.

Net revenue is transferred to the STEM Scholarship program in quarterly payments, and any additional revenue is placed in the general fund. The Montana State Lottery is attached to the Department of Administration for administrative purposes only.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

In FY 2024, the Montana State Lottery utilized 95.0% of its \$6.6 million modified HB 2 budget. Personal services were fully expended at 100.3%, operating expenses reached 90.2%, equipment and intangible assets accounted for 90.7%, and debt services were fully expended at 100.0%.

FY 2024 Appropriations Compared to FY 2025 Appropriations

Overall, the Montana State Lottery total appropriation authority for FY 2025 is not significantly different from FY 2024. Within expenditure accounts personal services increased by 5.3% while operating expenses and equipment and intangible assets decreased by 3.6% and 41.2%, respectively. In FY 2024, the Montana State Lottery was appropriated an additional \$35,000 for equipment and intangible assets for the purchase of a new vehicle. Increased personal services authority is due to increased statewide present law adjustments as well as a greater HB 13 (pay plan) appropriation in FY 2025. Decreased operating expenditures is due to the legislative audit being entirely allocated in FY 2024.

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	23,849	0.00	0	0	0	34,781
DP 2 - Fixed Costs	0.00	0	0	0	167,683	0.00	0	0	0	12,906
DP 3 - Inflation Deflation	0.00	0	0	0	(6)	0.00	0	0	0	(4)
DP 4 - Allocate Department Indirect/Administrative Costs	0.00	0	0	0	3,828	0.00	0	0	0	4,402
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	\$195,354	0.00	\$0	\$0	\$0	\$52,085

**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 2023 biennium

Department of Administration	
Lottery Division	
FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 41,784
Management Changes	(17,935)
Total Budget Modifications	-
Total	<u>\$ 23,849</u>

The executive requests an increased statewide present law adjustment for personal services, primarily due to legislative changes for greater benefits and longevity pay. Management changes decreased due to hiring new employees at lower rates and greater 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 4 - Allocate Department Indirect/Administrative Costs -

The executive requests an adjustment to provide the funding to pay the Department of Administration's indirect costs. These costs are charged to the department's programs for services provided by DOA employees, including accounting, human resources, and legal issues.

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	16.25	16.25	16.25	0.00	0.0%
General Fund	2,318,359	2,404,499	2,404,407	172,188	3.7%
Total Funds	2,318,359	2,404,499	2,404,407	172,188	3.7%
Personal Services	1,779,689	1,815,294	1,818,724	74,640	2.1%
Operating Expenses	538,670	589,205	585,683	97,548	9.1%
Total Expenditures	2,318,359	2,404,499	2,404,407	172,188	3.7%
Total Ongoing	2,318,359	2,404,499	2,404,407	172,188	3.7%
Total One-Time-Only					0.0%

Program Highlights

State Human Resources Division Major Budget Highlights	
<ul style="list-style-type: none"> The State Human Resources Division's 2027 biennium requested HB 2 appropriations are approximately \$172,000 or 3.7% higher than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> Statewide present law adjustments for personal services and fixed costs Indirect administrative cost adjustments for support services 	

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.

State Human Resources 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
Base Budget	2,318,359	0	0	2,318,359	96.4%	2,318,359	0	0	2,318,359	96.4%
Statewide PL										
Personal Services	35,605	0	0	35,605	1.5%	39,035	0	0	39,035	1.6%
Fixed Costs	43,935	0	0	43,935	1.8%	40,142	0	0	40,142	1.7%
Inflation Deflation	(59)	0	0	(59)	(0.0%)	(40)	0	0	(40)	(0.0%)
Total Statewide PL	79,481	0	0	79,481	3.3%	79,137	0	0	79,137	3.3%
Present Law (PL)	6,659	0	0	6,659	0.3%	6,911	0	0	6,911	0.3%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	86,140	0	0	86,140	3.6%	86,048	0	0	86,048	3.6%
Total Requested Budget	2,404,499	0	0	2,404,499		2,404,407	0	0	2,404,407	

Funding

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

Department of Administration, 23-State Human Resources 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	4,808,906	0	0	0	4,808,906	30.4%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
06525 Enterprise Learning and Develo	0	0	1,338,821	0	1,338,821	12.2%
06559 Group Benefits Claims A/C	0	0	696,042	0	696,042	6.3%
06563 HR Info Services	0	0	8,970,596	0	8,970,596	81.5%
Proprietary Total	\$0	\$0	\$11,005,459	\$0	\$11,005,459	69.6%
Total All Funds	\$4,808,906	\$0	\$11,005,459	\$0	\$15,814,365	

HB 2 Appropriations

The State Human Resources Division receives general fund appropriations in HB 2 for support of the Human Resources Policy and Programs Bureau. This bureau establishes the human resource rules, policies, and standards for Montana's executive branch.

Non-Budgeted Proprietary Appropriations

The majority of the State Human Resources Division's operations are supported by proprietary funds. The Human Resource Information Services Bureau (HRIS) is funded through a fee charged to state agencies for each employee payroll processed in a pay period. This fund is considered and approved as rates charged to other state agencies is discussed in greater detail in the Proprietary Rates budget analysis.

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	16.25	16.25	16.25	16.25
Personal Services	1,365,642	1,704,407	1,779,689	1,815,294	1,818,724
Operating Expenses	834,265	525,940	538,670	589,205	585,683
Total Expenditures	\$2,199,907	\$2,230,347	\$2,318,359	\$2,404,499	\$2,404,407
General Fund	2,199,907	2,230,347	2,318,359	2,404,499	2,404,407
Total Funds	\$2,199,907	\$2,230,347	\$2,318,359	\$2,404,499	\$2,404,407
Total Ongoing	\$2,199,907	\$2,230,347	\$2,318,359	\$2,404,499	\$2,404,407
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The State Human Resources Division provides statewide human resource services and programs under the authority of Title 2, Chapter 18, and 39-31-301, MCA. The division houses:

- The Human Resources Policy and Programs Bureau, which establishes the human resource rules, policies, and standards for Montana's Executive Branch
- The Human Resources Information Systems Bureau, which processes the biweekly payroll, and administers other human resources information systems, for all branches of state government
- Enterprise Learning and Development Bureau, which coordinates professional development and leadership training for the enterprise

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The State Human Resources Division expended 98.6% of its \$2.2 million FY 2024 appropriation authority. Personal services were 80.1% expended while operating expenses were 158.6% expended. Lower personal service expenditures are partially due to vacancy savings. Personal services expenditures were also lower due to the Health Care and Benefits Division transitioning to utilizing Businessolver instead of utilizing the health benefits module provided in SABHRS from the State Human Resources Division. Greater operating expenditures were due to more administration and service costs.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The State Human Resources Division's FY 2025 appropriation authority is \$88,000, or 3.9%, higher than FY 2024. This increase is primarily due to personal services costs from statewide present law adjustments and a higher HB 13 (pay plan) appropriation in FY 2025. Operating expenses also rose due to inflation adjustments enacted by the 2023 Legislature.

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	35,605	0	0	35,605	0.00	39,035	0	0	39,035
DP 2 - Fixed Costs	0.00	43,935	0	0	43,935	0.00	40,142	0	0	40,142
DP 3 - Inflation Deflation	0.00	(59)	0	0	(59)	0.00	(40)	0	0	(40)
DP 4 - Allocate Department Indirect/Administrative Costs	0.00	6,659	0	0	6,659	0.00	6,911	0	0	6,911
Grand Total All Present Law Adjustments	0.00	\$86,140	\$0	\$0	\$86,140	0.00	\$86,048	\$0	\$0	\$86,048

***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 2023 biennium

Department of Administration State Human Resources Division FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 30,038
Management Changes	5,567
Total Budget Modifications	<u>-</u>
Total	<u><u>\$ 35,605</u></u>

The executive request for an increased statewide present law adjustment in personal services primarily due to legislative changes for greater benefits and longevity. Management changes also increased due to pay adjustments for market and retention pay increases.

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 4 - Allocate Department Indirect/Administrative Costs -

The executive requests adjustments to provide the funding to pay the Department of Administration's indirect costs. These costs are charged to the department's programs for services provided by DOA employees, including accounting, human resources, and legal issues.

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	5.50	5.50	5.50	0.00	0.0%
General Fund	764,245	797,914	799,268	68,692	4.5%
Total Funds	764,245	797,914	799,268	68,692	4.5%
Personal Services	544,849	559,076	561,687	31,065	2.9%
Operating Expenses	155,549	174,991	173,734	37,627	12.1%
Local Assistance	14,683	14,683	14,683		0.0%
Debt Service	49,164	49,164	49,164		0.0%
Total Expenditures	764,245	797,914	799,268	68,692	4.5%
Total Ongoing	764,245	797,914	799,268	68,692	4.5%
Total One-Time-Only					0.0%

Program Highlights

Montana Tax Appeal Board Major Budget Highlights
<ul style="list-style-type: none"> The Montana Tax Appeal Board's 2027 biennium requested HB 2 appropriations are approximately \$69,000 or 4.5% higher than the FY 2025 base budget This increase is primarily attributed to statewide present law adjustments for personal services and fixed costs

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.

Montana Tax Appeal Board 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
Base Budget	764,245	0	0	764,245	95.8%	764,245	0	0	764,245	95.6%
Statewide PL										
Personal Services	14,227	0	0	14,227	1.8%	16,838	0	0	16,838	2.1%
Fixed Costs	19,089	0	0	19,089	2.4%	17,740	0	0	17,740	2.2%
Inflation Deflation	(18)	0	0	(18)	(0.0%)	(12)	0	0	(12)	(0.0%)
Total Statewide PL	33,298	0	0	33,298	4.2%	34,566	0	0	34,566	4.3%
Present Law (PL)	371	0	0	371	0.0%	457	0	0	457	0.1%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	33,669	0	0	33,669	4.2%	35,023	0	0	35,023	4.4%
Total Requested Budget	797,914	0	0	797,914		799,268	0	0	799,268	

Funding

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

Department of Administration, 37-Montana Tax Appeal Board Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	1,597,182	0	0	0	1,597,182	100.0%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$1,597,182	\$0	\$0	\$0	\$1,597,182	

HB 2 Appropriations

The Montana Tax Appeal Board is fully funded with general fund. General fund provides support for travel expenses, compensation, and all other incidental expenses of the county tax boards. Office space and equipment for the county tax appeal boards must be furnished by the 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	5.50	5.50	5.50	5.50
Personal Services	552,872	521,030	544,849	559,076	561,687
Operating Expenses	111,105	154,678	155,549	174,991	173,734
Local Assistance	18,147	14,683	14,683	14,683	14,683
Debt Service	47,064	47,064	49,164	49,164	49,164
Total Expenditures	\$729,188	\$737,455	\$764,245	\$797,914	\$799,268
General Fund	729,188	737,455	764,245	797,914	799,268
Total Funds	\$729,188	\$737,455	\$764,245	\$797,914	\$799,268
Total Ongoing	\$729,188	\$737,455	\$764,245	\$797,914	\$799,268
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Montana Tax Appeal Board (MTAB) was established by Article VIII, Section 7 of the Montana Constitution and operates under MCA 15-2-101. Independent of the Montana Department of Revenue, MTAB consists of three Governor-appointed, full-time board members serving staggered six-year terms, confirmed by the Montana Senate. MTAB is Montana's sole state-level tax appeal system, enabling citizens to challenge actions by the Department of Revenue and other state agencies with taxing authority. The board holds formal hearings, issuing opinions appealable to Montana District Courts, and reviews appeals from county tax boards, primarily concerning property valuations. MTAB also hears cases on income, corporate, severance, and motor fuels taxes, among others.

Additionally, MTAB funds, administers, and trains the 56 County Tax Appeal Boards, reimbursing counties for associated expenses, such as secretary wages, office supplies, and board member travel, from its legislatively approved budget.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Montana Tax Appeal Board expended 98.9% of its FY 2024 appropriation authority. Personal services and local assistance were over 100.0% expended. Over expenditures in personal services were due to the board not incurring any vacancies in FY 2024 and thus not realizing the budgeted 5.0% vacancy savings. Operating expenses were 71.8% expended due to the board utilizing carryforward authority.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The Montana Tax Appeal Board's appropriation authority for FY 2025 is approximately \$27,000, or 3.6%, higher than for FY 2024. This increase is primarily due to higher personal services costs, reflecting a greater appropriation for the HB 13 pay plan in FY 2025. Additionally, operating expenses and debt service authority rose slightly due to statewide present law inflation adjustments enacted by the 2023 Legislature.

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	14,227	0	0	14,227	0.00	16,838	0	0	16,838
DP 2 - Fixed Costs	0.00	19,089	0	0	19,089	0.00	17,740	0	0	17,740
DP 3 - Inflation Deflation	0.00	(18)	0	0	(18)	0.00	(12)	0	0	(12)
DP 4 - Allocate Department Indirect/Administrative Costs	0.00	371	0	0	371	0.00	457	0	0	457
Grand Total All Present Law Adjustments	0.00	\$33,669	\$0	\$0	\$33,669	0.00	\$35,023	\$0	\$0	\$35,023

**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 2023 biennium

Department of Administration Montana Tax Appeal Board FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 10,181
Management Changes	4,046
Total Budget Modifications	-
Total	<u><u>\$ 14,227</u></u>

The Montana State Tax Appeal Board's statewide present law adjustment for personal services is primarily influenced by legislative changes. Legislative changes increased due to benefits and longevity adjustments. Management changes also increased due to pay adjustments, including market-based salary increases, budgeting vacant positions at higher market rates, and hiring new employees at elevated wage levels.

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 4 - Allocate Department Indirect/Administrative Costs -

The executive requests adjustments to provide the funding to pay the Department of Administration's indirect costs. These costs are charged to the department's programs for services provided by DOA employees, including accounting, human resources, and legal issues.

DEPARTMENT OF COMMERCE

Section A

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----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	61.30	61.30	61.30	0.00	0.0%
General Fund	6,126,479	6,445,549	6,471,816	664,407	5.4%
State/Other Special Rev. Funds	10,391,489	10,474,334	10,482,692	174,048	0.8%
Federal Spec. Rev. Funds	19,830,377	21,889,454	21,802,028	4,030,728	10.2%
Total Funds	36,348,345	38,809,337	38,756,536	4,869,183	6.7%
Personal Services	5,939,238	5,600,044	5,619,630	(658,802)	(5.5%)
Operating Expenses	13,601,447	8,831,670	8,747,145	(9,624,079)	(35.4%)
Equipment & Intangible Assets	150,000	150,000	150,000		0.0%
Capital Outlay	300,000	300,000	300,000		0.0%
Local Assistance	46,000	46,000	46,000		0.0%
Grants	16,017,004	23,569,931	23,569,901	15,105,824	47.2%
Transfers	1,124	1,124	1,124		0.0%
Debt Service	293,532	310,568	322,736	46,240	7.9%
Total Expenditures	36,348,345	38,809,337	38,756,536	4,869,183	6.7%
Total Ongoing	36,348,345	38,809,337	38,756,536	4,869,183	6.7%
Total One-Time-Only	53,950			(107,900)	(100.0%)

Agency Highlights

Department of Commerce Major Budget Highlights
<ul style="list-style-type: none"> The Department of Commerce's 2027 biennium budget request is approximately \$4.9 million or 6.7% higher than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> Approximately \$3.7 million biennial increase due to increased federal authority for the Housing Trust Fund (HTF) and HOME programs for increased grant authority Restoration of the base level funding for the Business Attraction Program in the Business MT Division Statewide present law adjustments for personal services, fixed costs, and inflation An administrative cost adjustment increase due to non-state building leases and indirect costs paid to the Director's Office for support services

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 Commerce 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
Base Budget	6,126,479	10,391,489	19,830,377	36,348,345	93.7%	6,126,479	10,391,489	19,830,377	36,348,345	93.8%
Statewide PL										
Personal Services	(8,005)	(335,975)	80,336	(263,644)	(0.7%)	4,002	(332,837)	84,779	(244,056)	(0.6%)
Fixed Costs	95,507	(1,471)	103,429	197,465	0.5%	99,442	434	8,560	108,436	0.3%
Inflation Deflation	(1,003)	(401)	(305)	(1,709)	(0.0%)	(677)	(271)	(206)	(1,154)	(0.0%)
Total Statewide PL	86,499	(337,847)	183,460	(67,888)	(0.2%)	102,767	(332,674)	93,133	(136,774)	(0.4%)
Present Law (PL)	232,571	420,692	1,875,617	2,528,880	6.5%	242,570	423,877	1,878,518	2,544,965	6.6%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	319,070	82,845	2,059,077	2,460,992	6.3%	345,337	91,203	1,971,651	2,408,191	6.2%
Total Requested Budget	6,445,549	10,474,334	21,889,454	38,809,337		6,471,816	10,482,692	21,802,028	38,756,536	

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.

Department of Commerce FY 2026 Statewide Present Law Adjustment for Personal Services (DP 1)				
Program	Legislative Changes	Management Decisions	Budget Modifications	Total DP 1
51 Business MT Division	\$ 19,036	\$ (56,383)	\$ (284,805)	\$ (322,153)
60 Community MT Division	36,360	(67,872)	-	(31,512)
74 Housing MT Division	11,113	20,677	-	31,790
78 Board of Horse Racing	87,358	(11,808)	-	75,550
80 Montana Heritage Commission	(2,153)	4,181	-	2,028
81 Director's Office	(3,503)	377	(16,221)	(19,347)
Total	\$ 148,211	\$ (110,828)	\$ (301,026)	\$ (263,644)

The executive requests for statewide present law adjustments for personal services will be discussed in further detail at the program level.

Statewide Present Law Adjustment for Fixed Costs

The executive requests an increased statewide present law adjustment for fixed cost of 2.2% in FY 2026 and 1.2% in FY 2027 above the operating expense base budget. In FY 2026, this increase is primarily attributed to restricted biennial audit fees. These fees are only appropriated in FY 2026 but may be used in either fiscal year of the biennium. Other notable increases are for information technology and statewide indirect fixed costs.

Present Law Adjustments

The executive requests increased authority for administrative costs. This includes adjustments for non-state building leases and indirect costs charged to the agency's programs for support services provided by the Director's Office, including accounting, human resources, and legal services. These adjustments are 1.9% in FY 2026 and 2.0% in FY 2027 above the HB 2 base budget.

Funding

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

Total Department of Commerce 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
01100 General Fund	12,917,365			3,600,000	16,517,365	4.4%
02116 Accommodation Tax Account	1,066,544			32,568,041	33,634,585	8.9%
02254 Regional Accommodation Tax				31,079,986	31,079,986	8.2%
02771 Big Sky Economic Dev Program	1,061,903			17,656,815	18,718,718	4.9%
02279 Accom. Tax - Tourism Grants				17,328,778	17,328,778	4.6%
02277 Accom. Tax - Rural Tourism				16,950,821	16,950,821	4.5%
Other State Special Revenue	18,828,579			10,991,645	29,820,224	7.9%
State Special Revenue Total	20,957,026	-	-	126,576,086	147,533,112	38.9%
03059 Community Development Block	15,065,588				15,065,588	4.0%
03585 HTF	12,576,811				12,576,811	3.3%
03300 Home Grants	11,560,174				11,560,174	3.0%
03092 Distressed Woods Federal				2,001,273	2,001,273	0.5%
03207 Small Business Dev. Centers	1,776,703				1,776,703	0.5%
Other Federal Special Revenue	2,712,206				2,712,206	0.7%
Federal Special Revenue Total	43,691,482	-	-	2,001,273	45,692,755	12.1%
06074 SEC 8 Project Based			57,291,463		57,291,463	15.1%
06054 Section 8 HAP			48,101,012		48,101,012	12.7%
06527 Investment Division			15,395,558		15,395,558	4.1%
06014 BOI Municipal Finance Programs			1,085,546	10,600,000	11,685,546	3.1%
06075 Section 8 Vouchers			8,265,595		8,265,595	2.2%
Other Proprietary Fund			28,555,784		28,555,784	7.5%
Proprietary Fund Total	-	-	158,694,958	10,600,000	169,294,958	44.7%
Total of All Funds	77,565,873	-	158,694,958	142,777,359	379,038,190	
Percent of All Sources of Authority	20.5%	0.0%	41.9%	37.7%		

Over 75.0% of the overall funding in the Department of Commerce is not budgeted through HB 2 but provided as either non-budgeted proprietary funding or as statutory appropriations. HB 2 appropriations of general fund, state special revenue, and federal special revenue comprise the remaining funding for the Department of Commerce and will be discussed in further detail at the program level. Non-budgeted proprietary funds are discussed in a separate report on non-budgeted proprietary funds.

Statutory appropriations are explained in further detail within each program receiving and spending those funds.

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	61.30	61.30	61.30	61.30
Personal Services	4,685,848	5,327,491	5,982,968	5,600,044	5,619,630
Operating Expenses	5,027,165	13,515,666	13,611,667	8,831,670	8,747,145
Equipment & Intangible Assets	0	0	150,000	150,000	150,000
Capital Outlay	697,835	750,000	300,000	300,000	300,000
Local Assistance	0	46,000	46,000	46,000	46,000
Grants	21,724,178	16,231,004	16,017,004	23,569,931	23,569,901
Transfers	0	1,124	1,124	1,124	1,124
Debt Service	229,834	279,532	293,532	310,568	322,736
Total Expenditures	\$32,364,860	\$36,150,817	\$36,402,295	\$38,809,337	\$38,756,536
General Fund	5,391,107	5,577,740	6,180,429	6,445,549	6,471,816
State/Other Special Rev. Funds	7,767,640	10,282,643	10,391,489	10,474,334	10,482,692
Federal Spec. Rev. Funds	19,206,113	20,290,434	19,830,377	21,889,454	21,802,028
Total Funds	\$32,364,860	\$36,150,817	\$36,402,295	\$38,809,337	\$38,756,536
Total Ongoing	\$32,344,621	\$36,094,582	\$36,348,345	\$38,809,337	\$38,756,536
Total OTO	\$20,239	\$56,235	\$53,950	\$0	\$0

Agency Description

The Department of Commerce works with statewide and local partners, private industry, and small businesses to provide the following services:

- Works to improve the state's economy through business creation, expansion, retention, and diversification of the state's economic base
- Provides direct technical assistance, grants and loans for Montana's entrepreneurs, businesses and their employees
- Strengthens the economy through the promotion of tourism development, promoting and protecting historic sites, and marketing Montana as a travel and filmmaking destination
- Promotes access to new markets, both foreign and domestic, for Montana goods and services
- Provides financing for homeownership and rental assistance opportunities for Montana families
- Develops and improves public infrastructure and housing for Montana citizens by providing grants and technical assistance to Montana communities and counties

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 Appropriation Compared to FY 2024 Actual Expenditures

In FY 2024, the Department of Commerce expended 89.5% of its \$36.2 million modified HB 2 budget. The majority of these expenditures are in the Housing Division for HOME and HTF program grants. These expenditures will be discussed in more detail at the program level.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The Department of Commerce's appropriation authority for FY 2025 is approximately \$251,000, or 0.7%, higher than in FY 2024. This increase is primarily due to increased statewide present law adjustments for personal services and fixed costs as budgeted in the 2023 Legislative Session.

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 Commerce Comparison of the FY 2025 Legislative Budget to the FY 2025 Base Budget				
	Legislative Budget	Executive Modifications	Base Budget	% Change
51 BUSINESS MT				
61000 Personal Services	1,490,400	119,166	1,609,566	8.0%
62000 Operating Expenses	3,123,942	(333,713)	2,790,229	-10.7%
65000 Local Assistance	46,000		46,000	0.0%
66000 Grants	1,714,825		1,714,825	0.0%
68000 Transfers	1,124		1,124	0.0%
69000 Debt Service	113,489	-	113,489	0.0%
Total	6,489,780	(214,547)	6,275,233	-3.3%
52 BRAND MT				
62000 Operating Expenses	210,157		210,157	0.0%
Total	210,157		210,157	0.0%
60 COMMUNITY MT				
61000 Personal Services	2,461,957		2,461,957	0.0%
62000 Operating Expenses	2,201,883		2,201,883	0.0%
66000 Grants	10,302,179		10,302,179	0.0%
69000 Debt Service	92,363		92,363	0.0%
Total	15,058,382		15,058,382	0.0%
74 HOUSING MT				
61000 Personal Services	500,888		500,888	0.0%
62000 Operating Expenses	315,446	5,900,000	6,215,446	1870.4%
66000 Grants	9,300,000	(5,900,000)	3,400,000	-63.4%
69000 Debt Service	22,663		22,663	0.0%
Total	10,138,997	-	10,138,997	0.0%
78 BOARD OF HORSE RACING				
61000 Personal Services	27,761		27,761	0.0%
62000 Operating Expenses	435,793		435,793	0.0%
Total	463,554		463,554	0.0%
80 MONTANA HERITAGE COMMISSION				
61000 Personal Services	688,658		688,658	0.0%
62000 Operating Expenses	1,474,112		1,474,112	0.0%
63000 Equipment & Intangible Assets	150,000		150,000	0.0%
64000 Capital Outlay	300,000		300,000	0.0%
Total	2,612,770		2,612,770	0.0%
81 DIRECTORS OFFICE				
61000 Personal Services	468,546	181,862	650,408	38.8%
62000 Operating Expenses	241,142	32,685	273,827	13.6%
66000 Grants	600,000		600,000	0.0%
69000 Debt Service	65,017		65,017	0.0%
Total	1,374,705	214,547	1,589,252	15.6%
Agency Total	36,348,345	-	36,348,345	0.0%

The Department of Commerce made the following modifications to its legislative budget:

- A transfer of 2.00 PB and the associated personal services and operating expense authority from the Business MT Division to the Director's Office occurred in the 2025 biennium. A reorganization occurred in the 2021 biennium which moved the Research and Information Services Bureau into the Director's Office. Some positions were not moved during this reorganization and this program transfer corrected that error
- Appropriation authority was moved from personal services to operating expense authority to properly record expenditures related to the Taiwan Trade Office Program
- A transfer of expenditure authority from grants to operating expense authority occurred in the Housing MT Division to properly record expenditures related to the HOME and HTF programs which experienced updated federal guidelines. Additionally, operating expense authority was transferred to personal services to make up for an appropriation shortfall in the Business MT Division

HB 2 Language -

All federal special revenue appropriations in the Housing MT Division are biennial.

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	13.50	13.50	13.50	0.00	0.0%
General Fund	2,963,478	3,051,029	3,060,824	184,897	3.1%
State/Other Special Rev. Funds	2,441,077	2,479,492	2,480,506	77,844	1.6%
Federal Spec. Rev. Funds	870,678	887,795	888,908	35,347	2.0%
Total Funds	6,275,233	6,418,316	6,430,238	298,088	2.4%
Personal Services	1,609,566	1,287,413	1,291,753	(639,966)	(19.9%)
Operating Expenses	2,790,229	3,293,816	3,296,624	1,009,982	18.1%
Local Assistance	46,000	46,000	46,000		0.0%
Grants	1,714,825	1,669,752	1,669,722	(90,176)	(2.6%)
Transfers	1,124	1,124	1,124		0.0%
Debt Service	113,489	120,211	125,015	18,248	8.0%
Total Expenditures	6,275,233	6,418,316	6,430,238	298,088	2.4%
Total Ongoing	6,275,233	6,418,316	6,430,238	298,088	2.4%
Total One-Time-Only					0.0%

Program Highlights

Business MT Division Major Budget Highlights	
<ul style="list-style-type: none"> The Business MT Division's 2027 biennium requested appropriations are approximately \$298,000 or 2.4% higher than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> Increased general fund, federal, and state special revenue for administrative cost adjustments, the largest of this adjustment is to reestablish base funding for the Business Attraction Program Increased statewide present law adjustments for fixed costs Decreased statewide present law adjustments for personal services and inflation 	

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 M T 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
Base Budget	2,963,478	2,441,077	870,678	6,275,233	97.8%	2,963,478	2,441,077	870,678	6,275,233	97.6%
Statewide PL										
Personal Services	14,259	(348,433)	12,021	(322,153)	(5.0%)	18,375	(348,433)	12,245	(317,813)	(4.9%)
Fixed Costs	16,654	14,510	1,177	32,341	0.5%	17,649	14,910	1,353	33,912	0.5%
Inflation Deflation	(649)	(144)	(191)	(984)	(0.0%)	(438)	(97)	(129)	(664)	(0.0%)
Total Statewide PL	30,264	(334,067)	13,007	(290,796)	(4.5%)	35,586	(333,620)	13,469	(284,565)	(4.4%)
Present Law (PL)	57,287	372,482	4,110	433,879	6.8%	61,760	373,049	4,761	439,570	6.8%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	87,551	38,415	17,117	143,083	2.2%	97,346	39,429	18,230	155,005	2.4%
Total Requested Budget	3,051,029	2,479,492	887,795	6,418,316		3,060,824	2,480,506	888,908	6,430,238	

Funding

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

Department of Commerce, 51-Business M T Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	6,111,853	0	0	3,600,000	9,711,853	26.1%
02090 Business Asst-Private	189,562	0	0	0	189,562	0.8%
02100 Distressed Wood Products RLF	0	0	0	1,126,274	1,126,274	4.7%
02116 Accommodation Tax Account	789,515	0	0	0	789,515	3.3%
02212 Microbusiness Loan Acct	997,768	0	0	0	997,768	4.2%
02229 MT SSBCI Servicing Fees	68,570	0	0	0	68,570	0.3%
02344 Primary Sector Training	992,680	0	0	0	992,680	4.2%
02672 GAP Financing Program	350,000	0	0	0	350,000	1.5%
02771 Big Sky Economic Dev Program	1,061,903	0	0	17,656,815	18,718,718	78.8%
02848 SBDC Private Revenue NonFed	10,000	0	0	0	10,000	0.0%
02939 State-Tribal Economic Devel	500,000	0	0	0	500,000	2.1%
State Special Total	\$4,959,998	\$0	\$0	\$18,783,089	\$23,743,087	63.8%
03092 Distressed Woods Federal	0	0	0	2,001,273	2,001,273	53.0%
03207 Small Business Dev. Centers	1,776,703	0	0	0	1,776,703	47.0%
Federal Special Total	\$1,776,703	\$0	\$0	\$2,001,273	\$3,777,976	10.1%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$12,848,554	\$0	\$0	\$24,384,362	\$37,232,916	

HB 2 Authority

General Fund

HB 2 general fund authority includes funding for division administration, business assistance, Made-in-Montana Program, Small Business Development Centers (SBDC), and Small Business Innovation Research/Small Business Technology Transfer, State Tribal Economic Development Commission, Indian Country Economic Development, Export Trade Promotion Programs, and the Montana Manufacturing Extension Center.

State Special Revenue

State special revenue appropriations include authority for microbusiness loans, Made-in-Montana trade show, Business Attraction, Trade & Diplomacy, GAP financing, and Tribal Tourism.

Federal Special Revenue

HB 2 federal special revenue is for small business development centers.

Statutory Appropriations

There are three statutorily appropriated funds in the Business MT Division. The Big Sky Economic Development Trust Fund Program is the largest statutory fund and is funded from interest earned on the coal severance tax trust fund to provide state funds to local communities to promote economic development and sustainability.

LFD COMMENT	<p>Big Sky Economic Development Trust Fund</p> <p>The Big Sky Economic Development (BSED) trust fund is established by statute and requires 25.0% of the coal severance tax available to the coal severance tax permanent trust be segregated into the BSED trust fund. The deposit of coal severance tax revenue to this fund terminates at the end of FY 2025. The income from the BSED trust is deposited into the BSED income fund within the trust and is available for transfer to the BSED state special revenue fund.</p> <p>The purpose, as defined in statute, of the Big Sky Economic Development Program is to:</p> <ul style="list-style-type: none">• Create good-paying jobs for Montana residents• Promote long-term, stable economic growth in Montana• Encourage local economic development organizations• Create partnerships between the state, local governments, tribal governments, and local economic development organizations that are interested in pursuing these same economic development goals• Retain or expand existing businesses• Provide a better life for future generations through greater economic growth and prosperity in Montana• Encourage workforce development, including workforce training and job creation, in high-poverty counties by providing targeted assistance <p>This was changed in the 2023 Session through HB 881 (MCA 90-1-205(2)). The money in the account is statutorily appropriated, as provided in 17-7-502, MCA. The money deposited in the account must be used as provided in this part, for administrative expenses, or for other economic development purposes.</p> <p>Statutory appropriations for the Big Sky Economic Development Program will comprise all expenditures from the state special revenue fund. The figure below provides information on the fund balance for the three BSED funds.</p>
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Big Sky Economic Development Funds					
	Actual FY	2024 Budgeted FY	2025 Proposed FY	2026 Proposed FY	2027 Proposed FY
Big Sky Economic Development Trust Fund - 09051					
Beginning Fund Balance	\$137,397,199	\$142,840,796	\$146,919,671	\$150,027,671	
Revenues (Transfers In)**	5,443,597	4,078,875	3,108,000	2,892,625	
Transfers Out					
Ending Fund Balance	\$142,840,796	\$146,919,671	\$150,027,671	\$152,920,296	
Big Sky Economic Development Trust Income Fund - 09052					
Beginning Fund Balance	\$10,269,102	\$16,445,502	\$12,902,955	\$9,811,063	
Revenues (Transfers In)**	6,176,400	5,650,329	6,265,589	6,816,329	
Transfers Out	0	9,192,876	9,357,481	9,362,149	
Ending Fund Balance	\$16,445,502	\$12,902,955	\$9,811,063	\$7,265,243	
Big Sky Economic Development Trust Fund - 02771					
Beginning Fund Balance	\$(3,241,218)	\$(2,619,285)	\$(2,619,285)	\$(2,619,285)	
Revenues	2,079,625	9,192,876	9,357,481	9,362,149	
Expenditures					
Personal Services	800,552	708,234	438,874	440,417	
Operating Expenses	328,528	335,971	767,954	769,664	
Grants	297,602	8,119,039	8,119,039	8,119,039	
Debt Services	31,010	29,632	31,614	33,029	
Total Expenditures	1,457,692	9,192,876	9,357,481	9,362,149	
Other Adjustments					
Ending Fund Balance	\$ (2,619,285)	\$ (2,619,285)	\$ (2,619,285)	\$ (2,619,285)	
**Updated with preliminary revenue estimate as of November 2024 (excludes unrealized investment gains and losses)					

The big sky economic development trust fund 09051 is the actual trust, which funds may not be directly expended from. Coal severance taxes go into the principal balance of this fund and the interest that is earned is transferred to fund 09052. Grant funding from the big sky economic development trust income fund 09052 is transferred into fund 02771 when recipients fulfil grant requirements. The big sky economic development trust fund state special revenue account 02771 shows ending negative fund balances of approximately \$2.6 million in FY 2026 and 2027, respectively, in the figure above. This is primarily due to expenditures being accrued but funding for grants not being disbursed until grantees fulfill requirements for reimbursement.

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General fund statutory authority is from the coal severance tax distributions codified in 15-35-108, MCA. Authority is distributed each fiscal year as follows:

- \$325,000 for the Small Business Development Center
- \$50,000 for the Small Business Innovative Research Program
- \$625,000 for Certified Regional Development Corporations
- \$500,000 for the Montana Manufacturing Extension Center at Montana State University-Bozeman
- \$300,000 for export trade enhancement

The Distressed Wood Products Industry Revolving Loan Program (90-1-504, MCA) was created in 2009 by the Montana Legislature in response to the low demand for wood products. This program is a state and federally funded revolving loan program that provides financial assistance to create or retain jobs for wood products industry businesses.

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	13.50	13.50	13.50	13.50
Personal Services	1,494,999	1,690,373	1,609,566	1,287,413	1,291,753
Operating Expenses	2,266,900	2,770,374	2,790,229	3,293,816	3,296,624
Local Assistance	0	46,000	46,000	46,000	46,000
Grants	1,044,249	1,714,825	1,714,825	1,669,752	1,669,722
Transfers	0	1,124	1,124	1,124	1,124
Debt Service	90,560	113,489	113,489	120,211	125,015
Total Expenditures	\$4,896,708	\$6,336,185	\$6,275,233	\$6,418,316	\$6,430,238
General Fund	2,930,266	3,038,702	2,963,478	3,051,029	3,060,824
State/Other Special Rev. Funds	1,198,874	2,435,334	2,441,077	2,479,492	2,480,506
Federal Spec. Rev. Funds	767,568	862,149	870,678	887,795	888,908
Total Funds	\$4,896,708	\$6,336,185	\$6,275,233	\$6,418,316	\$6,430,238
Total Ongoing	\$4,896,708	\$6,336,185	\$6,275,233	\$6,418,316	\$6,430,238
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Business MT Division works to support a business environment that strengthens the economy, facilitates job creation and retention, and enhances community prosperity. The division provides outreach, incentives, training, counseling, technical assistance, and access to grants, loans, and market opportunities, both domestically and internationally. Through partnerships with companies, universities, tribes, nonprofits, and government leaders, the division aims to promote economic growth and community well-being. Funded by HB 2 and statutory appropriations, Business MT collaborates with state and local partners in areas such as Business Assistance, Export and International Trade, Indian Country Economic Development, Small Business Development Centers, Regional Economic Development, and Montana Manufacturing Centers.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Business MT Division expended 77.3% of its \$6.3 million HB 2 modified budget in FY 2024. Lower expenditures are primarily in grants, which were 60.9% expended, with personal services and operating expenses 88.4% and 81.8% expended, respectively. Grant expenditures were primarily unexpended for state special revenue primary sector training, while operating expense authority primarily went unexpended for the microbusiness loan account, which did not disburse any new loans in FY 2024. Additionally, HB 881 (2023 Legislature) transferred funds from HB 2 to statutory authority for the workforce training grant account and the microbusiness administration account. Expenses related to the workforce training grant program was paid out of statutory authority in FY 2024.

FY 2024 Appropriations Compared to FY 2025 Appropriation

The Business MT Division's appropriation authority for FY 2025 is approximately \$61,000, or 1.0%, less than that of FY 2024. This decrease is entirely due to lower personal services funding in FY 2025 due to a program transfer which moved 2.00 PB and its associated funding from the Business MT Division to the Director's Office. This program transfer took place during FY 2024. However, greater appropriation authority was transferred from the FY 2025 budget.

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	14,259	(348,433)	12,021	(322,153)	0.00	18,375	(348,433)	12,245	(317,813)	
DP 2 - Fixed Costs										
0.00	16,654	14,510	1,177	32,341	0.00	17,649	14,910	1,353	33,912	
DP 3 - Inflation Deflation										
0.00	(649)	(144)	(191)	(984)	0.00	(438)	(97)	(129)	(664)	
DP 5105 - BIZMT ADMINISTRATIVE COSTS ADJUSTMENTS										
0.00	57,287	372,482	4,110	433,879	0.00	61,760	373,049	4,761	439,570	
Grand Total All Present Law Adjustments										
0.00	\$87,551	\$38,415	\$17,117	\$143,083	0.00	\$97,346	\$39,429	\$18,230	\$155,005	

**"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 2023 biennium

Department of Commerce Business MT Division FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 19,036
Management Changes	(56,383)
Total Budget Modifications	(284,805)
Total	<u><u>\$(322,153)</u></u>

The executive requests a decreased statewide present law adjustment for personal services. This decrease is primarily driven by budget modifications due to an operating plan change that took place in the 2025 biennium which transferred authority into personal services. This authority was not attached to any positions budgeted (PB) and therefore was lost during the snapshot personal services adjustment. Management changes also decreased due to greater budgeted vacancy savings and hiring new positions at lower rates.

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 5105 - BIZMT ADMINISTRATIVE COSTS ADJUSTMENTS -

The executive requests adjustments for non-state rent increases per the terms of the negotiated lease and indirect costs paid to the Director's Office for support services provided to supported divisions, bureaus, and programs. Additional adjustments are for grants based on anticipated available funding and restoring base funding for the Business Attraction 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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
State/Other Special Rev. Funds	210,157	210,157	210,157		0.0%
Total Funds	210,157	210,157	210,157		0.0%
Operating Expenses	210,157	210,157	210,157		0.0%
Total Expenditures	210,157	210,157	210,157		0.0%
Total Ongoing	210,157	210,157	210,157		0.0%
Total One-Time-Only					0.0%

Program Highlights

Brand MT Division Major Budget Highlights	
<ul style="list-style-type: none"> The Brand MT Division's 2027 biennium budget is the same as the 2025 biennium 	

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.

Brand M T 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
Base Budget	0	210,157	0	210,157	100.0%	0	210,157	0	210,157	100.0%
Statewide PL										
Personal Services	0	0	0	0	0.0%	0	0	0	0	0.0%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	0	0	0	0	0.0%	0	0	0	0	0.0%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Requested Budget	0	210,157	0	210,157		0	210,157	0	210,157	

Funding

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

Department of Commerce, 52-Brand M T 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%	
02116 Accommodation Tax Account	0	0	0	32,568,041	32,568,041	30.4%	
02154 MT Promotion-Private	420,314	0	0	0	420,314	0.4%	
02254 Regional Accommodation Tax	0	0	0	31,079,986	31,079,986	29.0%	
02271 L&C Bicentennial Plate Fund	0	0	0	7,000	7,000	0.0%	
02277 Accom. Tax - Rural Tourism	0	0	0	16,950,821	16,950,821	15.8%	
02279 Accom. Tax - Tourism Grants	0	0	0	17,328,778	17,328,778	16.2%	
02280 Accom. Tax - Revolving Loan	0	0	0	4,888,717	4,888,717	4.6%	
02293 Film Credit Applications	0	0	0	4,918	4,918	0.0%	
02298 Accom. Tax - Economic Develop	0	0	0	3,759,000	3,759,000	3.5%	
State Special Total	\$420,314	\$0	\$0	\$106,587,261	\$107,007,575	100.0%	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%	
Total All Funds	\$420,314	\$0	\$0	\$106,587,261	\$107,007,575		

HB 2 Authority**State Special Revenue**

Brand MT's HB 2 authority is funded by state special revenue from the accommodations tax account and primarily from proceeds from the Governor's Tourism Conference. This funding accounts for less than 1.0% of the Brand MT's total appropriation authority.

Statutory Appropriations

The majority of Brand MT's funding comes from statutory appropriation authority. Statutory authority in this program includes funding from the lodging and facilities taxes used to support regional and state tourism and film promotion. Brand MT also includes funding for the Montana Economic Development Industry Advancement (MEDIA) Act and the Lewis and Clark bicentennial licenses plates.

The lodging facility use tax provides funds to the Department of Commerce through a 4.0% tax imposed on guests of hotels, motels, bed and breakfasts, resorts, campgrounds, and any other lodging sites. As outlined in statute, the Department of Commerce receives 60.2% of the net tax proceeds for the following purposes:

- Tourism media, advertising film programs, the Made-In-Montana promotions, main street programs, wayfinding and signage, and support to trade offices
- Rural tourism, including under-visited area attraction projects, tribal tourism, tourism-related emergency services, marketing, and promotional activities
- Tourism grants, including agritourism grants and Montana-based film grants
- Revolving loan programs and regional tourism assistance
- Collaboration with the Office of Economic Development for new tourism attractions, other state business development programs, and support of other activities previously mentioned

The Department of Commerce also receives an additional 22.5% of the net tax proceeds to distribute to regional nonprofit tourism corporations.

The MEDIA Act film fee is a fee paid by production and post-production companies when they apply for certification with the Department of Commerce to claim the MEDIA Act transferable income tax credit. Therefore, expenditures are dependent on the revenue received from the total number of applications submitted. The use of these funds is to help pay for the implementation of the provisions of this act, including the presentation of a report on the economic impact of the tax credits created by an outside research organization called for by HB 293, enacted by the 2019 Legislature.

The Department of Commerce receives fees from Lewis & Clark bicentennial license plates sold through the Motor Vehicles Division at the Department of Justice. Three-fourths of the revenue from this source is placed in a state special revenue fund for the Department of Commerce for projects related to Lewis and Clark. The remaining one-fourth of revenue is placed in a state special revenue account for the Montana Historical Society.

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
Operating Expenses	162,873	268,542	210,157	210,157	210,157
Total Expenditures	\$162,873	\$268,542	\$210,157	\$210,157	\$210,157
State/Other Special Rev. Funds	162,873	268,542	210,157	210,157	210,157
Total Funds	\$162,873	\$268,542	\$210,157	\$210,157	\$210,157
Total Ongoing	\$162,873	\$268,542	\$210,157	\$210,157	\$210,157
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

Brand MT provides grant funding and technical assistance for tourism development, as well as promotion of Montana's nature, small towns, experiences, hospitality, and competitive business climate to promote the state as a place to visit and do business. The tourism development, film, and marketing/communications programs are all part of the Brand MT team that works to sustain and grow Montana's economy. The programs help to create tourism economic opportunities, especially in rural areas, and resiliency through asset identification and data-driven marketing strategies and grant programs.

Brand MT is comprised of four bureaus funded by HB 2 and statutory appropriations:

- Budget and Operations
- Marketing/Communications
- Office of Tourism
- Film Office

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Brand MT Division expended 60.7% of its \$269,000 HB 2 modified budget in FY 2024. The primary source of revenue for Brand MT's HB 2 authority comes from conference registrations which were lower than anticipated in FY 2024, leading to lower expenditures.

FY 2024 Appropriations Compared to FY 2025 Appropriation

The Brand MT Division's HB 2 appropriation authority for FY 2025 is approximately \$58,000, or 21.7%, less than that of FY 2024. This lower authority is primarily due to legislative audit costs only being appropriated in FY 2024. Additionally, SB 522 reduced the lodging facilities use tax allocation and that reduction was removed from the Brand MT's appropriation authority by the 2023 Legislature.

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	26.20	26.20	26.20	0.00	0.0%
General Fund	1,932,724	2,072,517	2,078,022	285,091	7.4%
State/Other Special Rev. Funds	4,904,956	4,900,166	4,905,307	(4,439)	(0.0%)
Federal Spec. Rev. Funds	8,220,702	8,287,648	8,290,146	136,390	0.8%
Total Funds	15,058,382	15,260,331	15,273,475	417,042	1.4%
Personal Services	2,461,957	2,430,445	2,436,854	(56,615)	(1.1%)
Operating Expenses	2,201,883	2,430,158	2,433,192	459,584	10.4%
Grants	10,302,179	10,302,179	10,302,179		0.0%
Debt Service	92,363	97,549	101,250	14,073	7.6%
Total Expenditures	15,058,382	15,260,331	15,273,475	417,042	1.4%
Total Ongoing	15,058,382	15,260,331	15,273,475	417,042	1.4%
Total One-Time-Only	53,950			(107,900)	(100.0%)

Program Highlights

Community MT Division Major Budget Highlights
<ul style="list-style-type: none"> The Community MT Division's 2027 biennium requested appropriations are approximately \$417,000 or 1.4% higher than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> Increased administrative costs for rent and indirect support service costs Increased statewide present law adjustments for fixed costs

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.

Community M T 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
Base Budget	1,932,724	4,904,956	8,220,702	15,058,382	98.7%	1,932,724	4,904,956	8,220,702	15,058,382	98.6%
Statewide PL										
Personal Services	(2,917)	(65,120)	36,525	(31,512)	(0.2%)	(70)	(63,066)	38,033	(25,103)	(0.2%)
Fixed Costs	18,913	7,532	541	26,986	0.2%	19,644	8,132	779	28,555	0.2%
Inflation Deflation	(302)	(257)	(31)	(590)	(0.0%)	(204)	(174)	(21)	(399)	(0.0%)
Total Statewide PL	15,694	(57,845)	37,035	(5,116)	(0.0%)	19,370	(55,108)	38,791	3,053	0.0%
Present Law (PL)	124,099	53,055	29,911	207,065	1.4%	125,928	55,459	30,653	212,040	1.4%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	139,793	(4,790)	66,946	201,949	1.3%	145,298	351	69,444	215,093	1.4%
Total Requested Budget	2,072,517	4,900,166	8,287,648	15,260,331		2,078,022	4,905,307	8,290,146	15,273,475	

Funding

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

Department of Commerce, 60-Community M T Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	4,150,539	0	0	0	4,150,539	13.4%
02049 Hard Rock Mining	551,378	0	0	435,736	987,114	9.6%
02116 Accommodation Tax Account	277,029	0	0	0	277,029	2.7%
02270 MT Coal Endowment	1,624,990	0	0	0	1,624,990	15.9%
02445 Coal Board	7,352,076	0	0	0	7,352,076	71.8%
State Special Total	\$9,805,473	\$0	\$0	\$435,736	\$10,241,209	33.1%
03059 Community Development Block	15,065,588	0	0	0	15,065,588	90.9%
03061 EDA Revolving Loan Fund	945,974	0	0	0	945,974	5.7%
03932 CDBG RLF	566,232	0	0	0	566,232	3.4%
Federal Special Total	\$16,577,794	\$0	\$0	\$0	\$16,577,794	53.5%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$30,533,806	\$0	\$0	\$435,736	\$30,969,542	

HB 2 Authority

General Fund

General fund is used to provide matching funds for the Community Development Block Grant Program and support the Community Technical Assistance Program.

State Special Revenue

State special revenues are comprised of funding for the Coal Board, Montana Coal Endowment Program (MCEP), Montana Main Street Program, and the Hard Rock Mining Impact Board.

The Coal Board provides grants to governmental units to assist them in providing governmental services or facilities that are needed as a direct consequence of an increase or decrease in coal development or in the consumption of coal by the coal-using energy complex.

MCEP is a local government infrastructure-financing program funded by investment earnings on the coal severance tax funds. Revenue from the coal tax trust is transferred to the state special revenue fund for administrative costs (appropriated in HB 2) and grants (typically appropriated in HB 11).

The Hard Rock Mining Impact Board provides technical assistance to local governments to mitigate local government services, facility, and fiscal impacts related to new large-scale hard rock mining developments. The Board is funded with metal mines license tax distributions for administrative costs (appropriated in HB 2) and community distributions (statutorily appropriated).

Accommodations tax funds are used for the Montana Main Street Program to award competitive grants to communities focusing on planning and/or implementation projects directly related to downtown revitalization, development, and historic preservation. Additionally, these funds provide for the administration of the Montana Heritage Preservation Grant Program.

Federal Special Revenue

Federal special revenue is primarily for Community Development Block grants (CDBG) with the remaining portion being for the U.S. Economic Development Administration (EDA) revolving loan fund and the CDBG revolving loan fund. The CDBG provides funds to cities, towns, and counties with fewer than 50,000 residents. The purpose of these funds is to develop and preserve affordable housing, provide community services, and create and retain jobs.

Statutory Appropriations

Community MT has one statutory appropriation for the Hard Rock Mining Impact Board. As previously mentioned, the Hard Rock Mining Impact Board is administratively funded from HB 2 state special revenue, while community distributions are statutorily appropriated.

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	26.20	26.20	26.20	26.20
Personal Services	1,644,074	1,964,265	2,505,687	2,430,445	2,436,854
Operating Expenses	895,395	2,179,436	2,212,103	2,430,158	2,433,192
Grants	11,498,861	11,570,147	10,302,179	10,302,179	10,302,179
Debt Service	70,135	92,363	92,363	97,549	101,250
Total Expenditures	\$14,108,465	\$15,806,211	\$15,112,332	\$15,260,331	\$15,273,475
General Fund	1,394,856	1,471,617	1,986,674	2,072,517	2,078,022
State/Other Special Rev. Funds	4,007,675	4,860,937	4,904,956	4,900,166	4,905,307
Federal Spec. Rev. Funds	8,705,934	9,473,657	8,220,702	8,287,648	8,290,146
Total Funds	\$14,108,465	\$15,806,211	\$15,112,332	\$15,260,331	\$15,273,475
Total Ongoing	\$14,088,226	\$15,749,976	\$15,058,382	\$15,260,331	\$15,273,475
Total OTO	\$20,239	\$56,235	\$53,950	\$0	\$0

Program Description

The Community MT Division supports Montana's local and economic development needs through outreach, technical assistance, and funding. The division promotes sustainable growth by investing in infrastructure, affordable housing, and community facilities via state and federal grant programs, including the Community Development Block Grant, Montana Coal Endowment Program, Montana Historic Preservation Grant Program, and others. Community MT also administers the Montana Coal Board and Hard Rock Mining Impact Board.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Community MT Division expended 89.3% of its \$15.8 million HB 2 modified budget in FY 2024. Lower expenditures were primarily in operating expenses, which were 41.1% expended. This is due to lower expenditures for the Hard Rock Mining Program, Montana Coal Endowment Program, and Community Development Block Grant, as well as no expenditures for the EDA revolving loan fund and the Community Development Block Grant revolving loan fund. Lower expenditures were due to fewer loan distributions, less board meetings for the Hard Rock Mining Board, and the agency utilizing other non-HB 2 authority to pay for operating expenditures in FY 2024.

FY 2024 Appropriations Compared to FY 2025 Appropriation

The Community MT Division's appropriation authority for FY 2025 is approximately \$694,000, or 4.4%, less than that of FY 2024. This lower authority is due to a program transfer that occurred in FY 2024 to allocate unobligated authority to the Community Development Block Grant which experienced a greater number of qualified applicants than anticipated.

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	(2,917)	(65,120)	36,525	(31,512)	0.00	(70)	(63,066)	38,033	(25,103)
DP 2 - Fixed Costs	0.00	18,913	7,532	541	26,986	0.00	19,644	8,132	779	28,555
DP 3 - Inflation Deflation	0.00	(302)	(257)	(31)	(590)	0.00	(204)	(174)	(21)	(399)
DP 6005 - CMT ADMINISTRATIVE COSTS ADJUSTMENTS	0.00	124,099	53,055	29,911	207,065	0.00	125,928	55,459	30,653	212,040
Grand Total All Present Law Adjustments	0.00	\$139,793	(\$4,790)	\$66,946	\$201,949	0.00	\$145,298	\$351	\$69,444	\$215,093

***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 2023 biennium

Department of Commerce Community MT Division FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 36,360
Management Changes	(67,872)
Total Budget Modifications	-
Total	<u><u>\$(31,512)</u></u>

The executive requests a decreased statewide present law adjustment for personal services primarily due to management changes. Decreased management changes were driven by a greater budgeted vacancy savings as well as hiring new positions at lower wage rates in the 2025 biennium. Legislative changes increased due to greater budgeted benefits and longevity costs.

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 6005 - CMT ADMINISTRATIVE COSTS ADJUSTMENTS -

The executive requests adjustments for non-state rent increases per the terms of the negotiated lease and indirect costs paid to the Director's Office for support services provided to supported divisions, bureaus, and programs.

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	6.00	6.00	6.00	0.00	0.0%
Federal Spec. Rev. Funds	10,138,997	12,114,011	12,022,974	3,858,991	19.0%
Total Funds	10,138,997	12,114,011	12,022,974	3,858,991	19.0%
Personal Services	500,888	532,678	535,389	66,291	6.6%
Operating Expenses	6,215,446	559,314	464,597	(11,406,981)	(91.8%)
Grants	3,400,000	10,998,000	10,998,000	15,196,000	223.5%
Debt Service	22,663	24,019	24,988	3,681	8.1%
Total Expenditures	10,138,997	12,114,011	12,022,974	3,858,991	19.0%
Total Ongoing	10,138,997	12,114,011	12,022,974	3,858,991	19.0%
Total One-Time-Only					0.0%

Program Highlights

Housing MT Division Major Budget Highlights	
<ul style="list-style-type: none"> The Housing MT Division's 2027 biennium requested appropriations are approximately \$3.9 million or 19.0% higher than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> Increased federal special revenue for increased housing trust fund (HTF) and HOME Investment Partnerships Program (HOME) grants Increased statewide present law adjustments for personal services and fixed costs 	

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.

Housing M T 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
Base Budget	0	0	10,138,997	10,138,997	83.7%	0	0	10,138,997	10,138,997	84.3%
Statewide PL										
Personal Services	0	0	31,790	31,790	0.3%	0	0	34,501	34,501	0.3%
Fixed Costs	0	0	101,711	101,711	0.8%	0	0	6,428	6,428	0.1%
Inflation Deflation	0	0	(83)	(83)	(0.0%)	0	0	(56)	(56)	(0.0%)
Total Statewide PL	0	0	133,418	133,418	1.1%	0	0	40,873	40,873	0.3%
Present Law (PL)	0	0	1,841,596	1,841,596	15.2%	0	0	1,843,104	1,843,104	15.3%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	0	0	1,975,014	1,975,014	16.3%	0	0	1,883,977	1,883,977	15.7%
Total Requested Budget	0	0	12,114,011	12,114,011		0	0	12,022,974	12,022,974	

Funding

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

Department of Commerce, 74-Housing M T 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%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
03300 Home Grants	11,560,174	0	0	0	11,560,174	47.9%
03585 HTF	12,576,811	0	0	0	12,576,811	52.1%
Federal Special Total	\$24,136,985	\$0	\$0	\$0	\$24,136,985	15.2%
06028 Emergency Housing Vouchers-Adm	0	0	318,668	0	318,668	0.2%
06029 Emergency Housing Vouchers-HAP	0	0	1,440,000	0	1,440,000	1.1%
06030 BOH Financial Program Fund	0	0	7,757,547	0	7,757,547	5.8%
06031 Housing Trust Fund	0	0	20,000	0	20,000	0.0%
06032 Mortgage Loan Servicing	0	0	4,750,646	0	4,750,646	3.5%
06037 Sect 8 Mod Rehab HAP	0	0	4,934,016	0	4,934,016	3.7%
06044 Mainstream HCVP-Admin	0	0	150,000	0	150,000	0.1%
06045 Mainstream HCVP-HAP	0	0	800,000	0	800,000	0.6%
06054 Section 8 HAP	0	0	48,101,012	0	48,101,012	35.7%
06074 SEC 8 Project Based	0	0	57,291,463	0	57,291,463	42.6%
06075 Section 8 Vouchers	0	0	8,265,595	0	8,265,595	6.1%
06078 Housing Montana Fund	0	0	20,000	0	20,000	0.0%
06079 Revolving Loan Fund - TANF	0	0	20,000	0	20,000	0.0%
06085 Section 8 Mod Rehab	0	0	690,868	0	690,868	0.5%
Proprietary Total	\$0	\$0	\$134,559,815	\$0	\$134,559,815	84.8%
Total All Funds	\$24,136,985	\$0	\$134,559,815	\$0	\$158,696,800	

HB 2 Authority

Federal Special Revenue

Federal funds are for the HOME Investment Partnerships (HOME) and Housing Trust Fund (HTF) programs. The HOME program is a federal block grant for the construction and creation of affordable housing for low-income households. The HOME Program is administered by the Housing MT Division, who also administers funds to local governments and nonprofits throughout the state. The HTF is an affordable housing production program. The Housing MT Division administers the HTF program and helps qualified recipients' direct funds for construction, rehabilitation, and preservation of affordable rental housing.

Non-Budgeted Proprietary

The majority of the Housing MT Division's funding is from proprietary funds. These funds are discussed in the non-budgeted proprietary budget analysis.

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	6.00	6.00	6.00	6.00
Personal Services	368,805	481,578	500,888	532,678	535,389
Operating Expenses	156,191	6,504,355	6,215,446	559,314	464,597
Grants	8,667,226	2,346,032	3,400,000	10,998,000	10,998,000
Debt Service	18,202	22,663	22,663	24,019	24,988
Total Expenditures	\$9,210,424	\$9,354,628	\$10,138,997	\$12,114,011	\$12,022,974
Federal Spec. Rev. Funds	9,210,424	9,354,628	10,138,997	12,114,011	12,022,974
Total Funds	\$9,210,424	\$9,354,628	\$10,138,997	\$12,114,011	\$12,022,974
Total Ongoing	\$9,210,424	\$9,354,628	\$10,138,997	\$12,114,011	\$12,022,974
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Housing MT Division supports Montana communities by facilitating access to safe, affordable, and sustainable housing for residents whose needs are unmet by the private market. The Division consists of three key units:

- Board of Housing: Serving as Montana's statewide Housing Finance Agency (HFA), established under the Montana Housing Act of 1975 and administratively attached to the Department of Commerce, the Board of Housing operates on enterprise fund revenues generated from fees on financed projects and mortgages. It is self-supporting and does not receive general fund allocations
- Rental Assistance Bureau: As the statewide Public Housing Authority (PHA), the bureau administers various Housing and Urban Development (HUD) funded programs, funded through HUD administrative fees and performance-based contracts
- Community Housing: This unit manages HUD Community Planning and Development (CPD) programs focused on the development and preservation of affordable housing, such as the HOME Investment Partnership Program and the National Housing Trust Fund. It also administers the one-time Emergency Shelter Facility grant funded through HB 5. Community Housing programs are funded by federal and state special revenue, appropriated through HB 2 and HB 5

The Division's responsibilities are defined under state statutes, executive orders, and federal regulations, primarily outlined in Montana Code Annotated Titles 2 and 90, and 24 CFR Parts 5, 91, 93, 245, 570, 792, 813, 882, 887, 891, 982, and 984.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Housing MT Division expended 98.5% of its \$9.4 million modified HB 2 authority in FY 2024. The Housing MT Division is entirely funded by federal special revenue primarily for long-term housing projects. Operating expenditures were 2.4% expended while grants were 369.4% expended. This was due to federal reporting guidance that required expenditures be recorded under grant expenditure authority as opposed to operating expenditure authority. The division was unaware of this guidance when it proposed its 2025 biennium budget and therefore appropriated greater authority to operating expenses rather than grant authority. This oversight has been proposed to be corrected in the coming biennium.

FY 2024 Appropriations Compared to FY 2025 Appropriation

The Housing MT Division's total appropriation authority for FY 2025 is \$784,000 or 8.4% greater than FY 2024. This increase is primarily due to greater grant expenditure authority due to a program transfer that transferred approximately \$768,000 from the Housing MT Division to the Community MT Division in FY 2024. Due to the timing of housing grants for the HOME and HTF programs there was going to be excess appropriation authority. This authority was transferred to the Community MT Division to make up for its appropriation authority shortfall for Community Development Block Grants.

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	31,790	31,790		0.00	0	0	34,501	34,501
DP 2 - Fixed Costs										
0.00	0	0	101,711	101,711		0.00	0	0	6,428	6,428
DP 3 - Inflation Deflation										
0.00	0	0	(83)	(83)		0.00	0	0	(56)	(56)
DP 7405 - HMT ADMINISTRATIVE COSTS ADJUSTMENTS										
0.00	0	0	1,841,596	1,841,596		0.00	0	0	1,843,104	1,843,104
Grand Total All Present Law Adjustments										
0.00	\$0	\$0	\$1,975,014	\$1,975,014		0.00	\$0	\$0	\$1,883,977	\$1,883,977

*"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 2023 biennium

Department of Commerce	
Housing MT Division	
FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 11,113
Management Changes	20,677
Total Budget Modifications	-
Total	<u>\$ 31,790</u>

The executive requests an increased statewide present law adjustment for personal services primarily attributed to management changes due to hiring new positions at increased wage rates. Legislative changes also increased due to increased benefits.

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 7405 - HMT ADMINISTRATIVE COSTS ADJUSTMENTS -

The executive requests adjustments for non-state rent increases per the terms of the negotiated lease, and indirect costs paid to the Director's Office for support services provided to supported divisions, bureaus, and programs. The decision package increases appropriations for grants in the HOME and HTF programs for the amount of federal funds projected to be available in the 2027 Biennium.

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 7401 - HOUSING DIVISION FEDERAL (BIEN)	0.00	0	0	0	0	0.00	0	0	0	0
Total	0.00	\$0	\$0	\$0	\$0	0.00	\$0	\$0	\$0	\$0

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

DP 7401 - HOUSING DIVISION FEDERAL (BIEN) -

The executive requests that appropriations for federal funds received from HUD for the HOME Program, and the Housing Trust Fund Program, be established as biennial, beginning with the 2027 biennium to better align with the federal funding schedule and grant award cycle. No additional authority is being requested. This request would make the entire FY 2025 base budget of \$10.1 million biennial, as well as any other additional authority approved for the 2027 biennium.

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	1.25	1.25	1.25	0.00	0.0%	
General Fund	250,000	250,000	250,000		0.0%	
State/Other Special Rev. Funds	213,554	241,742	241,908	56,542	13.2%	
Total Funds	463,554	491,742	491,908	56,542	6.1%	
Personal Services	27,761	27,761	27,761		0.0%	
Operating Expenses	435,793	463,981	464,147	56,542	6.5%	
Total Expenditures	463,554	491,742	491,908	56,542	6.1%	
Total Ongoing	463,554	491,742	491,908	56,542	6.1%	
Total One-Time-Only					0.0%	

Program Highlights

Board of Horse Racing Major Budget Highlights	
<ul style="list-style-type: none"> The Board of Horse Racing's 2027 biennium requested appropriations are approximately \$57,000 or 6.1% higher than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> Increased statewide present law adjustments for personal services and fixed cost The statewide present law adjustment to personal services is partially offset by removing appropriation authority for the executive secretary position that is contracted and paid out of operating expenses Increased administrative adjustment for greater indirect costs for support services as well as increased costs relating to laboratory testing 	

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.

Board of Horse Racing 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
Base Budget	250,000	213,554	0	463,554	94.3%	250,000	213,554	0	463,554	94.2%
Statewide PL										
Personal Services	0	75,550	0	75,550	15.4%	0	75,552	0	75,552	15.4%
Fixed Costs	0	6,387	0	6,387	1.3%	0	6,553	0	6,553	1.3%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	0	81,937	0	81,937	16.7%	0	82,105	0	82,105	16.7%
Present Law (PL)	0	(53,749)	0	(53,749)	(10.9%)	0	(53,751)	0	(53,751)	(10.9%)
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	0	28,188	0	28,188	5.7%	0	28,354	0	28,354	5.8%
Total Requested Budget	250,000	241,742	0	491,742		250,000	241,908	0	491,908	

Funding

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

Department of Commerce, 78-Board of Horse Racing Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	500,000	0	0	0	500,000	28.5%
02029 BOHR Operation Fund	483,650	0	0	770,000	1,253,650	100.0%
State Special Total	\$483,650	\$0	\$0	\$770,000	\$1,253,650	71.5%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$983,650	\$0	\$0	\$770,000	\$1,753,650	

HB 2 Authority

General Fund

The 2023 Legislature adopted general fund authority for additional operating expenses. This authority is used for the Montana Breeders Incentive Program which provides money to all Montana bred horses that start at a Montana race facility. These funds are also used for capital improvements, equipment maintenance and replacements, and race purses.

State Special Revenue

The Board of Horse Racing is responsible for regulating, ensuring compliance, licensing, and auditing all horse racing in the State of Montana. The board is funded with state special revenue from a 1.0% tax on gross receipts from pari-mutuel betting (for simulcast facilities, the tax is greater than 1.0%).

Statutory Authority

Funds collected for live horse racing purses are deposited in the state special revenue account and are then statutorily appropriated to the board for disbursement of funds as authorized in 23-4-105, MCA.

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	1.25	1.25	1.25	1.25
Personal Services	14,592	23,032	27,761	27,761	27,761
Operating Expenses	419,388	435,642	435,793	463,981	464,147
Total Expenditures	\$433,980	\$458,674	\$463,554	\$491,742	\$491,908
General Fund	250,000	250,000	250,000	250,000	250,000
State/Other Special Rev. Funds	183,980	208,674	213,554	241,742	241,908
Total Funds	\$433,980	\$458,674	\$463,554	\$491,742	\$491,908
Total Ongoing	\$433,980	\$458,674	\$463,554	\$491,742	\$491,908
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

Established in 1965, the Montana Board of Horse Racing regulates and monitors horse racing in Montana. Over the years, its role has expanded to include support and guidance for the industry, with the goal of fostering growth and sustainability. The board is funded through HB 2 and statutory appropriations, using revenue from licenses, fees, and a portion of wagering on live and remote races. Its work is mandated under Title 2, Chapter 15, and Title 23, Chapter 4 of the Montana Code Annotated.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Board of Horse Racing expended 94.6% of its approximately \$459,000 modified HB 2 appropriation authority in FY 2024. General fund authority was entirely expended while state special revenue was only 88.2% expended. Personal services were only 63.4% expended while operating expenses were 96.3% expended. Lower personal services expenditures were due to the Board entering into contracts with race stewards, paid from operating expenses, rather than hiring them as short-term workers, paid out of personal services authority.

FY 2024 Appropriations Compared to FY 2025 Appropriation

The Board of Horse Racing's total appropriation authority for FY 2025 is approximately \$5,000 or 1.1% greater than FY 2024. This increase is almost entirely attributed to greater personal services authority due to greater HB 13, pay plan, authority.

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	75,550	0	75,550		0.00	0	75,552	0	75,552
DP 2 - Fixed Costs										
0.00	0	6,387	0	6,387		0.00	0	6,553	0	6,553
DP 7805 - BOHR ADMINISTRATIVE COSTS ADJUSTMENTS										
0.00	0	(53,749)	0	(53,749)		0.00	0	(53,751)	0	(53,751)
Grand Total All Present Law Adjustments										
0.00	\$0	\$28,188	\$0	\$28,188		0.00	\$0	\$28,354	\$0	\$28,354

**"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 2023 biennium

Department of Commerce Board of Horse Racing FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 87,358
Management Changes	(11,808)
Total Budget Modifications	-
Total	<u><u>\$ 75,550</u></u>

The executive requests an increased statewide present law adjustment for personal services. The Board of Horse Racing has 1.25 HB 2 PB, 1.00 PB for an executive secretary and 0.25 PB short-term workers. The executive secretary position has historically been contracted out and expended with operating expense funds. Therefore, present law personal service funding is not needed and is removed through a decision package. However, this funding is recaptured during the snapshot statewide personal services adjustment.

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 7805 - BOHR ADMINISTRATIVE COSTS ADJUSTMENTS -

The executive requests a reduction to the Board of Horse Racing's 2027 Biennium personal services budget to current estimates for the 2027 Biennium. The Board of Horse Racing currently is contracting for its executive secretary, which is funded through an operating expense category. This change package removes the 2027 Biennium personal services funding for the position without removing the board's executive secretary position. The request also includes adjustments for indirect costs paid to the Director's Office for support services provided to supported divisions, bureaus, and programs, as well as an increase based on the rising costs of laboratory testing.

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 FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
PB	8.00	8.00	8.00	0.00	0.0%
State/Other Special Rev. Funds	2,612,770	2,633,802	2,635,839	44,101	0.8%
Total Funds	2,612,770	2,633,802	2,635,839	44,101	0.8%
Personal Services	688,658	690,686	691,768	5,138	0.4%
Operating Expenses	1,474,112	1,493,116	1,494,071	38,963	1.3%
Equipment & Intangible Assets	150,000	150,000	150,000		0.0%
Capital Outlay	300,000	300,000	300,000		0.0%
Total Expenditures	2,612,770	2,633,802	2,635,839	44,101	0.8%
Total Ongoing	2,612,770	2,633,802	2,635,839	44,101	0.8%
Total One-Time-Only					0.0%

Program Highlights

Montana Heritage Commission Major Budget Highlights
<ul style="list-style-type: none"> The Montana Heritage Commission 2027 biennium requested appropriations are approximately \$44,000 or 0.8% higher than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> Increased administrative cost adjustments for indirect costs for support services Decreased statewide present law adjustments for fixed costs

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.

Montana Heritage Commission 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
Base Budget	0	2,612,770	0	2,612,770	99.2%	0	2,612,770	0	2,612,770	99.1%
Statewide PL										
Personal Services	0	2,028	0	2,028	0.1%	0	3,110	0	3,110	0.1%
Fixed Costs	0	(29,900)	0	(29,900)	(1.1%)	0	(29,161)	0	(29,161)	(1.1%)
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	0	(27,872)	0	(27,872)	(1.1%)	0	(26,051)	0	(26,051)	(1.0%)
Present Law (PL)	0	48,904	0	48,904	1.9%	0	49,120	0	49,120	1.9%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	0	21,032	0	21,032	0.8%	0	23,069	0	23,069	0.9%
Total Requested Budget	0	2,633,802	0	2,633,802		0	2,635,839	0	2,635,839	

Funding

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

Department of Commerce, 80-Montana Heritage Commission 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%	
02102 Montana Heritage Commission	5,269,641	0	0	0	5,269,641	100.0%	
State Special Total	\$5,269,641	\$0	\$0	\$0	\$5,269,641	100.0%	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%	
Total All Funds	\$5,269,641	\$0	\$0	\$0	\$5,269,641		

HB 2 Authority**State Special Revenue**

The Montana Heritage Commission has been entirely funded with HB 2 state special revenue since the 2021 Legislative Session. Funding comes from revenues from Virginia City, Nevada City, and Reeder's Alley, as well as light vehicle registrations. The Commission also receives \$1.0 million each fiscal year from the lodging facility use tax.

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	8.00	8.00	8.00	8.00
Personal Services	691,738	693,212	688,658	690,686	691,768
Operating Expenses	824,665	1,056,969	1,474,112	1,493,116	1,494,071
Equipment & Intangible Assets	0	0	150,000	150,000	150,000
Capital Outlay	697,835	750,000	300,000	300,000	300,000
Total Expenditures	\$2,214,238	\$2,500,181	\$2,612,770	\$2,633,802	\$2,635,839
State/Other Special Rev. Funds	2,214,238	2,500,181	2,612,770	2,633,802	2,635,839
Total Funds	\$2,214,238	\$2,500,181	\$2,612,770	\$2,633,802	\$2,635,839
Total Ongoing	\$2,214,238	\$2,500,181	\$2,612,770	\$2,633,802	\$2,635,839
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Montana Heritage Preservation and Development Commission (MHC) was established by the 55th Montana Legislature in 1997 to acquire and manage historic properties for the state. Its initial acquisition included Virginia and Nevada City, comprising of 248 buildings and 1.2 million Americana artifacts across 260 acres. Since then, the Montana Board of Land Commissioners has approved additional acquisitions, including Reeder's Alley and the Pioneer Cabin in Helena, and Stonewall Hall with the Dudley Garage in Virginia City, primarily through private donations.

The MHC is legislatively authorized to preserve these heritage sites "in a manner that protects the properties and encourages economic stability" (MCA 22-3-1001). Its statutory mission is to manage properties with significant historical value that represent Montana's culture and history. The MHC oversees the maintenance, stabilization, artifact conservation, and preservation of these sites, while expanding their economic and educational potential for public benefit.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

In FY 2024, the Montana Heritage Commission expended 88.6% of its approximately \$2.5 million modified HB 2 appropriation authority. Personal services were 99.8% expended, operating expenses were 78.0% expended, and capital outlay was 93.0% expended. Operating expenses were lower expended due to the Commission bringing in less revenue in FY 2024.

FY 2024 Appropriations Compared to FY 2025 Appropriation

The Montana Heritage Commission's appropriation for FY 2025 is approximately \$113,000, or 4.5%, higher than in FY 2024. This increase is primarily due to greater authority for operating expenses due to increased projected statewide present law adjustments in FY 2025 as compared to FY 2024. Additionally, during the 2025 biennium \$150,000 was transferred from equipment and intangible assets expenditure authority to capital outlay in FY 2024 to properly record repair and maintenance expenditures.

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	2,028	0	2,028		0.00	0	3,110	0	3,110
DP 2 - Fixed Costs										
0.00	0	(29,900)	0	(29,900)		0.00	0	(29,161)	0	(29,161)
DP 8005 - MHC ADMINISTRATIVE COSTS ADJUSTMENTS										
0.00	0	48,904	0	48,904		0.00	0	49,120	0	49,120
Grand Total All Present Law Adjustments										
0.00	\$0	\$21,032	\$0	\$21,032		0.00	\$0	\$23,069	\$0	\$23,069

*"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 2023 biennium

Department of Commerce Montana Heritage Commission FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ (2,153)
Management Changes	4,181
Total Budget Modifications	-
Total	<u><u>\$ 2,028</u></u>

The executive requests an increase in statewide present law adjustments for personal services. This adjustment reflects management changes, including exempt and temporary pay increases. However, the increase is partially offset by a reduction for budgeted benefits in legislative changes.

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 8005 - MHC ADMINISTRATIVE COSTS ADJUSTMENTS -

The executive requests adjustments for indirect costs paid to the Director's Office for support services provided to supported divisions, bureaus, and programs.

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	6.35	6.35	6.35	0.00	0.0%
General Fund	980,277	1,072,003	1,082,970	194,419	9.9%
State/Other Special Rev. Funds	8,975	8,975	8,975		0.0%
Federal Spec. Rev. Funds	600,000	600,000	600,000		0.0%
Total Funds	1,589,252	1,680,978	1,691,945	194,419	6.1%
Personal Services	650,408	631,061	636,105	(33,650)	(2.6%)
Operating Expenses	273,827	381,128	384,357	217,831	39.8%
Grants	600,000	600,000	600,000		0.0%
Debt Service	65,017	68,789	71,483	10,238	7.9%
Total Expenditures	1,589,252	1,680,978	1,691,945	194,419	6.1%
Total Ongoing	1,589,252	1,680,978	1,691,945	194,419	6.1%
Total One-Time-Only					0.0%

Program Highlights

Director's Office Major Budget Highlights	
<ul style="list-style-type: none"> The Director's Office's 2027 biennium requested appropriations are approximately \$194,000 or 6.1% higher than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> Increased statewide present law adjustments for fixed costs Increased administrative cost adjustments for building rent and indirect costs for support services 	

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
Base Budget	980,277	8,975	600,000	1,589,252	94.5%	980,277	8,975	600,000	1,589,252	93.9%
Statewide PL										
Personal Services	(19,347)	0	0	(19,347)	(1.2%)	(14,303)	0	0	(14,303)	(0.8%)
Fixed Costs	59,940	0	0	59,940	3.6%	62,149	0	0	62,149	3.7%
Inflation Deflation	(52)	0	0	(52)	(0.0%)	(35)	0	0	(35)	(0.0%)
Total Statewide PL	40,541	0	0	40,541	2.4%	47,811	0	0	47,811	2.8%
Present Law (PL)	51,185	0	0	51,185	3.0%	54,882	0	0	54,882	3.2%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	91,726	0	0	91,726	5.5%	102,693	0	0	102,693	6.1%
Total Requested Budget	1,072,003	8,975	600,000	1,680,978		1,082,970	8,975	600,000	1,691,945	

Funding

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

Department of Commerce, 81-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	2,154,973	0	0	0	2,154,973	23.5%
02324 Community Reinvestment	17,950	0	0	0	17,950	100.0%
State Special Total	\$17,950	\$0	\$0	\$0	\$17,950	0.2%
03441 MCDD	1,200,000	0	0	0	1,200,000	100.0%
Federal Special Total	\$1,200,000	\$0	\$0	\$0	\$1,200,000	13.1%
06542 Commerce Centralized Services	0	0	5,807,103	0	5,807,103	100.0%
Proprietary Total	\$0	\$0	\$5,807,103	\$0	\$5,807,103	63.3%
Total All Funds	\$3,372,923	\$0	\$5,807,103	\$0	\$9,180,026	

HB 2 Authority

General Fund

During the 2023 biennium, the Department of Commerce underwent a reorganization which transferred the Bureau of Research and Information to the Director's Office. This transferred 4.85 PB and associated general fund authority.

State Special Revenue

The reorganization also transferred authority for the census voting district project state special fund to the Director's Office. This is a small amount of state special revenue authority used as a holdover account for the state library grant called the community reinvestment fund.

Federal Special Revenue

The Montana Council on Developmental Disabilities is funded entirely with federal special revenue that pays for the contract for the nonprofit that carries out the responsibilities of the Developmental Disabilities Planning and Advisory Council.

Non-Budgeted Proprietary Funding

The Director's Office is also funded by an internal service type proprietary fund from indirect costs charged to programs in the Department of Commerce. This fund will be discussed in further detail in the non-budgeted proprietary rates budget analysis.

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	6.35	6.35	6.35	6.35
Personal Services	471,640	475,031	650,408	631,061	636,105
Operating Expenses	301,753	300,348	273,827	381,128	384,357
Grants	513,842	600,000	600,000	600,000	600,000
Debt Service	50,937	51,017	65,017	68,789	71,483
Total Expenditures	\$1,338,172	\$1,426,396	\$1,589,252	\$1,680,978	\$1,691,945
General Fund	815,985	817,421	980,277	1,072,003	1,082,970
State/Other Special Rev. Funds	0	8,975	8,975	8,975	8,975
Federal Spec. Rev. Funds	522,187	600,000	600,000	600,000	600,000
Total Funds	\$1,338,172	\$1,426,396	\$1,589,252	\$1,680,978	\$1,691,945
Total Ongoing	\$1,338,172	\$1,426,396	\$1,589,252	\$1,680,978	\$1,691,945
Total OTO	\$0	\$0	\$0	\$0	\$0

*Program Description***Director's Office:**

The Director's Office oversees the department's mission to promote economic and community development across the state. It provides support services, including accounting, budgeting, legal affairs, human resources, information technology, communications, marketing, and research. Additionally, the office establishes partnerships with private businesses, local governments, nonprofit organizations, the legislature, tribal entities, and other stakeholders. It offers centralized services to all divisions, programs, and administratively attached boards and commissions within the agency. The primary responsibilities of the Director's Office are set forth in Title 2, Chapter 15, and Title 90, Chapter 1 of the Montana Code Annotated.

Montana Council on Developmental Disabilities:

The Montana Council on Developmental Disabilities is a citizen-based advocacy organization appointed by the Governor, focused on supporting the independence, integration, and productivity of individuals with developmental disabilities. The council administers federal funds to support comprehensive services, assist with state planning activities, and create model programs in partnership with public and private agencies. These responsibilities are outlined in Title 53, Chapter 20 of the Montana Code Annotated.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

In FY 2024, the Director's Office expended 93.8% of its approximately \$1.4 million modified appropriation authority under HB 2. Grant expenditures were slightly lower at 85.6%, as the funds support multi-year projects. This level of spending is consistent with historical patterns.

FY 2024 Appropriations Compared to FY 2025 Appropriation

The Director's Office appropriation authority for FY 2025 is approximately \$163,000, or 11.4%, higher than in FY 2024. This increase primarily reflects additional funding for personal services and a small increase in debt services. Personal services appropriation authority for FY 2025 is higher than in FY 2024, reflecting the 2023 Legislature's adjustments for statewide present law projections and additional authority under HB 13 (the pay plan). Additionally, a program transfer occurred in the 2025 biennium which transferred 2.00 PB and associated funding, increasing FY 2025's personal services authority. Lower operating expense authority in FY 2025 slightly offset the increase due to a reallocation of inflationary adjustments passed during the 2023 Legislative Session to other divisions.

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	(19,347)	0	0	(19,347)	0.00	(14,303)	0	0	(14,303)	
DP 2 - Fixed Costs										
0.00	59,940	0	0	59,940	0.00	62,149	0	0	62,149	
DP 3 - Inflation Deflation										
0.00	(52)	0	0	(52)	0.00	(35)	0	0	(35)	
DP 8105 - DO ADMINISTRATIVE COSTS ADJUSTMENTS										
0.00	51,185	0	0	51,185	0.00	54,882	0	0	54,882	
Grand Total All Present Law Adjustments										
0.00	\$91,726	\$0	\$0	\$91,726	0.00	\$102,693	\$0	\$0	\$102,693	

***"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 2023 biennium

Department of Commerce	
Director's Office	
FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ (3,503)
Management Changes	377
Total Budget Modifications	(16,221)
Total	<u><u>\$(19,347)</u></u>

The executive requests a reduction in statewide present law adjustments for personal services, primarily due to budget modifications that transferred additional personal services authority unrelated to PB. Additionally, legislative changes decreased due to lower budgeted benefit costs.

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 8105 - DO ADMINISTRATIVE COSTS ADJUSTMENTS -

The executive requests adjustments for increased non-state building rent per the terms of the lease agreement, and indirect costs paid to the Director's Office's Centralized Services for support services provided to supported divisions, bureaus, and programs.

DEPARTMENT OF LABOR & INDUSTRY

Section A

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----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 FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
PB	628.48	628.48	628.48	0.00	0.0%
General Fund	2,644,467	833,044	838,473	(3,617,417)	(68.4%)
State/Other Special Rev. Funds	57,879,887	63,020,938	62,540,160	9,801,324	8.5%
Federal Spec. Rev. Funds	34,700,239	35,712,392	35,784,954	2,096,868	3.0%
Total Funds	95,224,593	99,566,374	99,163,587	8,280,775	4.3%
Personal Services	54,016,386	55,110,506	55,246,976	2,324,710	2.2%
Operating Expenses	29,412,193	32,309,854	31,770,597	5,256,065	8.9%
Equipment & Intangible Assets	483,849	833,849	833,849	700,000	72.3%
Grants	9,415,792	9,415,792	9,415,792		0.0%
Benefits & Claims	100,389	100,389	100,389		0.0%
Transfers	447,333	447,333	447,333		0.0%
Debt Service	1,348,651	1,348,651	1,348,651		0.0%
Total Expenditures	95,224,593	99,566,374	99,163,587	8,280,775	4.3%
Total Ongoing	95,224,593	99,466,374	99,163,587	8,180,775	4.3%
Total One-Time-Only	57,551	100,000		(15,102)	(13.1%)

Agency Highlights

**Department of Labor and Industry
Major Budget Highlights**

- The Department of Labor and Industry's 2027 biennium requested appropriations are approximately \$8.3 million or 4.3% higher than the FY 2025 base budget. Significant requested changes include:
 - A funding switch of \$3.7 million from general fund to state special revenue for the Human Rights Bureau
 - An increase of personal services authority across all divisions of \$2.1 million for the statewide present law adjustment
 - An increase of \$1.4 million for anticipated federal funding awards in the Workforce Services Division
 - An additional \$700,000 in authority in the Employment Standards Division for equipment in the Weights and Measures Program
 - An increase of \$1.2 million in the Unemployment Insurance Division for software maintenance contracts related to the Montana Unemployment System Environment (MUSE)
 - \$1.7 million of increases across various divisions within the agency for legal services provided internally
 - An increase of \$630,000 in operating expenses for job service kiosks located throughout the state

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 Labor and Industry 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
Base Budget	2,644,467	57,879,887	34,700,239	95,224,593	95.6%	2,644,467	57,879,887	34,700,239	95,224,593	96.0%
Statewide PL										
Personal Services	18,807	574,082	376,785	969,674	1.0%	24,640	634,636	445,118	1,104,394	1.1%
Fixed Costs	17,585	(12,641)	(297,125)	(292,181)	(0.3%)	17,181	(13,498)	(295,976)	(292,293)	(0.3%)
Inflation Deflation	0	(29,384)	(9,507)	(38,891)	(0.0%)	0	(19,859)	(6,427)	(26,286)	(0.0%)
Total Statewide PL	36,392	532,057	70,153	638,602	0.6%	41,821	601,279	142,715	785,815	0.8%
Present Law (PL)	0	984,000	942,000	1,926,000	1.9%	0	984,000	942,000	1,926,000	1.9%
New Proposals	(1,847,815)	3,624,994	0	1,777,179	1.8%	(1,847,815)	3,074,994	0	1,227,179	1.2%
Total HB 2 Adjustments	(1,811,423)	5,141,051	1,012,153	4,341,781	4.4%	(1,805,994)	4,660,273	1,084,715	3,938,994	4.0%
Total Requested Budget	833,044	63,020,938	35,712,392	99,566,374		838,473	62,540,160	35,784,954	99,163,587	

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.

Department of Labor and Industry				
FY 2026 Statewide Present Law Adjustment for Personal Services (DP1)				
Program	Legislative Changes	Management Changes	Budget Modifications	Total DP1
01 Workforce Services Division	\$ 726,046	\$ (223,331)	\$ 214,747	\$ 717,462
02 Unemployment Insurance Division	161,319	(91,473)	-	69,846
03 Commissioners Office & CSD	24,857	62,413	-	87,270
05 Employment Standards Division	334,173	(192,017)	-	142,156
07 Office of Community Services	2,667	(3,450)	-	(783)
09 Workers Compensation Court	18,886	(27,145)	(38,018)	(46,277)
Agency Total	\$ 1,267,948	\$ (475,003)	\$ 176,729	\$ 969,674

The executive requests an increase in personal services funding for the Department of Labor and Industry (DOLI) in the statewide present law adjustment for personal services. A more detailed breakdown of each division's change in personal services funding is provided at the program level.

New Proposals

The Department of Labor and Industry has one new proposal for legal services that is present in multiple divisions throughout the agency. The executive requests an increase in general fund and state special revenue authority to account for an anticipated increase in usage of legal services in the agency. The total requested increase across all divisions is \$842,000 each fiscal year.

Funding

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

Total Department of Labor and Industry 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
01100 General Fund	1,671,517				1,671,517	0.3%
02258 Employment Security Account	54,114,829	100,000			54,214,829	10.3%
02448 Building Codes State Spec Rev	12,929,002				12,929,002	2.5%
02455 Workers' Comp Regulation	12,246,207				12,246,207	2.3%
02347 Safety Administration Fund	5,019,319				5,019,319	1.0%
02805 Weights & Measures Bureau	4,421,971				4,421,971	0.8%
Other State Special Revenue	36,729,770			1,407,247	38,137,017	7.3%
State Special Revenue Total	125,461,098	100,000	-	1,407,247	126,968,345	24.2%
03954 UI Administrative Grants	21,893,398				21,893,398	4.2%
03124 Employment Trng Grants	15,650,553				15,650,553	3.0%
03682 Wagner Peyser	12,305,441				12,305,441	2.3%
03322 MT Community Service FSR	8,091,201				8,091,201	1.5%
03982 RESEA	2,133,719				2,133,719	0.4%
Other Federal Special Revenue	11,423,034				11,423,034	2.2%
Federal Special Revenue Total	71,497,346	-	-	-	71,497,346	13.6%
06069 UI Tax Benefit Fund			280,619,927		280,619,927	53.4%
06578 Technical Services Direct			14,633,532		14,633,532	2.8%
06546 Commissioner's Office/CSD			10,338,593		10,338,593	2.0%
06552 Legal Admin Services			7,882,590		7,882,590	1.5%
06568 Technical Services			7,761,942		7,761,942	1.5%
Other Proprietary Fund			3,060,252	614,578	3,674,830	0.7%
Proprietary Fund Total	-	-	324,296,836	614,578	324,911,414	61.9%
Total of All Funds	198,629,961	100,000	324,296,836	2,021,825	525,048,622	
Percent of All Sources of Authority	37.8%	0.0%	61.8%	0.4%		

HB 2 Appropriations

General Fund

General fund is a smaller portion of HB 2 appropriation authority, when comparing this to state special revenue and federal special revenue. The DOLI utilizes these appropriations to support activities throughout the Workforce Services Division, Commissioner's Office and Centralized Services Division, Employment Standards Division, and Office of Community Services Division.

State Special Revenue

Appropriations from state special revenue accounts for the majority of HB 2 appropriations in the upcoming biennium. These appropriations come from a variety of accounts, with a large number of these being professional boards and licensing funds. Examples of these accounts are the building codes account and the workers' compensation regulation fund; both of these funds are described in more detail within the Employment Standards Division funding breakdown.

The fund that contributes the largest amount to state special revenue HB 2 appropriations is the employment security account. This account provides funding to several different divisions across the agency. Appropriations out of this account can be used towards the following:

- Unemployment insurance benefits
- Principal, interest, and redemption premiums from employment security revenue bonds
- Expenses related to:
 - Administration of the Unemployment Insurance Program
 - Collecting money deposited into the account
 - Employment offices, including providing services to business communities
 - Apprenticeship and training programs
 - Displaced homemaker programs
 - Department research and analysis for employment, wage, and economic data
 - Department functions related to collective bargaining, prevailing wage, and wage and hour laws

Revenues into the employment security account are generated through an administrative tax placed on Montana employer payrolls. The administrative tax is statutorily set upon all taxable wages paid by the employer, with the percentage of the tax varying based upon the classification of the employer.

The below table depicts the actual revenues and expenditures in FY 2022 through FY 2024, as well as the budgeted revenues and expenditures for FY 2025. Also within this table is the proposed expenditures for FY 2026 and FY 2027, as requested by the executive, with the estimated revenues for this period as well. It is estimated that the ending fund balance as of the end of FY 2027 will be \$29.0 million.

Department of Labor and Industry						
Employment Security Account (02258)						
	Actual FY 2022	Actual FY 2023	Actual FY 2024	Estimated FY 2025	Proposed FY 2026	Proposed FY 2027
Beginning Fund Balance	6,481,890	9,936,925	13,790,489	21,335,077	21,335,077	21,335,077
Revenue	24,452,840	28,094,116	29,978,077	31,666,859	33,085,094	34,503,526
Expenditures						
Personal Services	12,010,758	11,249,269	10,636,705	11,879,598	13,708,389	13,438,516
Operating Expenses	7,941,025	9,420,027	8,378,215	9,020,697	10,409,377	10,204,452
Equipment & Intangible Assets	-	2,385,161	2,418,476	1,600,485	1,846,870	1,810,512
Grants	1,046,504	912,446	710,781	935,646	1,079,683	1,058,427
Transfers	-	30,284	-	10,613	12,247	12,006
Debt Service	264,563	241,161	286,351	277,594	320,328	314,022
Total Expenditures	21,262,850	24,238,348	22,430,528	23,724,633	27,376,894	26,837,935
Ending Fund Balance	9,671,880	13,792,693	21,338,038	29,277,303	27,043,277	29,000,668

During the 2025 Interim, the agency contracted with an actuary to study this account. Detailed findings of this study were presented to the Section A Interim Budget Committee during the September 2024 committee meeting. The actuary conducting the study found the agency may be able to create rate schedules for the percentages charged to employers based upon their payrolls. The addition of two new schedules in rates would reduce the percentages charged to all employers based upon both the balance of the fund and the total payrolls for the state. However, the percentage charged to employers will still depend on the classification of the employer.

**LFD
COMMENT**

The agency currently has proposed legislation, LC 463, to make changes to the rate schedules and revenue structure of this fund.

Federal Special Revenue

Federal special revenue makes up a portion of the agency's HB 2 appropriation authority. The uses and requirements of this funding varies depending on the specific fund and the granting federal agency for this fund. Specific information on the various federal special revenue funds can be found at the division funding level of this report.

Non-Budgeted Proprietary Funds

The majority of funding within this agency is non-budgeted proprietary funding, with the unemployment insurance tax benefit fund being the largest. More detail on the description, revenues, and expenditures of these funds can be found in the Proprietary Funds Report for the Department of Labor and Industry.

Statutory Appropriations

The department also has a small number of statutory appropriations for the upcoming biennium. A more detailed description of each appropriation can be found at the division 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	628.48	628.48	628.48	628.48
Personal Services	47,943,995	49,869,402	54,063,620	55,110,506	55,246,976
Operating Expenses	28,661,367	31,510,442	29,422,510	32,309,854	31,770,597
Equipment & Intangible Assets	84,204	2,573,919	483,849	833,849	833,849
Grants	6,147,722	8,245,792	9,415,792	9,415,792	9,415,792
Benefits & Claims	16,800	100,389	100,389	100,389	100,389
Transfers	656,731	1,009,586	447,333	447,333	447,333
Debt Service	1,213,323	1,463,152	1,348,651	1,348,651	1,348,651
Total Expenditures	\$84,724,142	\$94,772,682	\$95,282,144	\$99,566,374	\$99,163,587
General Fund	2,546,999	2,646,116	2,702,018	833,044	838,473
State/Other Special Rev. Funds	53,449,858	57,963,280	57,879,887	63,020,938	62,540,160
Federal Spec. Rev. Funds	28,727,285	34,163,286	34,700,239	35,712,392	35,784,954
Total Funds	\$84,724,142	\$94,772,682	\$95,282,144	\$99,566,374	\$99,163,587
Total Ongoing	\$84,568,823	\$92,370,034	\$95,224,593	\$99,466,374	\$99,163,587
Total OTO	\$155,319	\$2,402,648	\$57,551	\$100,000	\$0

Agency Description

The Department of Labor and Industry serves a number of functions. In part, the department:

- Fosters a robust Montana workforce by connecting job seekers with employment opportunities and upskilling programs, assisting individuals in preparing for and finding jobs while assisting employers in finding workers
- Oversees federal and state training and apprenticeship programs
- Conducts economic research and collects economic data
- Administers the Unemployment Insurance (UI) Program, disburses unemployment benefits and facilitates employer UI contributions
- Enforces state and federal labor standards, anti-discrimination laws, and state and federal safety-occupational health laws
- Provides adjudicative services in labor-management disputes
- Licenses, inspects, tests, and certifies all weighing or measuring devices used in making commercial transactions in the State of Montana
- Provides administrative and clerical services to the professional boards of licensure and occupational licensing programs authorized by state statutes
- Establishes and enforces minimum building codes
- Administers the federal AmeriCorps, Campus Corps, and Volunteer Montana programs through the Office of Community Service
- Oversees and regulates the Montana workers' compensation system

Organizationally, the department is divided into five divisions: 1) Workforce Services; 2) Unemployment Insurance; 3) Commissioner's Office/Centralized Services; 4) Employment Standards; and 5) Technology Services Division. The Office of Community Service, Workers' Compensation Court, Board of Personnel Appeals, and Board of Labor Appeals are administratively attached. Under statute the Human Rights Commission is allocated to the Department of Labor and Industry for administrative purposes.

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

The Department of Labor and Industry is primarily funded through state special revenue and federal special revenue, with a small portion of general fund. Within the agency, 61.2%, or \$58.0 million, of the authority is from state special revenue, with \$34.2 million being from federal special revenue. Of the entire \$94.8 million HB 2 budget for FY 2024, \$2.6 million of that is general fund. In FY 2024, the Department of Labor and Industry expended 89.4% of its HB 2 modified budget, which closely mirrors its five-year Olympic average percent expended of 91.3%.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The Department of Labor and Industry's appropriations for FY 2025 are 0.5 % higher than in FY 2024. Within the FY 2025 appropriations, minor differences to the FY 2024 appropriations are due to various budget modification made by the department during the interim. These changes will be discussed in more detail in their respective program.

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 Labor and Industry Comparison of the FY 2025 Legislative Budget to the FY 2025 Base Budget				
	Legislative Budget	Executive Modifications	Base Budget	% Change
01 WORKFORCE SERVICES DIVISION				
61000 Personal Services	16,620,866	1,121,914	17,742,780	6.8%
62000 Operating Expenses	7,377,519	(105,705)	7,271,814	-1.4%
63000 Equipment & Intangible Assets	12,908		12,908	0.0%
66000 Grants	6,316,070		6,316,070	0.0%
68000 Transfers	101,814		101,814	0.0%
69000 Debt Service	124,387	236,613	361,000	190.2%
Total	30,553,564	1,252,822	31,806,386	4.1%
02 UNEMPLOYMENT INSURANCE DIV				0.0%
61000 Personal Services	11,867,451	(733,227)	11,134,224	-6.2%
62000 Operating Expenses	7,768,392	(118,520)	7,649,872	-1.5%
69000 Debt Service	36,505		36,505	0.0%
Total	19,672,348	(851,747)	18,820,601	-4.3%
03 COMMISSIONERS OFFICE & CSD				0.0%
61000 Personal Services	973,452	-	973,452	0.0%
62000 Operating Expenses	662,927	(30,000)	632,927	-4.5%
68000 Transfers	20,000	30,000	50,000	150.0%
69000 Debt Service	3,359		3,359	0.0%
Total	1,659,738	-	1,659,738	0.0%
05 EMPLOYMENT STANDARDS DIVISION				0.0%
61000 Personal Services	23,392,331	(277,634)	23,114,697	-1.2%
62000 Operating Expenses	14,142,819	(821,914)	13,320,905	-5.8%
63000 Equipment & Intangible Assets	470,941		470,941	0.0%
66000 Grants	5,000		5,000	0.0%
67000 Benefits & Claims	100,389		100,389	0.0%
68000 Transfers	44,869	-	44,869	0.0%
69000 Debt Service	72,786	821,914	894,700	1129.2%
Total	38,229,135	(277,634)	37,951,501	-0.7%
07 OFFICE OF COMMUNITY SERVICES				0.0%
61000 Personal Services	456,678		456,678	0.0%
62000 Operating Expenses	413,939	(12,388)	401,551	-3.0%
66000 Grants	3,094,722		3,094,722	0.0%
68000 Transfers	250,650		250,650	0.0%
69000 Debt Service	1,172		1,172	0.0%
Total	4,217,161	(12,388)	4,204,773	-0.3%
09 WORKERS COMPENSATION COURT				0.0%
61000 Personal Services	705,608	(111,053)	594,555	-15.7%
62000 Operating Expenses	184,074	(48,950)	135,124	-26.6%
69000 Debt Service	2,965	48,950	51,915	1650.9%
Total	892,647	(111,053)	781,594	-12.4%
Agency Total	95,224,593	-	95,224,593	0.0%

In comparing the legislative budget to the base budget for FY 2025, there were executive modifications made that are worth noting. The two notable modifications involve the movement of personal services funding within DOLI to reallocate the eliminated PB from DP 102 of the 2023 Legislative Session. This decision package reduced the number of PB by 40.00 in the Workforce Services Division. In an effort to spread out this decrease, positions were transferred into this division from the Unemployment Insurance Division, Employment Standards Division, and the Workers Compensation Court.

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	222.00	222.00	222.00	0.00	0.0%
General Fund	271,895	277,897	278,175	12,282	2.3%
State/Other Special Rev. Funds	14,292,551	15,309,683	14,877,456	1,602,037	5.6%
Federal Spec. Rev. Funds	17,241,940	18,199,962	18,223,661	1,939,743	5.6%
Total Funds	31,806,386	33,787,542	33,379,292	3,554,062	5.6%
Personal Services	17,742,780	18,460,242	18,497,803	1,472,485	4.1%
Operating Expenses	7,271,814	8,535,508	8,089,697	2,081,577	14.3%
Equipment & Intangible Assets	12,908	12,908	12,908		0.0%
Grants	6,316,070	6,316,070	6,316,070		0.0%
Transfers	101,814	101,814	101,814		0.0%
Debt Service	361,000	361,000	361,000		0.0%
Total Expenditures	31,806,386	33,787,542	33,379,292	3,554,062	5.6%
Total Ongoing	31,806,386	33,787,542	33,379,292	3,554,062	5.6%
Total One-Time-Only					0.0%

Program Highlights

Workforce Services Division Major Budget Highlights

- The Workforce Services Division's 2027 biennium requested appropriations are approximately \$3.6 million or 5.6% higher than the FY 2025 base budget
- Operating expenses are requested to increase by 14.3%, or \$2.1 million, in the upcoming biennium partially due to:
 - Increases of \$1.4 million for anticipated federal funding awards
 - Increases of \$630,000 for job service kiosks located throughout the state

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.

Workforce 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
Base Budget	271,895	14,292,551	17,241,940	31,806,386	94.1%	271,895	14,292,551	17,241,940	31,806,386	95.3%
Statewide PL										
Personal Services	5,746	373,016	338,700	717,462	2.1%	6,011	388,496	360,516	755,023	2.3%
Fixed Costs	256	(40,799)	(72,435)	(112,978)	(0.3%)	269	(41,391)	(73,223)	(114,345)	(0.3%)
Inflation Deflation	0	(8,898)	(8,243)	(17,141)	(0.1%)	0	(6,013)	(5,572)	(11,585)	(0.0%)
Total Statewide PL	6,002	323,319	258,022	587,343	1.7%	6,280	341,092	281,721	629,093	1.9%
Present Law (PL)	0	0	700,000	700,000	2.1%	0	0	700,000	700,000	2.1%
New Proposals	0	693,813	0	693,813	2.1%	0	243,813	0	243,813	0.7%
Total HB 2 Adjustments	6,002	1,017,132	958,022	1,981,156	5.9%	6,280	584,905	981,721	1,572,906	4.7%
Total Requested Budget	277,897	15,309,683	18,199,962	33,787,542		278,175	14,877,456	18,223,661	33,379,292	

Funding

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

Department of Labor and Industry, 01-Workforce 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	556,072	0	0	0	556,072	0.8%
02067 Montana HELP Act	1,350,000	0	0	0	1,350,000	4.5%
02258 Employment Security Account	28,837,139	0	0	0	28,837,139	95.5%
State Special Total	\$30,187,139	\$0	\$0	\$0	\$30,187,139	44.9%
03124 Employment Trng Grants	15,650,553	0	0	0	15,650,553	43.0%
03128 L & I Federal Funding	685,498	0	0	0	685,498	1.9%
03194 Research & Analysis BLS	1,537,411	0	0	0	1,537,411	4.2%
03297 Labor and Industry Veteran Gra	1,597,549	0	0	0	1,597,549	4.4%
03660 SAA	246,555	0	0	0	246,555	0.7%
03682 Wagner Peyser	12,305,441	0	0	0	12,305,441	33.8%
03692 Alien Labor Certification(ALC)	981,071	0	0	0	981,071	2.7%
03693 Wrk Opportunities Tx Crdt/WOTC	189,051	0	0	0	189,051	0.5%
03694 Trade Adjustment Assist/NAFTA	1,049,473	0	0	0	1,049,473	2.9%
03954 UI Administrative Grants	47,302	0	0	0	47,302	0.1%
03982 RESEA	2,133,719	0	0	0	2,133,719	5.9%
Federal Special Total	\$36,423,623	\$0	\$0	\$0	\$36,423,623	54.2%
06051 Montana Career Info System	0	0	3,500	0	3,500	100.0%
Proprietary Total	\$0	\$0	\$3,500	\$0	\$3,500	0.0%
Total All Funds	\$67,166,834	\$0	\$3,500	\$0	\$67,170,334	

HB 2 Appropriations**General Fund**

During the 2021 Legislative Session, HB 629 was passed and created an income tax credit to incentivize Montana job growth. The general fund appropriations for this division support the administration of this incentive program.

State Special Revenue

For the upcoming biennium, state special revenue funds are slightly less than half of the total appropriations for the Workforce Services Division. Of this funding, the vast majority of this is within the employment security account with revenue into this fund coming from administrative assessments on payrolls of Montana employers. Further details on this fund are found in the agency funding section of this report. The other source of state special revenue appropriations in this division is the Montana Health and Economic Livelihood Partnership (HELP) Act account. Alongside the Department of Public Health and Human Services, the division (and agency as a whole) is responsible for assisting qualifying participants in Medicare and Medicaid with workforce resources and opportunities.

Federal Special Revenue

Within HB 2 appropriations, over half are from federal special revenue funds. The primary source of these funds come from the Wagner-Peyser Act and the Workforce Innovation and Opportunity Act (WIOA) employment training grants. The Wagner-Peyser Act was established in 1933 to provide a one-stop-shop for employment services by providing a national employment system with the cooperation of state governments. The WIOA provides funding for administration of employment services to adults, youth, and dislocated workers.

Non-Budgeted Proprietary Funds

Proprietary funding within this division stems from the Montana Career Information Systems. Funding for this will be discussed further in the report on non-budgeted proprietary funds within this agency.

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	222.00	222.00	222.00	222.00
Personal Services	15,323,090	15,568,093	17,742,780	18,460,242	18,497,803
Operating Expenses	8,310,782	9,003,289	7,271,814	8,535,508	8,089,697
Equipment & Intangible Assets	0	8	12,908	12,908	12,908
Grants	4,238,498	5,716,070	6,316,070	6,316,070	6,316,070
Transfers	0	96,914	101,814	101,814	101,814
Debt Service	206,014	401,050	361,000	361,000	361,000
Total Expenditures	\$28,078,384	\$30,785,424	\$31,806,386	\$33,787,542	\$33,379,292
General Fund	172,847	271,895	271,895	277,897	278,175
State/Other Special Rev. Funds	12,918,933	13,775,583	14,292,551	15,309,683	14,877,456
Federal Spec. Rev. Funds	14,986,604	16,737,946	17,241,940	18,199,962	18,223,661
Total Funds	\$28,078,384	\$30,785,424	\$31,806,386	\$33,787,542	\$33,379,292
Total Ongoing	\$28,078,384	\$30,785,424	\$31,806,386	\$33,787,542	\$33,379,292
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Workforce Services Division (WSD) serves Montana workers and employers by fostering a highly skilled, trained, employment-ready workforce and connecting workers with employment and job training opportunities. The division engages with employers and industries to understand and address future workforce needs. WSD operates 18 Job Service Offices (JSOs) across Montana tasked with working with individual job seekers to identify and pursue good-paying, sustainable careers, and connect them with resources to change careers, upskill, or otherwise prepare them for the workforce. The division administers Montana's Registered Apprenticeship Program, which provides paid, on-the-job training in a wide range of fields, and provides economic and labor market information to Montana policymakers, employers, and other stakeholders. WSD is structured in three bureaus: Job Service, Data & Operations, and Business & Education Engagement.

FY 2024 Appropriations Compared to FY 2024 Expenditures

The Workforce Services Division within the Department of Labor and Industry is primarily funded through both federal special revenue and state special revenue funds, with a small portion of general fund. Appropriations within FY 2024 were 91.2% expended through the end of the fiscal year; this closely aligns with the anticipated level of expenditure through the fiscal year end.

FY 2024 Appropriations Compared to FY 2025

Within the Workforce Services Division, the FY 2025 appropriations are 3.3% higher than the FY 2024 appropriations. In FY 2025, operating expenses are 19.2% lower than in FY 2024. The primary reason for this is due to a budget modification executed by the agency that increased the operating expense appropriation budget by \$2.0 million in FY 2024. Also, personal services in FY 2025 are 14.0% higher than in FY 2024 due to budget modifications that transferred appropriation authority from multiple other divisions within the agency to WSD. Divisions that these modifications affected were the Unemployment Insurance Division, Employment Standards Division, and the Workers Compensation Court. In the previous session, the legislature passed a decision package which reduced positions budgeted (PB) by 40.00. The budget modification made by the division were done to spread this decrease across the agency by transferring appropriations and PB into the Workforce Services Division from other divisions within the agency.

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	5,746	373,016	338,700	717,462		0.00	6,011	388,496	360,516	755,023
DP 2 - Fixed Costs										
0.00	256	(40,799)	(72,435)	(112,978)		0.00	269	(41,391)	(73,223)	(114,345)
DP 3 - Inflation Deflation										
0.00	0	(8,898)	(8,243)	(17,141)		0.00	0	(6,013)	(5,572)	(11,585)
DP 101 - WSD Increase Federal Long-term Authority										
0.00	0	0	700,000	700,000		0.00	0	0	700,000	700,000
Grand Total All Present Law Adjustments										
0.00	\$6,002	\$323,319	\$958,022	\$1,287,343		0.00	\$6,280	\$341,092	\$981,721	\$1,329,093

***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 Labor and Industry Workforce Services Division FY 2026 Statewide Present Law Adjustment for Personal Services (DP1)	
Legislative Changes	\$ 155,125
Management Changes	347,590
Total Budget Modifications	214,747
Total	<u>\$ 717,462</u>

The executive requests an increase in personal services funding for the upcoming biennium. This increase is within legislative, and management changes, with a portion also in budget modifications. The legislative change is driven by an increase in benefits costs for the division while the management change is due to various pay rate changes made by the agency during the interim. The increase through budget modifications is due to the transfer of PB into the division to reallocate a reduction in PB that occurred during the 2023 Legislative Session. The transfer of funding associated with these PB was not equal to the funding associated with these positions, so a further increase is occurring in the statewide present law adjustment for personal services.

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 101 - WSD Increase Federal Long-term Authority -

The executive requests an increase in federal authority for the upcoming biennium. This request is due to an increase in annual federal grants that the division has experienced.

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 102 - Job Service Kiosks										
0.00	0	540,000	0	540,000	0.00	0	90,000	0	90,000	
DP 302 - Legal Adjustment										
0.00	0	153,813	0	153,813	0.00	0	153,813	0	153,813	
Total	0.00	\$0	\$693,813	\$0	\$693,813	0.00	\$0	\$243,813	\$0	\$243,813

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

DP 102 - Job Service Kiosks -

The executive requests an increase in state special revenue funds in the upcoming biennium to place job service kiosks at various locations throughout the state. These kiosks would provide public information on employment and training opportunities. With this request, the agency would partner with the Department of Administration to place these kiosks in Job Service Offices, Office of Public Assistance centers, county courthouses, and tribal headquarters across Montana.

DP 302 - Legal Adjustment -

The executive requests an increase in state special revenue authority to account for the anticipated increase in usage of legal services in the agency.

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	137.61	137.61	137.61	0.00	0.0%
State/Other Special Rev. Funds	7,327,377	7,920,118	7,909,755	1,175,119	8.0%
Federal Spec. Rev. Funds	11,493,224	11,374,013	11,418,006	(194,429)	(0.8%)
Total Funds	18,820,601	19,294,131	19,327,761	980,690	2.6%
Personal Services	11,134,224	11,204,070	11,232,901	168,523	0.8%
Operating Expenses	7,649,872	8,053,556	8,058,355	812,167	5.3%
Debt Service	36,505	36,505	36,505		0.0%
Total Expenditures	18,820,601	19,294,131	19,327,761	980,690	2.6%
Total Ongoing	18,820,601	19,294,131	19,327,761	980,690	2.6%
Total One-Time-Only					0.0%

Program Highlights

Unemployment Insurance Division Major Budget Highlights	
<ul style="list-style-type: none"> The Unemployment Insurance Division's 2027 biennium requested appropriations are approximately \$981,000 or 2.6% higher than the FY 2025 base budget. Requested changes include: <ul style="list-style-type: none"> A decrease of \$968,000 over the upcoming biennium of fixed costs with this mainly due to decreases in information technology costs State special revenue funds increase by 8.0% or \$1.2 million. Significant proposed increases include: <ul style="list-style-type: none"> An increase of \$1.2 million for software maintenance contracts associated with the Montana Unemployment Service Environment System (MUSE) An increase of \$404,000 in legal services provided by the agency 	

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.

Unemployment Insurance 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
Base Budget	0	7,327,377	11,493,224	18,820,601	97.5%	0	7,327,377	11,493,224	18,820,601	97.4%
Statewide PL										
Personal Services	0	42,607	27,239	69,846	0.4%	0	30,051	68,626	98,677	0.5%
Fixed Costs	0	(258,928)	(227,382)	(486,310)	(2.5%)	0	(256,735)	(225,122)	(481,857)	(2.5%)
Inflation Deflation	0	0	(1,068)	(1,068)	(0.0%)	0	0	(722)	(722)	(0.0%)
Total Statewide PL	0	(216,321)	(201,211)	(417,532)	(2.2%)	0	(226,684)	(157,218)	(383,902)	(2.0%)
Present Law (PL)	0	607,000	82,000	689,000	3.6%	0	607,000	82,000	689,000	3.6%
New Proposals	0	202,062	0	202,062	1.0%	0	202,062	0	202,062	1.0%
Total HB 2 Adjustments	0	592,741	(119,211)	473,530	2.5%	0	582,378	(75,218)	507,160	2.6%
Total Requested Budget	0	7,920,118	11,374,013	19,294,131		0	7,909,755	11,418,006	19,327,761	

Funding

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

Department of Labor and Industry, 02-Unemployment Insurance 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%	
02067 Montana HELP Act	652,763	0	0	0	652,763	4.1%	
02258 Employment Security Account	15,177,110	0	0	0	15,177,110	95.9%	
State Special Total	\$15,829,873	\$0	\$0	\$0	\$15,829,873	5.0%	
03278 UI Penalty & Interest	2,088,695	0	0	0	2,088,695	9.2%	
03954 UI Administrative Grants	20,703,324	0	0	0	20,703,324	90.8%	
Federal Special Total	\$22,792,019	\$0	\$0	\$0	\$22,792,019	7.1%	
06069 UI Tax Benefit Fund	0	0	280,619,927	0	280,619,927	100.0%	
Proprietary Total	\$0	\$0	\$280,619,927	\$0	\$280,619,927	87.9%	
Total All Funds	\$38,621,892	\$0	\$280,619,927	\$0	\$319,241,819		

HB 2 Appropriations

State Special Revenue

Appropriations within state special revenue funds are derived primarily from the employment security account. This fund receives revenues through an administrative assessment charged to employers for a percentage of their payroll within the state. Further detail on this fund can be found in the agency funding section of this report. Also, as part of state special revenue appropriations, is funding associated with the Montana HELP Act. This funding is used towards personal services and general operating cost for the Unemployment Insurance fraud team.

Non-Budgeted Proprietary Funds

Within the Unemployment Insurance Division, there is one non-budgeted proprietary fund. Details regarding the unemployment insurance (UI) tax benefit fund can be found in the report on the non-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	137.61	137.61	137.61	137.61
Personal Services	9,355,748	10,492,432	11,134,224	11,204,070	11,232,901
Operating Expenses	7,178,314	8,331,362	7,649,872	8,053,556	8,058,355
Debt Service	68,161	78,495	36,505	36,505	36,505
Total Expenditures	\$16,602,223	\$18,902,289	\$18,820,601	\$19,294,131	\$19,327,761
State/Other Special Rev. Funds	7,342,186	7,403,974	7,327,377	7,920,118	7,909,755
Federal Spec. Rev. Funds	9,260,037	11,498,315	11,493,224	11,374,013	11,418,006
Total Funds	\$16,602,223	\$18,902,289	\$18,820,601	\$19,294,131	\$19,327,761
Total Ongoing	\$16,602,223	\$18,902,289	\$18,820,601	\$19,294,131	\$19,327,761
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

Montana's Unemployment Insurance Division (UID) administers the state's Unemployment Insurance Program, which provides temporary, partial wage replacement benefits for unemployed workers. The UID operates in three bureaus:

- The Claims Processing Bureau conducts the intake, adjudication, and payment of UI benefit claims. The bureau assists unemployed Montanans with claims filings and appeals and operates claims processing centers in Helena and Billings
- The Contributions Bureau facilitates the payment of employer UI payroll taxes, collects taxes and wage reports, and conducts employer audits to ensure compliance
- The Program Support Bureau is responsible for reporting, compliance, program integrity and operational support, including support for the Unemployment Insurance Appeals Board. The division also houses a fraud prevention team that seeks to identify and prevent fraudulent UI claims, and reclaim funds paid on fraudulent claims

FY 2024 Appropriations Compared to FY 2024 Expenditures

The UID expended 87.8% of its FY 2024 HB 2 modified budget. This level of expenditure aligns closely to the historical averages for this division. The UID is 60.8% funded through federal special revenue funds, or \$11.5 million of its \$18.9 million HB 2 modified budget for FY 2024. The remaining funding is concentrated within state special revenue funds for FY 2024.

FY 2024 Appropriations Compared to FY 2025

The UID appropriations for FY 2025 are 0.4% lower than the appropriations for FY 2024. This decrease is mainly due to the reorganization and transfer of 8.50 PB from this division to the Workforce Services Division within the Department of Labor and Industry. Additionally, operating expenses were transferred to the Workforce Services Division to aid in expenditures related to the career coaches' program. Between the reorganization and program transfer, \$852,000 was moved out of the Unemployment Insurance 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	0	42,607	27,239	69,846	0.00	0	30,051	68,626	98,677
DP 2 - Fixed Costs	0.00	0	(258,928)	(227,382)	(486,310)	0.00	0	(256,735)	(225,122)	(481,857)
DP 3 - Inflation Deflation	0.00	0	0	(1,068)	(1,068)	0.00	0	0	(722)	(722)
DP 201 - UID Software Maintenance Contract Operations	0.00	0	607,000	0	607,000	0.00	0	607,000	0	607,000
DP 303 - Postage & Mailing Inflation	0.00	0	0	82,000	82,000	0.00	0	0	82,000	82,000
Grand Total All Present Law Adjustments	0.00	\$0	\$390,679	(\$119,211)	\$271,468	0.00	\$0	\$380,316	(\$75,218)	\$305,098

***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 Labor and Industry Unemployment Insurance Division FY 2026 Statewide Present Law Adjustment for Personal Services (DP1)	
Legislative Changes	\$ 161,319
Management Changes	(91,473)
Total Budget Modifications	-
Total	\$ 69,846

The executive requests an increase in personal services authority for the upcoming biennium. This increase is primarily within legislative changes and due to increases in benefits. This increase is slightly offset with the decrease in management changes because of 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 201 - UID Software Maintenance Contract Operations -

The executive requests an increase in state special revenue funding in each year of the upcoming biennium. This funding will be used towards ongoing contracted costs regarding software maintenance of the Montana Unemployment Services Environment system (MUSE).

DP 303 - Postage & Mailing Inflation -

The executive requests an increase in federal special revenue authority for the upcoming biennium. This request is an inflationary adjustment to be utilized within postage and mailing costs in the division.

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 - Legal Adjustment	0.00	0	202,062	0	202,062	0.00	0	202,062	0	202,062
Total	0.00	\$0	\$202,062	\$0	\$202,062	0.00	\$0	\$202,062	\$0	\$202,062

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

DP 302 - Legal Adjustment -

The executive requests an increase in state special revenue authority to account for the anticipated increase in usage of legal services in the agency.

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	10.00	10.00	10.00	0.00	0.0%
General Fund	344,698	344,885	346,126	1,615	0.2%
State/Other Special Rev. Funds	705,620	883,287	784,051	256,098	18.1%
Federal Spec. Rev. Funds	609,420	602,216	603,844	(12,780)	(1.0%)
Total Funds	1,659,738	1,830,388	1,734,021	244,933	7.4%
Personal Services	973,452	1,060,722	1,064,541	178,359	9.2%
Operating Expenses	632,927	716,307	616,121	66,574	5.3%
Transfers	50,000	50,000	50,000		0.0%
Debt Service	3,359	3,359	3,359		0.0%
Total Expenditures	1,659,738	1,830,388	1,734,021	244,933	7.4%
Total Ongoing	1,659,738	1,730,388	1,734,021	144,933	4.4%
Total One-Time-Only		100,000		100,000	0.0%

Program Highlights

Commissioners Office and Centralized Services Division (CSD) Major Budget Highlights

- The Commissioners Office and CSD's 2027 biennium requested appropriations are approximately \$245,000 or 7.4% higher than the FY 2025 base budget. Significant changes include:
 - An increase, primarily in state special revenue, of \$178,000 for personal services expenditures, this increase is primarily due to management changes made by the division
 - An increase in state special revenue of \$100,000 in operating expenses to perform operation assessments in other division within the agency

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.

Commissioner's Office & C.s.d. 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
Base Budget	344,698	705,620	609,420	1,659,738	90.7%	344,698	705,620	609,420	1,659,738	95.7%
Statewide PL										
Personal Services	4,126	77,684	5,460	87,270	4.8%	5,424	78,486	7,179	91,089	5.3%
Fixed Costs	(5,943)	(3,822)	(12,582)	(22,347)	(1.2%)	(6,000)	(3,860)	(12,699)	(22,559)	(1.3%)
Inflation Deflation	0	0	(82)	(82)	(0.0%)	0	0	(56)	(56)	(0.0%)
Total Statewide PL	(1,817)	73,862	(7,204)	64,841	3.5%	(576)	74,626	(5,576)	68,474	3.9%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	2,004	103,805	0	105,809	5.8%	2,004	3,805	0	5,809	0.3%
Total HB 2 Adjustments	187	177,667	(7,204)	170,650	9.3%	1,428	78,431	(5,576)	74,283	4.3%
Total Requested Budget	344,885	883,287	602,216	1,830,388		346,126	784,051	603,844	1,734,021	

Funding

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

Department of Labor and Industry, 03-Commissioner's Office & C.s.d. Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	691,011	0	0	0	691,011	3.2%
02233 BSD Hearings	151,223	0	0	0	151,223	9.1%
02258 Employment Security Account	1,395,405	100,000	0	0	1,495,405	89.7%
02315 DLI Info Exchange/Rental	2,142	0	0	0	2,142	0.1%
02941 Uninsured Employer Fund	18,568	0	0	0	18,568	1.1%
State Special Total	\$1,567,338	\$100,000	\$0	\$0	\$1,667,338	7.7%
03122 EEOC	63,288	0	0	0	63,288	5.2%
03954 UI Administrative Grants	1,142,772	0	0	0	1,142,772	94.8%
Federal Special Total	\$1,206,060	\$0	\$0	\$0	\$1,206,060	5.5%
06546 Commissioner's Office/CSD	0	0	10,338,593	0	10,338,593	56.7%
06552 Legal Admin Services	0	0	7,882,590	0	7,882,590	43.3%
Proprietary Total	\$0	\$0	\$18,221,183	\$0	\$18,221,183	83.6%
Total All Funds	\$3,464,409	\$100,000	\$18,221,183	\$0	\$21,785,592	

HB 2 Appropriations

General Fund

Appropriation authority from the general fund is approximately 20.0% of the total HB 2 appropriations. These appropriations are utilized towards the Office of Administrative Hearing's Program for human rights cases.

State Special Revenue

State special revenue accounts for a portion of appropriations from HB 2 within this division. The largest contributing fund within this is the employment security account. Revenues into this account are from administrative assessments placed upon payrolls of Montana employers. More detail of this fund can be found in the agency funding section of this report. The Business Standards Division (BSD) Hearings fund makes up the majority of the remaining state special revenue authority. This fund is used by the Office of Administrative Hearings when hearing cases are from the Employment Standards Division (formerly Business Standards Division).

Federal Special Revenue

The Commissioner's Office and Centralized Services Division (CSD) receive a portion of its HB 2 appropriations from federal special revenue funds. This federal funding comes from UI administrative grants with the other portion coming from the Equal Employment Opportunity Commission (EEOC).

Non-Budgeted Proprietary Funds

Within the Commissioner's Office and CSD, there are two non-budgeted proprietary funds that provide funding. In-depth descriptions, revenues, and expenditures of these funds can be found 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	10.00	10.00	10.00	10.00
Personal Services	797,638	898,960	973,452	1,060,722	1,064,541
Operating Expenses	285,924	401,587	632,927	716,307	616,121
Transfers	0	5,000	50,000	50,000	50,000
Debt Service	648	2,698	3,359	3,359	3,359
Total Expenditures	\$1,084,210	\$1,308,245	\$1,659,738	\$1,830,388	\$1,734,021
General Fund	324,768	324,818	344,698	344,885	346,126
State/Other Special Rev. Funds	307,134	408,286	705,620	883,287	784,051
Federal Spec. Rev. Funds	452,308	575,141	609,420	602,216	603,844
Total Funds	\$1,084,210	\$1,308,245	\$1,659,738	\$1,830,388	\$1,734,021
Total Ongoing	\$1,084,210	\$1,308,245	\$1,659,738	\$1,730,388	\$1,734,021
Total OTO	\$0	\$0	\$0	\$100,000	\$0

Program Description

The Commissioner's Office and the CSD provide agency and program direction, legal, administration, and support services to the department's programs and administratively attached entities. Additionally, the Office of Administrative Hearings provides impartial administrative hearings and dispute resolution services.

FY 2024 Appropriations Compared to FY 2024 Expenditures

The Commissioner's Office and CSD expended 82.9% of its HB 2 appropriations in FY 2024. Appropriations within this division are fairly evenly spread amongst general fund (24.8%), state special revenue (31.2%), and federal special revenue (44.0%). Of the \$1.3 million in appropriations, personal services accounts for 68.7%, or \$899,000, of the total budget. Personal services were 88.7% expended in FY 2024. These lower personal services expenditures are due to 2.00 vacant PB for a large portion of FY 2024. Also, within this division, the operating expense budget of \$402,000 was 71.2% expended in FY 2024. This lower percent expended was primarily within the Office of Administrative Hearings and technology operating expenses. The Office of Administrative Hearings operating expenses were underspent due a lower caseload in the Unemployment Insurance Division.

FY 2024 Appropriations Compared to FY 2025 Appropriations

Appropriations within the Commissioner's Office and CSD for FY 2025 are 26.9% higher, as compared to FY 2024 appropriations. Although the FY 2025 appropriations are higher than FY 2024, this difference is mainly due to one budget modification in FY 2024. This budget change transferred funding to the UID for a shortfall in personal services and an accrual needed for information technology (IT) modernization. Due to this program transfer, personal services and operating expenses are 8.3% and 57.6% higher in FY 2025 as compared to FY 2024, respectively. Another reasoning for the increase in personal services is the HB 13 funding for the statewide pay plan 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	4,126	77,684	5,460	87,270	0.00	5,424	78,486	7,179	91,089
DP 2 - Fixed Costs	0.00	(5,943)	(3,822)	(12,582)	(22,347)	0.00	(6,000)	(3,860)	(12,699)	(22,559)
DP 3 - Inflation Deflation	0.00	0	0	(82)	(82)	0.00	0	0	(56)	(56)
Grand Total All Present Law Adjustments	0.00	(\$1,817)	\$73,862	(\$7,204)	\$64,841	0.00	(\$576)	\$74,626	(\$5,576)	\$68,474

*"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 Labor and Industry Commissioners Office and CSD FY 2026 Statewide Present Law Adjustment for Personal Services (DP1)	
Legislative Changes	\$ 24,857
Management Changes	62,413
Total Budget Modifications	-
Total	<u>\$ 87,270</u>

The executive requests an increase in personal services funding with this increase mainly coming from management changes. The primary reasoning behind this increase is due to an increase in the median market 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.

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 301 - Operations Resources (BIEN, OTO)										
0.00	0	100,000	0	100,000		0.00	0	0	0	0
DP 302 - Legal Adjustment										
0.00	2,004	3,805	0	5,809		0.00	2,004	3,805	0	5,809
Total	0.00	\$2,004	\$103,805	\$0	\$105,809	0.00	\$2,004	\$3,805	\$0	\$5,809

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

DP 301 - Operations Resources (BIEN, OTO) -

The executive requests an increase in one-time-only biennial state special revenue authority. This request is for the Commissioner's Office to conduct operational assessments on the Workforce Services and Unemployment Insurance Divisions. This request would provide funding for a consultant to evaluate the divisions processes for efficiency.

DP 302 - Legal Adjustment -

The executive requests an increase in state special revenue authority to account for the anticipated increase in usage of legal services in the agency.

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	248.87	248.87	248.87	0.00	0.0%
General Fund	1,860,556	38,317	41,978	(3,640,817)	(97.8%)
State/Other Special Rev. Funds	34,772,745	37,886,290	37,946,581	6,287,381	9.0%
Federal Spec. Rev. Funds	1,318,200	1,490,977	1,493,466	348,043	13.2%
Total Funds	37,951,501	39,415,584	39,482,025	2,994,607	3.9%
Personal Services	23,114,697	23,256,853	23,319,531	346,990	0.8%
Operating Expenses	13,320,905	14,292,832	14,296,595	1,947,617	7.3%
Equipment & Intangible Assets	470,941	820,941	820,941	700,000	74.3%
Grants	5,000	5,000	5,000		0.0%
Benefits & Claims	100,389	100,389	100,389		0.0%
Transfers	44,869	44,869	44,869		0.0%
Debt Service	894,700	894,700	894,700		0.0%
Total Expenditures	37,951,501	39,415,584	39,482,025	2,994,607	3.9%
Total Ongoing	37,951,501	39,415,584	39,482,025	2,994,607	3.9%
Total One-Time-Only					0.0%

Program Highlights

Employment Standards Division Major Budget Highlights

- The Employment Standards Division's 2027 biennium requested appropriations are approximately \$3.0 million or 3.9% higher than the FY 2025 base budget. Significant requested changes include:
 - A funding switch of \$3.7 million from general fund to state special revenue for the Human Rights Bureau
 - An increase of \$647,000 in fixed costs in the biennium, mainly due to an increase in information technology costs
 - An increase of \$960,000 for legal services provided by the agency
 - An increase of \$700,000 for equipment in the Weights and Measures Program

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.

Employment Standards 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
Base Budget	1,860,556	34,772,745	1,318,200	37,951,501	96.3%	1,860,556	34,772,745	1,318,200	37,951,501	96.1%
Statewide PL										
Personal Services	9,123	127,052	5,981	142,156	0.4%	13,149	183,066	8,619	204,834	0.5%
Fixed Costs	18,457	299,893	6,796	325,146	0.8%	18,092	297,585	6,647	322,324	0.8%
Inflation Deflation	0	(20,316)	0	(20,316)	(0.1%)	0	(13,731)	0	(13,731)	(0.0%)
Total Statewide PL	27,580	406,629	12,777	446,986	1.1%	31,241	466,920	15,266	513,427	1.3%
Present Law (PL)	0	377,000	160,000	537,000	1.4%	0	377,000	160,000	537,000	1.4%
New Proposals	(1,849,819)	2,329,916	0	480,097	1.2%	(1,849,819)	2,329,916	0	480,097	1.2%
Total HB 2 Adjustments	(1,822,239)	3,113,545	172,777	1,464,083	3.7%	(1,818,578)	3,173,836	175,266	1,530,524	3.9%
Total Requested Budget	38,317	37,886,290	1,490,977	39,415,584		41,978	37,946,581	1,493,466	39,482,025	

Funding

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

Department of Labor and Industry, 05-Employment Standards 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	80,295	0	0	0	80,295	0.1%
02024 Blasters	29,974	0	0	0	29,974	0.0%
02078 Occupational Therapists	162,135	0	0	0	162,135	0.2%
02079 Fire Prevention	124,976	0	0	0	124,976	0.2%
02080 Prescription Drug Registry	686,852	0	0	0	686,852	0.9%
02109 Outfitters	938,657	0	0	0	938,657	1.2%
02155 Boilers	1,545,782	0	0	0	1,545,782	2.0%
02207 Cranes Operators	427,021	0	0	0	427,021	0.6%
02258 Employment Security Account	8,115,175	0	0	0	8,115,175	10.5%
02263 Subsequent Injury Admin	152,845	0	0	0	152,845	0.2%
02315 DLI Info Exchange/Rental	12,178	0	0	0	12,178	0.0%
02346 Contractor Registration	4,275,300	0	0	0	4,275,300	5.5%
02347 Safety Administration Fund	5,019,319	0	0	0	5,019,319	6.5%
02446 Psychologists	227,204	0	0	0	227,204	0.3%
02448 Building Codes State Spec Rev	12,929,002	0	0	0	12,929,002	16.7%
02455 Workers' Comp Regulation	10,792,330	0	0	0	10,792,330	14.0%
02460 Underground Facility Protect	0	0	0	256,879	256,879	0.3%
02580 Athletic Trainers	59,852	0	0	0	59,852	0.1%
02679 Massage Therapists	357,436	0	0	0	357,436	0.5%
02767 Elevators	1,603,693	0	0	0	1,603,693	2.1%
02805 Weights & Measures Bureau	4,421,971	0	0	0	4,421,971	5.7%
02809 Speech Pathologists	228,110	0	0	0	228,110	0.3%
02810 Radiologic Technologists	405,686	0	0	0	405,686	0.5%
02811 Clinical Laboratory Practition	196,658	0	0	0	196,658	0.3%
02812 Physical Therapists	394,211	0	0	0	394,211	0.5%
02813 Nursing Home Admin	123,370	0	0	0	123,370	0.2%
02814 Hearing Aid Dispensers	77,886	0	0	0	77,886	0.1%
02816 Sanitarians	72,489	0	0	0	72,489	0.1%
02818 Electrical	1,004,846	0	0	0	1,004,846	1.3%
02819 Realty Regulations	1,275,822	0	0	0	1,275,822	1.7%
02820 Architects/Landscape Architect	373,018	0	0	0	373,018	0.5%
02821 Funeral Service	396,230	0	0	0	396,230	0.5%
02822 Chiropractors	203,229	0	0	0	203,229	0.3%
02823 Professional Engineers	602,097	0	0	0	602,097	0.8%
02824 Medical Examiners	2,967,259	0	0	0	2,967,259	3.8%
02826 Barbers & Cosmetologists	2,613,115	0	0	0	2,613,115	3.4%
02828 Plumbers	667,350	0	0	0	667,350	0.9%
02829 Private Investigator	533,187	0	0	0	533,187	0.7%
02830 Dentistry	748,238	0	0	0	748,238	1.0%
02831 Optometrists	94,683	0	0	0	94,683	0.1%
02832 Pharmacy	1,855,032	0	0	0	1,855,032	2.4%
02833 Nursing	4,005,280	0	0	0	4,005,280	5.2%
02834 Veterinarians	380,328	0	0	0	380,328	0.5%
02840 Behavioral Health	1,825,350	0	0	0	1,825,350	2.4%
02852 Alternative Health Care	130,168	0	0	0	130,168	0.2%
02854 Real Estate Appraisers	444,572	0	0	200,000	644,572	0.8%
02855 Respiratory Care	212,980	0	0	0	212,980	0.3%
02859 Genetic Counselors	71,723	0	0	0	71,723	0.1%
02870 Property Manager Licensing	259,083	0	0	0	259,083	0.3%
02941 Uninsured Employer Fund	1,789,169	0	0	950,368	2,739,537	3.5%
State Special Total	\$75,832,871	\$0	\$0	\$1,407,247	\$77,240,118	92.0%
03122 EEOC	506,173	0	0	0	506,173	17.0%
03130 Coal Mine Safety	450,500	0	0	0	450,500	15.1%
03131 OSHA Stat Prgm Fed.St Sdy	280,717	0	0	0	280,717	9.4%
03195 On-Site Consultation	1,392,751	0	0	0	1,392,751	46.7%
03293 Country of Origin Labeling	41,344	0	0	0	41,344	1.4%
03985 Data Management Unit Grant	312,958	0	0	0	312,958	10.5%
Federal Special Total	\$2,984,443	\$0	\$0	\$0	\$2,984,443	3.6%
06040 Subsequent Injury-Trust Fund	0	0	3,056,752	0	3,056,752	83.3%
06086 Public Accountants	0	0	0	614,578	614,578	16.7%
Proprietary Total	\$0	\$0	\$3,056,752	\$614,578	\$3,671,330	4.4%
Total All Funds	\$78,897,609	\$0	\$3,056,752	\$2,021,825	\$83,976,186	

*HB 2 Appropriations*General Fund

Appropriations from the general fund account for a relatively small portion of total HB 2 appropriations for this division. This funding supports the personal services and general operating expenses of the Human Rights Bureau, as well as a small portion of the administration of the Employment Standards Division (ESD) as a whole.

State Special Revenue

Of the total HB 2 appropriations for this division, state special revenue funds are the largest portion of this for the upcoming biennium.

Different state special revenue funds within this division include:

- License and professional boards
 - Charges and fees paid by licensees are deposited into the accounts and administrative and operational expenses for the division are charged directly to these funds
 - The largest license and professional board fund is the building codes account, which helps to fund the building codes program in the division through license and permit fees
- The workers' compensation regulation fund is also a large portion of HB 2 appropriations. Revenues into this fund are generated by an annual administrative assessment of up to 4.0% on all compensation and medical benefits paid during the calendar year. This excludes costs above \$200,000 per claim
- The safety administration fund generates revenue through an annual administrative assessment of up to 2.0% on all compensation and medical benefits, excluding costs above \$200,000 per claim. Penalties assessed on inspection violations, recovery costs for onsite safety and industrial health consultation services to mines, and any grants or funds from private entities or the federal government for use by the department in defraying occupational safety and health costs may also be deposited into this fund
- Employment security account was described in detail at the agency level. This fund helps support the Workers' Compensation Regulations Bureau and a portion of the divisions administration
- Contractor registration fund receives revenues from registration fees for independent contractor exemptions and construction contractor application fees. This fund helps support the Workers' Compensation Regulations Bureau and a portion of the divisions administration
- The uninsured employer fund is used to provide benefits to employees injured on the job while working for an employer that does not carry workers' compensation insurance as required by law

Federal Special Revenue

Federal special revenue makes up a small portion of the division's total appropriation authority for the 2027 biennium. The largest federal fund is the on-site consultation account, which provides funding for on-site safety and health checks of workplaces and job sites.

Non-Budgeted Proprietary

The ESD oversees one non-budgeted proprietary fund, the subsequent injury fund. This fund assists disabled persons in becoming employed by offering a financial incentive to employers who hire them. A more detailed description of the fund, revenues into the fund, and expenditures can be found in the proprietary fund report for the Department of Labor and Industry.

Statutory Appropriations

This division has four statutory appropriations under its purview, three of these being state special revenue funds and one proprietary enterprise fund. In looking at the proprietary enterprise fund, the Board of Public Accountants has an enterprise fund that receives licensing fees, money collected by the department on behalf of the board, and interest or earnings on the money deposited. This fund was originally a state special revenue account, but it was established as a proprietary fund by the 2015 Legislature.

When looking at the statutorily appropriated state special revenue funds, details on these are as follows:

- The Board of Real Estate Appraisers was established due to the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, which requires every state to establish an agency for the licensure, certification, and regulation of real estate appraisers
- The uninsured employer fund is a state special revenue fund that ensures employees who are injured on the job while working for an uninsured employer receive full benefits. This fund receives revenues from the department's collection of penalties from uninsured employers as well as collecting reimbursement of paid benefits
- The Underground Facility Protection Program was created in 2017 when HB 365 became law. The statute requires the Department of Labor and Industry to have a program that monitors, maintains records, and issues civil penalties for incidents where underground facilities are damaged during excavations

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	248.87	248.87	248.87	248.87
Personal Services	21,444,298	21,831,733	23,114,697	23,256,853	23,319,531
Operating Expenses	12,572,481	13,217,660	13,320,905	14,292,832	14,296,595
Equipment & Intangible Assets	84,204	2,573,911	470,941	820,941	820,941
Grants	0	5,000	5,000	5,000	5,000
Benefits & Claims	16,800	100,389	100,389	100,389	100,389
Transfers	79,312	87,022	44,869	44,869	44,869
Debt Service	886,667	928,934	894,700	894,700	894,700
Total Expenditures	\$35,083,762	\$38,744,649	\$37,951,501	\$39,415,584	\$39,482,025
General Fund	1,785,595	1,785,607	1,860,556	38,317	41,978
State/Other Special Rev. Funds	32,173,438	35,626,826	34,772,745	37,886,290	37,946,581
Federal Spec. Rev. Funds	1,124,729	1,332,216	1,318,200	1,490,977	1,493,466
Total Funds	\$35,083,762	\$38,744,649	\$37,951,501	\$39,415,584	\$39,482,025
Total Ongoing	\$35,031,087	\$36,444,649	\$37,951,501	\$39,415,584	\$39,482,025
Total OTO	\$52,675	\$2,300,000	\$0	\$0	\$0

Program Description

The Employment Standards Division (ESD) is responsible for a wide range of services that seek to protect Montana workers and consumers. The division operates in the following bureaus:

- The Professional and Occupational Licensing Bureau provides operational and administrative support for Montana's professional licensing boards and programs and operates the state's prescription drug registry
- The Building Codes and Weights and Measurements Bureau sets and enforces minimum standards for building, electrical, plumbing, elevator and similar codes, as well as licenses, tests, and certifies all weighting and measurement devices used in commercial transactions
- The Investigation and Mediation Bureau enforces the Montana Human Rights Act, Wage Payment Act, and investigates claims of violations related to all division programs
- The Compliance Bureau administers federal and state industrial safety laws for the public sector while providing no-cost consultation services for all employers. The bureau also oversees the workers' compensation section that assists claimants, employers, and insurers in navigating the state's workers' compensation system. It also provides compliance oversight and inspection services for all division programs
- The Operations Bureau provides administrative support to the division while operating data management and customer services programs

FY 2024 Appropriations Compared to FY 2024 Expenditures

The ESD utilized 90.6% of its FY 2024 HB 2 appropriations. Appropriations are concentrated within state special revenues fund, with \$35.6 million of its \$38.7 million HB 2 appropriation being in this fund type. The remaining appropriations are in both general fund and federal special revenues, these being \$1.8 million and \$1.3 million, respectively. The main portion of its appropriation, which was not expended in FY 2024, is a biennial, one-time-only appropriation for weights and measures equipment. According to the agency, they are currently ordering this equipment and intend to utilize all of this appropriation by the end of FY 2025.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The FY 2025 appropriations are 2.1% less than that of FY 2024. This decrease is mainly due to a \$2.3 million biennial, one-time-only appropriation in FY 2024 for a weights and measures equipment replacement. Although this appropriation appears in FY 2024, as it is biennial, it can be used in FY 2025 as well. In considering the change in FY 2024 appropriations to FY 2025 without the effect of this one-time-only appropriation, FY 2025 appropriations are 3.8% higher than that of FY 2024. The main reasoning behind the increase in appropriations with the removal of the one-time-only authority is due to personal services authority in HB 13 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	9,123	127,052	5,981	142,156	0.00	13,149	183,066	8,619	204,834
DP 2 - Fixed Costs	0.00	18,457	299,893	6,796	325,146	0.00	18,092	297,585	6,647	322,324
DP 3 - Inflation Deflation	0.00	0	(20,316)	0	(20,316)	0.00	0	(13,731)	0	(13,731)
DP 303 - Postage & Mailing Inflation	0.00	0	27,000	0	27,000	0.00	0	27,000	0	27,000
DP 501 - Equipment for Weights & Measures	0.00	0	350,000	0	350,000	0.00	0	350,000	0	350,000
DP 502 - ESD Increase Federal Authority	0.00	0	0	160,000	160,000	0.00	0	0	160,000	160,000
Grand Total All Present Law Adjustments	0.00	\$27,580	\$783,629	\$172,777	\$983,986	0.00	\$31,241	\$843,920	\$175,266	\$1,050,427

***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 Labor and Industry Employment Standards Division FY 2026 Statewide Present Law Adjustment for Personal Services (DP1)	
Legislative Changes	\$ 334,173
Management Changes	(192,017)
Total Budget Modifications	-
Total	\$ 142,156

The executive requests an increase in personal services funding for the upcoming biennium with this increase being primarily within legislative changes. The largest legislative change within this division is due to the increase in cost of benefits. The decrease in management changes 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 303 - Postage & Mailing Inflation -

The executive requests an increase in federal special revenue authority for the upcoming biennium. This request is an inflationary adjustment to be utilized within postage and mailing costs in the division.

DP 501 - Equipment for Weights & Measures -

The executive requests an increase in state special revenue authority to support equipment replacements in the Weights and Measures Program within ESD. This increase is to be used towards purchasing equipment on a replacement schedule to be used towards weight and measuring calibration, as well as other associated equipment in the program. This request would provide consistent maintenance for equipment to reduce the risk of a large maintenance backlog within the Weights and Measures Program of the division.

DP 502 - ESD Increase Federal Authority -

The executive requests an increase in federal special revenue authority in each year of the upcoming biennium. As the ESD has experienced an increase in annual federal grants, this request attempts to adjust the level of appropriations to the corresponding awards.

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 - Legal Adjustment										
	0.00	9,602	470,495	0	480,097	0.00	9,602	470,495	0	480,097
DP 503 - Human Rights Bureau Funding Switch										
	0.00	(1,859,421)	1,859,421	0	0	0.00	(1,859,421)	1,859,421	0	0
Total	0.00	(\$1,849,819)	\$2,329,916	\$0	\$480,097	0.00	(\$1,849,819)	\$2,329,916	\$0	\$480,097

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

DP 302 - Legal Adjustment -

The executive requests an increase in state special revenue authority to account for the anticipated increase in usage of legal services in the agency.

DP 503 - Human Rights Bureau Funding Switch -

The executive requests a switch of funding sources for the Human Rights Bureau from general fund to state special revenue. This request switches the funding source to the employment security account.

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 FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
PB	5.00	5.00	5.00	0.00	0.0%
General Fund	167,318	171,945	172,194	9,503	2.8%
State/Other Special Rev. Funds		295,000	295,000	590,000	0.0%
Federal Spec. Rev. Funds	4,037,455	4,045,224	4,045,977	16,291	0.2%
Total Funds	4,204,773	4,512,169	4,513,171	615,794	7.3%
Personal Services	456,678	580,341	583,108	250,093	27.4%
Operating Expenses	401,551	585,284	583,519	365,701	45.5%
Grants	3,094,722	3,094,722	3,094,722		0.0%
Transfers	250,650	250,650	250,650		0.0%
Debt Service	1,172	1,172	1,172		0.0%
Total Expenditures	4,204,773	4,512,169	4,513,171	615,794	7.3%
Total Ongoing	4,204,773	4,512,169	4,513,171	615,794	7.3%
Total One-Time-Only	57,551			(115,102)	(100.0%)

Program Highlights

Office of Community Services Major Budget Highlights
<ul style="list-style-type: none"> The Office of Community Service's 2027 biennium requested appropriations are approximately \$616,000 or 7.3% higher than the FY 2025 base budget. Significant changes to appropriations in the division are: <ul style="list-style-type: none"> The establishment of state special revenue authority of \$590,000 within the division for the purpose of a federal funding match, which is contingent on legislation

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.

Office of Community Services 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
Base Budget	167,318	0	4,037,455	4,204,773	93.2%	167,318	0	4,037,455	4,204,773	93.2%
Statewide PL										
Personal Services	(188)	0	(595)	(783)	(0.0%)	56	0	178	234	0.0%
Fixed Costs	4,815	0	8,478	13,293	0.3%	4,820	0	8,421	13,241	0.3%
Inflation Deflation	0	0	(114)	(114)	(0.0%)	0	0	(77)	(77)	(0.0%)
Total Statewide PL	4,627	0	7,769	12,396	0.3%	4,876	0	8,522	13,398	0.3%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	295,000	0	295,000	6.5%	0	295,000	0	295,000	6.5%
Total HB 2 Adjustments	4,627	295,000	7,769	307,396	6.8%	4,876	295,000	8,522	308,398	6.8%
Total Requested Budget	171,945	295,000	4,045,224	4,512,169		172,194	295,000	4,045,977	4,513,171	

Funding

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

Department of Labor and Industry, 07-Office of Community Services Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	344,139	0	0	0	344,139	3.8%
02258 Employment Security Account	590,000	0	0	0	590,000	100.0%
State Special Total	\$590,000	\$0	\$0	\$0	\$590,000	6.5%
03322 MT Community Service FSR	8,091,201	0	0	0	8,091,201	100.0%
Federal Special Total	\$8,091,201	\$0	\$0	\$0	\$8,091,201	89.6%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$9,025,340	\$0	\$0	\$0	\$9,025,340	

HB 2 Appropriations

General Fund

The Office of Community Services Division (OCS) has a relatively small portion of general fund within its HB 2 appropriations. This is utilized as a state match portion for federal grants with this funding primarily being used towards the division's administrative expenses.

State Special Revenue

Appropriations from state special revenue in this division are all in the employment security account. This state special revenue funding will be used towards a funding match for federal special revenue received through AmeriCorp grants.

Federal Special Revenue

The largest share of HB 2 appropriation authority is from federal special revenue funds from AmeriCorp grants. Federal funds provide funding for administrative expenses as well as funding for grant and special projects administered by the program.

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	5.00	5.00	5.00	5.00
Personal Services	482,248	516,029	503,912	580,341	583,108
Operating Expenses	197,496	421,053	411,868	585,284	583,519
Grants	1,909,224	2,524,722	3,094,722	3,094,722	3,094,722
Transfers	577,419	820,650	250,650	250,650	250,650
Debt Service	1,009	1,010	1,172	1,172	1,172
Total Expenditures	\$3,167,396	\$4,283,464	\$4,262,324	\$4,512,169	\$4,513,171
General Fund	263,789	263,796	224,869	171,945	172,194
State/Other Special Rev. Funds	0	0	0	295,000	295,000
Federal Spec. Rev. Funds	2,903,607	4,019,668	4,037,455	4,045,224	4,045,977
Total Funds	\$3,167,396	\$4,283,464	\$4,262,324	\$4,512,169	\$4,513,171
Total Ongoing	\$3,064,752	\$4,180,816	\$4,204,773	\$4,512,169	\$4,513,171
Total OTO	\$102,644	\$102,648	\$57,551	\$0	\$0

Program Description

The OCS and the Governor-appointed Montana Commission on Community Service promotes service and community volunteer opportunities in Montana. OCS administers federal funding to AmeriCorps state programs in Montana. The federal funding is provided by the Corporation for National and Community Service, an independent federal agency. OCS provides a comprehensive array of technical assistance and supports national service programs and service organizations throughout Montana.

FY 2024 Appropriations Compared to FY 2024 Expenditures

Appropriations within the OCS are primarily within federal special revenue funds, with this fund type incorporating 93.8% of the total appropriation authority. The remaining portion of its \$4.3 million appropriation is located within general fund. Through FY 2024, appropriations were 73.9% expended with personal services being 93.5% expended. Within the Office of Community Services, operating expenses were only 46.9% expended and grants were 75.6% expended in FY 2024.

FY 2024 Appropriations Compared to FY 2024 Appropriations

Appropriations within the OCS are approximately \$21,000 less in FY 2025, as compared to FY 2024. This 0.5% decrease in authority is due to a one-time-only general fund match regarding American Rescue Plan Act (ARPA) funds from the federal government. This match had larger appropriations in FY 2024, as compared to FY 2025, leading to this difference. In FY 2025, grants are \$570,000 greater and transfers \$570,000 lower than FY 2024 appropriations. This difference is due to a modification that transferred appropriation authority from grants into transfers in FY 2024 to transfer funds to the Montana State Parks Division of the Montana Department of Fish, Wildlife, and Parks for the awarding of an AmeriCorps grant.

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	(188)	0	(595)	(783)	0.00	56	0	178	234
DP 2 - Fixed Costs	0.00	4,815	0	8,478	13,293	0.00	4,820	0	8,421	13,241
DP 3 - Inflation Deflation	0.00	0	0	(114)	(114)	0.00	0	0	(77)	(77)
Grand Total All Present Law Adjustments	0.00	\$4,627	\$0	\$7,769	\$12,396	0.00	\$4,876	\$0	\$8,522	\$13,398

**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 Labor and Industry Office of Community Services FY 2026 Statewide Present Law Adjustment for Personal Services (DP1)	
Legislative Changes	\$ 2,667
Management Changes	(3,450)
Total Budget Modifications	-
Total	<u>\$ (783)</u>

The executive requests a decrease in personal services authority for the upcoming biennium. This decrease is within management changes and due to vacancy savings. The increase shown in legislative changes is due to the increase in benefits.

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 701 - OCS State Special Revenue Fund Match										
	0.00	0	295,000	0	295,000	0.00	0	295,000	0	295,000
Total	0.00	\$0	\$295,000	\$0	\$295,000	0.00	\$0	\$295,000	\$0	\$295,000

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

DP 701 - OCS State Special Revenue Fund Match -

The executive requests to establish state special revenue authority in the 2027 Biennium. This would be used as the agency portion of the federal AmeriCorps funding match to support grants administered by the program. This authority would support personal services and operating expenses. This request is contingent on LC 463.

**LFD
COMMENT**

The 2023 Legislature approved a general fund match for this division as one-time-only. This request is to have this match now be a part of state special revenue ongoing appropriations.

**LFD
COMMENT**

The requested increase in state special revenue funding is contingent on LC 463. 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.

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	5.00	5.00	5.00	0.00	0.0%
State/Other Special Rev. Funds	781,594	726,560	727,317	(109,311)	(7.0%)
Total Funds	781,594	726,560	727,317	(109,311)	(7.0%)
Personal Services	594,555	548,278	549,092	(91,740)	(7.7%)
Operating Expenses	135,124	126,367	126,310	(17,571)	(6.5%)
Debt Service	51,915	51,915	51,915		0.0%
Total Expenditures	781,594	726,560	727,317	(109,311)	(7.0%)
Total Ongoing	781,594	726,560	727,317	(109,311)	(7.0%)
Total One-Time-Only					0.0%

Program Highlights

Workers Compensation Court Major Budget Highlights
<ul style="list-style-type: none"> The Workers Compensation Court's 2027 biennium requested appropriations are approximately \$109,000 or 7.0% lower than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> A decrease in personal services of \$92,000 during the biennium, primarily due to management changes and budget modifications made by the agency A decrease in fixed costs of \$18,000, mainly due to a decrease in information technology costs

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.

Workers' Compensation Court 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
Base Budget	0	781,594	0	781,594	107.6%	0	781,594	0	781,594	107.5%
Statewide PL										
Personal Services	0	(46,277)	0	(46,277)	(6.4%)	0	(45,463)	0	(45,463)	(6.3%)
Fixed Costs	0	(8,985)	0	(8,985)	(1.2%)	0	(9,097)	0	(9,097)	(1.3%)
Inflation Deflation	0	(170)	0	(170)	(0.0%)	0	(115)	0	(115)	(0.0%)
Total Statewide PL	0	(55,432)	0	(55,432)	(7.6%)	0	(54,675)	0	(54,675)	(7.5%)
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	398	0	398	0.1%	0	398	0	398	0.1%
Total HB 2 Adjustments	0	(55,034)	0	(55,034)	(7.6%)	0	(54,277)	0	(54,277)	(7.5%)
Total Requested Budget	0	726,560	0	726,560		0	727,317	0	727,317	

Funding

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

Department of Labor and Industry, 09-Workers' Compensation Court 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%	
02455 Workers' Comp Regulation	1,453,877	0	0	0	1,453,877	100.0%	
State Special Total	\$1,453,877	\$0	\$0	\$0	\$1,453,877	100.0%	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%	
Total All Funds	\$1,453,877	\$0	\$0	\$0	\$1,453,877		

HB 2 Appropriations**State Special Revenue**

The Workers Compensation Court is entirely funded with state special revenue derived from an assessment charged to the workers' compensation carriers in Montana. The fee is passed on to Montana businesses when their workers' compensation premiums are determined by the carriers.

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	5.00	5.00	5.00	5.00
Personal Services	540,973	562,155	594,555	548,278	549,092
Operating Expenses	116,370	135,491	135,124	126,367	126,310
Debt Service	50,824	50,965	51,915	51,915	51,915
Total Expenditures	\$708,167	\$748,611	\$781,594	\$726,560	\$727,317
State/Other Special Rev. Funds	708,167	748,611	781,594	726,560	727,317
Total Funds	\$708,167	\$748,611	\$781,594	\$726,560	\$727,317
Total Ongoing	\$708,167	\$748,611	\$781,594	\$726,560	\$727,317
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Workers' Compensation Court (WCC) provides a forum for Montana employees, employers, and insurers to resolve disputes arising from work-related injuries and occupational diseases. The court is attached to the department for administrative purposes only.

FY 2024 Appropriations Compared to FY 2024 Expenditures

HB 2 appropriations within the Workers Compensation Court in FY 2024 were 94.6% expended with all of the FY 2024 appropriations in state special revenue authority. Personal services account for 75.1% FY 2024 appropriation authority of which, 96.2% were expended.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The Workers Compensation Court's appropriations in FY 2025 are 4.4% greater than that of FY 2024. This increase is mainly within personal services and is due to 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	0	(46,277)	0	(46,277)	0.00	0	(45,463)	0	(45,463)
DP 2 - Fixed Costs	0.00	0	(8,985)	0	(8,985)	0.00	0	(9,097)	0	(9,097)
DP 3 - Inflation Deflation	0.00	0	(170)	0	(170)	0.00	0	(115)	0	(115)
Grand Total All Present Law Adjustments	0.00	\$0	(\$55,432)	\$0	(\$55,432)	0.00	\$0	(\$54,675)	\$0	(\$54,675)

*"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 Labor and Industry Workers Compensation Court FY 2026 Statewide Present Law Adjustment for Personal Services (DP1)	
Legislative Changes	\$ 18,886
Management Changes	(27,145)
Total Budget Modifications	(38,018)
Total	<u><u>\$(46,277)</u></u>

The executive requests a decrease in personal services funding within this division for the upcoming biennium. This decrease is due to both management changes and budget modifications. The decrease in management decisions is partially due to vacancy savings and partially due to the Workers Compensation Court not using all of the pay plan allocated to the program. The decrease in budget modifications was due to the transfer of personal services funding for 2.00 PB out of the WCC to the Workforce Services Division to reallocate a reduction to PB that occurred during the 2023 Legislative Session. The transfer of funding associated with these PB was not equal to the funding associated with these PB, so a further reduction is occurring in the statewide present law adjustment for personal services.

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 302 - Legal Adjustment										
	0.00	0	398	0	398	0.00	0	398	0	398
Total	0.00	\$0	\$398	\$0	\$398	0.00	\$0	\$398	\$0	\$398

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

DP 302 - Legal Adjustment -

The executive requests an increase in state special revenue authority to account for the anticipated increase in usage of legal services in the agency.

DEPARTMENT OF MILITARY AFFAIRS

Section A

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----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 FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
PB	234.66	249.66	249.66	15.00	3.2%
General Fund	9,113,675	11,151,139	11,156,970	4,080,759	22.4%
State/Other Special Rev. Funds	1,175,587	1,551,171	1,504,993	704,990	30.0%
Federal Spec. Rev. Funds	48,822,301	49,995,595	50,130,331	2,481,324	2.5%
Total Funds	59,111,563	62,697,905	62,792,294	7,267,073	6.1%
Personal Services	21,514,133	24,111,242	24,373,259	5,456,235	12.7%
Operating Expenses	22,174,153	23,032,886	22,865,258	1,549,838	3.5%
Equipment & Intangible Assets	150,536	225,536	225,536	150,000	49.8%
Grants	13,240,681	13,296,181	13,296,181	111,000	0.4%
Benefits & Claims	800	800	800		0.0%
Transfers	1,617,260	1,617,260	1,617,260		0.0%
Debt Service	414,000	414,000	414,000		0.0%
Total Expenditures	59,111,563	62,697,905	62,792,294	7,267,073	6.1%
Total Ongoing	59,111,563	62,697,905	62,792,294	7,267,073	6.1%
Total One-Time-Only					0.0%

Agency Highlights

**Department of Military Affairs
Major Budget Highlights**

- The Department of Military Affairs' 2027 biennium requested appropriations are approximately \$7.3 million or 6.1% higher than the FY 2025 base budget. Significant requested changes include:
 - An increase in general fund appropriations of \$3.5 million in the Veterans' Affairs Division to support 11.00 PB in converting these previously modified positions into HB 2 permanent
 - Appropriations of \$190,000 to support 1.00 PB within the Director's Office for a human resources position
 - Federal special revenue appropriations of \$428,000, funding 3.00 PB, for case managers within the Youth ChalleNGe Program
 - Increase of \$1.4 million to be used towards firefighter overtime pay within the Air National Guard Program
 - An increase of \$136,000 in funding to aid county search and rescue missions and training in the Disaster and Emergency Services Program
 - An increase of \$685,000 in state special revenue in the Veterans' Affairs Division for Veteran Service Office and Veterans' Affairs Cemetery operational costs

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 Military Affairs 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
Base Budget	9,113,675	1,175,587	48,822,301	59,111,563	94.3%	9,113,675	1,175,587	48,822,301	59,111,563	94.1%
Statewide PL										
Personal Services	113,162	(67,649)	(273,665)	(228,152)	(0.4%)	127,951	(63,613)	(225,344)	(161,006)	(0.3%)
Fixed Costs	45,878	4,809	2,826	53,513	0.1%	10,661	4,408	(52,658)	(37,589)	(0.1%)
Inflation Deflation	(3,428)	(576)	(3,630)	(7,634)	(0.0%)	(2,320)	(389)	(2,451)	(5,160)	(0.0%)
Total Statewide PL	155,612	(63,416)	(274,469)	(182,273)	(0.3%)	136,292	(59,594)	(280,453)	(203,755)	(0.3%)
Present Law (PL)	0	439,000	1,129,445	1,568,445	2.5%	0	389,000	1,173,332	1,562,332	2.5%
New Proposals	1,881,852	0	318,318	2,200,170	3.5%	1,907,003	0	415,151	2,322,154	3.7%
Total HB 2 Adjustments	2,037,464	375,584	1,173,294	3,586,342	5.7%	2,043,295	329,406	1,308,030	3,680,731	5.9%
Total Requested Budget	11,151,139	1,551,171	49,995,595	62,697,905		11,156,970	1,504,993	50,130,331	62,792,294	

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.

Department of Military Affairs				
FY 2026 Statewide Present Law Adjustment for Personal Services (DP1)				
Program	Legislative Changes	Management Changes	Budget Modifications	Total DP1
01 Directors Office	\$ (2,381)	28,303	80,160	106,082
02 Challenge Program	\$ 94,320	82,638	-	176,958
03 Scholarship Program*	-	-	-	-
04 STARBASE	\$ 1,723	(7,140)	-	(5,417)
12 Army National Guard Program	\$ 52,406	190,453	(429,004)	(186,145)
13 Air National Guard Program	\$(418,733)	(51,344)	-	(470,077)
21 Disaster and Emergency Services Program	\$ 41,792	277,778	-	319,570
31 Veterans Affairs Program	\$ (79,163)	(89,960)	-	(169,123)
Agency Total	\$(310,036)	430,728	(348,844)	\$ (228,152)
*The Scholarship Program does not have any personal services funding as all of their funding is within transfers				

In the table above, the requested change in personal services funding is broken out by each program within the department as well as showing the agency as a whole. Further detail is provided at the program level.

Funding

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

Total Department of Military Affairs 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
01100 General Fund	22,308,109			90,000	22,398,109	17.7%
02548 Veterans Affairs SB401	1,406,868				1,406,868	1.1%
02214 Veterans Affairs Cemeteries				1,182,419	1,182,419	0.9%
02457 Veterans Affairs HB701 SSR	1,046,096				1,046,096	0.8%
02170 SAR DES Off Road Vehicle	400,308				400,308	0.3%
02222 Patriotic License Plate Fees	160,848				160,848	0.1%
Other State Special Revenue	42,044			80,000	122,044	0.1%
State Special Revenue Total	3,056,164	-	-	1,262,419	4,318,583	3.4%
03132 National Guard	40,360,526				40,360,526	31.8%
03143 DES Homeland Security 97.067	15,302,576				15,302,576	12.1%
03453 Air National Guard	13,028,437				13,028,437	10.3%
03134 DES Emergency Mgmt Perf 97.042	10,947,247				10,947,247	8.6%
03410 Challenge NG Funding (4001)	9,648,094				9,648,094	7.6%
Other Federal Special Revenue	10,839,046				10,839,046	8.5%
Federal Special Revenue Total	100,125,926	-	-	-	100,125,926	78.9%
Proprietary Fund Total	-	-	-	-	-	0.0%
Total of All Funds	125,490,199	-	-	1,352,419	126,842,618	
Percent of All Sources of Authority	98.9%	0.0%	0.0%	1.1%		

*HB 2 Appropriations*General Fund

General fund supports most programs within the agency, while also funding all of the National Guard Scholarship Program.

State Special Revenue

State special revenue funding provides a smaller piece of the total appropriation authority for the agency. This funding is mainly within the Disaster and Emergency Services and Veterans' Affairs programs. Further detail on each of these funds is provided at the program level.

Federal Special Revenue

When considering HB 2 appropriations, federal special revenue incorporates the largest amount of funding within the Department of Military Affairs. Funding requirements for federal special revenue are guided by federal government initiatives, programs, and objectives within the agency. Individual details on this can be found at the program level.

*Statutory Appropriations*General Fund

Appropriations within general fund that are classified as statutory are for the civil air patrol within the Disaster and Emergency Services Program.

State Special Revenue Funds

State special revenues are the majority of statutory appropriations. This funding is primarily within the Veterans' Affairs Program, with the largest portion going towards veterans' affairs cemeteries. More detail on this funding can be found at the program level.

*Notable Statutory Appropriations Not Included in the Above Chart*Governor's Emergency Fund (10-3-312, MCA)

Statute provides the Governor with \$20.0 million general fund over the biennium to address unanticipated costs associated with disasters and emergencies. Natural disasters include costs associated with flooding, windstorms, winter storms, and tornados.

Federal Emergency Management Agency (FEMA) Funding (10-3-311, MCA)

The Department of Military Affairs is granted statutory authority to spend federal funds received for federally declared disasters, including pandemic relief.

Montana Military Family Relief Fund (MMFRF; 10-1-1303, MCA)

The Montana military family relief fund receives statutory appropriations to provide monetary grants to families of Montana National Guard and Reserve Component members who on or after April 28, 2007, are on active duty for federal service in a contingency operation. MMFRF grants are intended to help Montana families with the costs of food, housing, utilities, medical services, and other expenses that become difficult to afford when the wage earner has temporarily left civilian employment to be placed on active military duty. Funding for the program is provided through legislative transfers, monetary contributions, gifts, and grants donated to the fund.

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	234.66	234.66	249.66	249.66
Personal Services	19,923,538	20,625,097	21,514,133	24,111,242	24,373,259
Operating Expenses	19,791,109	21,395,184	22,174,153	23,032,886	22,865,258
Equipment & Intangible Assets	296,563	348,764	150,536	225,536	225,536
Grants	12,746,019	13,192,933	13,240,681	13,296,181	13,296,181
Benefits & Claims	1,501	2,953	800	800	800
Transfers	1,039,252	1,233,176	1,617,260	1,617,260	1,617,260
Debt Service	342,219	414,000	414,000	414,000	414,000
Total Expenditures	\$54,140,201	\$57,212,107	\$59,111,563	\$62,697,905	\$62,792,294
General Fund	8,192,118	8,688,043	9,113,675	11,151,139	11,156,970
State/Other Special Rev. Funds	984,594	1,008,218	1,175,587	1,551,171	1,504,993
Federal Spec. Rev. Funds	44,963,489	47,515,846	48,822,301	49,995,595	50,130,331
Total Funds	\$54,140,201	\$57,212,107	\$59,111,563	\$62,697,905	\$62,792,294
Total Ongoing	\$54,115,330	\$57,187,107	\$59,111,563	\$62,697,905	\$62,792,294
Total OTO	\$24,871	\$25,000	\$0	\$0	\$0

Agency Description

The Department of Military Affairs oversees all activities of the Army and Air National Guard, Disaster and Emergency Services Division, and provides administrative support to the Veterans' Affairs Division, which is administratively attached to the department.

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 Actual Expenditures

The agency expended 94.6% of its \$57.2 million HB 2 modified budget as of fiscal year-end 2024. This closely aligns with their anticipated expenditures as of the end of the fiscal year.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The FY 2025 appropriations are 3.3% higher, or \$1.9 million, than the FY 2024. The minor differences in the appropriations across the fiscal years come mainly from the HB 13 pay plan as well as minor changes between accounts. These will be discussed in more detail within the respective program.

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 Military Affairs Comparison of the FY 2025 Legislative Budget to the FY 2025 Base Budget				
	Legislative Budget	Executive Modifications	Base Budget	% Change
01 DIRECTORS OFFICE				
61000 Personal Services	\$ 1,501,277	\$ -	\$ 1,501,277	0.0%
62000 Operating Expenses	259,192	(100)	259,092	0.0%
67000 Benefits & Claims		100	100	100.0%
68000 Transfers	50,655		50,655	0.0%
Total	1,811,124	-	1,811,124	0.0%
02 CHALLENGE PROGRAM				0.0%
61000 Personal Services	4,010,866	-	4,010,866	0.0%
62000 Operating Expenses	1,809,776	(100)	1,809,676	0.0%
67000 Benefits & Claims		100	100	100.0%
Total	5,820,642	-	5,820,642	0.0%
03 SCHOLARSHIP PROGRAM				0.0%
62000 Operating Expenses	250,000		250,000	0.0%
Total	250,000		250,000	0.0%
04 STARBASE				0.0%
61000 Personal Services	602,930	-	602,930	0.0%
62000 Operating Expenses	618,194	(100)	618,094	0.0%
67000 Benefits & Claims		100	100	100.0%
Total	1,221,124	-	1,221,124	0.0%
12 ARMY NATIONAL GUARD PGM				0.0%
61000 Personal Services	5,340,785	321,555	5,662,340	6.0%
62000 Operating Expenses	16,241,642	(321,755)	15,919,887	-2.0%
63000 Equipment & Intangible Assets	150,536		150,536	0.0%
67000 Benefits & Claims		200	200	100.0%
68000 Transfers	25,000		25,000	0.0%
69000 Debt Service	390,000		390,000	0.0%
Total	22,147,963	-	22,147,963	0.0%
13 AIR NATIONAL GUARD PGM				0.0%
61000 Personal Services	4,201,364		4,201,364	0.0%
62000 Operating Expenses	2,159,423	(100)	2,159,323	0.0%
67000 Benefits & Claims		100	100	100.0%
Total	6,360,787	-	6,360,787	0.0%
21 DISASTER & EMERGENCY SERVICES				0.0%
61000 Personal Services	3,077,190	-	3,077,190	0.0%
62000 Operating Expenses	863,985	(100)	863,885	0.0%
66000 Grants	13,205,681		13,205,681	0.0%
67000 Benefits & Claims		100	100	100.0%
68000 Transfers	1,521,605		1,521,605	0.0%
Total	18,668,461	-	18,668,461	0.0%
31 VETERANS AFFAIRS PROGRAM				0.0%
61000 Personal Services	2,458,166		2,458,166	0.0%
62000 Operating Expenses	294,296	(100)	294,196	0.0%
66000 Grants	35,000		35,000	0.0%

67010 - Department Of Military Affairs**SUMMARY**

67000 Benefits & Claims		100	100	100.0%
68000 Transfers	20,000		20,000	0.0%
69000 Debt Service	24,000		24,000	0.0%
Total	2,831,462	-	2,831,462	0.0%
Agency Total	\$ 59,111,563	\$ -	\$ 59,111,563	0.0%

In comparing the FY 2025 legislative budget to the FY 2025 base budget, there were few executive modifications. The largest modification shown in the chart above is a transfer of funding from operating expenses to personal services, which allowed for 3.00 modified PB. The other modification, which is across all divisions, is the movement of appropriations from operating expenses into benefits and claims to account for anticipated Risk Management and Tort Defense deductibles.

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	15.21	16.21	16.21	1.00	3.3%
General Fund	1,140,705	1,324,512	1,308,200	351,302	15.4%
Federal Spec. Rev. Funds	670,419	710,730	712,021	81,913	6.1%
Total Funds	1,811,124	2,035,242	2,020,221	433,215	12.0%
Personal Services	1,501,277	1,700,797	1,704,195	402,438	13.4%
Operating Expenses	259,092	283,690	265,271	30,777	5.9%
Benefits & Claims	100	100	100		0.0%
Transfers	50,655	50,655	50,655		0.0%
Total Expenditures	1,811,124	2,035,242	2,020,221	433,215	12.0%
Total Ongoing	1,811,124	2,035,242	2,020,221	433,215	12.0%
Total One-Time-Only					0.0%

Program Highlights

Director's Office Major Budget Highlights	
<ul style="list-style-type: none"> The Director's Office's 2027 biennium requested appropriations are approximately \$433,000 or 12.0% higher than the FY 2025 base budget Of the overall increase in appropriations, \$402,000 of this is within personal services. Significant requested changes include: <ul style="list-style-type: none"> An increase of \$187,000 for 1.00 PB for a human resources position An increase of \$216,000 for additional funding for a position that was transferred from the Army National Guard, as well as pay rate changes 	

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
Base Budget	1,140,705	0	670,419	1,811,124	89.0%	1,140,705	0	670,419	1,811,124	89.6%
Statewide PL										
Personal Services	65,771	0	40,311	106,082	5.2%	67,878	0	41,602	109,480	5.4%
Fixed Costs	1,817	0	0	1,817	0.1%	1,192	0	0	1,192	0.1%
Inflation Deflation	(19)	0	0	(19)	(0.0%)	(13)	0	0	(13)	(0.0%)
Total Statewide PL	67,569	0	40,311	107,880	5.3%	69,057	0	41,602	110,659	5.5%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	116,238	0	0	116,238	5.7%	98,438	0	0	98,438	4.9%
Total HB 2 Adjustments	183,807	0	40,311	224,118	11.0%	167,495	0	41,602	209,097	10.4%
Total Requested Budget	1,324,512	0	710,730	2,035,242		1,308,200	0	712,021	2,020,221	

Funding

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

Department of Military Affairs, 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	2,632,712	0	0	0	2,632,712	64.9%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
03132 National Guard	614,309	0	0	0	614,309	43.2%
03134 DES Emergency Mgmt Perf 97.042	162,304	0	0	0	162,304	11.4%
03143 DES Homeland Security 97.067	41,722	0	0	0	41,722	2.9%
03410 Challenge NG Funding (4001)	282,934	0	0	0	282,934	19.9%
03411 Starbase NG Funding (4002)	64,312	0	0	0	64,312	4.5%
03453 Air National Guard	257,170	0	0	0	257,170	18.1%
Federal Special Total	\$1,422,751	\$0	\$0	\$0	\$1,422,751	35.1%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$4,055,463	\$0	\$0	\$0	\$4,055,463	

HB 2 Appropriations

General Fund

The majority of appropriations from HB 2 within the Director's Office come from general fund. General fund provides funding for federal-state matching requirements. General fund also provides funding for the General, Deputy Director, and information technology (IT) staff positions in the Director's Office and all operating costs.

Federal Special Revenue

Federal funds within this program are utilized through a centralized personnel plan across the other divisions within the agency. Financial and human resource staff are allocated across the different divisions from a funding perspective through financial activity and human resources through the number of PB.

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	15.21	15.21	16.21	16.21
Personal Services	1,343,507	1,452,120	1,501,277	1,700,797	1,704,195
Operating Expenses	239,678	295,627	259,092	283,690	265,271
Benefits & Claims	0	100	100	100	100
Transfers	0	50,655	50,655	50,655	50,655
Total Expenditures	\$1,583,185	\$1,798,502	\$1,811,124	\$2,035,242	\$2,020,221
General Fund	1,040,684	1,147,632	1,140,705	1,324,512	1,308,200
Federal Spec. Rev. Funds	542,501	650,870	670,419	710,730	712,021
Total Funds	\$1,583,185	\$1,798,502	\$1,811,124	\$2,035,242	\$2,020,221
Total Ongoing	\$1,558,314	\$1,773,502	\$1,811,124	\$2,035,242	\$2,020,221
Total OTO	\$24,871	\$25,000	\$0	\$0	\$0

Program Description

The Director's Office provides departmental administration through the Office of the Adjutant General and department-wide support for accounting, fiscal management, personnel, labor relations, and purchasing and property management oversight. The program operates in accordance with Title 2, Chapter 15, part 12 and Title 10, MCA.

FY 2024 Appropriations Compared to FY 2024 Expenditures

The Director's Office of the Department of Military affairs is funded through general fund and federal special revenue. The general fund portion of their funding encapsulates 63.8%, or \$1.1 million, of their total funding, while the remaining 36.2%, or \$651,000, is from federal funding. The HB 2 modified budget of \$1.8 million was 88.0% expended at the end of FY 2024.

Personal services incorporate 80.7% of the total HB 2 budget and was 92.5%, or \$1.3 million, expended at the end of FY 2024. The Director's Office has 15.21 PB for FY 2024 with 94.9% utilization of the hours budgeted for these positions. Within this division, 0.21 PB have been considered vacant for all of FY 2024. However, this position is currently filled as a modified HB 2 PB being funded through federal special revenue funding. The Homeland Security Grant that is currently funding this position is set to expire at the end of August 2025 and the agency intends to use the permanent HB 2 funding for this position at the expiration of these funds. Within personal services, the lower percent expended within the program is due to turnover experienced in the FY as well as the Adjutant General and deputy director both taking leave without pay while on federal orders.

Appropriations within operating expenses for the Directors Office amount to 16.4% of the total appropriations with \$240,000 of the \$296,000 in appropriations, or 81.1%, being expended as of the end of FY 2024.

FY 2024 Appropriations Compared to FY 2025 Appropriations

Appropriations from FY 2025 as compared to FY 2024 are 0.7%, or \$12,600, higher. The minor differences in the appropriations across the two years are due to the HB 13 pay plan and the transferring of HB 2 authority to other programs across the agency for an inflationary adjustment.

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	65,771	0	40,311	106,082	0.00	67,878	0	41,602	109,480
DP 2 - Fixed Costs	0.00	1,817	0	0	1,817	0.00	1,192	0	0	1,192
DP 3 - Inflation Deflation	0.00	(19)	0	0	(19)	0.00	(13)	0	0	(13)
Grand Total All Present Law Adjustments	0.00	\$67,569	\$0	\$40,311	\$107,880	0.00	\$69,057	\$0	\$41,602	\$110,659

***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 Military Affairs	
Directors Office	
FY 2026 Statewide Present Law Adjustment for Personal Services (DP1)	
Legislative Changes	\$ (2,381)
Management Changes	28,303
Total Budget Modifications	80,160
Total	\$ 106,082

The executive requests an increase in personal services funding for the upcoming biennium. This increase is due to the transfer of 1.00 PB into the program from the Army National Guard Program through a budget modification during the interim. The transfer of this position did not include a corresponding transfer of funding, so when the statewide present law adjustment is calculated there is an increase for this position. There is a corresponding decrease in the Army National Guard Program for the personal services funding that is included in their budget, that is no longer needed because they do not have the 1.00 PB that was transferred. The increase within management changes is due to pay rate changes, including retention, reclassification 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 1001 - DO HR Staffing	1.00	96,238	0	0	96,238	1.00	93,438	0	0	93,438
DP 1002 - DO IT Project Implementation	0.00	20,000	0	0	20,000	0.00	5,000	0	0	5,000
Total	1.00	\$116,238	\$0	\$0	\$116,238	1.00	\$98,438	\$0	\$0	\$98,438

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

DP 1001 - DO HR Staffing -

The executive requests an increase in PB with the associated personal services funding for additional human resources (HR) staff. This requested position will aid in general HR workload, as well as assist in hiring efforts to decrease the time positions are not filled due to staff turnover.

DP 1002 - DO IT Project Implementation -

The executive requests an increase in general fund appropriations for the purpose of information technology (IT) project implementation and license costs. Specifically, this request would provide for the purchase, implementation, and on-going licensure costs for Multi-Factor Authentication (MFA). The implementation of MFA is part of the agency's IT strategic plan to enhance security and be in compliance with various 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 FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
PB	54.15	57.15	57.15	3.00	2.8%
General Fund	1,415,421	1,517,224	1,515,910	202,292	7.1%
Federal Spec. Rev. Funds	4,405,221	4,708,897	4,705,397	603,852	6.9%
Total Funds	5,820,642	6,226,121	6,221,307	806,144	6.9%
Personal Services	4,010,866	4,397,567	4,403,095	778,930	9.7%
Operating Expenses	1,809,676	1,828,454	1,818,112	27,214	0.8%
Benefits & Claims	100	100	100		0.0%
Total Expenditures	5,820,642	6,226,121	6,221,307	806,144	6.9%
Total Ongoing	5,820,642	6,226,121	6,221,307	806,144	6.9%
Total One-Time-Only					0.0%

Program Highlights

Youth ChalleNGe Program Major Budget Highlights	
<ul style="list-style-type: none"> The Youth ChalleNGe Program's 2027 biennium requested appropriations are approximately \$806,000 or 6.9% higher than the FY 2025 base budget An increase within general fund of 7.1%, or \$202,000, as well as an increase in federal special revenue funds of 6.9%, or \$604,000. Notable requested changes within this include: <ul style="list-style-type: none"> \$419,000 of appropriations to fund 3.00 PB for new case managers within the program, along with \$8,000 in operating expenses for the same purpose An increase of \$359,000 for personal services benefits and pay rate changes made by the program 	

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.

Challenge Program 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
Base Budget	1,415,421	0	4,405,221	5,820,642	93.5%	1,415,421	0	4,405,221	5,820,642	93.6%
Statewide PL										
Personal Services	44,250	0	132,708	176,958	2.8%	45,650	0	136,836	182,486	2.9%
Fixed Costs	3,113	0	9,340	12,453	0.2%	2,459	0	7,379	9,838	0.2%
Inflation Deflation	(100)	0	(1,975)	(2,075)	(0.0%)	(70)	0	(1,332)	(1,402)	(0.0%)
Total Statewide PL	47,263	0	140,073	187,336	3.0%	48,039	0	142,883	190,922	3.1%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	54,540	0	163,603	218,143	3.5%	52,450	0	157,293	209,743	3.4%
Total HB 2 Adjustments	101,803	0	303,676	405,479	6.5%	100,489	0	300,176	400,665	6.4%
Total Requested Budget	1,517,224	0	4,708,897	6,226,121		1,515,910	0	4,705,397	6,221,307	

Funding

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

Department of Military Affairs, 02-Challenge Program Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	3,033,134	0	0	0	3,033,134	24.4%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
03132 National Guard	49,134	0	0	0	49,134	0.5%
03410 Challenge NG Funding (4001)	9,365,160	0	0	0	9,365,160	99.5%
Federal Special Total	\$9,414,294	\$0	\$0	\$0	\$9,414,294	75.6%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$12,447,428	\$0	\$0	\$0	\$12,447,428	

HB 2 Appropriations

General Fund

General fund appropriations account for approximately a quarter of the total appropriations within this program. Funding for the program is because of federal/state cooperative agreements which require a 25.0% state match. General fund is used to meet that state match requirement.

Federal Special Revenue

The remaining appropriations within the Youth ChalleNGe Program are centralized within federal special revenue funds. Most federal special revenues within federal/state cooperative agreements utilize the remaining 75.0% of funding that is not made up within general fund. Certain exceptions to this, such as special projects required by cooperative agreements, are entirely funded through federal 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	54.15	54.15	57.15	57.15
Personal Services	4,036,535	4,037,515	4,010,866	4,397,567	4,403,095
Operating Expenses	1,805,041	1,887,168	1,809,676	1,828,454	1,818,112
Equipment & Intangible Assets	0	23,114	0	0	0
Benefits & Claims	251	253	100	100	100
Total Expenditures	\$5,841,827	\$5,948,050	\$5,820,642	\$6,226,121	\$6,221,307
General Fund	1,344,919	1,346,867	1,415,421	1,517,224	1,515,910
Federal Spec. Rev. Funds	4,496,908	4,601,183	4,405,221	4,708,897	4,705,397
Total Funds	\$5,841,827	\$5,948,050	\$5,820,642	\$6,226,121	\$6,221,307
Total Ongoing	\$5,841,827	\$5,948,050	\$5,820,642	\$6,226,121	\$6,221,307
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Montana National Guard Youth ChalleNGe Program is a volunteer program for youth ages 16 to 18 who have stopped attending secondary school before graduating. ChalleNGe is a 17-month, voluntary, two-phased military modeled training program targeting unemployed, drug-free, and crime-free high school dropouts. The program provides an opportunity for high school "at risk" youth to enhance their life skills and increase their educational levels and employment potential. Phase I of the program is a 22-week residential stay on the campus of Western Montana College of the University of Montana in Dillon focusing on physical training, classroom instruction, personal development, and life skills. Phase II is a year-long mentoring relationship with a specially trained member of the community where the youth reside to provide a positive role model and to assist the student in gaining employment or enrolling in post-secondary schooling.

FY 2024 Appropriations Compared to FY 2024 Expenditures

Within the Department of Military Affairs, the ChalleNGe Program is funded through general fund and federal special revenue. Within FY 2024, the ChalleNGe Program expended 98.2% of its FY 2024 appropriation, this aligns closely with the anticipated expenditure for this program. This program utilized 100.0% of its \$4.0 million personal services appropriation authority, as well as 95.6% of its operating expenses in FY 2024.

FY 2024 Appropriations Compared to FY 2025 Appropriations

Appropriations for FY 2025 within the ChalleNGe Program are 2.1% lower than the FY 2024 appropriations. The decrease in FY 2025 appropriations is within personal services, operating expenses, and equipment and intangible assets. This program experienced an increase in its federal award; however, did not have additional appropriation authority for this amount in FY 2024. Due to this, the Department of Military Affairs transferred operating expense authority into this program from the Army National Guard.

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	44,250	0	132,708	176,958	0.00	45,650	0	136,836	182,486
DP 2 - Fixed Costs	0.00	3,113	0	9,340	12,453	0.00	2,459	0	7,379	9,838
DP 3 - Inflation Deflation	0.00	(100)	0	(1,975)	(2,075)	0.00	(70)	0	(1,332)	(1,402)
Grand Total All Present Law Adjustments	0.00	\$47,263	\$0	\$140,073	\$187,336	0.00	\$48,039	\$0	\$142,883	\$190,922

*"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 Military Affairs Youth ChalleNGe Program FY 2026 Statewide Present Law Adjustment for Personal Services (DP1)	
Legislative Changes	\$ 94,320
Management Changes	82,638
Total Budget Modifications	-
Total	<u><u>\$ 176,958</u></u>

The executive requests an increase in personal services funding for the upcoming biennium. This increase is due to both legislative and management changes. The legislative changes are primarily because of an increase in the cost of benefits. Management changes are mainly due to various pay adjustments made by the division, including career ladder adjustments, promotions, 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.

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 2001 - MYCA Case Managers	3.00	54,540	0	163,603	218,143	3.00	52,450	0	157,293	209,743
Total	3.00	\$54,540	\$0	\$163,603	\$218,143	3.00	\$52,450	\$0	\$157,293	\$209,743

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

DP 2001 - MYCA Case Managers -

The executive requests an increase in general fund and federal special revenue for 3.00 PB. In March 2023, the federal National Guard Bureau changed the case manager per graduate ratio. This requested increase is to comply with the change and has a 75.0% federal funding and 25.0% general fund appropriation split.

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 FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
General Fund	250,000	250,000	250,000		0.0%
Total Funds	250,000	250,000	250,000		0.0%
Operating Expenses	250,000	250,000	250,000		0.0%
Total Expenditures	250,000	250,000	250,000		0.0%
Total Ongoing	250,000	250,000	250,000		0.0%
Total One-Time-Only					0.0%

Program Highlights

Scholarship Program Major Budget Highlights
<ul style="list-style-type: none"> The National Guard Scholarship Program's 2027 biennium requested appropriations are the same as the FY 2025 base budget

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.

Scholarship Program 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
Base Budget	250,000	0	0	250,000	100.0%	250,000	0	0	250,000	100.0%
Statewide PL										
Personal Services	0	0	0	0	0.0%	0	0	0	0	0.0%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	0	0	0	0	0.0%	0	0	0	0	0.0%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Requested Budget	250,000	0	0	250,000		250,000	0	0	250,000	

Funding

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

Department of Military Affairs, 03-Scholarship Program Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	500,000	0	0	0	500,000	100.0%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$500,000	\$0	\$0	\$0	\$500,000	

HB 2 Appropriations

General Fund

The Scholarship Program is entirely funded through general fund. This funding is centralized within operating expenses for the upcoming biennium. A brochure, published in June 2024, containing additional information on this, can be found [here](#).

LFD COMMENT

The agency has executed a budget modification to move this appropriation authority to transfers to provide to the Office of the Commissioner of Higher Education. In the November 15 budget, appropriation authority was in operating expenses. The executive will include a request to move this authority from operating expenses to transfer authority in the December 15 budget submission.

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
Operating Expenses	0	0	250,000	250,000	250,000
Transfers	250,000	250,000	0	0	0
Total Expenditures	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000
General Fund	250,000	250,000	250,000	250,000	250,000
Total Funds	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000
Total Ongoing	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Montana National Guard Scholarship Program provides scholarships to eligible Montana National Guard personnel enrolled as undergraduate students in Montana colleges, universities, or training programs. The program assists Montana in recruiting and retaining personnel in both the Army and Air National Guard and in enhancing its operational readiness to assume both state and federal active-duty missions. Scholarships also reward guard members for their service to the state by helping defray their educational costs at Montana post-secondary institutions.

FY 2024 Appropriations Compared to FY 2024 Expenditures

The Scholarship Program in FY 2024 utilized 100.0% of the program appropriations. This is in line with anticipated expenditures at the end of the fiscal year. The Scholarship Program operates in conjunction with the Office of the Commissioner of Higher Education in administering the scholarship. This scholarship is applied as a tuition waiver for eligible recipients. Below is a chart which depicts the program expenditures, and additional tuition waived by the Montana University System (MUS).

National Guard Scholarship Financial Summary				
	FY 2021	FY 2022	FY 2023	FY 2024
Numbers of Awards	58	166	325	480
Total Tuition to be Waived	\$ 26,848	\$ 244,971	\$ 475,667	\$ 585,161
HB 2 Scholarship Program Appropriation	207,362	244,971	250,001	250,000
Funding Applied to Tuition	26,848	244,971	475,667	585,161
Funding Sent to MUS to be Held in Reserve	180,514	-	-	-
Reserve Funding Used	-	-	180,514	-
Tuition Waived by MUS	-	-	\$ 45,152	\$ 335,161

FY 2024 Appropriation Compared to FY 2025 Appropriation

Appropriations for FY 2025 are exactly the same as FY 2024 appropriations for the Scholarship 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	7.00	7.00	7.00	0.00	0.0%
Federal Spec. Rev. Funds	1,221,124	1,665,420	1,694,785	917,957	37.6%
Total Funds	1,221,124	1,665,420	1,694,785	917,957	37.6%
Personal Services	602,930	597,513	599,031	(9,316)	(0.8%)
Operating Expenses	618,094	1,067,807	1,095,654	927,273	75.0%
Benefits & Claims	100	100	100		0.0%
Total Expenditures	1,221,124	1,665,420	1,694,785	917,957	37.6%
Total Ongoing	1,221,124	1,665,420	1,694,785	917,957	37.6%
Total One-Time-Only					0.0%

Program Highlights

STARBASE Program Major Budget Highlights	
<ul style="list-style-type: none"> The STARBASE Program's 2027 biennium requested appropriations are approximately \$918,000 or 37.6% higher than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> An increase in operating expense authority of \$927,000 with notable requested changes being: <ul style="list-style-type: none"> An increase of \$913,000 to accommodate a proposed STARBASE location in Billings, as well as additional outreach for the program 	

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.

Starbase 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
Base Budget	0	0	1,221,124	1,221,124	73.3%	0	0	1,221,124	1,221,124	72.1%
Statewide PL										
Personal Services	0	0	(5,417)	(5,417)	(0.3%)	0	0	(3,899)	(3,899)	(0.2%)
Fixed Costs	0	0	7,359	7,359	0.4%	0	0	7,206	7,206	0.4%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	0	0	1,942	1,942	0.1%	0	0	3,307	3,307	0.2%
Present Law (PL)	0	0	442,354	442,354	26.6%	0	0	470,354	470,354	27.8%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	0	0	444,296	444,296	26.7%	0	0	473,661	473,661	27.9%
Total Requested Budget	0	0	1,665,420	1,665,420		0	0	1,694,785	1,694,785	

Funding

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

Department of Military Affairs, 04-Starbase 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%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
03411 Starbase NG Funding (4002)	3,357,249	0	0	0	3,357,249	99.9%
03453 Air National Guard	2,956	0	0	0	2,956	0.1%
Federal Special Total	\$3,360,205	\$0	\$0	\$0	\$3,360,205	100.0%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$3,360,205	\$0	\$0	\$0	\$3,360,205	

HB 2 Appropriations**Federal Special Revenue**

The STARBASE Program is entirely funded through federal special revenue funds. Appropriations are within two different funds. This funding supports all of the STARBASE operations and personnel as this division is entirely funded by federal special revenue.

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	7.00	7.00	7.00	7.00
Personal Services	322,949	397,507	602,930	597,513	599,031
Operating Expenses	786,967	790,674	618,094	1,067,807	1,095,654
Benefits & Claims	0	100	100	100	100
Total Expenditures	\$1,109,916	\$1,188,281	\$1,221,124	\$1,665,420	\$1,694,785
Federal Spec. Rev. Funds	1,109,916	1,188,281	1,221,124	1,665,420	1,694,785
Total Funds	\$1,109,916	\$1,188,281	\$1,221,124	\$1,665,420	\$1,694,785
Total Ongoing	\$1,109,916	\$1,188,281	\$1,221,124	\$1,665,420	\$1,694,785
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

STARBASE is the 100.0% federally funded youth outreach program of the Department of Defense. Currently, STARBASE has classrooms at Fort Harrison and the 120th Airlift Wing in Great Falls, providing 25 hours of hands-on science, technology, engineering, art, and math (STEAM) instruction to all fifth-grade classes within the Helena and Great Falls school districts, as well as afterschool programs and summer camps to students in grades 3-12 across Montana. STARBASE locations provide students the opportunity to interact with military personnel, foster familiarity with local military installations, nurture interest in STEAM careers, and empower Montana's youth for future success.

FY 2024 Appropriations Compared to FY 2024 Expenditures

Within the Department of Military Affairs, the STARBASE Program used 93.4%, or \$1.1 million, of its FY 2024 appropriation. Within this program, personal services were 81.2% expended for FY 2024. The STARBASE Program has

7.00 HB 2 PB with 4.00 PB being vacant for all of FY 2024; these positions were vacant as the Malta STARBASE location did not receiving federal approval. However, there were personal services expenditures in this program for modified PB. The program did expend 99.5% of its HB 2 operating expenses appropriation in FY 2024.

FY 2024 Appropriation Compared to FY 2025 Appropriation

Appropriations for the STARBASE Program are 2.7% higher for FY 2025 as compared to FY 2024. Personal services are 51.7%, or \$205,000, higher in FY 2025 than in FY 2024. This difference between fiscal years is due to a transfer of authority in FY 2024 to shift appropriations from personal services to operating expenses. The purpose of this budget modification was needed as the program served more students and provided further outreach than anticipated. Operating expenses within this program are 21.8% less in FY 2025 as compared to FY 2024, but this difference is due to the aforementioned change which increased FY 2024 appropriations for this expenditure account type.

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	(5,417)	(5,417)	0.00	0	0	(3,899)	(3,899)
DP 2 - Fixed Costs	0.00	0	0	7,359	7,359	0.00	0	0	7,206	7,206
DP 4001 - STARBASE Budget Authority Increase	0.00	0	0	442,354	442,354	0.00	0	0	470,354	470,354
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$444,296	\$444,296	0.00	\$0	\$0	\$473,661	\$473,661

*"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 Military Affairs STARBASE Program FY 2026 Statewide Present Law Adjustment for Personal Services (DP1)	
Legislative Changes	\$ 1,723
Management Changes	(7,140)
Total Budget Modifications	-
Total	\$ (5,417)

The executive requests a decrease in personal services authority for the upcoming biennium within this program. This is primarily due to management changes, mainly 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 4001 - STARBASE Budget Authority Increase -

The executive requests an increase in federal budget authority within this program. STARBASE has programs in Great Falls and Fort Harrison, with additional outreach provided to HiLine Communities, there is also a proposed location in Billings. This increase in federal authority will be utilized towards staff and teacher salary increases, as well as costs associated with the proposed STARBASE location in Billings. As the teachers within this program are contracted, this requested appropriation for this are considered operating expenses. Regarding the outreach provided in the HiLine Communities, this is through multiple two-day summer camps to provide science, technology, engineering, art/design, and math (STEAM). These have been provided in numerous areas, including Hot Springs and Malta. With the proposed Billings location, the agency expects to provide these opportunities to both the Crow and North Cheyenne reservations as well.

**LFD
COMMENT**

The Legislature may want to consider this as a new proposal instead of a present law adjustment. This decision package includes additional outreach for this program and authority for the proposed Billings location. Statute (17-7-102(11), MCA) defines a new proposal, in part, as a request to change program services, and this proposal may be considered new services. The executive will change this to become a new proposal in the December 15 budget submission.

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 FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
PB	55.30	55.30	55.30	0.00	0.0%
General Fund	2,079,242	2,077,036	2,067,221	(14,227)	(0.3%)
State/Other Special Rev. Funds	420	3,920	3,920	7,000	833.3%
Federal Spec. Rev. Funds	20,068,301	19,857,506	19,839,577	(439,519)	(1.1%)
Total Funds	22,147,963	21,938,462	21,910,718	(446,746)	(1.0%)
Personal Services	5,662,340	5,476,195	5,489,015	(359,470)	(3.2%)
Operating Expenses	15,919,887	15,896,531	15,855,967	(87,276)	(0.3%)
Equipment & Intangible Assets	150,536	150,536	150,536		0.0%
Benefits & Claims	200	200	200		0.0%
Transfers	25,000	25,000	25,000		0.0%
Debt Service	390,000	390,000	390,000		0.0%
Total Expenditures	22,147,963	21,938,462	21,910,718	(446,746)	(1.0%)
Total Ongoing	22,147,963	21,938,462	21,910,718	(446,746)	(1.0%)
Total One-Time-Only					0.0%

Program Highlights

Army National Guard Program Major Budget Highlights	
<ul style="list-style-type: none"> The Army National Guard's 2027 biennium requested appropriations are approximately \$447,000 or 1.0% less than the FY 2025 base budget. Significant requested changes include: <ul style="list-style-type: none"> A decrease of \$359,000 in personal services appropriations due to 1.00 PB being transferred to the Director's Office, as well as other statewide present law adjustments for personal services A decrease of \$94,000 in fixed costs primarily due to a decrease in insurance costs 	

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.

Army National Guard Program 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
Base Budget	2,079,242	420	20,068,301	22,147,963	101.0%	2,079,242	420	20,068,301	22,147,963	101.1%
Statewide PL										
Personal Services	(9,300)	0	(176,845)	(186,145)	(0.8%)	(8,650)	0	(164,675)	(173,325)	(0.8%)
Fixed Costs	7,098	0	(33,870)	(26,772)	(0.1%)	(3,368)	0	(63,995)	(67,363)	(0.3%)
Inflation Deflation	(4)	0	(80)	(84)	(0.0%)	(3)	0	(54)	(57)	(0.0%)
Total Statewide PL	(2,206)	0	(210,795)	(213,001)	(1.0%)	(12,021)	0	(228,724)	(240,745)	(1.1%)
Present Law (PL)	0	3,500	0	3,500	0.0%	0	3,500	0	3,500	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	(2,206)	3,500	(210,795)	(209,501)	(1.0%)	(12,021)	3,500	(228,724)	(237,245)	(1.1%)
Total Requested Budget	2,077,036	3,920	19,857,506	21,938,462		2,067,221	3,920	19,839,577	21,910,718	

Funding

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

Department of Military Affairs, 12-Army National Guard Program Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	4,144,257	0	0	0	4,144,257	9.5%	
02343 Armory Rental Funds	7,840	0	0	0	7,840	100.0%	
State Special Total	\$7,840	\$0	\$0	\$0	\$7,840	0.0%	
03132 National Guard	39,697,083	0	0	0	39,697,083	100.0%	
Federal Special Total	\$39,697,083	\$0	\$0	\$0	\$39,697,083	90.5%	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%	
Total All Funds	\$43,849,180	\$0	\$0	\$0	\$43,849,180		

HB 2 Appropriations

General Fund

A small portion of the appropriations for the Army National Guard are from general fund. General fund is used to meet the federal/state match requirement for federal funds which are described in detail in the federal special revenue section of this narrative.

State Special Revenue

State special revenue accounts for a fraction of the Army National Guard Program's total appropriation authority. This funding is for armory rentals. When armories are rented to groups, the state special revenue funds generated from the rental fees are used to pay for costs associated with the use of the facilities.

Federal Special Revenue

Federal special revenue accounts for the majority of the program's total appropriation authority. Funding is for the following functions:

- When a facility is owned by the state and located on state land, it qualifies to have their maintenance and utility costs covered by 50.0% federal special revenue and 50.0% state funds
- Facilities that are state owned, but located on federal lands qualify to have maintenance and utility costs covered 75.0% by federal special revenue and 25.0% by state funds
- Facilities that are classified as a logistic facility receive 100.0% federal special revenue funding
- Facilities that are owned federally, located on federal lands, and serve as a facility for training missions are 100.0% funded with federal special revenue unless the building is used as an armory
- Armories that are constructed with federal funds and located on federal land qualify for their maintenance and utility costs to be covered by 75.0% federal funds and 25.0% state 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	55.30	55.30	55.30	55.30
Personal Services	5,279,761	5,330,922	5,662,340	5,476,195	5,489,015
Operating Expenses	14,037,766	14,906,463	15,919,887	15,896,531	15,855,967
Equipment & Intangible Assets	280,749	309,836	150,536	150,536	150,536
Benefits & Claims	1,000	2,000	200	200	200
Transfers	17,452	25,000	25,000	25,000	25,000
Debt Service	319,826	390,000	390,000	390,000	390,000
Total Expenditures	\$19,936,554	\$20,964,221	\$22,147,963	\$21,938,462	\$21,910,718
General Fund	1,951,507	2,024,815	2,079,242	2,077,036	2,067,221
State/Other Special Rev. Funds	0	420	420	3,920	3,920
Federal Spec. Rev. Funds	17,985,047	18,938,986	20,068,301	19,857,506	19,839,577
Total Funds	\$19,936,554	\$20,964,221	\$22,147,963	\$21,938,462	\$21,910,718
Total Ongoing	\$19,936,554	\$20,964,221	\$22,147,963	\$21,938,462	\$21,910,718
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Army National Guard (ARNG), until federalized, is a state military organization that provides trained and equipped military units for use in the event of a state or national emergency. The federal/state cooperative agreement provides funding for facilities management, environmental, and communications support to the organization by:

- Providing professional and skilled personnel for the administration, planning, and execution of statewide repair and maintenance functions on facilities and training areas
- Planning, programming, contracting, and professional and skilled administration, planning and execution for construction
- Ensuring all activities and facilities comply with environmental regulations, state regulations and federal regulations
- Providing statewide communication services, security contracts, and leases for buildings and land used by the Army National Guard

The program is mandated by the U.S. and Montana Constitutions and Title 10, Chapters 1-3, MCA.

FY 2024 Appropriations Compared to FY 2024 Expenditures

The Army National Guard utilized 95.1% of its FY 2024 appropriation of \$21.0 million HB 2 modified budget. This is slightly below the five-year Olympic average of 99.3%, with the largest expenditures coming from operating expenses and personal services. While it is slightly below the historical average, the percent expended is generally in line with the anticipated expenditures through the end of the fiscal year.

FY 2024 Appropriations Compared to FY 2025 Appropriations

Appropriations for the Army National Guard in FY 2025 are 5.6% higher than that of FY 2024. In FY 2025, the total HB 2 appropriations are \$22.1 million with the FY 2024 appropriation being \$21.0 million. The differences in the appropriations between the fiscal years are due to a variety of budget modifications and transfer of funds.

Similar to other divisions with the Department of Military Affairs, this program received operating expenses transferred from the Director's Office to account for inflationary costs, along with the Army National Guard also received personal services funding from the HB 13 pay plan. The program also executed two budget modification changes to establish 3.00 modified PB. These positions (project manager, environmental scientist 3, and planner 2) are all funded through the pair of operating plan changes by transferring operating expenses to personal services.

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	(9,300)	0	(176,845)	(186,145)	0.00	(8,650)	0	(164,675)	(173,325)
DP 2 - Fixed Costs	0.00	7,098	0	(33,870)	(26,772)	0.00	(3,368)	0	(63,995)	(67,363)
DP 3 - Inflation Deflation	0.00	(4)	0	(80)	(84)	0.00	(3)	0	(54)	(57)
DP 1201 - Army National Guard State Special Revenue Increase	0.00	0	3,500	0	3,500	0.00	0	3,500	0	3,500
Grand Total All Present Law Adjustments	0.00	(\$2,206)	\$3,500	(\$210,795)	(\$209,501)	0.00	(\$12,021)	\$3,500	(\$228,724)	(\$237,245)

**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 Military Affairs Army National Guard Program FY 2026 Statewide Present Law Adjustment for Personal Services (DP1)	
Legislative Changes	\$ 52,406
Management Changes	190,453
Total Budget Modifications	(429,004)
Total	\$ (186,145)

The executive requests a decrease in personal services funding for the upcoming biennium. This change is mainly driven by budget modifications which moved operating expenses into personal services. As this transfer was done in relation to HB 2 modified PB and not HB 2 permanent positions, this funding is subtracted out during the calculation of personal services. Another portion of the decrease in budget modifications is due to the transfer of 1.00 PB to the Director's Office. Since funding was not transferred with this position, personal services associated with this position was decreased during the calculation of personal services. The increase in management changes is due to various pay rate increases within the division for career ladder adjustments, retention, 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 1201 - Army National Guard State Special Revenue Increase -

The executive requests an increase in state special revenue authority within this program. The primary source of this funding is rental fees paid. The executive is looking for an increase in this authority due to an increase in revenue from grazing leases and armory rentals. This increase in appropriations will be utilized for janitorial and utility expenses when armories are being rented, as well as repair and maintenance of grazing land fences.

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	46.00	46.00	46.00	0.00	0.0%
General Fund	443,971	420,758	421,619	(45,565)	(5.1%)
Federal Spec. Rev. Funds	5,916,816	6,312,905	6,455,406	934,679	7.9%
Total Funds	6,360,787	6,733,663	6,877,025	889,114	7.0%
Personal Services	4,201,364	4,573,093	4,718,410	888,775	10.6%
Operating Expenses	2,159,323	2,160,470	2,158,515	339	0.0%
Benefits & Claims	100	100	100		0.0%
Total Expenditures	6,360,787	6,733,663	6,877,025	889,114	7.0%
Total Ongoing	6,360,787	6,733,663	6,877,025	889,114	7.0%
Total One-Time-Only					0.0%

Program Highlights

Air National Guard Program Major Budget Highlights	
<ul style="list-style-type: none"> The Air National Guard's 2027 biennium requested appropriations are approximately \$889,000 or 7.0% higher than the FY 2025 base budget. Significant requested changes include: <ul style="list-style-type: none"> An increase of \$1.4 million towards re-establishing firefighter overtime authority An increase of \$413,000 in relation to firefighter pay increases within the program A decrease of \$914,000 in personal services authority partially due to the previously approved firefighter overtime authority being not included in the calculation for statewide present law adjustment for personal services 	

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.

Air National Guard Program 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
Base Budget	443,971	0	5,916,816	6,360,787	94.5%	443,971	0	5,916,816	6,360,787	92.5%
Statewide PL										
Personal Services	(23,500)	0	(446,577)	(470,077)	(7.0%)	(22,150)	0	(421,640)	(443,790)	(6.5%)
Fixed Costs	287	0	860	1,147	0.0%	(202)	0	(606)	(808)	(0.0%)
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	(23,213)	0	(445,717)	(468,930)	(7.0%)	(22,352)	0	(422,246)	(444,598)	(6.5%)
Present Law (PL)	0	0	687,091	687,091	10.2%	0	0	702,978	702,978	10.2%
New Proposals	0	0	154,715	154,715	2.3%	0	0	257,858	257,858	3.7%
Total HB 2 Adjustments	(23,213)	0	396,089	372,876	5.5%	(22,352)	0	538,590	516,238	7.5%
Total Requested Budget	420,758	0	6,312,905	6,733,663		421,619	0	6,455,406	6,877,025	

Funding

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

Department of Military Affairs, 13-Air National Guard Program Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	842,377	0	0	0	842,377	6.2%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
03453 Air National Guard	12,768,311	0	0	0	12,768,311	100.0%
Federal Special Total	\$12,768,311	\$0	\$0	\$0	\$12,768,311	93.8%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$13,610,688	\$0	\$0	\$0	\$13,610,688	

HB 2 Appropriations

General Fund

A portion of appropriations for the Air National Guard Program is from general fund. This funding supports federal/state match requirements for federal grants and is primarily utilized in relation to building and ground maintenance activities, administrative expenses, and a portion of personal services costs.

Federal Special Revenue

The majority of funding for this program comes from federal special revenue funds. Funding from this source supports the operations, activities, and other expenses within the program.

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	46.00	46.00	46.00	46.00
Personal Services	3,673,365	3,939,658	4,201,364	4,573,093	4,718,410
Operating Expenses	1,853,250	2,197,923	2,159,323	2,160,470	2,158,515
Benefits & Claims	0	100	100	100	100
Total Expenditures	\$5,526,615	\$6,137,681	\$6,360,787	\$6,733,663	\$6,877,025
General Fund	398,426	420,025	443,971	420,758	421,619
Federal Spec. Rev. Funds	5,128,189	5,717,656	5,916,816	6,312,905	6,455,406
Total Funds	\$5,526,615	\$6,137,681	\$6,360,787	\$6,733,663	\$6,877,025
Total Ongoing	\$5,526,615	\$6,137,681	\$6,360,787	\$6,733,663	\$6,877,025
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Air National Guard, until federalized, is a state military organization that provides trained and equipped military units for use in the event of a state or national emergency. The federal/state cooperative agreement provides for administrative, facilities maintenance, security, and fire protection support to the Air National Guard base at Gore Hill near Great Falls. The Air National Guard Program operates under both federal and state mandates in accordance with its dual missions and is mandated by the United States and Montana Constitutions and Title 10, Chapter 1-3, MCA.

FY 2024 Appropriations Compared to FY 2024 Expenditures

Within the Department of Military Affairs, the Air National Guard expended 90.0% of its HB 2 modified budget in FY 2024. This percent expended is slightly below the five-year Olympic average of 93.6% for the program.

The Air National Guard utilized 93.2% of its \$3.9 million in personal services HB 2 appropriation, while also expending 84.3% in operating expenses. In looking at operating expenses for this program, 98.7% of their general fund appropriation for operating expenses was utilized, with the primary portion of the remaining operating expenses that were not expended in FY 2024 being in federal special revenue funds. The Air National Guard had \$342,000 in remaining federal special revenue appropriation classified as operating expenses at the conclusion of FY 2024. As this program operates on a federal fiscal year, this remaining appropriation is due to the difference in timing between state and federal fiscal years.

FY 2024 Appropriations Compared to FY 2025 Appropriations

Appropriations for the Air National Guard are 3.6% higher in FY 2025, as compared to FY 2024. Similar to the FY 2024 appropriations, the FY 2025 appropriations are primarily located in federal special revenue funds with the minor differences between the two fiscal years coming from the HB 13 pay plan.

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	(23,500)	0	(446,577)	(470,077)	0.00	(22,150)	0	(421,640)	(443,790)
DP 2 - Fixed Costs	0.00	287	0	860	1,147	0.00	(202)	0	(606)	(808)
DP 1301 - ANG Re-Establish Firefighter FLSA Overtime	0.00	0	0	687,091	687,091	0.00	0	0	702,978	702,978
Grand Total All Present Law Adjustments	0.00	(\$23,213)	\$0	\$241,374	\$218,161	0.00	(\$22,352)	\$0	\$280,732	\$258,380

***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 Military Affairs Air National Guard Program FY 2026 Statewide Present Law Adjustment for Personal Services (DP1)	
Legislative Changes	\$ (418,733)
Management Changes	(51,344)
Total Budget Modifications	-
Total	<u><u>\$ (470,077)</u></u>

The executive requests a decrease in personal services funding in the upcoming biennium. This decrease is mainly in legislative changes, with a smaller portion of management changes. The decrease within legislative changes is primarily due to funding for firefighter overtime costs included in the FY 2025 base budget. These costs are not captured in the snapshot calculation for the 2027 biennium; therefore, the overall personal service budget is reduced by this amount and funding for firefighter overtime costs have to be reestablished through another change package.

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 1301 - ANG Re-Establish Firefighter FLSA Overtime -

The executive is requesting additional federal spending authority for firefighter salaries and benefits that exceed those of a traditional PB, due to the 24/7 nature of the fire protection services at the Montana Air National Guard. Hours over 2,080 per PB are not captured in the personal services snapshot used for initial budget preparation.

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 1302 - ANG Firefighter Pay Increases	0.00	0	0	154,715	154,715	0.00	0	0	257,858	257,858
Total	0.00	\$0	\$0	\$154,715	\$154,715	0.00	\$0	\$0	\$257,858	\$257,858

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

DP 1302 - ANG Firefighter Pay Increases -

The executive requests an increase in federal special revenue appropriations in the upcoming biennium. The request is for an increase in firefighter pay in the Air National Guard 120th Airlift Wing in Great Falls. According to the Department of Military Affairs, the current hourly pay ranks in the bottom 25.0% of all fire departments in Montana. This increase has been approved by the federal National Guard Bureau.

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	32.00	32.00	32.00	0.00	0.0%
General Fund	1,991,285	2,146,261	2,128,221	291,912	7.3%
State/Other Special Rev. Funds	136,756	204,756	204,756	136,000	49.7%
Federal Spec. Rev. Funds	16,540,420	16,740,137	16,723,145	382,442	1.2%
Total Funds	18,668,461	19,091,154	19,056,122	810,354	2.2%
Personal Services	3,077,190	3,396,760	3,404,264	646,644	10.5%
Operating Expenses	863,885	899,008	856,472	27,710	1.6%
Grants	13,205,681	13,273,681	13,273,681	136,000	0.5%
Benefits & Claims	100	100	100		0.0%
Transfers	1,521,605	1,521,605	1,521,605		0.0%
Total Expenditures	18,668,461	19,091,154	19,056,122	810,354	2.2%
Total Ongoing	18,668,461	19,091,154	19,056,122	810,354	2.2%
Total One-Time-Only					0.0%

Program Highlights

Disaster and Emergency Services Program Major Budget Highlights
<ul style="list-style-type: none"> The Disaster and Emergency Service Program's 2027 biennium requested appropriations are approximately \$810,000 or 2.2% higher than the FY 2025 base budget. Significant requested changes include: <ul style="list-style-type: none"> An increase in personal services funding of \$647,000 due to career ladder adjustments and other pay rate changes made within the program An increase of \$136,000 to be used to aid county search and rescue training and missions

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.

Disaster and Emergency Services 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
Base Budget	1,991,285	136,756	16,540,420	18,668,461	97.8%	1,991,285	136,756	16,540,420	18,668,461	98.0%
Statewide PL										
Personal Services	137,415	0	182,155	319,570	1.7%	140,642	0	186,432	327,074	1.7%
Fixed Costs	19,136	0	19,137	38,273	0.2%	(2,642)	0	(2,642)	(5,284)	(0.0%)
Inflation Deflation	(1,575)	0	(1,575)	(3,150)	(0.0%)	(1,064)	0	(1,065)	(2,129)	(0.0%)
Total Statewide PL	154,976	0	199,717	354,693	1.9%	136,936	0	182,725	319,661	1.7%
Present Law (PL)	0	68,000	0	68,000	0.4%	0	68,000	0	68,000	0.4%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	154,976	68,000	199,717	422,693	2.2%	136,936	68,000	182,725	387,661	2.0%
Total Requested Budget	2,146,261	204,756	16,740,137	19,091,154		2,128,221	204,756	16,723,145	19,056,122	

Funding

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

Department of Military Affairs, 21-Disaster and Emergency Services Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	4,274,482	0	0	90,000	4,364,482	11.4%	
02170 SAR DES Off Road Vehicle	400,308	0	0	0	400,308	97.8%	
02335 DES Training Conference	9,204	0	0	0	9,204	2.2%	
State Special Total	\$409,512	\$0	\$0	\$0	\$409,512	1.1%	
03134 DES Emergency Mgmt Perf 97.042	10,784,943	0	0	0	10,784,943	32.2%	
03143 DES Homeland Security 97.067	15,260,854	0	0	0	15,260,854	45.6%	
03166 DES Hazard Mitigation 97.039	2,668,860	0	0	0	2,668,860	8.0%	
03191 DES Pre-Disaster Mit 97.047	3,398,929	0	0	0	3,398,929	10.2%	
03208 DES Hazardous Materials 20.703	360,176	0	0	0	360,176	1.1%	
03239 DES Flood Mitigation 97.029	862,326	0	0	0	862,326	2.6%	
03267 Nonprofit Security 97.008	106,381	0	0	0	106,381	0.3%	
03429 Disaster & Emergency Services	2,204	0	0	0	2,204	0.0%	
03717 Nat Earthquake Haz Red Prg	12,142	0	0	0	12,142	0.0%	
03939 L Cybersecurity Grant	6,467	0	0	0	6,467	0.0%	
Federal Special Total	\$33,463,282	\$0	\$0	\$0	\$33,463,282	87.5%	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%	
Total All Funds	\$38,147,276	\$0	\$0	\$90,000	\$38,237,276		

HB 2 Appropriations

General Fund

General fund supports administrative and coordination functions, with these primarily being funded by 50.0% general fund within the program.

State Special Revenue

State special revenue fund appropriations account for less than 5.0% of the total appropriations within the program. Over 95.0% of state special revenue authority is within search and rescue activities as funded through surcharges in conservation licenses and off-road vehicle licenses.

Federal Special Revenue

The primary funding for this program is within federal special revenue funds. As a part of this funding, 50.0% of administrative and coordination functions generally come from federal funds. When it comes to disaster coordination functions, federal special revenue funds are generally used to fund 100.0% of these expenditures.

Statutory AppropriationsGeneral Fund

The relatively small statutory appropriation from the general fund is to be utilized towards the civil air patrol. This appropriation was statutorily appropriated through HB 676 of the 2019 Legislative Session with the sunset of this being extended through FY 2031 by HB 274 of the 2023 Legislative Session.

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	32.00	32.00	32.00	32.00
Personal Services	3,155,309	3,351,066	3,077,190	3,396,760	3,404,264
Operating Expenses	827,302	1,071,103	863,885	899,008	856,472
Equipment & Intangible Assets	15,814	15,814	0	0	0
Grants	12,716,019	13,157,933	13,205,681	13,273,681	13,273,681
Benefits & Claims	250	300	100	100	100
Transfers	771,800	907,521	1,521,605	1,521,605	1,521,605
Total Expenditures	\$17,486,494	\$18,503,737	\$18,668,461	\$19,091,154	\$19,056,122
General Fund	1,636,426	1,928,111	1,991,285	2,146,261	2,128,221
State/Other Special Rev. Funds	149,140	156,756	136,756	204,756	204,756
Federal Spec. Rev. Funds	15,700,928	16,418,870	16,540,420	16,740,137	16,723,145
Total Funds	\$17,486,494	\$18,503,737	\$18,668,461	\$19,091,154	\$19,056,122
Total Ongoing	\$17,486,494	\$18,503,737	\$18,668,461	\$19,091,154	\$19,056,122
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Disaster and Emergency Services Division (DES) duties and responsibilities are provided for under Title 10, Chapter 3, MCA. The division is responsible for the coordination, development and implementation of emergency management planning, mitigation, response, and recovery statewide. This responsibility includes the administration and disbursement of federal Homeland Security and Emergency Management funds to eligible political subdivisions and tribal nations across the state. The division maintains a 24 hour a day point of contact to coordinate the volunteer, state, and federal response for assistance to political subdivisions and tribal nations in the event of an incident, emergency, or disaster.

FY 2024 Appropriations Compared to FY 2024 Expenditures

The Disaster and Emergency Services Division of the Department of Military Affairs expended 94.5% of its HB 2 modified budget in FY 2024. This is in line with anticipated expenditures at the end of the fiscal year. Expenditures were primarily made in personal services, operating expenses, and grants, with the grants being the largest expenditure account type, incorporating 71.1% of the total HB 2 appropriation for FY 2024.

FY 2024 Appropriations Compared to FY 2025 Appropriations

FY 2025 appropriations are 0.9% higher than that of FY 2024. Although the overall funding is similar, there are differences when looking at the individual expenditure account type (personal services, operating expenses, and transfers). Appropriations in FY 2024 were transferred from personal services to operating expenses. This was moved due to higher-than-anticipated workload, leading to an increase in personal services costs, within the program.

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	137,415	0	182,155	319,570	0.00	140,642	0	186,432	327,074
DP 2 - Fixed Costs	0.00	19,136	0	19,137	38,273	0.00	(2,642)	0	(2,642)	(5,284)
DP 3 - Inflation Deflation	0.00	(1,575)	0	(1,575)	(3,150)	0.00	(1,064)	0	(1,065)	(2,129)
DP 2101 - DES Search and Rescue State Special Revenue	0.00	0	68,000	0	68,000	0.00	0	68,000	0	68,000
Grand Total All Present Law Adjustments	0.00	\$154,976	\$68,000	\$199,717	\$422,693	0.00	\$136,936	\$68,000	\$182,725	\$387,661

*"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 Military Affairs Disaster and Emergency Services Program FY 2026 Statewide Present Law Adjustment for Personal Services (DP1)	
Legislative Changes	\$ 41,792
Management Changes	277,778
Total Budget Modifications	-
Total	<u>\$ 319,570</u>

The executive requests an increase in personal services funding for the upcoming biennium. This increase is primarily within management changes and due to career ladder adjustments made by the division, as well as 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 2101 - DES Search and Rescue State Special Revenue -

The executive requests an increase in state special revenue authority for the search and rescue (SAR) state special revenue fund. Revenues for this fund are described in the state special revenue subsection of the funding section of this program. This increase in authority will be used towards county SAR programs to aid in missions, training, and equipment needs.

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	25.00	36.00	36.00	11.00	22.0%
General Fund	1,793,051	3,415,348	3,465,799	3,295,045	91.9%
State/Other Special Rev. Funds	1,038,411	1,342,495	1,296,317	561,990	27.1%
Total Funds	2,831,462	4,757,843	4,762,116	3,857,035	68.1%
Personal Services	2,458,166	3,969,317	4,055,249	3,108,234	63.2%
Operating Expenses	294,196	646,926	565,267	623,801	106.0%
Equipment & Intangible Assets		75,000	75,000	150,000	0.0%
Grants	35,000	22,500	22,500	(25,000)	(35.7%)
Benefits & Claims	100	100	100		0.0%
Transfers	20,000	20,000	20,000		0.0%
Debt Service	24,000	24,000	24,000		0.0%
Total Expenditures	2,831,462	4,757,843	4,762,116	3,857,035	68.1%
Total Ongoing	2,831,462	4,757,843	4,762,116	3,857,035	68.1%
Total One-Time-Only					0.0%

Program Highlights

Veterans' Affairs Program Major Budget Highlights
<ul style="list-style-type: none"> The Veterans' Affairs Program's 2027 biennium requested appropriations are approximately \$3.9 million or 68.1% higher than the FY 2025 base budget. Significant requested changes include: <ul style="list-style-type: none"> An increase of personal services authority of \$3.4 million for 11.00 PB to convert from modified HB 2 positions to permanent An increase of \$685,000 in state special revenue to fund operating expenses in Veteran Service Offices as well as Veterans' Affairs Cemeteries

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.

Veterans' Affairs Program 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
Base Budget	1,793,051	1,038,411	0	2,831,462	59.5%	1,793,051	1,038,411	0	2,831,462	59.5%
Statewide PL										
Personal Services	(101,474)	(67,649)	0	(169,123)	(3.6%)	(95,419)	(63,613)	0	(159,032)	(3.3%)
Fixed Costs	14,427	4,809	0	19,236	0.4%	13,222	4,408	0	17,630	0.4%
Inflation Deflation	(1,730)	(576)	0	(2,306)	(0.0%)	(1,170)	(389)	0	(1,559)	(0.0%)
Total Statewide PL	(88,777)	(63,416)	0	(152,193)	(3.2%)	(83,367)	(59,594)	0	(142,961)	(3.0%)
Present Law (PL)	0	367,500	0	367,500	7.7%	0	317,500	0	317,500	6.7%
New Proposals	1,711,074	0	0	1,711,074	36.0%	1,756,115	0	0	1,756,115	36.9%
Total HB 2 Adjustments	1,622,297	304,084	0	1,926,381	40.5%	1,672,748	257,906	0	1,930,654	40.5%
Total Requested Budget	3,415,348	1,342,495	0	4,757,843		3,465,799	1,296,317	0	4,762,116	

Funding

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

Department of Military Affairs, 31-Veterans' Affairs Program Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	6,881,147	0	0	0	6,881,147	64.3%
02002 Purple Heart & Higher Schlshp	25,000	0	0	0	25,000	0.7%
02214 Veterans Affairs Cemeteries	0	0	0	1,182,419	1,182,419	30.9%
02222 Patriotic License Plate Fees	160,848	0	0	0	160,848	4.2%
02457 Veterans Affairs HB701 SSR	1,046,096	0	0	0	1,046,096	27.4%
02548 Veterans Affairs SB401	1,406,868	0	0	0	1,406,868	36.8%
State Special Total	\$2,638,812	\$0	\$0	\$1,182,419	\$3,821,231	35.7%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$9,519,959	\$0	\$0	\$1,182,419	\$10,702,378	

HB 2 Appropriations

General Fund

General fund appropriations support general functions of the program, with the largest portion of appropriations going towards personal services.

State Special Revenue

State special revenue funds account for a portion of the total appropriations authority in the Veterans' Affairs Program. The state special revenue accounts provide various support, to include:

- Veteran's services account, enacted by the 2003 Legislature, allocated proceeds from the sale of veterans' specialty license plates and a portion of all motor vehicle registration revenues that are deposited into the general fund each year. The 2013 Legislature increased the percentage of motor vehicle fees deposited into this fund from 0.64% to 0.81%
- Patriotic license plate fees account receives revenue from a \$15 surcharge on original licensing and renewal of patriotic license plates issued in Montana
- Purple heart and higher medal scholarship account was revised by the 2019 Legislature. The legislature transferred \$50,000 of general fund into the account and required that the state special revenue appropriation be included in the base budget for future biennia
- Veteran's affairs HB 701 is the state special revenue fund that was established to receive marijuana taxes in the 2021 Session. In this bill, the program is to receive 3.0%, or \$200,000, whichever is less. In the 2023 Session the appropriation for this fund was removed, but the funding source remained. With this, the program did not have the appropriation authority to spend the state special revenue funds

Statutory Appropriations

State Special Revenue

The Veterans' Affairs Division has a statutory appropriation for the operation of the Montana Veteran's Cemetery Program. The state special revenue account is funded through a portion of motor vehicle registration fees, cemetery plot allowances, and donations.

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	25.00	25.00	36.00	36.00
Personal Services	2,112,112	2,116,309	2,458,166	3,969,317	4,055,249
Operating Expenses	241,105	246,226	294,196	646,926	565,267
Equipment & Intangible Assets	0	0	0	75,000	75,000
Grants	30,000	35,000	35,000	22,500	22,500
Benefits & Claims	0	100	100	100	100
Transfers	0	0	20,000	20,000	20,000
Debt Service	22,393	24,000	24,000	24,000	24,000
Total Expenditures	\$2,405,610	\$2,421,635	\$2,831,462	\$4,757,843	\$4,762,116
General Fund	1,570,156	1,570,593	1,793,051	3,415,348	3,465,799
State/Other Special Rev. Funds	835,454	851,042	1,038,411	1,342,495	1,296,317
Total Funds	\$2,405,610	\$2,421,635	\$2,831,462	\$4,757,843	\$4,762,116
Total Ongoing	\$2,405,610	\$2,421,635	\$2,831,462	\$4,757,843	\$4,762,116
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

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

FY 2024 Appropriations Compared to FY 2024 Expenditures

Within the Department of Military Affairs, the Veterans' Affairs Program expended 99.3% of its FY 2024 HB 2 modified budget. This is in line with anticipated expenditures at the end of the fiscal year.

FY 2024 Appropriations Compared to FY 2025 Appropriations

Appropriations for this program in FY 2025 are 14.5% higher than FY 2024. This increase in authority is due to a variety of factors. The HB 13 pay plan accounts for 46.6% of the total increase in funding, specifically within personal services. The other large portion of this increase was the addition of \$85,000 in personal services as a statewide present law adjustment in FY 2025. These two actions played the largest role in the increase in FY 2025 appropriation authority as compared to FY 2024.

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	(101,474)	(67,649)	0	(169,123)	0.00	(95,419)	(63,613)	0	(159,032)
DP 2 - Fixed Costs	0.00	14,427	4,809	0	19,236	0.00	13,222	4,408	0	17,630
DP 3 - Inflation Deflation	0.00	(1,730)	(576)	0	(2,306)	0.00	(1,170)	(389)	0	(1,559)
DP 3103 - Veteran Affairs State Special Revenue	0.00	0	367,500	0	367,500	0.00	0	317,500	0	317,500
Grand Total All Present Law Adjustments	0.00	(\$88,777)	\$304,084	\$0	\$215,307	0.00	(\$83,367)	\$257,906	\$0	\$174,539

***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 Military Affairs Veterans' Affairs Program FY 2026 Statewide Present Law Adjustment for Personal Services (DP1)	
Legislative Changes	\$ (79,163)
Management Changes	(89,960)
Total Budget Modifications	-
Total	\$ (169,123)

The executive requests a decrease in personal services funding in the upcoming biennium. This decrease is within both legislative and management changes. The decrease in legislative changes is due to the subtraction of a decision package from the 2023 Legislative Session. This decision package increased personal services funding for the Columbia Falls Veterans' Affairs Cemetery operations. As this personal services authority was not tied to specific PB, it is subtracted during the calculation. In management changes, this decrease is partially 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 3103 - Veteran Affairs State Special Revenue -

The executive is requesting an increase in state special revenue authority within the Veterans' Affairs state special revenue fund in the upcoming biennium. Revenues in this fund are detailed in the state special revenue subsection of the funding section within this program. This increase in funding is to accommodate for operating expenses for the Veteran Service Office Program, and the Veterans' Affairs Cemetery Program, specifically equipment replacement within the Cemetery Program. These are existing services within the program.

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 3101 - Veteran Affairs Division Program Operations										
	11.00	1,711,074	0	0	1,711,074	11.00	1,756,115	0	0	1,756,115
Total	11.00	\$1,711,074	\$0	\$0	\$1,711,074	11.00	\$1,756,115	\$0	\$0	\$1,756,115

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

DP 3101 - Veteran Affairs Division Program Operations -

The executive requests an increase in general fund for 11.00 PB and operating expenses in FY 2026 associated with the requested PB. The increase in PB is a conversion of modified positions to permanent. This request is mainly within personal services, associated with the requested positions; however, there is a portion within operating expenses to be used to support the nine Veteran Service Offices. Expenses such as rent, office supplies and equipment, and outreach costs such as motor pool and advertising. Other expenditures will also include cemetery landscaping expenses.

**LFD
COMMENT**

The executive has provided authority for these operations through the transfer of authority from interest earned on American Rescue Plan Act (ARPA) funds. This source of authority provided \$799,000 to the agency in FY 2024.

**LFD
COMMENT**

In the November 15 budget submission, this request included \$947,000 in FY 2026 and \$1.0 million in FY 2027 of authority within personal services. The executive will revise the new proposal in its December 15 budget submission to have this funding primarily within operating expenses, with a small portion in debt service.

DEPARTMENT OF PUBLIC HEALTH & HUMAN SERVICES

Section B

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----Agencies-----

Department of Public Health & Human Services

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

House

Representative Jane Gillette (Chair)
Representative Bill Mercer (Vice Chair)
Representative Mary Caferro
Representative Mike Fox

Senate

Senator Dennis Lenz (Vice Chair)
Senator Carl Glimm
Senator Christopher Pope

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

Josh Poulette
Julia Hamilton
Adam Sechrist

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	2,831.92	2,759.62	2,759.62	(72.30)	(1.3%)
General Fund	745,722,273	835,572,797	877,011,698	221,139,949	14.8%
State/Other Special Rev. Funds	275,051,083	293,038,766	285,411,635	28,348,235	5.2%
Federal Spec. Rev. Funds	2,602,793,078	2,292,299,821	2,426,100,383	(487,185,952)	(9.4%)
Total Funds	3,623,566,434	3,420,911,384	3,588,523,716	(237,697,768)	(3.3%)
Personal Services	241,554,183	240,768,980	242,380,653	41,267	0.0%
Operating Expenses	184,474,809	258,778,649	265,855,824	155,684,855	42.2%
Equipment & Intangible Assets	426,370	426,370	426,370		0.0%
Grants	90,667,724	93,849,835	93,956,145	6,470,532	3.6%
Benefits & Claims	3,094,450,620	2,815,094,822	2,973,911,996	(399,894,422)	(6.5%)
Transfers	3,604,708	3,604,708	3,604,708		0.0%
Debt Service	8,388,020	8,388,020	8,388,020		0.0%
Total Expenditures	3,623,566,434	3,420,911,384	3,588,523,716	(237,697,768)	(3.3%)
Total Ongoing	3,623,566,434	3,385,861,146	3,553,245,908	(308,025,814)	(4.3%)
Total One-Time-Only		35,050,238	35,277,808	70,328,046	0.0%

Agency Highlights

Department of Public Health and Human Services Major Budget Highlights
<ul style="list-style-type: none"> • The 2027 biennium HB 2 budget request is 3.3% lower than the 2025 biennium ongoing budget and totals \$7,009.4 million. The requested budget includes a biennial general fund increase of 14.8%, or \$221.1 million, due in part to: <ul style="list-style-type: none"> ◦ Federal Medical Assistance Percentage (FMAP) adjustments, mostly for Medicaid, increase general fund by \$86.7 million over the biennium. The FMAP determines the state and federal shares of Medicaid financing ◦ In the Healthcare Facilities Division, a one-time-only decision package (DP) totaling \$70.3 million, with \$69.9 million in general fund over the biennium for “facility wage and operational standardization.” This DP also reduces positions budgeted (PB) by 97.30 ◦ In the Technology Services Division, increases in information technology costs amount to \$23.6 million general fund across the biennium. These costs include increases for information technology maintenance and operational costs as well as rate increases for information technology services through the Statewide Information Technology Services Division (SITSD) ◦ Caseload adjustments for foster care, guardianship, and adoption account for a \$14.4 million increase in general fund over the biennium ◦ Caseload adjustments for Medicaid, resulting in an increase of \$10.1 million general fund over the biennium • The continuation of the Medicaid expansion program, which terminates in June 2025 absent legislative action. The budget request for Medicaid expansion totals \$2,035.2 million in all funds over the 2027 biennium • Moving the Supplemental Nutrition Assistance Program (SNAP) from HB 2 into a statutory appropriation, which would decrease federal authority in HB 2 by \$345.9 million. If the legislature chooses to make this shift, it will require separate legislation • A package of ten recommendations based on the work of the Behavioral Health System for Future Generations Commission. In FY 2026, this amounts to \$31.0 million state special revenue funds from the account set up in the 2023 Legislative Session. In FY 2027, this amounts to \$23.0 million state special revenue funds and \$46.0 million federal funds • A total reduction of 77.30 HB 2 PB in both years of the biennium. This includes a reduction of 105.30 PB in various programs and the addition of 28.00 PB across the agency
Legislative Action Items
<ul style="list-style-type: none"> • The executive request includes funding for Medicaid expansion, which will

terminate in June 2025 absent legislative action. The legislature may wish to weigh options for the consideration of Medicaid expansion appropriations in the 2025 Session

- HB 872 of the 2023 Session appropriated \$300.0 million for Montana's behavioral health system. The 2027 biennium executive budget includes a group of ten decision packages, which carry forward many of the recommendations generated by the work of HB 872. The legislature may wish to consider options for future appropriations in this area of the state budget
- The executive budget includes a one-time-only decision package in the Healthcare Facilities Division which adds \$70.3 million in funding while reducing PB by 97.30. The legislature may wish to consider options for improving clarity of legislative intent for any action in this area

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 Public Health & Human Services 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
Base Budget	745,722,273	275,051,083	2,602,793,078	3,623,566,434	105.9%	745,722,273	275,051,083	2,602,793,078	3,623,566,434	101.0%
Statewide PL										
Personal Services	1,367,432	(456,432)	(1,225,791)	(314,791)	(0.0%)	1,568,429	(427,401)	(980,036)	160,992	0.0%
Fixed Costs	3,080,106	(170,232)	2,297,770	5,207,644	0.2%	2,624,696	(212,395)	1,990,401	4,402,702	0.1%
Inflation Deflation	(43,809)	(1,202)	(15,900)	(60,911)	(0.0%)	(29,604)	(812)	(10,746)	(41,162)	(0.0%)
Total Statewide PL	4,403,729	(627,866)	1,056,079	4,831,942	0.1%	4,163,521	(640,608)	999,619	4,522,532	0.1%
Present Law (PL)	42,173,625	(5,864,576)	(151,683,221)	(115,374,172)	(3.4%)	83,055,785	(5,050,838)	(63,794,928)	14,210,019	0.4%
New Proposals	43,273,170	24,480,125	(159,866,115)	(92,112,820)	(2.7%)	44,070,119	16,051,998	(113,897,386)	(53,775,269)	(1.5%)
Total HB 2 Adjustments	89,850,524	17,987,683	(310,493,257)	(202,655,050)	(5.9%)	131,289,425	10,360,552	(176,692,695)	(35,042,718)	(1.0%)
Total Requested Budget	835,572,797	293,038,766	2,292,299,821	3,420,911,384		877,011,698	285,411,635	2,426,100,383	3,588,523,716	

Statewide Present Law Adjustment for Personal Services

For more detail, please see the personal services section of the Agency Summary in this report.

Statewide Present Law Adjustment for Fixed Costs

The change in statewide present law adjustments for fixed costs in DPHHS are driven by rate changes for information technology services through the Statewide Information Technology Systems Division (SITSD). This increase is mainly driven by cost increases in rated services and pass through costs, but all rate categories in DPHHS have increased.

Present Law Adjustments

Major present law adjustments in the executive budget request, with combined all-funds adjustments reflected, include:

- Caseload adjustments for traditional Medicaid and Medicaid expansion totaling a reduction of \$131.2 million. These caseload adjustments include the statutory rate increase for physicians
- FMAP adjustments increasing general fund by \$86.7 million and state special revenue by \$5.1 million while reducing federal funds by \$91.8 million
- In the Technology Services Division, a total increase of \$28.4 million for maintenance and operational items
- Caseload adjustments for foster care, guardianship and adoption in the Child and Family Service Division, totaling \$12.9 million

New Proposals

Major new proposals in the executive budget request, with combined all-funds adjustments reflected, include:

- Moving the Supplemental Nutrition Assistance Program (SNAP) from HB 2 into a statutory appropriation, which would decrease HB 2 by a total of \$345.1 million
- In the Behavioral Health and Developmental Disabilities Division, a package of ten changes based on the work of the Behavioral Health System for Future Generations Commission with a total increase of \$100.0 million
- In the Healthcare Facilities Division, a total increase of \$70.3 million for facility wage and operational standardization
- In the Human and Community Services Division, a total increase of \$20.0 million for Summer electronic benefit transfer (EBT)
- In the Early Childhood and Family Support Division, a total increase of \$4.3 million for provider rate increases for Part C Services

Funding

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

Total Department of Public Health & Human Services 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
01100 General Fund	1,642,666,329	69,918,166			1,712,584,495	22.7%
02989 69010-Hospital Utilization Fee	114,977,171				114,977,171	1.5%
02597 Healthy Montana Kids Plan	102,281,036				102,281,036	1.4%
02181 BHSFG	57,316,427				57,316,427	0.8%
02067 Montana HELP Act	55,721,216				55,721,216	0.7%
02772 Tobacco Hlth and Medicaid Init	48,140,706				48,140,706	0.6%
Other State Special Revenue	199,603,965	409,880		5,200,024	205,213,869	2.7%
State Special Revenue Total	578,040,521	409,880	-	5,200,024	583,650,425	7.7%
03583 93.778 - Med Ben FMAP	1,836,582,711			2	1,836,582,713	24.3%
03975 Medicaid Exp HELP Act Benefit	1,691,972,600				1,691,972,600	22.4%
03678 6901-Food Stamp Benefits	(12,000)			345,145,644	345,133,644	4.6%
03582 93.778 - Med Ben 100%				189,112,462	189,112,462	2.5%
03977 Med Exp HELP Act Indian Health	175,763,023				175,763,023	2.3%
Other Federal Special Revenue	1,014,093,870				1,014,093,870	13.4%
Federal Special Revenue Total	4,718,400,204	-	-	534,258,108	5,252,658,312	69.6%
Proprietary Fund Total	-	-	-	-	-	0.0%
Total of All Funds	6,939,107,054	70,328,046	-	539,458,132	7,548,893,232	
Percent of All Sources of Authority	91.9%	0.9%	0.0%	7.1%		

House Bill 2

DPHHS is primarily funded through HB 2 with general fund, state special funds, and federal funds. The majority of funding in this agency is federal funding for the various social assistance programs that DPHHS administers including traditional Medicaid, Medicaid expansion and the Childrens Health Insurance Program (CHIP). DPHHS also administers many smaller programs whose funds do not show up on this summary table but are discussed in further detail throughout the various division level analyses in this report. The state resources in this agency are in large part used as state match to draw down the federal funds in these various health and social assistance programs. The table below shows FY 2024 expenditures from selected state special revenue funds by program. Bolded values are the sum of FY 2024 actuals for each program.

FY 2024 DPHHS Expenditures from Selected State Special Revenue Funds		
<u>Program</u>	<u>Fund</u>	<u>FY 2024 Actuals</u>
04 Director's Office		
2181 Behavioral Health System for Future Generations Fund		\$ 2,435,055
07 Public Health and Safety Division		
02987 Tobacco Interest		\$ 651,655
02790 Statewide Tobacco Settlement		7,502,632
		8,154,287
10 Behavioral Health and Developmental Disabilities Division		
02772 Tobacco Health and Medicaid Initiatives		\$ 16,359,960
02597 Healthy Montana Kids		1,076,293
02987 Tobacco Interest		1,185,192
		18,621,445
11 Health Resources Division		
02772 Tobacco Health and Medicaid Initiatives		\$ 1,535,682
02597 Healthy Montana Kids		36,207,725
02987 Tobacco Interest		3,566,716
02789 Chip/MCHA Tobacco Settlement Fund		4,855,137
02989 Hospital Utilization Fee		55,700,479
		101,865,739
22 Senior and Long Term Care Services Division		
02772 Tobacco Health and Medicaid Initiatives		\$ 14,481,240
02987 Tobacco Interest		1,112,380
		15,593,620
25 Early Childhood and Family Support		
02987 Tobacco Interest		\$ 876,772
02790 Statewide Tobacco Settlement		240,701
		1,117,473
33 Healthcare Facilities Division		
02987 Tobacco Interest		195,136

The table below gives recent fund revenues, expenditures, and balances for the major state special revenue funds that support DPHHS programs. Projected revenues (HJ 2) are displayed in bold text. Proposed expenditures are underlined. FY 2025 is underlined as a request as well due to FY 2025 being currently underway; FY 2025 projected expenditure values in the table below are the amounts appropriated for these funds in FY 2025.

Selected State Special Revenue Fund Balance Detail (Projections in Bold/Requests Underlined)							
	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	
Tobacco Health and Medicaid Initiatives (02772)*							
Beginning Fund Balance	\$ 9,981,473	\$ 11,681,861	\$ 6,530,915	\$ 406,418	\$ (16,226,594)	\$ (17,071,395)	
Revenues	32,956,489	26,115,028	25,947,856	24,062,000	23,435,000	22,373,000	
Expenditures	(31,256,101)	(31,265,974)	(32,072,354)	<u>(40,695,012)</u>	<u>(24,279,801)</u>	<u>(23,860,905)</u>	
Ending Fund Balance	\$ 11,681,861	\$ 6,530,915	\$ 406,418	\$ (16,226,594)	\$ (17,071,395)	\$ (18,559,300)	
Healthy Montana Kids (02597)							
Beginning Fund Balance	\$ 13,241,086	\$ 16,822,280	\$ 22,415,515	\$ 28,449,704	\$ 30,799,186	\$ 28,497,668	
Revenues	39,209,226	43,255,187	46,643,660	48,290,000	48,839,000	49,841,000	
Expenditures	(35,628,032)	(37,661,952)	(40,609,471)	<u>(45,940,518)</u>	<u>(51,140,518)</u>	<u>(51,140,518)</u>	
Ending Fund Balance	\$ 16,822,280	\$ 22,415,515	\$ 28,449,704	\$ 30,799,186	\$ 28,497,668	\$ 27,198,150	
Tobacco Interest (02987)							
Beginning Fund Balance	\$ 2,588,598	\$ 5,108,859	\$ 1,716,893	\$ 4,820,218	\$ 9,108,788	\$ 9,837,247	
Revenues	9,282,247	7,742,184	11,200,592	11,327,000	12,349,000	13,473,000	
Expenditures	(6,761,985)	(11,134,151)	(8,097,266)	<u>(7,038,430)</u>	<u>(11,620,541)</u>	<u>11,620,682</u>	
Ending Fund Balance	\$ 5,108,859	\$ 1,716,893	\$ 4,820,218	\$ 9,108,788	\$ 9,837,247	\$ 34,930,929	
Chip/MCHA Tobacco Settlement Fund (02789)							
Beginning Fund Balance	\$ 9,925,798	\$ 6,318,120	\$ 3,543,921	\$ 3,259,368	\$ 2,064,462	\$ 696,185	
Revenues	5,294,513	5,141,097	4,635,197	4,497,000	4,290,000	4,052,000	
Expenditures	(8,902,191)	(7,915,296)	(4,919,750)	<u>(5,691,906)</u>	<u>(5,658,277)</u>	<u>(5,658,635)</u>	
Ending Fund Balance	\$ 6,318,120	\$ 3,543,921	\$ 3,259,368	\$ 2,064,462	\$ 696,185	\$ (910,450)	
Statewide Tobacco Settlement (02790)							
Beginning Fund Balance	\$ 20,046,121	\$ 21,982,721	\$ 23,543,199	\$ 24,059,202	\$ 41,109,275	\$ 40,677,628	
Revenues	10,008,363	9,677,359	8,725,077	8,466,000	8,076,000	7,628,000	
Expenditures	(8,071,763)	(8,116,881)	(8,209,074)	<u>8,584,073</u>	<u>(8,507,647)</u>	<u>(8,507,955)</u>	
Ending Fund Balance	\$ 21,982,721	\$ 23,543,199	\$ 24,059,202	\$ 41,109,275	\$ 40,677,628	\$ 39,797,673	
Hospital Utilization Fee (02989)**							
Beginning Fund Balance	\$ 422,293	\$ 1,354,883	\$ 2,162,136	\$ 2,740,793	\$ 2,740,793	\$ 2,740,793	
Revenues	54,988,716	54,910,001	56,292,576	58,049,612	57,436,490	57,540,681	
Expenditures	(54,056,126)	(54,102,748)	(55,713,920)	<u>(58,049,612)</u>	<u>(57,436,490)</u>	<u>(57,540,681)</u>	
Ending Fund Balance	\$ 1,354,883	\$ 2,162,136	\$ 2,740,793	\$ 2,740,793	\$ 2,740,793	\$ 2,740,793	
Behavioral Health System for Future Generations (02181)***							
Beginning Fund Balance	\$ -	\$ -	\$ 70,000,000	\$ 222,564,945	\$ 175,564,945	\$ 142,875,490	
Revenues	-	70,000,000	155,000,000	-	-	-	
Expenditures	-	-	(2,435,055)	<u>\$ (47,000,000)****</u>	<u>(32,689,455)</u>	<u>(24,626,972)</u>	
Ending Fund Balance	\$ -	\$ 70,000,000	\$ 222,564,945	\$ 175,564,945	\$ 142,875,490	\$ 118,248,518	

* Though the Tobacco Health and Medicaid Initiatives fund (02772) shows large negatives due to current appropriation levels, the department cannot spend more than is in the fund. Rather, the fund will likely be run to close to zero, will no longer carry a balance and revenues will generally equal expenditures.

**LFD does not project Hospital Utilization Fee (02989) fund revenues but the requests have been included due to the size of the fund.

*** The Behavioral Health System for Future Generations (02181) fund does not have a revenue source but the requests have been included due to the size of the fund.

**** This estimate is based on the Department expending all possible estimated costs on Near-Term Initiatives approved by the Commission and layed out in the Behavioral Health System for Future Generations Commission Final Report. For more details, please see the Behavioral Health and Developmental Disabilities section of this report.

Though DPHHS is funded primarily through HB 2, there are several statutory appropriations in DPHHS as well. These include a few smaller statutory appropriations including the Alcohol Tax Program, the Montana State Hospital statutory bond debt transfer and adoption service fees. Historically, the main statutory appropriation in DPHHS is the Indian Health Services traditional Medicaid Program in the Health Resources Division. This program is 100.0% federally funded and is included in the table above in fund 03582 Med Ben 100%.

In addition to the existing statutory programs in this department, the executive has requested a movement of SNAP benefits into a statutory appropriation. This change would lower the HB 2 budget by \$345.1 million federal funds across the biennium.

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	2,831.92	2,831.92	2,759.62	2,759.62
Personal Services	218,275,467	229,385,387	241,554,183	240,768,980	242,380,653
Operating Expenses	183,782,454	203,086,341	184,474,809	258,778,649	265,855,824
Equipment & Intangible Assets	439,528	819,039	426,370	426,370	426,370
Grants	103,371,086	103,696,113	90,667,724	93,849,835	93,956,145
Benefits & Claims	2,684,889,375	2,903,555,936	3,094,450,620	2,815,094,822	2,973,911,996
Transfers	4,427,993	6,628,961	3,604,708	3,604,708	3,604,708
Debt Service	12,919,338	9,186,466	8,388,020	8,388,020	8,388,020
Total Expenditures	\$3,208,105,241	\$3,456,358,243	\$3,623,566,434	\$3,420,911,384	\$3,588,523,716
General Fund	677,322,103	694,073,411	745,722,273	835,572,797	877,011,698
State/Other Special Rev. Funds	236,587,039	258,441,365	275,051,083	293,038,766	285,411,635
Federal Spec. Rev. Funds	2,294,196,099	2,503,843,467	2,602,793,078	2,292,299,821	2,426,100,383
Total Funds	\$3,208,105,241	\$3,456,358,243	\$3,623,566,434	\$3,420,911,384	\$3,588,523,716
Total Ongoing	\$3,208,105,241	\$3,456,358,243	\$3,623,566,434	\$3,385,861,146	\$3,553,245,908
Total OTO	\$0	\$0	\$0	\$35,050,238	\$35,277,808

Agency Description

The 2027 biennium budget proposal is a decrease of 3.3% relative to the FY 2025 base. This includes a general fund increase of 14.8% across the biennium. Compared to the FY 2025 base general fund appropriation, the executive request is an increase of 12.0% in FY 2026 and 17.6% in FY 2027. The executive's total 2027 biennium request totals \$7,009.4 million.

Agency Discussion

The mission of DPHHS is to improve and protect the health, well-being, and self-reliance of all Montanans.

Please refer to the agency profile at <https://www.legmt.gov/lfd/committees/section-b/agency-profile-department-of-public-health-human-services/> for additional information about the agency's organization structure, historical expenditures, goals and objectives, and recent studies and audits.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

In FY 2024, DPHHS expended 92.8% of the overall HB 2 budget. Of the overall budget, 72.4% is composed of federal special revenue funds which were 91.6% expended at the end of the fiscal year. In contrast, general fund accounts for only 20.1% of the HB 2 budget and those funds were 97.6% expended at fiscal year-end.

The expenditure differences between actuals and the initial appropriation are mainly due to lower spending in benefits and claims. This appropriation makes up 84.0% of the overall HB 2 budget and this expenditure account was 92.5% expended. The surplus within this expenditure account is mainly due to lower federal special revenue expenditures in the Medicaid programs. When budgeting last session, Medicaid benefits and claims faced the uncertainty of the public health emergency unwinding and its impact on enrollment as well as the federal medical assistance percentage (FMAP).

Though benefits and claims accounts for the majority of the difference, the operating expenses appropriation was 90.5% expended. This appropriation is comparatively small and accounts for 5.9% of the overall HB 2 budget. The Healthcare Facilities Division expended more than what was appropriated but lower expenses in other divisions for Healthy Montana Kids program administration and Medicaid program administration made up for any deficits.

Personal services, like operating expenses, is comparatively small and comprises 6.6% of the overall budget and was 95.2% expended. Lower expenditures are due to high vacancy rates throughout the interim, particularly in the Healthcare Facilities Division. For the agency as a whole, 91.2% of the total personal service hours budgeted were utilized.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The FY 2025 appropriation is 4.8% higher than the FY 2024 HB 2 appropriation. The majority of this increase can be attributed to additional provider rate increases in FY 2025 for both Medicaid and non-Medicaid providers. Additionally, Medicaid caseload increases in FY 2025 account for a significant portion of this increase.

Comparison of FY 2025 Legislative Budget to FY 2025 Base

The appendix includes [Figure 1](#), which 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.

The most significant executive modifications to the FY 2025 base budget include:

- A reorganization moved several functions between programs including Office of Health Data and Analytics from the Technology Services Division to the Operations Services Division; consolidated the Healthcare Facilities human resources office into the Director's Office centralizing human resources in the agency; authority and positions budgeted (PB) were moved from the Behavioral Health and Developmental Disabilities Division to Medicaid and Health Services Management Division (MHSM) to create a complex care coordination function; and a transfer of PB to Operations Services Division to fulfill compliance and project management functions. A net total of 11.00 PB were moved in this reorganization
- The Big Sky RX Program was moved from the Health Resources Division to the Senior and Long-Term Care Division. Moving this program transferred \$4.5 million in each fiscal year of the biennium and 1.00 PB
- A consolidation of internal audit, control, risk management and compliance functions in the Operations Services Division from the Office of the Inspector General. The associated authority and 4.00 PB were transferred in this reorganization

Medicaid

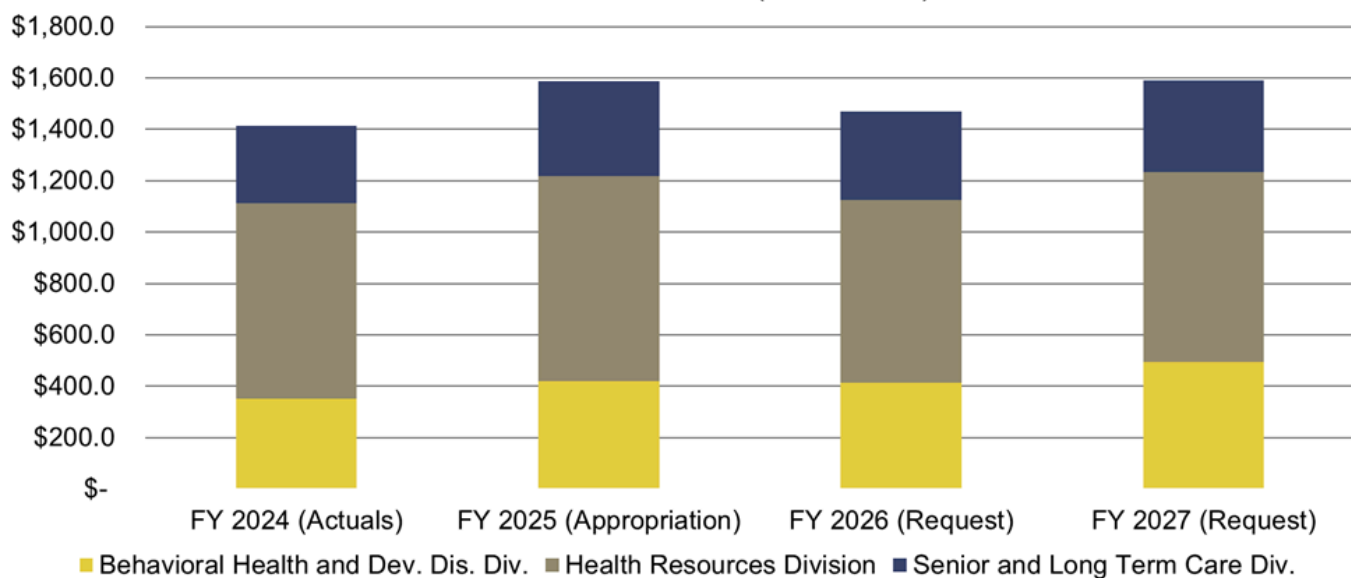
The executive request for the HB 2 Medicaid caseload (benefits and claims only) in the 2027 biennium totals \$5,094.7 million (all funds – see table below). This amount includes Medicaid expansion, which is proposed to be funded in HB 2. Note that this does not include Indian Health Services (IHS) traditional Medicaid expenditures as these expenditures are statutory. The only Medicaid provider rate increase included in the executive budget request is the statutory (MCA 53-6-125) increase for physicians.

Medicaid expenditures are made in the Behavioral Health and Developmental Disabilities Division (BHDDD), Health Resources Division (HRD), and Senior and Long-Term Care Division (SLTC).

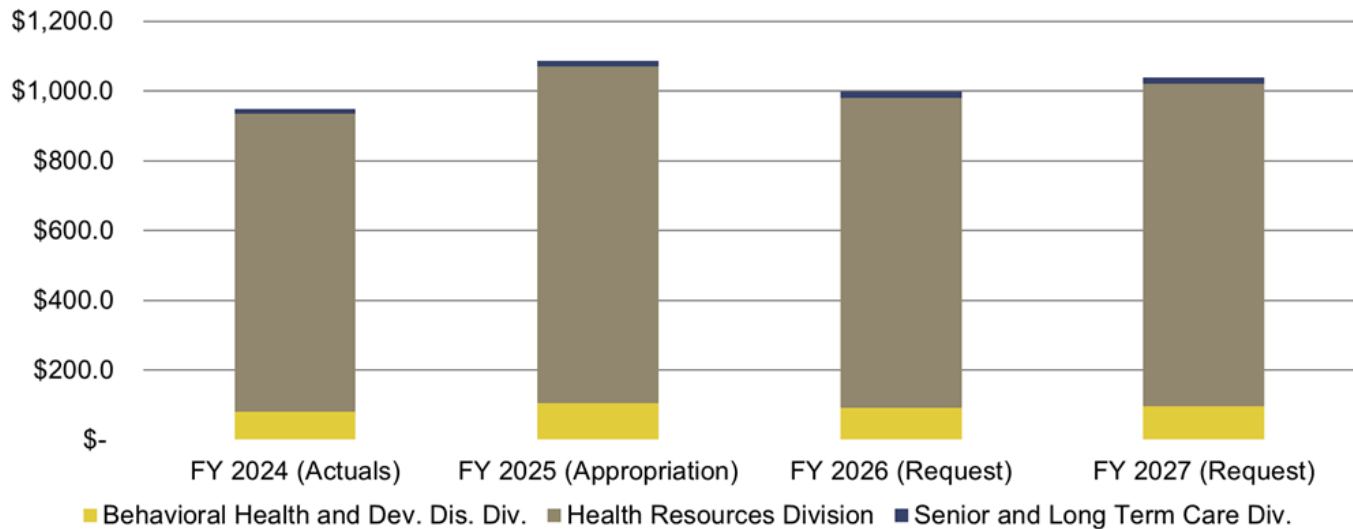
2027 Biennium HB 2 Medicaid Request Benefits and Claims (In Millions)					
	FY 2026		FY 2027		Total
Behavioral Health and Dev. Dis. Div.	\$	414.7	\$	493.2	\$ 907.9
Health Resources Division		710.2		741.1	1,451.3
Senior and Long Term Care Div.		345.6		354.7	700.3
Total	\$	1,470.5	\$	1,589.0	\$ 3,059.5
	FY 2026		FY 2027		Total
Behavioral Health and Dev. Dis. Div.	\$	91.8	\$	96.8	\$ 188.6
Health Resources Division	\$	889.3	\$	924.4	\$ 1,813.7
Senior and Long Term Care Div.	\$	16.1	\$	16.8	\$ 32.9
Total	\$	997.2	\$	1,038.0	\$ 2,035.2
	FY 2026		FY 2027		Total
Grand Total: All Medicaid	\$	2,467.7	\$	2,627.0	\$ 5,094.7

The charts below illustrate Medicaid appropriations/requests for the 2025 and 2027 biennia. There are separate visuals for Traditional Medicaid and Medicaid Expansion. Like the table above, the charts below exclude IHS traditional Medicaid spending.

HB 2 Traditional Medicaid Budget:
Benefits and Claims (In Millions)



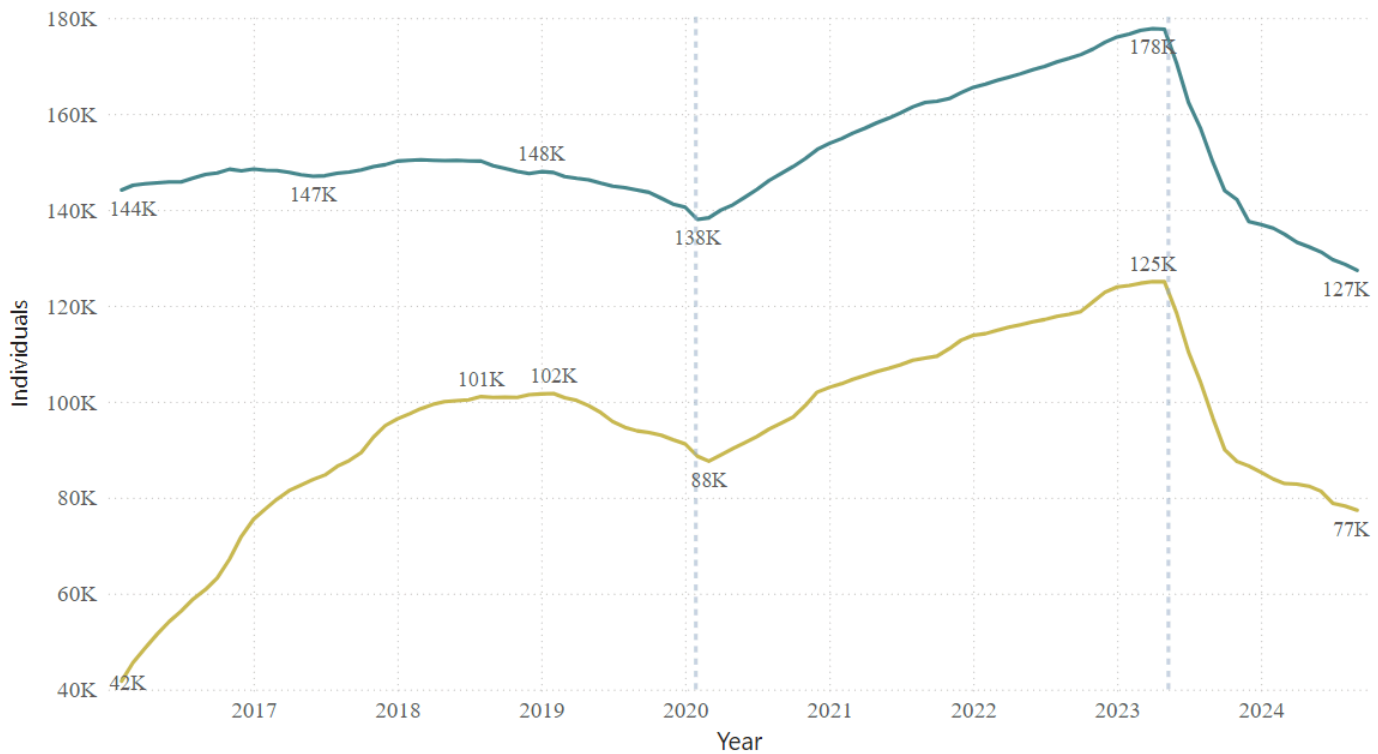
HB 2 Medicaid Expansion Budget: Benefits and Claims (In Millions)



The graph below shows enrollment in traditional Medicaid and Medicaid Expansion from 2015-2024. Note that both Medicaid programs declined in enrollment during CY 2019 before rising during the COVID-19-induced economic contraction and with the federal prohibitions on disenrollment in the Families First Coronavirus Response Act (FFCRA, 2020). At the end of the public health emergency in April 2023, the federal requirements for continuous enrollment were discontinued. The start (January 2020) and end (April 2023) of the continuous disenrollment requirement are denoted by the dashed lines in the figure below. The agency completed redetermination in January of 2024 ending the period of sharp enrollment decline. Since the end of this redetermination period, enrollment has continued trending downward. More detail on Medicaid follows in the program level analyses for BHDD, HRD, and SLTC.

Enrollment by Program

Program Key ● Expansion ● Traditional



CHIP Present Law Request

The Healthy Montana Kids (HMK - CHIP) present law request for FY 2026 is a \$14.7 million, or 11.2%, decrease compared to the FY 2025 base. The overall HMK (CHIP) present law request for FY 2027 is a \$6.6 million, or 5.7%, decrease compared to the FY 2025 base. The table below breaks down the FY 2024 actual expenditures, FY 2025 base, and executive request by fund type.

2027 Biennium HB 2 CHIP (HMK) Request				
	<u>FY 2024 Actual</u>	<u>FY 2025 Base</u>	<u>FY 2026 Request</u>	<u>FY 2027 Request</u>
General Fund	\$ 6,641,856	\$ 15,793,217	\$ 9,582,060	\$ 11,945,214
State Special Revenue	17,837,388	21,790,551	21,756,922	21,757,280
Federal Funds	74,137,804	93,188,447	84,740,255	90,453,447
Total	\$ 98,617,048	\$ 130,772,215	\$ 116,079,237	\$ 124,155,941

FMAP Changes

Montana's federal fiscal year (FFY) Federal Medical Assistance Percentage (FMAP) for 2026 is projected to be lower than the FFY 2025 FMAP. According to Federal Funds Information for States (FFIS), the rate is expected to drop from 62.37% to 61.47%. This reduction is a result of comparing the per capita income for Montana to the per capita income for the United States. As Montana's per capita income increases relative to the per capita income of the United States, the percentage of federal funding received decreases. A decrease in rate will increase the state funds required for Medicaid match.

The executive budget includes several decision packages that compensate for changes in FMAP. The net impact of FMAP decision packages (DPs) for traditional Medicaid increases state funds over the biennium by \$91.8 million: general fund would increase by \$86.7 million while state special revenue would increase by \$5.1 million. FMAP DPs for traditional Medicaid reduce federal fund authority by \$91.8 million over the biennium.

The FMAP for Medicaid expansion is 90.0%, meaning that the federal government reimburses the state for 90.0% of the benefits and claims expenditures incurred under this program.

The table below presents recent and current Montana FMAPs by federal fiscal year (FFY) and state fiscal year (SFY). CHIP is funded with an enhanced federal FMAP (E-FMAP), also detailed in the table below

Montana FMAPs / E-FMAPs, 2022-2026					
	2022	2023	2024	2025	2026
FFY FMAP	64.90	64.12	63.91	62.37	61.47
SFY FMAP ¹	65.08	64.32	63.96	62.76	61.70
FFY E-FMAP	75.43	74.88	74.74	73.66	73.03
SFY E-FMAP	75.55	75.02	74.78	73.93	73.19
Expansion FMAP	90.00	90.00	90.00	90.00	90.00

¹ SFY FMAPs account for the difference between SFY and FFY.

CHIP has federal matching rates that are generally about 10 to 11 percentage points higher than those under traditional Medicaid.

The executive has assumed a FMAP of 61.47% for FFY 2027 in building its budget submission for SFY 2027. If the actual FMAP varies from that amount, an impact on the demand for general fund will occur. If the FMAP is lower than 61.47%, more general fund will be needed for the state's Medicaid and CHIP programs.

Medicaid Expansion

The executive budget includes funding for a reauthorization of the Medicaid expansion program. Under current law, this program terminates in June of 2025, absent legislative action. If the Medicaid expansion program terminates, the impact on the state general fund will likely be quite small. This is primarily the result of two things: one, only a portion of state Medicaid expansion match is general fund currently; and two, an expansion sunset would mean there would be a portion of individuals who would shift onto traditional Medicaid, a program that is more general-fund intensive than expansion due to the higher state match requirement.

In the most recent fiscal year (2024), the Medicaid expansion budget totaled \$1,060.6 million; \$32.7 million of this total was general fund, \$57.1 million was state special revenue, and \$970.8 million was federal funds. HB 658 of the 2019 Session established new/ increased state special revenue sources for Medicaid expansion (inpatient and outpatient hospital fees), reducing the need for general fund to make up the 10.0% state match required for Medicaid expansion.

If Medicaid expansion were to sunset in Montana, the state would need to determine eligibility for traditional Medicaid or other coverage for the current expansion population (per the federal Centers for Medicare and Medicaid Services, or CMS). By DPHHS estimates, about 7,500-10,000 people would shift to traditional Medicaid at the higher state cost – roughly 38.0% state share as opposed to the current 10.0% state share on Medicaid expansion. This shift would cost more general fund in the same range as the \$32.7 million appropriated for Medicaid expansion in FY 2024. A Medicaid expansion sunset would likely save the state budget less than \$5.0 million general fund per year.

**LFD
COMMENT****Legislative Options for Medicaid Expansion Appropriations**

The executive budget request includes Medicaid expansion in the 2027 biennium as part of the base budget with associated present law decision packages. The legislature may wish to reflect potential appropriations for Medicaid expansion differently: under current law, the program terminates June 30, 2025. An option would be to adopt negative present law decision packages to remove Medicaid expansion from the base budget, with the possibility of adding appropriations for Medicaid expansion via new proposal decision packages if a bill reauthorizing Medicaid expansion is passed and approved. Appropriations for Medicaid expansion could also be included in a reauthorization bill, rather than in HB 2.

Historically, LFC recommendations to subcommittees include direction that the appropriations subcommittees make no recommendations or adjustments to HB 2 until required legislation passes, except for K-12 inflation, which is defined as present law, and in alignment with companion bills. The Section B Subcommittee may therefore choose not to make recommendations involving future Medicaid expansion appropriations unless a bill reauthorizing Medicaid expansion has passed.

The Legislative Fiscal Modernization and Risk Analysis (MARA) Committee studied Medicaid expansion impact during the 2025 biennium interim. The Legislative Fiscal Division's (LFD) summary of literature on Medicaid expansion impact can be found [here](#).

Federal action may significantly impact Montana's Medicaid expansion program if the legislature chooses to reauthorize the program. The 2019 Legislature passed community engagement requirements as a part of Medicaid expansion. Those changes have not yet been implemented due to a lack of federal action in responding to such changes. It is possible CMS will take a different course of action with respect to work or community engagement requirements in Medicaid at some point in the future.

HB 872/Behavioral Health System for Future Generations (BHSFG)

The 68th Legislature passed HB 872, creating the Behavioral Health System for Future Generations (BHSFG) state special revenue fund. The fund was created to address gaps and improve the statewide behavioral health (BH) and developmental disabilities (DD) systems. A nine-member commission of legislators and governor appointed members met 15 times between the passage of the bill and the 2025 Legislative Session studying short and long-term initiatives that might address statewide systemic deficiencies. Within that time, 11 near term initiatives, or short-term stabilizing efforts, were approved by the commission and the governor. Implementation of these initiatives has begun with funds appropriated to the department from this account for the 2025 biennium. These include one-time-only targeted investments or grants as well as various pilot programs totaling an estimated \$47.0 million.

In addition to the near-term initiatives, the Commission developed 22 recommendations for long-term systemic improvements in these areas. The commission categorized these recommendations into various phases based on the complexity of implementation and the expected impact of the recommendation. Further discussion on the logic behind the sequencing of these recommendations can be found in Appendix E of the Commission's final report. The governor's HB 2 request includes ten of the recommendations which include all of the phase 1, or foundational recommendations, and phase 2, or BHSFG commissioner identified focus area recommendations. The requested recommendations amount to \$99.0 million in all funds across the biennium. This includes \$53.5 million state special revenue funds and \$45.5 million federal special revenue funds. These funds include both Medicaid and non-Medicaid programs. More information on the BHSFG budget request can be found in the program analysis for the Behavioral Health and Developmental Disabilities Division program analysis.

DPHHS Institutions

DPHHS currently operates a total of seven facilities. The table below shows a biennial summary of the 2027 biennium executive request for DPHHS facilities. The average daily population is based on FY 2024.

2027 Biennium Executive Request for DPHHS Facilities					
	FTE Request	Average Daily Population (FY 2024)	FY 2026 Request	FY 2027 Request	Average Annual Per-Resident Cost
MT Chem. Dependency Ctr.	51.25	22.27	\$ 6,698,067	\$ 6,805,109	\$ 303,170
Mental Health Nursing Care Ctr.	95.31	63.96	18,068,359	18,203,793	283,553
Montana State Hospital	445.19	231.84	83,580,359	83,701,640	360,770
Intensive Behavior Center (Boulder)	44.41	8.98	7,602,766	7,630,980	848,204
Montana Vet. Home	130.90	67.44	17,556,560	17,623,004	260,821
Eastern MT Vet. Home (Contracted)	1.00	55	5,577,449	5,879,333	104,153
Southwest MT Vet. Home (Contracted)	1.00	43	\$ 6,185,008	\$ 6,599,312	\$ 148,655

Personal Services - 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)

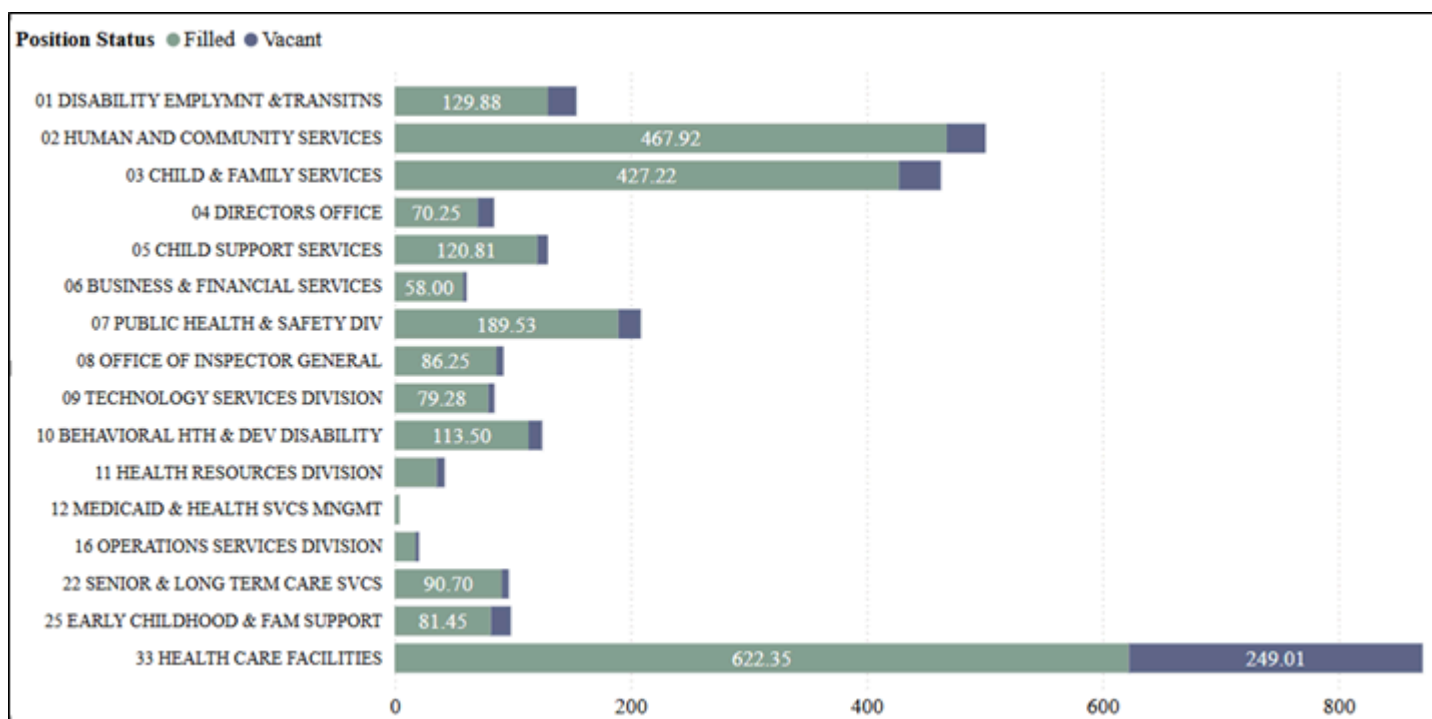
The figure below shows the analysis of the executive budget for personal services for each program.

Department of Public Health and Human Services FY 2026 Statewide Present Law Adjustment for Personal Services (DP 1)				
Program	Legislative Changes	Management Decisions	Budget Modifications	Total DP1
01 Disability and Employment Transitions Division	\$ 184,027	\$ 25,387	\$ (960,000)	\$ (750,586)
02 Human and Community Services Division	591,206	(553,109)	(2,505,308)	(2,467,211)
03 Child and Family Services Division	33,699	(115,051)	237,596	156,244
04 Director's Office	124,524	249,462	124,743	498,729
05 Child Support Services Division	196,849	(63,583)	-	133,266
06 Business and Financial Services Division	59,860	(54,548)	(128,000)	(122,688)
07 Public Health and Safety Division	333,336	231,809	(736,849)	(171,704)
08 Office of the Inspector General	200,118	204,418	213,000	617,536
09 Technology Services Division	86,766	40,117	76,140	203,023
10 Behavioral Health and Developmental Disabilities Div.	187,171	(18,078)	(835)	168,258
11 Health Resources Division	203,379	117,132	18,052	338,563
12 Medicaid Management and Health Services Division	18,274	(39,766)	-	(21,492)
16 Operations Services Division	66,287	131,228	(18,414)	179,101
22 Senior and Long Term Care Division	166,183	413,926	(947,063)	(366,954)
25 Early Childhood and Family Services Division	125,718	92,113	(1,000)	216,831
33 Healthcare Facilities Division	(9,661,864)	799,913	9,936,243	1,074,292
Total	\$ (7,084,467)	\$ 1,461,370	\$ 5,308,305	\$ (314,792)

Personal services were \$241.6 million or 6.7% of total FY 2025 appropriations. The executive proposes a decrease from the FY 2025 base of approximately 0.3% in FY 2026 and an increase of 0.3% in FY 2027.

Vacancy Rates

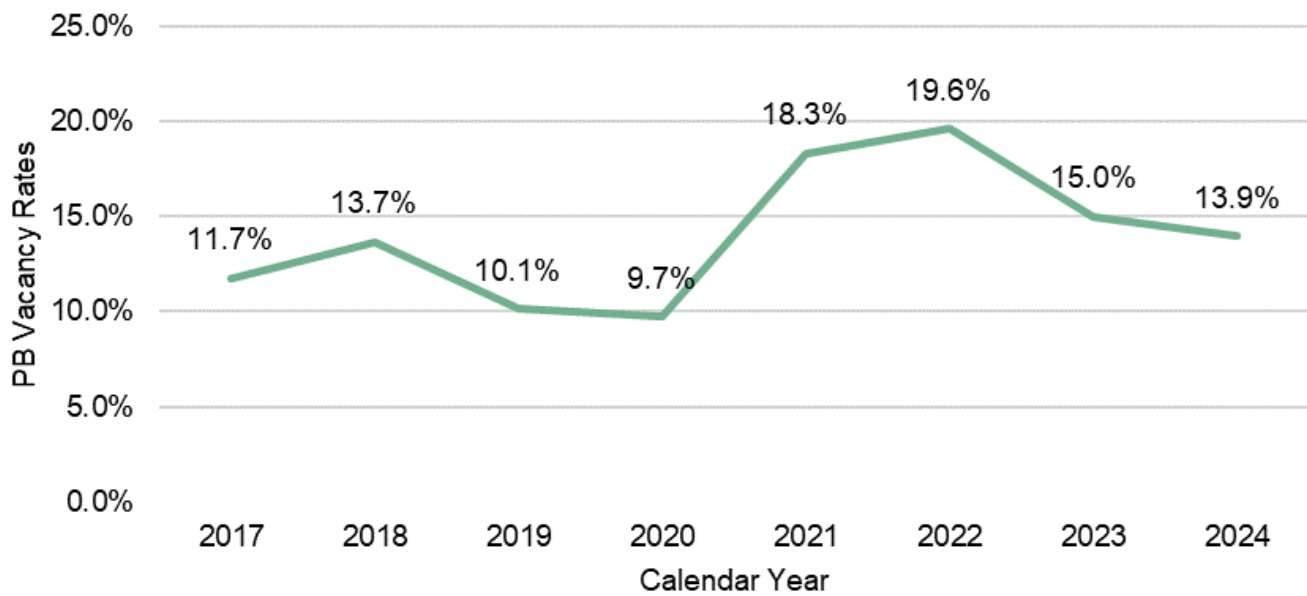
DPHHS continues to see high vacancy rates in the 2025 biennium. Of the department's total 2,804.90 HB 2 regular PB, 391.10 positions were vacant as of August 1, 2024, which is a vacancy rate of 13.9%. This is a decrease from a vacancy rate that hovered above 19.0% in the fall of CY 2022. The largest share of these vacancies is concentrated in the Healthcare Facilities Division which had a vacancy rate of 28.3% as of August 1, 2024, or 249.01 PB vacant. Over half of these vacancies are located at the Montana State Hospital in Warm Springs. Though most of the vacancies are concentrated in this area, much of the decrease in vacancies as compared to last biennium can be found in this area as well. The snapshot data in FY 2024 shows the Healthcare Facilities Division has 95.34 PB less vacant compared to the snapshot data taken in the fall of CY 2022.



These changes can be seen in the graph below. Though vacancy rates are still high relative to their typical historic rates, the department has shown decreased vacancies relative to the 2023 biennium. As of July 1, 2024, the agency had 391.10 vacant HB 2 regular PB, or about 13.9% of all PB.

Since July 1, 2023, there has been turnover of 433 positions in DPHHS. Employee turnover in the agency has mainly resulted from individuals leaving state employment. The next highest cause of turnover is retirement followed by individuals transferring to other state agencies. To combat the turnover and the high vacancy rates, targeted efforts in the Healthcare Facilities Division have been made to incentivize new hires including pay increases and cash incentives for certain high vacancy positions.

Historic PB Vacancy Rates



Agency Annual Plans and Performance Reports

HB 190 of 2023 requires agencies to submit annual plans and performance reports. The DPHHS annual plan for FY 2025 is [posted here](#) and the annual performance report for FY 2024 is [posted here](#).

HB 2 Language -

The executive has requested the following language for HB 2:

"If legislation authorizing a statutory appropriation for SNAP benefits (LC 1912) is not passed and approved, the appropriation for the Human and Community Services Division is increased by \$172,572,822 federal funds each year."

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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 FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
PB	139.07	147.07	147.07	8.00	2.9%
General Fund	6,778,258	6,761,817	6,760,576	(34,123)	(0.3%)
State/Other Special Rev. Funds	1,809,133	2,230,477	2,275,628	887,839	24.5%
Federal Spec. Rev. Funds	23,443,425	22,782,148	22,791,642	(1,313,060)	(2.8%)
Total Funds	32,030,816	31,774,442	31,827,846	(459,344)	(0.7%)
Personal Services	11,626,531	11,505,626	11,531,894	(215,542)	(0.9%)
Operating Expenses	5,001,334	5,366,895	5,394,031	758,258	7.6%
Grants	719,317	218,287	218,287	(1,002,060)	(69.7%)
Benefits & Claims	13,510,785	13,510,785	13,510,785		0.0%
Transfers	411,032	411,032	411,032		0.0%
Debt Service	761,817	761,817	761,817		0.0%
Total Expenditures	32,030,816	31,774,442	31,827,846	(459,344)	(0.7%)
Total Ongoing	32,030,816	31,774,442	31,827,846	(459,344)	(0.7%)
Total One-Time-Only					0.0%

Program Highlights

<p align="center">Disability Employment & Transitions Division</p> <p align="center">Major Budget Highlights</p>	
<ul style="list-style-type: none"> • The requested budget is a reduction over the 2027 biennium of 0.7%, which is driven by a \$1.3 million decrease in federal funding • Somewhat offsetting overall reductions is a request for 8.00 PB 	

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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.

Disability Employment and Transitions 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
Base Budget	6,778,258	1,809,133	23,443,425	32,030,816	100.8%	6,778,258	1,809,133	23,443,425	32,030,816	100.6%
Statewide PL										
Personal Services	(185,469)	(59,093)	(506,024)	(750,586)	(2.4%)	(181,219)	(57,042)	(486,577)	(724,838)	(2.3%)
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	(221)	0	(815)	(1,036)	(0.0%)	(149)	0	(551)	(700)	(0.0%)
Total Statewide PL	(185,690)	(59,093)	(506,839)	(751,622)	(2.4%)	(181,368)	(57,042)	(487,128)	(725,538)	(2.3%)
Present Law (PL)	0	0	(501,030)	(501,030)	(1.6%)	0	0	(501,030)	(501,030)	(1.6%)
New Proposals	169,249	480,437	346,592	996,278	3.1%	163,686	523,537	336,375	1,023,598	3.2%
Total HB 2 Adjustments	(16,441)	421,344	(661,277)	(256,374)	(0.8%)	(17,682)	466,495	(651,783)	(202,970)	(0.6%)
Total Requested Budget	6,761,817	2,230,477	22,782,148	31,774,442		6,760,576	2,275,628	22,791,642	31,827,846	

Funding

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

Department of Public Health & Human Services, 01-Disability Employment and Transitions Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	13,522,393	0	0	0	13,522,393	21.3%
02159 MT Telecommunications Access	4,352,726	0	0	0	4,352,726	96.6%
02434 02 Indirect Activity Prog 01	153,379	0	0	0	153,379	3.4%
State Special Total	\$4,506,105	\$0	\$0	\$0	\$4,506,105	7.1%
03024 Social Security-Ticket to Work	2,563,832	0	0	0	2,563,832	5.6%
03226 VR Supported Empl VI-B Youth	330,000	0	0	0	330,000	0.7%
03365 03 Indirect Activity Prog 01	1,756,961	0	0	0	1,756,961	3.9%
03554 84.169 - Independent Living 90	700,772	0	0	0	700,772	1.5%
03555 84.177 - Indep Living Old BLIN	810,040	0	0	0	810,040	1.8%
03557 VR Supported Empl VI-A Adult	398,988	0	0	0	398,988	0.9%
03588 93.802 - Disabil Deter Adm 100	9,720,527	0	0	0	9,720,527	21.3%
03604 84.126 - Rehab-Sec110 A 78.7%	29,292,670	0	0	0	29,292,670	64.3%
Federal Special Total	\$45,573,790	\$0	\$0	\$0	\$45,573,790	71.7%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$63,602,288	\$0	\$0	\$0	\$63,602,288	

The Disability Employment and Transitions Division (DETD) is funded primarily by a variety of federal funds accounting for 71.7% of the total appropriation authority. Some programs are fully funded with federal funds including disability determinations, while other federally funded programs require varying levels of state match funds. There are eight federal funds with ongoing HB 2 authority in DETD. Most of the federal authority is contained in four programs including:

- Rehab Sec 110 A
- Disability Determination Administration
- Social Security – Ticket to Work
- Indirect Activity Program

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General fund is used to support 21.3% of program costs while state special revenue supports the remaining 7.1%. Portions of each are used to support administrative costs with the remaining general fund being used to support Vocational Rehabilitation; the remaining state special revenue is used to facilitate the Montana Telecommunications Access Program (MTAP).

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	139.07	139.07	147.07	147.07
Personal Services	9,691,411	10,575,649	11,626,531	11,505,626	11,531,894
Operating Expenses	4,357,311	5,768,593	5,001,334	5,366,895	5,394,031
Grants	401,332	268,288	719,317	218,287	218,287
Benefits & Claims	13,246,355	13,880,065	13,510,785	13,510,785	13,510,785
Transfers	483,385	468,432	411,032	411,032	411,032
Debt Service	746,942	761,817	761,817	761,817	761,817
Total Expenditures	\$28,926,736	\$31,722,844	\$32,030,816	\$31,774,442	\$31,827,846
General Fund	7,171,645	7,243,085	6,778,258	6,761,817	6,760,576
State/Other Special Rev. Funds	890,040	1,778,333	1,809,133	2,230,477	2,275,628
Federal Spec. Rev. Funds	20,865,051	22,701,426	23,443,425	22,782,148	22,791,642
Total Funds	\$28,926,736	\$31,722,844	\$32,030,816	\$31,774,442	\$31,827,846
Total Ongoing	\$28,926,736	\$31,722,844	\$32,030,816	\$31,774,442	\$31,827,846
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

DETD advances the independence and employment of Montanans with disabilities. It is guided by the goal of promoting opportunities for rewarding careers and achieving maximum personal potential through informed choice. DETD is composed of five bureaus: Vocational Rehabilitation, Blind and Low Vision Services, Pre-Employment Transition Services, Disability Determination Services, and Operations and Support. The Montana Telecommunications Access Program (MTAP) is administratively attached to DETD. DETD also includes several small programs serving Montanans with disabilities and their families.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The DETD expended \$28.9 million or 91.2% of its FY 2024 appropriation with 99.0% of general funds, 50.0% of state special revenue funds, and 91.9% of federal special revenue funds expended.

DETD utilized 91.6% of appropriated personal services, 75.5% of operating expenses, and 95.4% of benefits and claims authority. These three account categories comprise 95.3% of the division's budget, with the Vocational Rehabilitation Program accounting for 46.2% of these appropriations, which were 87.3% expended in FY 2024.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The FY 2025 HB 2 appropriation is approximately 1.0% higher than the FY 2024 appropriation. This is primarily because of a \$1.1 million increase in FY 2025 personal services for the Vocational Rehabilitation Program.

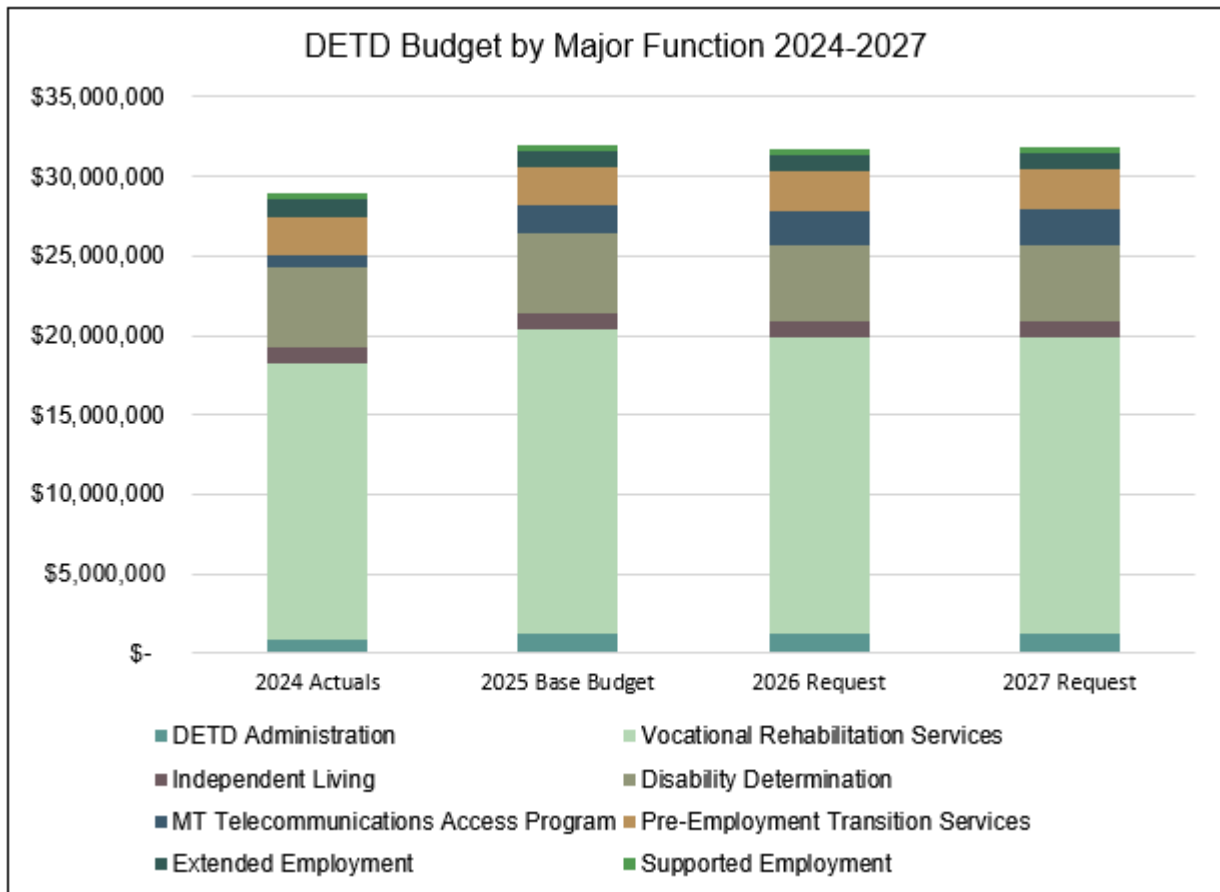
69010 - Department Of Public Health & Human Services01-Disability Employment and Transitions

Program Discussion

DETD is comprised of five bureaus which provide distinct services to Montanans with disabilities:

- General Vocational Rehabilitation Bureau supports eligible individuals with disabilities to find and keep jobs compatible with their abilities
- Pre-Employment Transition Services Bureau offers students with disabilities ages 14-21 an early start with job exploration and self-advocacy training, often with the help of community third-party providers
- Blind and Low Vision Services Bureau assists this specific population in finding employment, learning to live with the disability, and improving their independence
- Disability Determination Services Bureau decides who gets disability benefits through the Social Security Administration
- The Program Supports and Operations Bureau performs various functions including facilitating community rehabilitation programs, the Extended Employment Program, and assists the other bureaus within DETD through business and fiscal management

The figure below presents the DETD budget by major function by fiscal year.



69010 - Department Of Public Health & Human Services01-Disability Employment and Transitions

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	(185,469)	(59,093)	(506,024)	(750,586)	0.00	(181,219)	(57,042)	(486,577)	(724,838)
DP 3 - Inflation Deflation	0.00	(221)	0	(815)	(1,036)	0.00	(149)	0	(551)	(700)
DP 1003 - Decreasing Approp for MonTech Program - DETD	0.00	0	0	(501,030)	(501,030)	0.00	0	0	(501,030)	(501,030)
Grand Total All Present Law Adjustments	0.00	(\$185,690)	(\$59,093)	(\$1,007,869)	(\$1,252,652)	0.00	(\$181,368)	(\$57,042)	(\$988,158)	(\$1,226,568)

***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 Public Health and Human Services Disability Employment & Transitions Division FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 184,027
Management Changes	25,387
Total Budget Modifications	(960,000)
Total	<u>\$ (750,586)</u>

Budget modifications made in DETD in the 2025 biennium included a House Adjustment which added \$960,000 in personal services for 6.00 modified PB. DP1 removes those modifications while adding funding for pay plan increases, retention adjustments, and some additional smaller increases in personal 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 motor pool and motor pool leased vehicles.

DP 1003 - Decreasing Approp for MonTech Program - DETD -

This present law adjustment removes the appropriation for the MonTECH Program in the Disability Employment and Transitions Division (DETD). Historically, funding for the program passed through DETD, with the University of Montana as the ultimate recipient. The funding stream has changed, and the University of Montana receives funding directly from its federal partner, leaving excess federal appropriation in the DPHHS budget. This package requests a reduction of \$501,030 in federal funds in each year of the biennium.

69010 - Department Of Public Health & Human Services01-Disability Employment and Transitions

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 1001 - MTAP Appropriation Increase for Expanded Services - DETD										
2.00	0	480,437	0	480,437		2.00	0	523,537	0	523,537
DP 1004 - Vocational Rehab for Clients with SDMI or Co-Occurring Illne										
4.00	75,042	0	277,274	352,316		4.00	72,832	0	269,101	341,933
DP 1005 - Vocational Rehabilitation Counselor at MT State Hospital - D										
1.00	18,761	0	69,318	88,079		1.00	18,208	0	67,274	85,482
DP 1007 - Independent Living Skills Program for Blind/Low Vision - Hom										
1.00	75,446	0	0	75,446		1.00	72,646	0	0	72,646
Total	8.00	\$169,249	\$480,437	\$346,592	\$996,278	8.00	\$163,686	\$523,537	\$336,375	\$1,023,598

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

DP 1001 - MTAP Appropriation Increase for Expanded Services - DETD -

The executive requests to add 2.00 PB to expand services for the Montana Telecommunications Access Program (MTAP). This service is funded with state special revenue through assessment of a 10-cent fee collected monthly from users of landlines and cell phones.

DP 1004 - Vocational Rehab for Clients with SDMI or Co-Occurring Illne -

The executive requests to add 4.00 PB for rehabilitation counselors to the budget for the Vocational Rehabilitation Program. The increase will be used to provide and coordinate Individualized Placement and Support (IPS) services for clients who live with a Serious and Disabling Mental Illness (SDMI) or co-occurring diagnosis. The funding source for this position is 78.7% federal funds and 21.3% general fund.

DP 1005 - Vocational Rehabilitation Counselor at MT State Hospital - D -

The executive requests to add 1.00 PB for a rehabilitation counselor to the budget for the Vocational Rehabilitation Program. The increase will be used to provide employment and training services to patients who are residing at or discharging from the Montana State Hospital to increase self-sufficiency and independence. The funding source for this position is 78.7% federal funds and 21.3% general fund.

DP 1007 - Independent Living Skills Program for Blind/Low Vision - Hom -

The executive requests to add 1.00 PB to distribute and provide training on usage of equipment assistive technology for individuals adjusting to blindness and vision loss that are now seeking employment. Due to eligibility requirements, these services are currently only available to individuals wishing to maintain, retain, or advance in employment, or those aged 55 and older. This new proposal would provide services to individuals managing the onset of blindness or low vision who do not fit into the other categories. This proposal totals \$148,092 in general funds for the biennium. This change package is contingent on passage and approval of LC0443.

LFD COMMENT

The Legislative Finance Committee generally recommends that subcommittees not pass contingent DPs until the corresponding bill has passed.

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	492.50	504.50	504.50	12.00	1.2%
General Fund	26,830,208	26,645,194	26,547,604	(467,618)	(0.9%)
State/Other Special Rev. Funds	2,179,116	2,120,784	2,124,069	(113,379)	(2.6%)
Federal Spec. Rev. Funds	263,882,023	100,297,652	100,224,848	(327,241,546)	(62.0%)
Total Funds	292,891,347	129,063,630	128,896,521	(327,822,543)	(56.0%)
Personal Services	41,346,407	40,183,796	40,259,489	(2,249,529)	(2.7%)
Operating Expenses	8,011,603	8,705,419	8,462,617	1,144,830	7.1%
Equipment & Intangible Assets	26,000	26,000	26,000		0.0%
Grants	24,366,008	24,149,708	24,149,708	(432,600)	(0.9%)
Benefits & Claims	217,004,998	53,862,376	53,862,376	(326,285,244)	(75.2%)
Transfers	2,122,620	2,122,620	2,122,620		0.0%
Debt Service	13,711	13,711	13,711		0.0%
Total Expenditures	292,891,347	129,063,630	128,896,521	(327,822,543)	(56.0%)
Total Ongoing	292,891,347	129,063,630	128,896,521	(327,822,543)	(56.0%)
Total One-Time-Only					0.0%

Program Highlights

Human and Community Services Division (HCSD) Major Budget Highlights	
<ul style="list-style-type: none"> The HCSD 2027 biennium appropriations are approximately \$327.8 million or 56.0% lower than the FY 2025 base budget. The executive proposal includes: <ul style="list-style-type: none"> Movement of Supplemental Nutrition Assistance Program (SNAP) authority from HB 2 into a statutory appropriation decreasing the HCSD HB 2 budget by \$345.1 million in federal funds Increases to make the federal Summer Electronic Benefit Transfer (EBT) program permanent, totaling \$584,000 general funds and \$19.4 million federal funds over the biennium 12.00 PB and \$2.3 million total funds for the Medically Needy, Summer EBT, SNAP Education, and EBT programs Decreases of \$4.9 million in statewide present law adjustments for personal services and inflation/deflation 	

69010 - Department Of Public Health & Human Services 02-Human and Community Services

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.

Human and Community Services 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
Base Budget	26,830,208	2,179,116	263,882,023	292,891,347	226.9%	26,830,208	2,179,116	263,882,023	292,891,347	227.2%
Statewide PL										
Personal Services	(928,499)	(70,919)	(1,467,793)	(2,467,211)	(1.9%)	(901,797)	(67,650)	(1,416,774)	(2,386,221)	(1.9%)
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	(471)	(50)	(1,012)	(1,533)	(0.0%)	(318)	(34)	(683)	(1,035)	(0.0%)
Total Statewide PL	(928,970)	(70,969)	(1,468,805)	(2,468,744)	(1.9%)	(902,115)	(67,684)	(1,417,457)	(2,387,256)	(1.9%)
Present Law (PL)	80,874	12,637	159,219	252,730	0.2%	80,874	12,637	159,219	252,730	0.2%
New Proposals	663,082	0	(162,274,785)	(161,611,703)	(125.2%)	538,637	0	(162,398,937)	(161,860,300)	(125.6%)
Total HB 2 Adjustments	(185,014)	(58,332)	(163,584,371)	(163,827,717)	(126.9%)	(282,604)	(55,047)	(163,657,175)	(163,994,826)	(127.2%)
Total Requested Budget	26,645,194	2,120,784	100,297,652	129,063,630		26,547,604	2,124,069	100,224,848	128,896,521	

The executive HB 2 request for FY 2026 and FY 2027 proposes a total budget decrease of 55.9% and 56.0%, respectively, below the FY 2025 base appropriation. The magnitude of this decrease is a direct result of the division's proposal to move SNAP benefits and claims funding from HB 2 to a statutory appropriation. The executive request also includes increases for the Summer EBT Program, increases to fund overtime in the Office of Public Assistance, and 12.00 additional PB for various social assistance programs, but these are overshadowed by the decreases proposed for SNAP.

69010 - Department Of Public Health & Human Services 02-Human and Community Services

Funding

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

Department of Public Health & Human Services, 02-Human and Community Services Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	53,192,798	0	0	0	53,192,798	8.8%
02099 69010-VISTA-Community Cost Shr	112,513	0	0	0	112,513	2.7%
02375 02 Indirect Activity Prog 02	3,387,099	0	0	0	3,387,099	79.8%
02515 School Lunch OPI/Warehouse	13,327	0	0	0	13,327	0.3%
02688 6901-TANF Overpayments	130,000	0	0	0	130,000	3.1%
02772 Tobacco Hlth and Medicaid Init	2	0	0	0	2	0.0%
02974 Univ Low-Income Energy Assist	601,912	0	0	0	601,912	14.2%
State Special Total	\$4,244,853	\$0	\$0	\$0	\$4,244,853	0.7%
03066 81.042 BPA	1,010,653	0	0	0	1,010,653	0.2%
03072 69010-CNS-Grants-VISTA	432,352	0	0	0	432,352	0.1%
03074 Aging - Nutrition Services HDM	29,774	0	0	0	29,774	0.0%
03109 TANF Benefits	56,831,652	0	0	0	56,831,652	10.4%
03135 HOPWA TriState HELP CFDA14.241	1,046,323	0	0	0	1,046,323	0.2%
03382 03 Indirect Activity Prog 02	48,559,813	0	0	0	48,559,813	8.9%
03497 HCS Summer EBT	19,497,223	0	0	0	19,497,223	3.6%
03519 93.045 - Aging Meals 100%	62,088	0	0	0	62,088	0.0%
03544 10.561 - FS E & T - 50%	434,208	0	0	0	434,208	0.1%
03545 10.561 - FS E & T - 100%	589,664	0	0	0	589,664	0.1%
03546 10.561 - FS Adm - Fed Exp 50%	3,934,392	0	0	0	3,934,392	0.7%
03547 10.568 - Emerg Food Assist 100	1,053,472	0	0	0	1,053,472	0.2%
03548 10.569 - Food Distr - Fed Exp	3,947,517	0	0	0	3,947,517	0.7%
03550 14.231 - Emerg Shelter - HUD 5	1,433,462	0	0	0	1,433,462	0.3%
03552 81.042 - Weather Ben 100%	4,617,491	0	0	0	4,617,491	0.8%
03553 Housing Preservation Grant	2	0	0	0	2	0.0%
03572 93.568 - LIEAP Blk Grt Adm	44,204,380	0	0	0	44,204,380	8.1%
03573 93.569 - CSBG Adm	6,608,740	0	0	0	6,608,740	1.2%
03580 6901-93.778 - Med Adm 50%	4,471,203	0	0	0	4,471,203	0.8%
03678 6901-Food Stamp Benefits	(12,000)	0	0	345,145,644	345,133,644	63.2%
03679 6901-HOPWA CFDA#14-241	1,014,659	0	0	0	1,014,659	0.2%
03965 CSFP	715,864	0	0	0	715,864	0.1%
03974 Medicaid Exp HELP Act Admin	39,568	0	0	0	39,568	0.0%
Federal Special Total	\$200,522,500	\$0	\$0	\$345,145,644	\$545,668,144	90.5%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$257,960,151	\$0	\$0	\$345,145,644	\$603,105,795	

The 2027 biennium budget for HCSD is 20.6% general funds, 1.6% state special revenue funds, and 77.7% federal special revenue funds.

There are two major areas of federal benefits funding for HB 2 included in the table above; Temporary Assistance for Needy Families (TANF) and the Low-Income Housing Energy Assistance Program (LIHEAP) which each constitute 28.3% and 22.0% of federal funding, respectively. Historically, SNAP has been the largest proportion of HB 2 federal funding in this program but a new proposal in the executive request moves this funding into a statutory appropriation authority. For more information on these benefits programs, please refer to the program discussion below. Additional sources of federal funding include the Weatherization Assistance Program (03552) which helps eligible individuals reduce their energy consumption and improve the energy efficiency in their home; programs funded through the Community Services Block Grant; Housing and Urban Development (HUD) emergency shelter funding; Commodity Supplemental Food Program for low-income elderly Montanans; and Housing Opportunities for People with acquired immunodeficiency syndrome (AIDS; HOPWA).

Though most funding in this division goes to benefits, there is a large amount of funding in this division that goes to administration of the programs mentioned above as well as indirect activity. Indirect activity is a federally approved cost allocation formula which is derived from those funds expended on functions benefitting or serving other divisions in the department for other programs. In the HCSD, indirect activity funds the Office of Public Assistance which is responsible for Medicaid eligibility determinations.

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	492.50	492.50	504.50	504.50
Personal Services	38,568,387	41,197,505	41,346,407	40,183,796	40,259,489
Operating Expenses	10,749,868	13,827,883	8,011,603	8,705,419	8,462,617
Equipment & Intangible Assets	0	25,000	26,000	26,000	26,000
Grants	28,798,606	31,179,658	24,366,008	24,149,708	24,149,708
Benefits & Claims	193,305,471	197,159,797	217,004,998	53,862,376	53,862,376
Transfers	1,947,486	4,203,010	2,122,620	2,122,620	2,122,620
Debt Service	2,231,163	18,711	13,711	13,711	13,711
Total Expenditures	\$275,600,981	\$287,611,564	\$292,891,347	\$129,063,630	\$128,896,521
General Fund	25,953,882	26,235,897	26,830,208	26,645,194	26,547,604
State/Other Special Rev. Funds	2,334,338	2,759,956	2,179,116	2,120,784	2,124,069
Federal Spec. Rev. Funds	247,312,761	258,615,711	263,882,023	100,297,652	100,224,848
Total Funds	\$275,600,981	\$287,611,564	\$292,891,347	\$129,063,630	\$128,896,521
Total Ongoing	\$275,600,981	\$287,611,564	\$292,891,347	\$129,063,630	\$128,896,521
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The HCSD is led by an administrator and a senior team, comprised of bureau chiefs, and program managers.

The Public Assistance Bureau includes policy, process, and training for eligibility services to clients for Montana's TANF Program, SNAP, and Health Coverage including the Montana Medicaid programs and Healthy Montana Kids (HMK) programs across the state.

The Intergovernmental Human Services Bureau administers the Community Services Block Grant which is used by ten Human Resource Development Councils to provide a wide range of community-based human services. In addition, this bureau provides the Low-Income Home Energy Assistance and Weatherization Program (LIHEAP), as well as, other supports including the Emergency Solutions grant and United States Department of Agriculture (USDA) food commodities.

The Business Operations Bureau coordinates all information technology systems related work for the division including requirements, design, testing, and implementation. The bureau is also responsible for data reporting as well as providing help desk system support for the public assistance staff.

The Fiscal Bureau coordinates, analyzes, implements, and monitors the division budget; purchases supplies and equipment; and assists with grant reporting, contracts, and leases.

Statutory Authority - is in Title 53, Chapter 2, part 2 MCA and 45 CFR

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The HCSD expended 95.8% of the total FY 2024 appropriation with 98.9% of general funds, 84.6% of state special revenues, and 95.6% of federal special revenues.

This 4.2% difference between the FY 2024 appropriation and the FY 2024 actual expenditures can mainly be attributed to the benefits and claims account. Of the \$197.2 million HB 2 benefits and claims appropriation authority in FY 2024, \$193.3 million was expended. This difference is due to lower utilization of SNAP and TANF benefits. Both programs have had declining recipient enrollment. Additionally, transfers out were 46.3% expended, which is almost wholly attributed to lower than budgeted expenditures in the TANF Employment and Training Program.

Personal services were 93.6% expended. The largest portion of this appropriation goes to the Office of Public Assistance (OPA) and of that \$41.2 million appropriation authority. This is due to additional federal special revenue funds added to the budget through indirect activity relative to the start of the fiscal year.

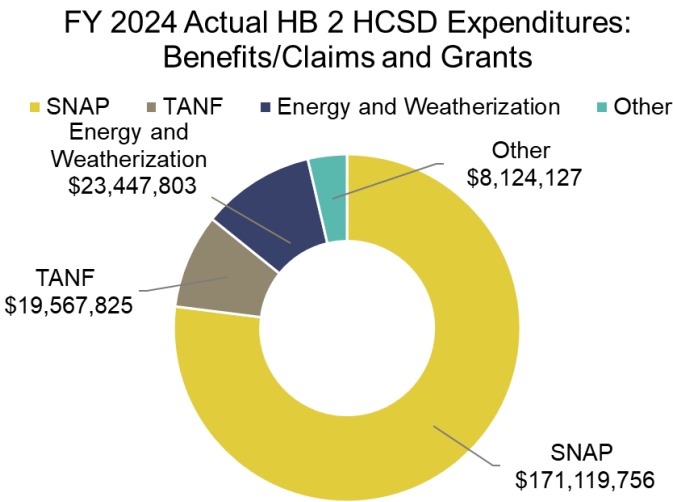
FY 2024 Appropriations Compared to FY 2025 Appropriations

The FY 2025 HB 2 appropriation in the HCSD is 1.8% higher than the FY 2024 appropriation. Benefits and claims rose by \$19.8 million with most of this attributable to increases in the TANF benefits appropriation due to increases in federal special revenue funds.

Program Discussion

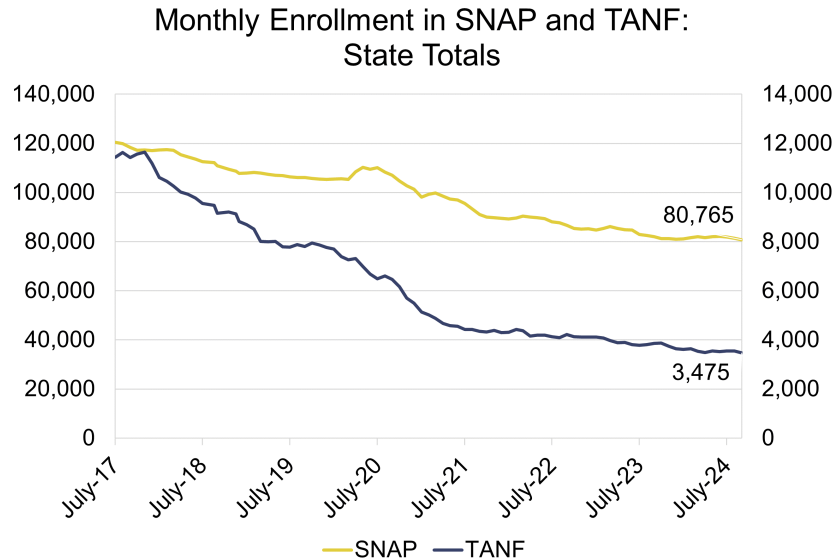
Approximately 60.5% of the HCSD proposed budget is comprised of benefits and claims and grants, while 31.2% of the budget is requested for personal services, the majority of which go to the Office of Public Assistance (OPA). Medicaid eligibility determination functions are the responsibility of HCSD and, more specifically, they fall to the OPA.

Historically, the HCSD budget for benefits and claims has been primarily driven by the SNAP Program, which accounted for just over three quarters of the total. The SNAP Program, formerly the Food Stamp Program, provides food subsidies in the form of an electronic benefit transfer (EBT) for eligible low-income individuals. The other major sources of benefits and claims in this program are the TANF Program, which provides temporary cash assistance to families with children under the age of 18 who fit certain eligibility requirements, and the LIHEAP Program which pays a portion of winter energy bills and assists with furnace emergencies for eligible individuals. The table below illustrates HB 2 actuals for benefits and claims as well as grants in the HCSD for FY 2024.



The benefits and claims at HCSD are non-Medicaid federal funds along with any state match required by the programs administered. For example, TANF funds are distributed in block grants, or annual sums of money distributed to fund a specified purpose or project, to states with a requirement for state match known as maintenance of effort (MOE). MOE provisions include specified state spending levels and general requirements on the use of funds. Each state receiving TANF funds must spend at least 75.0% of the amount spent on welfare and related programs in FY 1994, before TANF was created. Montana must meet specific federal requirements related to program participation to meet the 75.0% requirement, otherwise the MOE can be as high as 80.0%. In addition, if the state fails to meet the MOE requirement, it risks having future TANF appropriations reduced.

Due to the large portion of HCSD budget expenditures in these programs, significant changes to enrollment can have significant impacts on the budget. Though the early stages of the pandemic saw an increase in program participation, the long-term trend of declining enrollment has continued. The table below shows state total monthly enrollment in SNAP and TANF programs.



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	(928,499)	(70,919)	(1,467,793)	(2,467,211)	0.00	(901,797)	(67,650)	(1,416,774)	(2,386,221)	
DP 3 - Inflation Deflation										
0.00	(471)	(50)	(1,012)	(1,533)	0.00	(318)	(34)	(683)	(1,035)	
DP 2004 - Office of Public Assistance Overtime - HCSD										
0.00	80,874	12,637	159,219	252,730	0.00	80,874	12,637	159,219	252,730	
Grand Total All Present Law Adjustments	0.00	(\$848,096)	(\$58,332)	(\$1,309,586)	(\$2,216,014)	0.00	(\$821,241)	(\$55,047)	(\$1,258,238)	(\$2,134,526)

*"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 Public Health and Human Services Human and Community Services Division FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 591,206
Management Changes	(553,108)
Total Budget Modifications	(2,505,308)
Total	<u>\$ (2,467,210)</u>

Legislative changes for DP 1 are driven by benefits. Management changes are driven by differences in hiring, pay plan changes, promotions, and retention adjustments. Budget modifications are due to a house adjustment reversal.

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 2004 - Office of Public Assistance Overtime - HCSD -

The executive requests authority for overtime in the Office of Public Assistance. The increase is requested to maintain the client caseload in addition to what is funded in SWPL 1.

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 2001 - Summer EBT Administrative and Benefits - HCSD	0.00	352,885	0	9,783,084	10,135,969	0.00	231,235	0	9,661,434	9,892,669
DP 2003 - PB for Medically Needy and Summer EBT Programs - HCSD	12.00	310,197	0	823,954	1,134,151	12.00	307,402	0	821,452	1,128,854
DP 2007 - SNAP Benefits Statutory Appropriation - HCSD	0.00	0	0	(172,572,822)	(172,572,822)	0.00	0	0	(172,572,822)	(172,572,822)
DP 2008 - Realign Appropriation with Revenue Commodity Supplemental Fo	0.00	0	0	(309,000)	(309,000)	0.00	0	0	(309,000)	(309,000)
DP 2009 - Reduce Appropriation for Orphan Fund - HCSD	0.00	0	0	(1)	(1)	0.00	0	0	(1)	(1)
Total	12.00	\$663,082	\$0	(\$162,274,785)	(\$161,611,703)	12.00	\$538,637	\$0	(\$162,398,937)	(\$161,860,300)

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

DP 2001 - Summer EBT Administrative and Benefits - HCSD -

The executive requests funding to incorporate permanent funding for the Summer EBT Program. The Summer EBT Program, first implemented in FY 2024, provides food assistance to children who are eligible for free or reduced school lunch during the summer when school lunch is unavailable.

DP 2003 - PB for Medically Needy and Summer EBT Programs - HCSD -

The executive requests 12.00 PB for the Medically Needy, Summer EBT, SNAP Education, and EBT programs. The increase is necessary to support compliance with federal and state regulations for these programs. This is funded with approximately 27.0% general fund and 73.0% federal funds.

DP 2007 - SNAP Benefits Statutory Appropriation - HCSD -

The executive requests an adjustment to remove federal Supplemental Nutrition Assistance Program (SNAP) benefits from HB 2 and establish it as a statutory appropriation. This change package is contingent on passage and approval of LC1912.

**LFD
COMMENT**

The Legislative Finance Committee generally recommends that subcommittees not pass contingent DPs until the corresponding bill has passed. If the subcommittee decides to consider this DP, the executive has requested language be added to HB 2 which makes this change contingent upon passage and approval of the relevant legislation.

DP 2008 - Realign Appropriation with Revenue Commodity Supplemental Fo -

The executive requests a reduction in the appropriation of federal revenue to the commodity supplemental food program to align the appropriation with anticipated expenditures.

DP 2009 - Reduce Appropriation for Orphan Fund - HCSD -

The executive requests a reduction in the appropriation of federal funds for the homeless management information system fund. This fund has a base appropriation of \$1 per year with no active revenue for the past several years. This change package gets rid of this appropriation over the biennium.

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	449.97	450.97	450.97	1.00	0.1%
General Fund	69,664,550	79,894,670	80,554,969	21,120,539	15.2%
State/Other Special Rev. Funds	1,478,208	1,473,989	1,471,928	(10,499)	(0.4%)
Federal Spec. Rev. Funds	50,628,895	48,513,163	48,364,516	(4,380,111)	(4.3%)
Total Funds	121,771,653	129,881,822	130,391,413	16,729,929	6.9%
Personal Services	36,865,435	38,020,804	38,136,948	2,426,882	3.3%
Operating Expenses	5,911,903	5,983,722	5,990,157	150,073	1.3%
Grants	4,939,476	5,539,476	5,606,427	1,266,951	12.8%
Benefits & Claims	72,103,213	78,386,194	78,706,255	12,886,023	8.9%
Transfers	593,356	593,356	593,356		0.0%
Debt Service	1,358,270	1,358,270	1,358,270		0.0%
Total Expenditures	121,771,653	129,881,822	130,391,413	16,729,929	6.9%
Total Ongoing	121,771,653	129,881,822	130,391,413	16,729,929	6.9%
Total One-Time-Only					0.0%

Program Highlights

Child and Family Services Division (CFSD) Major Budget Highlights

- The requested budget includes an increase over the biennium of 6.9%, which is driven by increases in benefits and claims and personal services
- General fund is proposed to increase by 15.2%, driven by lower federal matching rates and increased provision of general-fund intensive services
- Caseload for foster care, adoption, and guardianship has stabilized, while general fund appropriations are proposed to increase for those populations
- The CFSD budget request includes 1.00 PB and \$1.4 million over the biennium to provide services to support families involved in adoption or guardianship arrangements

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.

Child and Family Services 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
Base Budget	69,664,550	1,478,208	50,628,895	121,771,653	93.8%	69,664,550	1,478,208	50,628,895	121,771,653	93.4%
Statewide PL										
Personal Services	84,041	0	72,203	156,244	0.1%	138,018	0	88,098	226,116	0.2%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	(22,239)	0	(5,942)	(28,181)	(0.0%)	(15,028)	0	(4,018)	(19,046)	(0.0%)
Total Statewide PL	61,802	0	66,261	128,063	0.1%	122,990	0	84,080	207,070	0.2%
Present Law (PL)	9,396,698	(4,219)	(2,191,295)	7,201,184	5.5%	9,931,196	(6,280)	(2,357,761)	7,567,155	5.8%
New Proposals	771,620	0	9,302	780,922	0.6%	836,233	0	9,302	845,535	0.6%
Total HB 2 Adjustments	10,230,120	(4,219)	(2,115,732)	8,110,169	6.2%	10,890,419	(6,280)	(2,264,379)	8,619,760	6.6%
Total Requested Budget	79,894,670	1,473,989	48,513,163	129,881,822		80,554,969	1,471,928	48,364,516	130,391,413	

Funding

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

Department of Public Health & Human Services, 03-Child and Family Services Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	160,449,639	0	0	0	160,449,639	61.6%	
02209 Third Party Contributions-F.C.	2,855,501	0	0	0	2,855,501	86.9%	
02376 02 Indirect Activity Prog 03	34,000	0	0	0	34,000	1.0%	
02473 Assault Intervention & Trtmnt	42,250	0	0	0	42,250	1.3%	
02483 Adoption Services / SA	0	0	0	339,140	339,140	10.3%	
02496 Family Preservation Conference	14,166	0	0	0	14,166	0.4%	
State Special Total	\$2,945,917	\$0	\$0	\$339,140	\$3,285,057	1.3%	
03109 TANF Benefits	4,341,114	0	0	0	4,341,114	4.5%	
03224 Access & Visitation Grt 93.597	206,388	0	0	0	206,388	0.2%	
03458 6901 - Chafee - ETV 93.599	808,640	0	0	0	808,640	0.8%	
03522 93.556 - Family Preservation	1,196,286	0	0	0	1,196,286	1.2%	
03526 93.643 - Child Justice	199,802	0	0	0	199,802	0.2%	
03529 IV-E Guardianship	8,834,736	0	0	0	8,834,736	9.1%	
03530 6901-Foster Care 93.658	19,572,190	0	0	0	19,572,190	20.2%	
03531 6901-Subsidized Adopt 93.659	31,825,009	0	0	0	31,825,009	32.9%	
03532 93.669 - Child Abuse	886,580	0	0	0	886,580	0.9%	
03533 93.671 - Domestic Violence	394,972	0	0	0	394,972	0.4%	
03536 93.674 Transition to Adlthd	2,828,878	0	0	0	2,828,878	2.9%	
03593 03 Indirect Activity Prog 03	25,706,264	0	0	0	25,706,264	26.5%	
03594 03 Indirect Activity Prog 04	76,820	0	0	0	76,820	0.1%	
Federal Special Total	\$96,877,679	\$0	\$0	\$0	\$96,877,679	37.2%	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%	
Total All Funds	\$260,273,235	\$0	\$0	\$339,140	\$260,612,375		

This program receives general fund, state special revenue fund, and federal special revenue fund authority. The largest federal funds sources are matching funds for foster care, adoption, and guardianship benefits (and related indirect activity).

Statutory appropriations are made for adoption services. These revenues come from adoption services fees and fund personal services and operating expenses in CFSD. The executive request from this fund is \$339,000 over the biennium. This fund entered FY 2025 with a balance of \$696,000.

Program Actuals and Budget Comparison

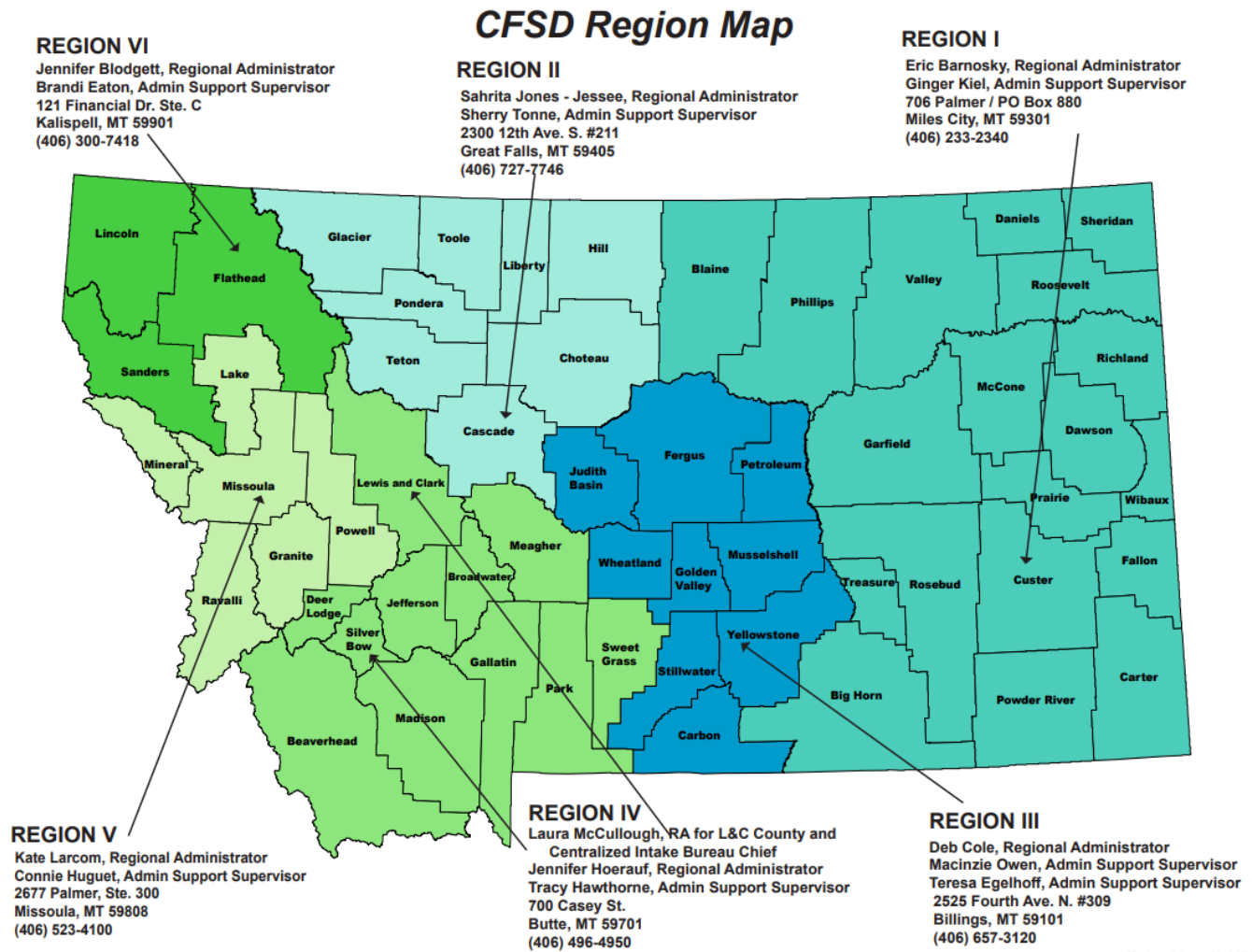
The following table compares FY 2024 actual expenditures, FY 2024 and FY 2025 appropriations, and the expenditures requested for FY 2026 and FY 2027 by type of expenditure and source of funding.

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	449.97	449.97	450.97	450.97
Personal Services	36,972,808	34,496,745	36,865,435	38,020,804	38,136,948
Operating Expenses	3,260,763	5,924,343	5,911,903	5,983,722	5,990,157
Grants	6,208,033	6,368,044	4,939,476	5,539,476	5,606,427
Benefits & Claims	68,360,030	69,014,315	72,103,213	78,386,194	78,706,255
Transfers	1,608,485	1,429,421	593,356	593,356	593,356
Debt Service	2,898,451	2,939,436	1,358,270	1,358,270	1,358,270
Total Expenditures	\$119,308,570	\$120,172,304	\$121,771,653	\$129,881,822	\$130,391,413
General Fund	72,562,330	72,714,573	69,664,550	79,894,670	80,554,969
State/Other Special Rev. Funds	1,479,697	1,541,584	1,478,208	1,473,989	1,471,928
Federal Spec. Rev. Funds	45,266,543	45,916,147	50,628,895	48,513,163	48,364,516
Total Funds	\$119,308,570	\$120,172,304	\$121,771,653	\$129,881,822	\$130,391,413
Total Ongoing	\$119,308,570	\$120,172,304	\$121,771,653	\$129,881,822	\$130,391,413
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Child and Family Services Division (CFSD) administers child protective services, reunification services, prevention services, adoption and guardianship services, and other programs designed to keep children safe and families strong. CFSD is focused on the overarching goal of improving safety, permanency, and well-being for children. CFSD is comprised of five bureaus: Training, Recruitment and Retention, Fiscal, Business and Technology, Program, and Licensing. CFSD has six regions and 31 offices that administer programs statewide. The division is advised by one state and nine local advisory councils.

Statutory Authority - Titles 41, 42 and 52, MCA 45 CFR, Parts 1355, 1356, 1357 and 1370



FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

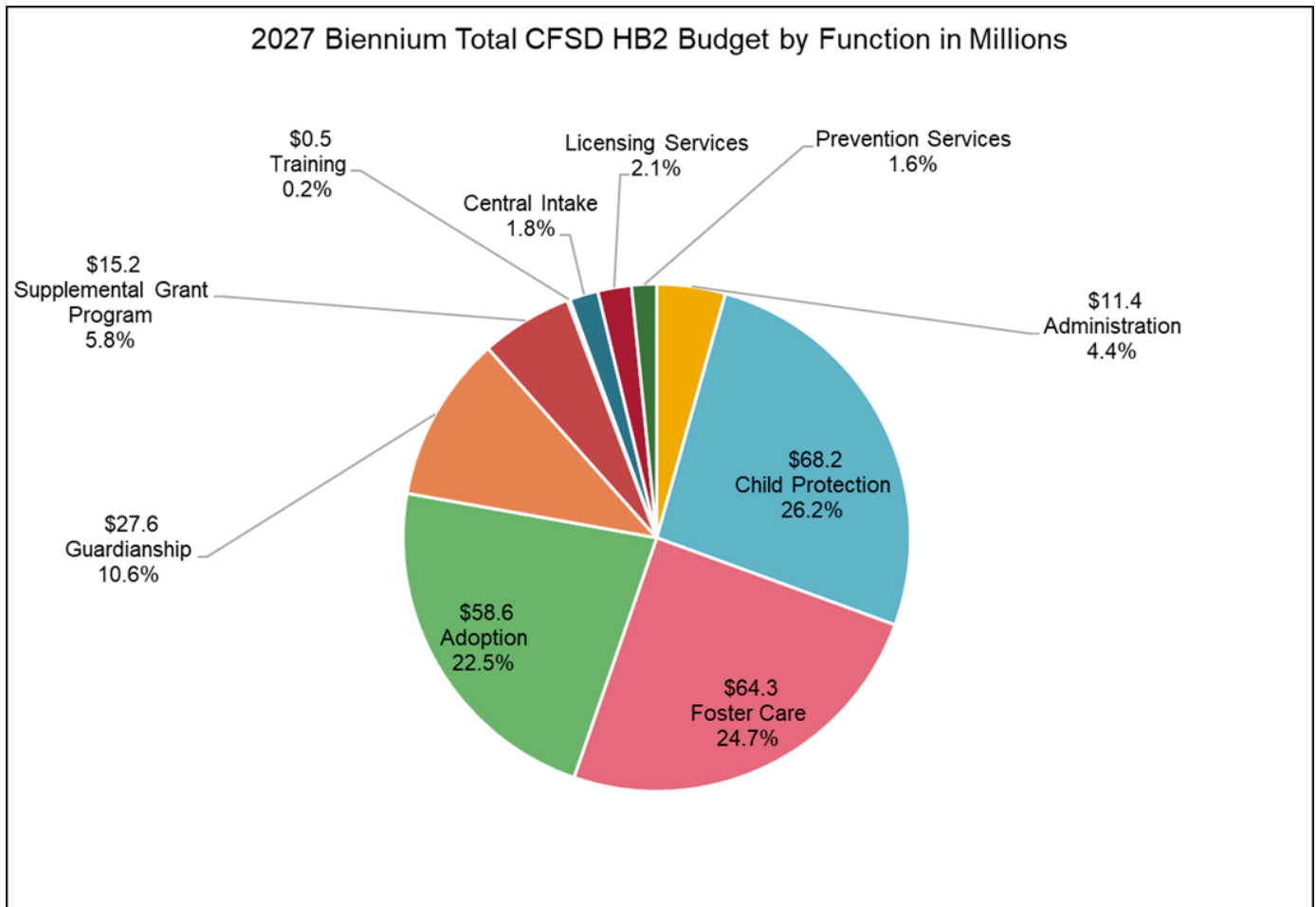
In FY 2024 CFSD expended 99.3% of its overall ongoing HB 2 budget, and 99.8% of its general fund budget.

FY 2024 Appropriation Compared to FY 2025 Appropriation

CFSD's ongoing FY 2025 total appropriations are 1.3%, or \$1.6 million higher than the FY 2024 total appropriation of \$120.2 million. This difference is primarily due to increases in personal services and benefits and claims.

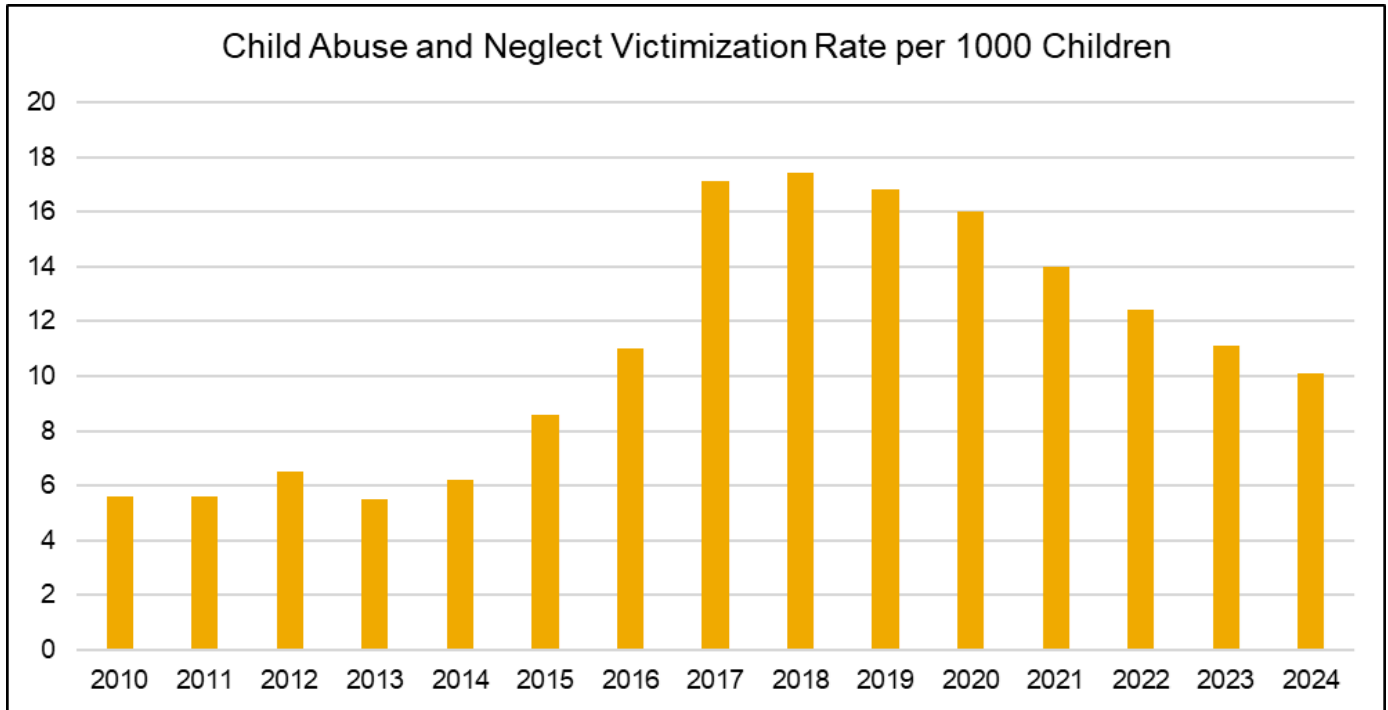
Biennium Budget by Major Function

Personal services comprise 29.3% of the biennium budget request, while benefits and claims make up 60.4%. The CFSD budget request is funded with 61.6% general fund and 37.2% federal funds. The chart below illustrates the major function areas of the 2027 CFSD HB 2 budget request. Child protection functions, foster care, adoption, and guardianship make up the large majority of the request. The legislature approved a 20.00 PB increase for CFSD during the 2023 Session, bringing the total PB for this division to 449.97. This increase was a transfer of PB from the Healthcare Facilities Division.

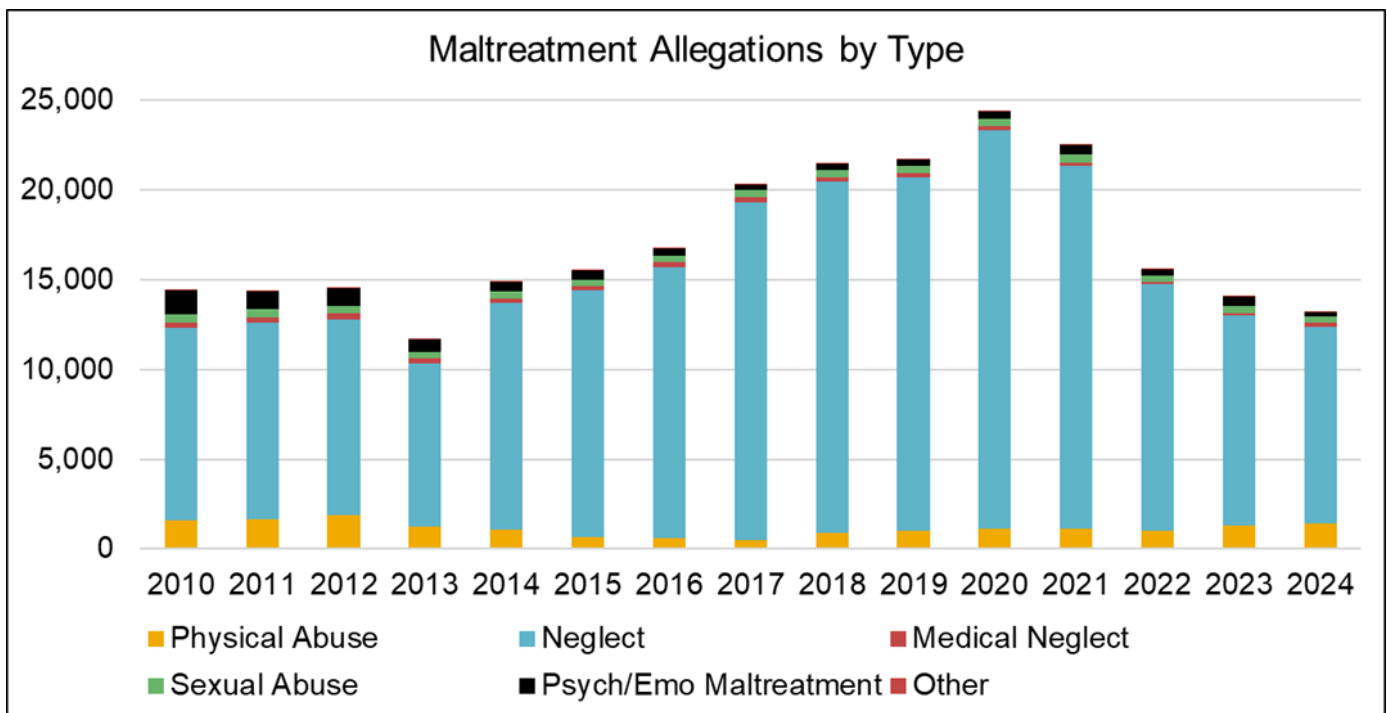


Caseload

Montana experienced rising rates of child abuse and neglect (CAN) beginning about one decade ago. The chart below illustrates this trend with CAN victimization rates: child victims per 1,000 children in a year. For example, in 2017 about 17.1 out of 1,000 children were victimized in Montana (a total of nearly 4,000 CAN victims in calendar year 2017). CAN rates have declined in the past several years after significant increase from 2013-2018.

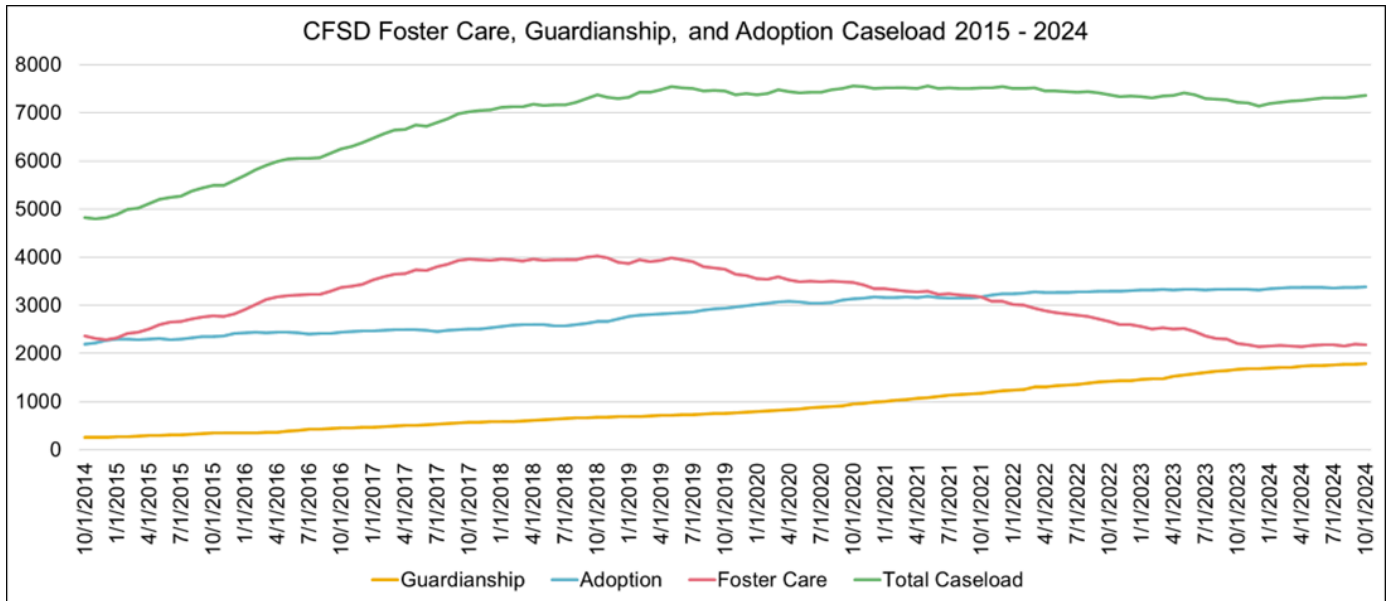


The graph below provides additional detail on the nature of child abuse and neglect allegations in Montana from 2010-24. This graph includes both substantiated and unsubstantiated allegations. The majority of allegations over this time period involve neglect. Neglect allegations have been increasing in real terms over this period as well as proportionally when compared to other types of maltreatment. Note that allegations of physical abuse (in gold) increased from 2017-2024 after declining through the 2012-2017 period. Physical abuse is the second most common allegation type after neglect.



A related trend is the rate at which children who are victims of abuse/neglect are removed from the home. This is generally referred to as “out-of-home-placement” (OOHP) and is an outcome that most research suggests should be avoided when possible as it generally has suboptimal long-run impacts on the child. The OOHP rate started rising in Montana about a decade ago but has stabilized more recently.

The graph below illustrates the caseload associated with OOHP. This graph shows monthly caseload broken down by type (foster care, guardianship, and adoption) from 2015 through the first quarter of FY 2025. Note that the total caseload has leveled off beginning in about the spring of 2019, and that foster care caseload has declined after years of increase, while guardianship and adoption numbers have slowly increased over this period. In the past year, foster care caseload has flattened out, while guardianship and adoption have continued with slow growth.



Families First Prevention Services Act (FFPSA)

FFPSA (2018) permits states to access federal funding for prevention services, or services that are intended to prevent OOHP. DPHHS has created a [webpage](https://dphhs.mt.gov/assets/cfsd/TitleIV-EPreventionPlan.pdf) summarizing their action on FFPSA. The Montana Title IV-E prevention plan is available at <https://dphhs.mt.gov/assets/cfsd/TitleIV-EPreventionPlan.pdf>. This plan was approved by the Administration for Children and Families (ACF) in January 2022.

General Fund Pressures in CFSD

The 2027 biennium CFSD budget request includes a 15.2% increase in general fund with a 4.3% decrease in federal funds. This request continues a trend in fund type utilization at CFSD over the past several biennia, with lower federal matching rates and shifting expenditure categories leading to higher demand for general fund appropriations in this division. The table below provides detail on fund type budgets and expenditures at CFSD since FY 2019.

CFSD Budget and Expenditures by Fund Type in Millions - FY 2019 to 2024

	2019	2020	2021	2022	2023	2024	2025 (YTD)
Budgeted							
General Fund	\$ 53.5	\$ 58.9	\$ 62.0	\$ 63.0	\$ 66.7	\$ 72.7	\$ 69.2
State Special Funds	1.9	2.0	2.1	2.1	2.1	1.9	1.8
Federal Funds	42.4	44.7	50.8	54.6	52.4	50.9	53.1
Total	\$ 97.8	\$ 105.6	\$ 115.0	\$ 119.8	\$ 121.3	\$ 125.4	\$ 124.2
Expended							
General Fund	\$ 53.0	\$ 56.1	\$ 61.7	\$ 62.5	\$ 66.5	\$ 72.3	\$ 27.5
State Special Funds	1.8	1.8	2.0	1.5	1.9	1.6	0.5
Federal Funds	42.2	43.6	41.3	45.5	42.5	49.1	17.9
Total	\$ 97.0	\$ 101.6	\$ 105.0	\$ 109.5	\$ 110.9	\$ 123.0	\$ 46.0

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	84,041	0	72,203	156,244	0.00	138,018	0	88,098	226,116
DP 3 - Inflation Deflation	0.00	(22,239)	0	(5,942)	(28,181)	0.00	(15,028)	0	(4,018)	(19,046)
DP 3001 - Foster Care Caseload Adjustment - CFSD	0.00	4,583,941	(4,219)	(1,385,142)	3,194,580	0.00	4,540,836	(6,280)	(1,296,215)	3,238,341
DP 3002 - Adoption Caseload Adjustment - CFSD	0.00	1,524,493	0	677,456	2,201,949	0.00	1,577,167	0	686,278	2,263,445
DP 3003 - Guardianship Caseload Adjustment - CFSD	0.00	985,978	0	(99,526)	886,452	0.00	1,147,940	0	(46,684)	1,101,256
DP 3004 - Holiday/Overtime/Differential - CFSD	0.00	761,391	0	156,812	918,203	0.00	799,460	0	164,653	964,113
DP 3996 - Guardianship FMAP Adjustment - CFSD	0.00	6,366	0	(6,366)	0	0.00	93,039	0	(93,039)	0
DP 3997 - Adoption FMAP Adjustment - CFSD	0.00	752,196	0	(752,196)	0	0.00	936,177	0	(936,177)	0
DP 3998 - Foster Care FMAP Adjustment - CFSD	0.00	782,333	0	(782,333)	0	0.00	836,577	0	(836,577)	0
Grand Total All Present Law Adjustments	0.00	\$9,458,500	(\$4,219)	(\$2,125,034)	\$7,329,247	0.00	\$10,054,186	(\$6,280)	(\$2,273,681)	\$7,774,225

***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 Public Health and Human Services Child and Family Services Division FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$33,699
Management Changes	(115,051)
Total Budget Modifications	237,596
Total	<u>\$156,244</u>

Management change negative values are driven by vacancy savings. Executive budget modifications during the 2025 biennium reduced personal services by \$237,596 to align with certain federal requirements, so DP1 adds back this amount.

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 3001 - Foster Care Caseload Adjustment - CFSD -

The executive requests funding for foster care caseload in CFSD. This decision package reflects an increase in general-fund intensive foster care services provided by CFSD relative to the base budget.

DP 3002 - Adoption Caseload Adjustment - CFSD -

The executive requests funding for adoption caseload in CFSD.

DP 3003 - Guardianship Caseload Adjustment - CFSD -

The executive requests funding for guardianship caseload in CFSD.

DP 3004 - Holiday/Overtime/Differential - CFSD -

The executive requests funding for overtime in CFSD. The increase is requested to fully fund overtime to maintain client caseload in addition to what is funded in DP 1.

DP 3996 - Guardianship FMAP Adjustment - CFSD -

The executive requests funding changes for guardianship in CFSD. The biennial funding increases general fund and includes an offsetting reduction in federal funds. The total cost for the program does not change.

DP 3997 - Adoption FMAP Adjustment - CFSD -

The executive requests funding changes for adoption in CFSD. The biennial funding increases general fund and includes an offsetting reduction in federal funds. The total cost for the program does not change.

DP 3998 - Foster Care FMAP Adjustment - CFSD -

The executive requests funding changes for foster care in CFSD. The biennial funding increases general fund and includes an offsetting reduction in federal funds. The total cost for the program does not change.

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 3006 - Post Adoption Case Management - CFSD										
1.00	685,904	0	0	685,904		1.00	750,517	0	0	750,517
DP 3011 - Replace CPS Owned Vehicles with Leases - CFSD										
0.00	85,716	0	19,302	105,018		0.00	85,716	0	19,302	105,018
DP 3015 - Reduce Appropriation for Orphan Fund - CFSD										
0.00	0	0	(10,000)	(10,000)		0.00	0	0	(10,000)	(10,000)
Total	1.00	\$771,620	\$0	\$9,302	\$780,922	1.00	\$836,233	\$0	\$9,302	\$845,535

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

DP 3006 - Post Adoption Case Management - CFSD -

The executive proposes to provide services and add 1.00 PB for the Post-Adoption Program in the Child and Family Services Division. The increase is intended to provide case management services for families who have adopted/guardianship of youth from foster care and provides ancillary services (e.g., respite, non-Medicaid services, therapeutic treatment services) for families and assists with preventing adoption/guardianship breakdowns and youth returning to foster care.

DP 3011 - Replace CPS Owned Vehicles with Leases - CFSD -

The executive requests to replace high-mileage vehicles currently owned by CFSD with leased vehicles available through the State Motor Pool to ensure the safety of state workers and children served by CFSD.

DP 3015 - Reduce Appropriation for Orphan Fund - CFSD -

The executive requests to reduce the appropriation of federal funds for the Children's Alliance of MT fund. This fund has a base appropriation of \$10,000 per year with no active revenue for the past several years. This would be a reduction of \$20,000 in federal funds over the biennium.

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	79.25	80.25	80.25	1.00	0.6%
General Fund	5,403,662	5,728,542	5,738,143	659,361	6.1%
State/Other Special Rev. Funds	3,380,959	3,351,054	3,351,893	(58,971)	(0.9%)
Federal Spec. Rev. Funds	7,272,740	7,724,167	7,734,347	913,034	6.3%
Total Funds	16,057,361	16,803,763	16,824,383	1,513,424	4.7%
Personal Services	8,432,135	9,074,181	9,092,847	1,302,758	7.7%
Operating Expenses	7,329,112	7,433,468	7,435,422	210,666	1.4%
Grants	219,829	219,829	219,829		0.0%
Benefits & Claims	2,549	2,549	2,549		0.0%
Transfers	68,100	68,100	68,100		0.0%
Debt Service	5,636	5,636	5,636		0.0%
Total Expenditures	16,057,361	16,803,763	16,824,383	1,513,424	4.7%
Total Ongoing	16,057,361	16,803,763	16,824,383	1,513,424	4.7%
Total One-Time-Only					0.0%

Program Highlights

Director's Office Major Budget Highlights	
<ul style="list-style-type: none"> The requested budget includes growth over the biennium of 4.7%, which is driven by increases in personal services, or wages and benefits for employees, and operating expenses The proposed budget includes an increase of 1.00 PB and \$297,000 for a procurement staff attorney position 	

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
Base Budget	5,403,662	3,380,959	7,272,740	16,057,361	95.6%	5,403,662	3,380,959	7,272,740	16,057,361	95.4%
Statewide PL										
Personal Services	198,347	(39,923)	340,306	498,730	3.0%	207,779	(39,420)	349,037	517,396	3.1%
Fixed Costs	48,748	6,976	42,978	98,702	0.6%	50,319	7,366	45,378	103,063	0.6%
Inflation Deflation	0	0	(904)	(904)	(0.0%)	0	0	(611)	(611)	(0.0%)
Total Statewide PL	247,095	(32,947)	382,380	596,528	3.5%	258,098	(32,054)	393,804	619,848	3.7%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	77,785	3,042	69,047	149,874	0.9%	76,383	2,988	67,803	147,174	0.9%
Total HB 2 Adjustments	324,880	(29,905)	451,427	746,402	4.4%	334,481	(29,066)	461,607	767,022	4.6%
Total Requested Budget	5,728,542	3,351,054	7,724,167	16,803,763		5,738,143	3,351,893	7,734,347	16,824,383	

Funding

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

Department of Public Health & Human Services, 04-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	11,466,685	0	0	0	11,466,685	34.1%
02181 BHSFG	3,322,852	0	0	0	3,322,852	49.6%
02377 02 Indirect Activity Prog 04	3,374,065	0	0	0	3,374,065	50.3%
02382 02 Indirect Activity Prog 06	6,030	0	0	0	6,030	0.1%
State Special Total	\$6,702,947	\$0	\$0	\$0	\$6,702,947	19.9%
03523 93.566 - Refugee Soc. Serv	163,370	0	0	0	163,370	1.1%
03571 93.566 - Off Ref Reset Adm 10	823,997	0	0	0	823,997	5.3%
03591 03 Indirect Activity Prog 06	136,850	0	0	0	136,850	0.9%
03594 03 Indirect Activity Prog 04	14,334,297	0	0	0	14,334,297	92.7%
Federal Special Total	\$15,458,514	\$0	\$0	\$0	\$15,458,514	46.0%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$33,628,146	\$0	\$0	\$0	\$33,628,146	

This program receives general fund, state special revenue fund, and federal special revenue fund authority. Most functions within the Director's Office are cost allocated through indirect cost recoveries to the other divisions within DPHHS.

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	79.25	79.25	80.25	80.25
Personal Services	10,543,635	9,573,231	8,432,135	9,074,181	9,092,847
Operating Expenses	1,225,209	3,382,278	7,329,112	7,433,468	7,435,422
Grants	190,136	219,829	219,829	219,829	219,829
Benefits & Claims	28,866	2,549	2,549	2,549	2,549
Transfers	105,868	69,597	68,100	68,100	68,100
Debt Service	252,071	5,636	5,636	5,636	5,636
Total Expenditures	\$12,345,785	\$13,253,120	\$16,057,361	\$16,803,763	\$16,824,383
General Fund	5,720,882	5,755,080	5,403,662	5,728,542	5,738,143
State/Other Special Rev. Funds	772,973	1,192,627	3,380,959	3,351,054	3,351,893
Federal Spec. Rev. Funds	5,851,930	6,305,413	7,272,740	7,724,167	7,734,347
Total Funds	\$12,345,785	\$13,253,120	\$16,057,361	\$16,803,763	\$16,824,383
Total Ongoing	\$12,345,785	\$13,253,120	\$16,057,361	\$16,803,763	\$16,824,383
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Director's Office (DO) provides overall policy development and administrative guidance for the department. The DO includes the Office of Legal Affairs, Office of Human Resources, Office of Strategy and Transformation, and the State Medical Officer, in addition to other executive leaders who report to the Department Director and oversee discrete practices, programs, and offices throughout the agency.

Statutory Authority - Title 2, Chapter 15, part 22 and Title 53, Chapter 19, part 3, MCA.

All termination costs (sick leave payouts, etc.) are funded in this division. Other divisions transfer funds to make the payout. In FY 2024, \$1.9 million in total funds and \$1.0 million in general fund were transferred to and paid from this division. As a consequence, FY 2024 has higher costs that are not included in either FY 2025 or the 2027 biennium but will be reflected in transfers from other divisions as the next biennium unfolds.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

In FY 2024 the DO expended 93.2% of its HB 2 budget, and 99.4% of its general fund budget.

FY 2024 Appropriation Compared to FY 2025 Appropriation

DO ongoing FY 2025 total appropriations are 21.2%, or \$2.8 million higher than the FY 2024 total appropriation of \$13.3 million. This difference is due to higher appropriations for operating expenses in FY 2025 and is somewhat offset by lower appropriations for personal services in FY 2025. The higher budgeted amount for operating expenses in 2025 is due to DP 3333 (additional adjustment for inflation) from the 2023 Legislative Session being placed in the DO. The agency will move this additional adjustment for inflation appropriation to other divisions as FY 2025 unfolds.

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	198,347	(39,923)	340,306	498,730	0.00	207,779	(39,420)	349,037	517,396
DP 2 - Fixed Costs	0.00	48,748	6,976	42,978	98,702	0.00	50,319	7,366	45,378	103,063
DP 3 - Inflation Deflation	0.00	0	0	(904)	(904)	0.00	0	0	(611)	(611)
Grand Total All Present Law Adjustments	0.00	\$247,095	(\$32,947)	\$382,380	\$596,528	0.00	\$258,098	(\$32,054)	\$393,804	\$619,848

*"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 Public Health and Human Services Director's Office FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$124,524
Management Changes	249,462
Total Budget Modifications	124,743
Total	<u><u>\$498,729</u></u>

Legislative changes in DP 1 are driven by benefits increases, while management decisions are driven by reclassification and hiring differential. Executive budget modifications in the 2025 biennia included a reorganization that moved facility human resources from HFD to the DO.

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: warrant writer, motor pool, 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 4001 - Procurement Staff Attorney - Director's Office	1.00	77,785	3,042	69,047	149,874	1.00	76,383	2,988	67,803	147,174
Total	1.00	\$77,785	\$3,042	\$69,047	\$149,874	1.00	\$76,383	\$2,988	\$67,803	\$147,174

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

DP 4001 - Procurement Staff Attorney - Director's Office -

The executive requests the addition of 1.00 PB and associated funding for a staff attorney position in the DO.

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	129.81	129.81	129.81	0.00	0.0%
General Fund	3,656,440	3,701,750	3,710,021	98,891	1.4%
State/Other Special Rev. Funds	363,458	363,458	363,458		0.0%
Federal Spec. Rev. Funds	8,504,155	8,592,111	8,608,166	191,967	1.1%
Total Funds	12,524,053	12,657,319	12,681,645	290,858	1.2%
Personal Services	10,504,717	10,637,983	10,662,309	290,858	1.4%
Operating Expenses	1,456,890	1,456,890	1,456,890		0.0%
Equipment & Intangible Assets	21,456	21,456	21,456		0.0%
Debt Service	540,990	540,990	540,990		0.0%
Total Expenditures	12,524,053	12,657,319	12,681,645	290,858	1.2%
Total Ongoing	12,524,053	12,657,319	12,681,645	290,858	1.2%
Total One-Time-Only					0.0%

Program Highlights

Child Support Services Division (CSSD) Major Budget Highlights

- The requested budget includes growth over the biennium of 1.2%, which is driven entirely by growth in personal services, or wages and benefits for CSSD employees

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.

Child Support Services 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
Base Budget	3,656,440	363,458	8,504,155	12,524,053	98.9%	3,656,440	363,458	8,504,155	12,524,053	98.8%
Statewide PL										
Personal Services	45,310	0	87,956	133,266	1.1%	53,581	0	104,011	157,592	1.2%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	45,310	0	87,956	133,266	1.1%	53,581	0	104,011	157,592	1.2%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	45,310	0	87,956	133,266	1.1%	53,581	0	104,011	157,592	1.2%
Total Requested Budget	3,701,750	363,458	8,592,111	12,657,319		3,710,021	363,458	8,608,166	12,681,645	

Funding

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

Department of Public Health & Human Services, 05-Child Support Services Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	7,411,771	0	0	0	7,411,771	29.3%
02187 Child Support State Share	726,916	0	0	0	726,916	100.0%
State Special Total	\$726,916	\$0	\$0	\$0	\$726,916	2.9%
03269 Child Support Incentive	2,373,886	0	0	0	2,373,886	13.8%
03570 93.563 - Child Support IVD 66%	14,826,391	0	0	0	14,826,391	86.2%
Federal Special Total	\$17,200,277	\$0	\$0	\$0	\$17,200,277	67.9%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$25,338,964	\$0	\$0	\$0	\$25,338,964	

This program is primarily federally funded. Title IV-D eligible expenditures are funded with two-thirds federal funds and one-third state funds. The non-IV-D federal funding is an incentive payment for reaching specified federal benchmarks. State match for the Title IV-D spending comes from the child support state special revenue fund and the general fund.

State Special Revenue

State special revenue is generated primarily from the retention of collections made on behalf of Temporary Assistance of Needy Families (TANF) participants in addition to small amounts from applications, genetic testing, and federal tax offset fees. Any child support recovered on behalf of TANF recipients is retained by the state at the state share according to the Federal Medical Assistance Percentage (FMAP). No revenue is retained from non-TANF collections, which are simply collected and sent on to the custodial parent.

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	129.81	129.81	129.81	129.81
Personal Services	10,117,274	9,908,197	10,504,717	10,637,983	10,662,309
Operating Expenses	1,413,701	1,732,682	1,456,890	1,456,890	1,456,890
Equipment & Intangible Assets	0	21,456	21,456	21,456	21,456
Debt Service	540,967	534,931	540,990	540,990	540,990
Total Expenditures	\$12,071,942	\$12,197,266	\$12,524,053	\$12,657,319	\$12,681,645
General Fund	3,539,349	3,555,832	3,656,440	3,701,750	3,710,021
State/Other Special Rev. Funds	355,924	375,458	363,458	363,458	363,458
Federal Spec. Rev. Funds	8,176,669	8,265,976	8,504,155	8,592,111	8,608,166
Total Funds	\$12,071,942	\$12,197,266	\$12,524,053	\$12,657,319	\$12,681,645
Total Ongoing	\$12,071,942	\$12,197,266	\$12,524,053	\$12,657,319	\$12,681,645
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Child Support Services Division (CSSD) works to improve the economic stability of families through the establishment and enforcement of child support and medical support orders. CSSD is comprised of three bureaus: Budget and Administrative Services, Field Services, and System Program and Training. The division offers services designed to locate parents, establish paternity, establish financial and medical support orders, enforce child support orders, including medical support orders, and modify child support orders.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

In FY 2024 CSSD expended 99.0% of its overall ongoing HB 2 budget, and 99.5% of its general fund budget.

FY 2024 Appropriation Compared to FY 2025 Appropriation

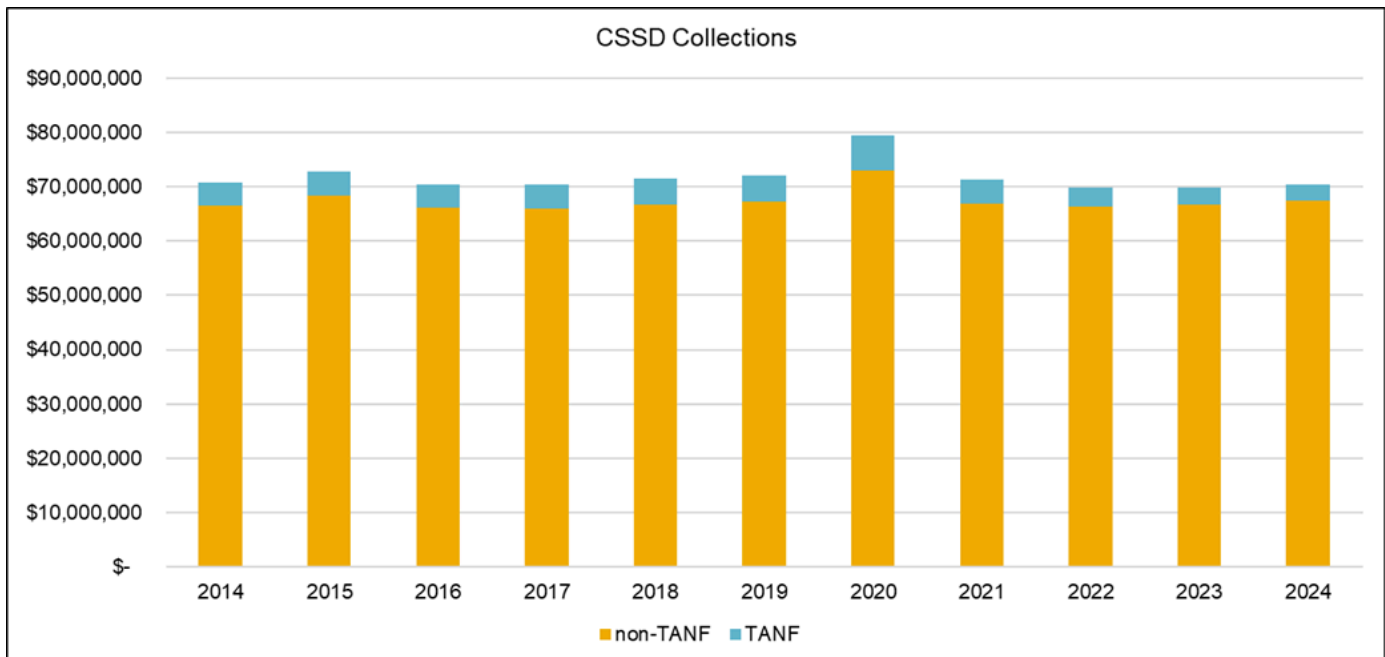
CSSD ongoing FY 2025 total appropriations are 2.7%, or \$327,000 higher than the FY 2024 total appropriation of \$12.2 million. This difference is primarily due to increases in personal services and operating expenses.

Program Discussion

Federal regulation mandates a child support enforcement program under Title IV-D of the Social Security Act in order for states to maintain eligibility for the federal TANF block grant. Collection of child support owed to TANF families is automatically assigned to the state and is used to reimburse federal and state governments for benefits paid to the families. Additionally, child support enforcement services must be provided to any applicant regardless of income level.

In FY 2024, CSSD collected \$71.4 million on behalf of both TANF and non-TANF children and their custodial parents (see chart below). Non-TANF collections were \$67.4 million and TANF collections were \$2.9 million, of which \$848,000 went into the CSSD state special revenue fund.

The FY 2020 collection amount was a significant increase from FY 2019 and was due to CSSD's ability to access CARES (Coronavirus Aid, Relief, and Economic Security) Act individual economic impact payments in cases where child support payments were owed.



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	45,310	0	87,956	133,266	0.00	53,581	0	104,011	157,592
Grand Total All Present Law Adjustments									
0.00	\$45,310	\$0	\$87,956	\$133,266	0.00	\$53,581	\$0	\$104,011	\$157,592

*"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 Public Health and Human Services Child Support Services Division FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$196,849
Management Changes	(63,583)
Total Budget Modifications	-
Total	<u>\$133,266</u>

Legislative changes in DP1 are driven by benefits increases. Management changes values are associated with vacancy savings and backing out HB13.

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	56.00	58.00	58.00	2.00	1.8%
General Fund	5,358,999	5,756,171	5,269,745	307,918	2.9%
State/Other Special Rev. Funds	1,607,484	1,641,774	1,600,600	27,406	0.9%
Federal Spec. Rev. Funds	7,341,275	7,700,185	7,320,836	338,471	2.3%
Total Funds	14,307,758	15,098,130	14,191,181	673,795	2.4%
Personal Services	4,712,515	4,749,007	4,763,463	87,440	0.9%
Operating Expenses	9,587,317	10,341,197	9,419,792	586,355	3.1%
Debt Service	7,926	7,926	7,926		0.0%
Total Expenditures	14,307,758	15,098,130	14,191,181	673,795	2.4%
Total Ongoing	14,307,758	15,098,130	14,191,181	673,795	2.4%
Total One-Time-Only					0.0%

Program Highlights

Business and Financial Services Division (BFSD) Major Budget Highlights	
<ul style="list-style-type: none"> The BFSD 2027 biennium executive request is approximately \$674,000 or 2.4% higher than the FY 2025 base budget. The executive proposal includes: <ul style="list-style-type: none"> Decreases in statewide present law adjustments for personal services and inflation/deflation Increases in statewide present law adjustments for fixed costs Increases of \$332,000 across the biennium to make 2.0 modified PB permanent 	

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.

69010 - Department Of Public Health & Human Services 06-Business and Financial Services

Business and Financial Services 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
Base Budget	5,358,999	1,607,484	7,341,275	14,307,758	94.8%	5,358,999	1,607,484	7,341,275	14,307,758	100.8%
Statewide PL										
Personal Services	(67,148)	(10,388)	(45,152)	(122,688)	(0.8%)	(61,253)	(9,484)	(37,496)	(108,233)	(0.8%)
Fixed Costs	391,766	35,235	317,158	744,159	4.9%	(98,248)	(6,542)	(67,068)	(171,858)	(1.2%)
Inflation Deflation	(37)	0	0	(37)	(0.0%)	(25)	0	0	(25)	(0.0%)
Total Statewide PL	324,581	24,847	272,006	621,434	4.1%	(159,526)	(16,026)	(104,564)	(280,116)	(2.0%)
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	72,591	9,443	86,904	168,938	1.1%	70,272	9,142	84,125	163,539	1.2%
Total HB 2 Adjustments	397,172	34,290	272,006	790,372	5.2%	(89,254)	(6,884)	(104,564)	(116,577)	(0.8%)
Total Requested Budget	5,756,171	1,641,774	7,613,281	15,098,130		5,269,745	1,600,600	7,236,711	14,191,181	

The base budget makes up 97.7% of the executive budget request across the biennium. Statewide present law requests account for 4.1% of the budget request driven by an increase in statewide present law adjustments to fixed costs due to increases in legislative audit fees, capitol complex rent, statewide indirect costs, and other increases in smaller areas. These increases are partially offset by fixed cost decreases in insurance and bonds. More information regarding the decreases to statewide present law adjustments for personal services and inflation/deflation can be found in the Present Law section below. The request also proposes an additional 2.00 PB.

Funding

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

Department of Public Health & Human Services, 06-Business and Financial Services Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	11,025,916	0	0	0	11,025,916	37.6%
02382 02 Indirect Activity Prog 06	3,242,374	0	0	0	3,242,374	100.0%
State Special Total	\$3,242,374	\$0	\$0	\$0	\$3,242,374	11.1%
03591 03 Indirect Activity Prog 06	15,021,021	0	0	0	15,021,021	100.0%
Federal Special Total	\$15,021,021	\$0	\$0	\$0	\$15,021,021	51.3%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$29,289,311	\$0	\$0	\$0	\$29,289,311	

The 2027 biennium budget is split 37.6% general fund, 11.1% state special revenue funds, and 51.3% federal special revenue funds. The entire appropriation for BFSD comes from House Bill 2.

BFSD receives general fund, state special revenue, and federal funds through a federally approved cost allocation formula that is generally referred to as indirect activity. The funding formula is derived from those funds expended on functions benefiting or serving other programs in the department. The general fund, like the state special revenue and federal state special revenue received from the cost allocation formula, is used to support internal BFSD functions.

Many of BFSD activities are funded with indirect revenues from all fund types. The exception to this is facility reimbursement activities. General fund is used to support facility reimbursement staff who are responsible for collecting private funds, private insurance, Medicaid, and Medicare from patients receiving services at DPHHS facilities. Funds collected reimburse the general fund as well as state special funds used to support facilities such as the Montana Chemical Dependency Center (MCDC) cost recovery fund.

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	56.00	56.00	58.00	58.00
Personal Services	4,471,206	4,057,869	4,712,515	4,749,007	4,763,463
Operating Expenses	9,145,794	10,593,740	9,587,317	10,341,197	9,419,792
Equipment & Intangible Assets	0	5,100	0	0	0
Debt Service	27,442	7,926	7,926	7,926	7,926
Total Expenditures	\$13,644,442	\$14,664,635	\$14,307,758	\$15,098,130	\$14,191,181
General Fund	5,140,496	5,275,510	5,358,999	5,756,171	5,269,745
State/Other Special Rev. Funds	909,666	1,569,190	1,607,484	1,641,774	1,600,600
Federal Spec. Rev. Funds	7,594,280	7,819,935	7,341,275	7,700,185	7,320,836
Total Funds	\$13,644,442	\$14,664,635	\$14,307,758	\$15,098,130	\$14,191,181
Total Ongoing	\$13,644,442	\$14,664,635	\$14,307,758	\$15,098,130	\$14,191,181
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The BFSD manages the development and implementation of agency-wide accounting policies, procedures, and best business practices that support the mission of the Department.

Statutory Authority - Business and Financial Services Division - Title 17, Chapter 1, part 1, and Chapter 2, MCA, and 45 CFR Subtitle A, Part 92, Subpart C92.2, and Title 50 Chapter 15 MCA.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The BFSD expended 93.0% of the total FY 2024 appropriation with 97.4% of general funds, 58.0% of state special revenues, and 97.1% of federal special revenues expended.

Personal services and operating expenses make up 99.9% of this division's budget. Personal services were 110.2% expended but this is balanced out by operating expenses which were 86.4% expended. The overages in personal services include Medicaid administration, facilities reimbursement, and internal agency accounting support and these categories were mirrored with lower expenditures in operating expenses.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The FY 2025 HB 2 appropriation is 2.8% lower than the FY 2024 HB 2 appropriation. This can be almost entirely attributed to a reduction in operating expenses from FY 2024 to FY 2025. Several transfers were made from other programs throughout FY 2024 to revenue recovery and cash management as well as internal agency accounting support to address shortfalls in these areas. In addition, there was a reorganization within DPHHS that moved 1.00 PB from BFSD to the Operation Services Division to fulfill a compliance and internal control function, as well as project management associate with workspace planning.

Program Discussion

The BFSD is comprised of two major bureaus that house all the division's primary services.

The Fiscal Operations Bureau functions include cash management of federal funding sources and state special revenue accounts; managing medical billing for state-owned medical facilities by monitoring expenditures and managing recovery from insurance companies, federal programs and private pay to offset medical costs at the state facilities; managing the cost allocation plan and necessary reporting to ensure the recovery of federal dollars for indirect activity; and this bureau also houses the grants management office which ensures compliance with federal and state regulations, oversees audits, and generally supports the department's internal financial system oversight.

The Supports Services Bureau houses four primary services for the department. This bureau handles accounts payable which processes payments to vendors and individuals across the state as well as processes travel reimbursements and maintains procurement credit card reconciliations monthly; they offer procurement support for purchase orders ensuring compliance with regulatory guidelines; they maintain the accounts receivable system; and they provide various operational functions such as centralized administration of lease management, records retention and management, mail room functions and surplus property management.

In the 2025 biennium, 1.00 PB was transferred out through a reorganization which consolidated the compliance and internal control function into the Operations 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	(67,148)	(10,388)	(45,152)	(122,688)	0.00	(61,253)	(9,484)	(37,496)	(108,233)	
DP 2 - Fixed Costs										
0.00	391,766	35,235	317,158	744,159	0.00	(98,248)	(6,542)	(67,068)	(171,858)	
DP 3 - Inflation Deflation										
0.00	(37)	0	0	(37)	0.00	(25)	0	0	(25)	
Grand Total All Present Law Adjustments										
0.00	\$324,581	\$24,847	\$272,006	\$621,434	0.00	(\$159,526)	(\$16,026)	(\$104,564)	(\$280,116)	

*"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 Public Health and Human Services Business and Financial Services Division FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 59,860
Management Changes	(54,548)
Total Budget Modifications	<u>(128,000)</u>
Total	\$ (122,688)

1.00 PB was moved out of BFSD contributing to the decrease in management changes along with decreases for vacancy savings and differences in hiring. Budget modifications are negative due to a reversal of a transfer earlier in the biennium that moved personal services authority but no PB. Legislative changes include increases for benefits and statutory changes as well as a small decrease for longevity.

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 6001 - Procurement Officer - BFSD										
2.00	72,591	9,443	86,904	168,938		2.00	70,272	9,142	84,125	163,539
Total	2.00	\$72,591	\$9,443	\$86,904	\$168,938	2.00	\$70,272	\$9,142	\$84,125	\$163,539

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

DP 6001 - Procurement Officer - BFSD -

The executive requests 2.00 PB for procurement officers in the Business and Financial Services Division.

LFD COMMENT	These positions are currently hired as modified positions. This proposal fully funds these positions in addition to the funding that has previously been used to fund these positions.
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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 FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
PB	153.75	153.75	153.75	0.00	0.0%
General Fund	3,382,917	3,357,262	3,324,954	(83,618)	(1.2%)
State/Other Special Rev. Funds	14,394,802	14,441,694	14,433,171	85,261	0.3%
Federal Spec. Rev. Funds	23,012,520	22,112,051	22,181,569	(1,731,420)	(3.8%)
Total Funds	40,790,239	39,911,007	39,939,694	(1,729,777)	(2.1%)
Personal Services	14,120,954	13,949,250	13,977,071	(315,587)	(1.1%)
Operating Expenses	9,921,150	9,918,772	9,919,543	(3,985)	(0.0%)
Equipment & Intangible Assets	141,821	141,821	141,821		0.0%
Grants	13,491,004	12,785,854	12,785,949	(1,410,205)	(5.2%)
Benefits & Claims	2,704,648	2,704,648	2,704,648		0.0%
Transfers	346,100	346,100	346,100		0.0%
Debt Service	64,562	64,562	64,562		0.0%
Total Expenditures	40,790,239	39,911,007	39,939,694	(1,729,777)	(2.1%)
Total Ongoing	40,790,239	39,911,007	39,939,694	(1,729,777)	(2.1%)
Total One-Time-Only					0.0%

Program Highlights

Public Health & Safety Division	
Major Budget Highlights	
<ul style="list-style-type: none"> The 2027 biennium appropriations are approximately \$1.7 million or 2.1% lower than the FY 2025 base budget, primarily due to a \$1.4 million reduction of excess federal funds authority 	

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.

Public Health and Safety 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
Base Budget	3,382,917	14,394,802	23,012,520	40,790,239	102.2%	3,382,917	14,394,802	23,012,520	40,790,239	102.1%
Statewide PL										
Personal Services	(24,865)	46,892	(193,731)	(171,704)	(0.4%)	(57,429)	38,369	(124,823)	(143,883)	(0.4%)
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	(790)	0	(1,588)	(2,378)	(0.0%)	(534)	0	(1,073)	(1,607)	(0.0%)
Total Statewide PL	(25,655)	46,892	(195,319)	(174,082)	(0.4%)	(57,963)	38,369	(125,896)	(145,490)	(0.4%)
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	(705,150)	(705,150)	(1.8%)	0	0	(705,055)	(705,055)	(1.8%)
Total HB 2 Adjustments	(25,655)	46,892	(900,469)	(879,232)	(2.2%)	(57,963)	38,369	(830,951)	(850,545)	(2.1%)
Total Requested Budget	3,357,262	14,441,694	22,112,051	39,911,007		3,324,954	14,433,171	22,181,569	39,939,694	

Funding

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

69010 - Department Of Public Health & Human Services 07-Public Health and Safety Division

Department of Public Health & Human Services, 07-Public Health and Safety 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	6,682,216	0	0	0	6,682,216	8.4%
02199 DHES Food & Consumer	13,928	0	0	0	13,928	0.0%
02234 Cancer Screening	31,600	0	0	0	31,600	0.1%
02366 Public Health Laboratory	6,486,257	0	0	0	6,486,257	22.5%
02379 02 Indirect Activity Prog 07	619,504	0	0	0	619,504	2.1%
02419 Vital Statistics	879,033	0	0	0	879,033	3.0%
02462 Food/Lodging License	2,914,381	0	0	0	2,914,381	10.1%
02512 BRFS Survey Fees	87,116	0	0	0	87,116	0.3%
02765 Insurance Policies Fees SB278	81,231	0	0	0	81,231	0.3%
02790 6901-Statewide Tobacco Sttlmnt	16,402,504	0	0	0	16,402,504	56.8%
02987 Tobacco Interest	1,359,311	0	0	0	1,359,311	4.7%
State Special Total	\$28,874,865	\$0	\$0	\$0	\$28,874,865	36.2%
03004 EMS Data Injury	337,326	0	0	0	337,326	0.8%
03014 MT Retail Food Academy	2,000	0	0	0	2,000	0.0%
03029 Diabetes Advance Health Equity	1,480,064	0	0	0	1,480,064	3.3%
03159 Tuberculosis Grant	335,631	0	0	0	335,631	0.8%
03274 Ryan White Act, Title II	1,727,253	0	0	0	1,727,253	3.9%
03275 Adult Viral Hepatitis Prevent	744,024	0	0	0	744,024	1.7%
03336 Food Inspection Program	85,767	0	0	0	85,767	0.2%
03371 Improving Arthritis Outcomes	376,003	0	0	0	376,003	0.8%
03402 Addressing Asthma	790,226	0	0	0	790,226	1.8%
03415 Breast and Cervical Health	2,474,099	0	0	0	2,474,099	5.6%
03431 Improve Health Diabetes Heart	1,553,249	0	0	0	1,553,249	3.5%
03540 Ryan White Treatment Rebate	2,014,579	0	0	0	2,014,579	4.5%
03551 Preventive Health Block Grant	1,897,248	0	0	0	1,897,248	4.3%
03569 ACA-ELC Non-PPHF	1,997,801	0	0	0	1,997,801	4.5%
03596 03 Indirect Activity Prog 07	4,444,922	0	0	0	4,444,922	10.0%
03602 BRFS Program	1,048,870	0	0	0	1,048,870	2.4%
03607 Tobacco Control Program	2,365,057	0	0	0	2,365,057	5.3%
03712 6901-Cancer Registries 93.283	653,136	0	0	0	653,136	1.5%
03788 MT Disability & Health	953,662	0	0	0	953,662	2.2%
03903 Emergency Preparedness	10,186,427	0	0	0	10,186,427	23.0%
03904 Bioterr. Hospital Preparedness	2,339,310	0	0	0	2,339,310	5.3%
03936 Vaccination Program	3,478,981	0	0	0	3,478,981	7.9%
03937 STD Program	538,034	0	0	0	538,034	1.2%
03938 Aids Fed. Cat. #13.118	1,871,253	0	0	0	1,871,253	4.2%
03969 Ryan White ADAP Shortfall	5,075	0	0	0	5,075	0.0%
03979 69010 Comprehnsv Cancer Contrl	593,623	0	0	0	593,623	1.3%
Federal Special Total	\$44,293,620	\$0	\$0	\$0	\$44,293,620	55.5%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$79,850,701	\$0	\$0	\$0	\$79,850,701	

The 2027 biennium Public Health and Safety Division (PHSD) budget request is funded by general fund at 8.4%, state special revenue at 36.2%, and federal funds at 55.5%. The entire appropriation for PHSD comes from HB 2 authority. General fund is used to fund a portion of each of the major functions, which are explained in the Program Discussion section below.

The major sources of state special revenue are:

- Tobacco settlement funds and tobacco settlement trust fund interest (see the state special revenue fund balance table in the DPHHS Agency Summary for detail on these funds)
- Public health laboratory fees
- Licensing fees for food manufacturers or food sales establishments (5.0% of an annual license fee of \$115) and penalties for failure to renew licenses in a timely manner

Of the more than 30 funding sources that support PHSD, the majority are federal categorical grants which are allocated to specific activities.

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	153.75	153.75	153.75	153.75
Personal Services	12,779,918	12,272,641	14,120,954	13,949,250	13,977,071
Operating Expenses	9,117,965	9,550,353	9,921,150	9,918,772	9,919,543
Equipment & Intangible Assets	252,461	433,930	141,821	141,821	141,821
Grants	12,412,318	13,342,270	13,491,004	12,785,854	12,785,949
Benefits & Claims	2,390,097	2,775,354	2,704,648	2,704,648	2,704,648
Transfers	261,644	346,100	346,100	346,100	346,100
Debt Service	42,245	46,227	64,562	64,562	64,562
Total Expenditures	\$37,256,648	\$38,766,875	\$40,790,239	\$39,911,007	\$39,939,694
General Fund	3,227,687	3,273,806	3,382,917	3,357,262	3,324,954
State/Other Special Rev. Funds	12,311,708	12,975,669	14,394,802	14,441,694	14,433,171
Federal Spec. Rev. Funds	21,717,253	22,517,400	23,012,520	22,112,051	22,181,569
Total Funds	\$37,256,648	\$38,766,875	\$40,790,239	\$39,911,007	\$39,939,694
Total Ongoing	\$37,256,648	\$38,766,875	\$40,790,239	\$39,911,007	\$39,939,694
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The PHSD works to protect and improve the health of Montanans by advancing conditions for healthy living.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The PHSD expended 96.1% of the total FY 2024 appropriation with 98.6% of general funds, 94.9% of state special revenues, and 96.4% of federal special revenues expended.

Personal services, operating expenses, and grants make up 90.7% of PHSD's budget. The division expended 104.1% of its personal services, 95.5% of its operating expenses, and 93.0% of its grants appropriations.

FY 2024 Appropriations Compared to FY 2025 Appropriations

PHSD FY 2025 HB 2 appropriation is 5.2%, or \$2.0 million, higher than the FY 2024 appropriation of \$38.8 million. Personal services rose by \$1.8 million with much of this attributable to a \$907,00 increase in the Public Health Labs state special revenue appropriation for increased program needs. Excess state special revenue exists because the revenue collected in these specific accounts came in below approved appropriations. Excess general fund exists because state special revenue accounts were maximized where revenue exceeded appropriation which took pressure off the general fund appropriations.

Program Discussion

PHSD houses the Public Health System Improvement Office in addition to its five bureaus: Communicable Disease Control and Prevention; Laboratory Services; Chronic Disease Prevention and Health Promotion; Epidemiology and Scientific Support; and Financial Services and Operations.

The division provides a wide range of public health services to individuals and communities that are aimed at the prevention of disease and the promotion of health. Services are provided through nearly 300 contracts with public and private providers, including local and tribal public health departments, clinics, hospitals, and other community-based organizations. Programs administered by the division include clinical and environmental laboratory services, chronic and communicable disease prevention and control, public health emergency preparedness, public health system improvement, vital records, epidemiology and scientific support, and emergency medical services and trauma services.

The executive request for the Public Health and Safety Division (PHSD) 2027 biennium budget is \$79.9 million in total funds, with a general fund request of \$6.7 million, state special revenue request of \$28.9 million, and federal funds request of \$44.3 million. Personal services are the largest component of the 2027 biennium request at 35.0%, with grants being 32.0% and represent funds allocated to local entities that contract to provide broad-based public services. Examples include public health education and improvements in emergency preparedness. Benefits and claims are services to individuals who meet specific eligibility criteria and are 6.8% of the total request. Operating expenses make up 24.8%. Figure 1 below shows the 2027 biennium budget request by major function.

Chronic disease prevention and health promotion is the largest component of the budget request at 37.5% of the total and includes the following functions:

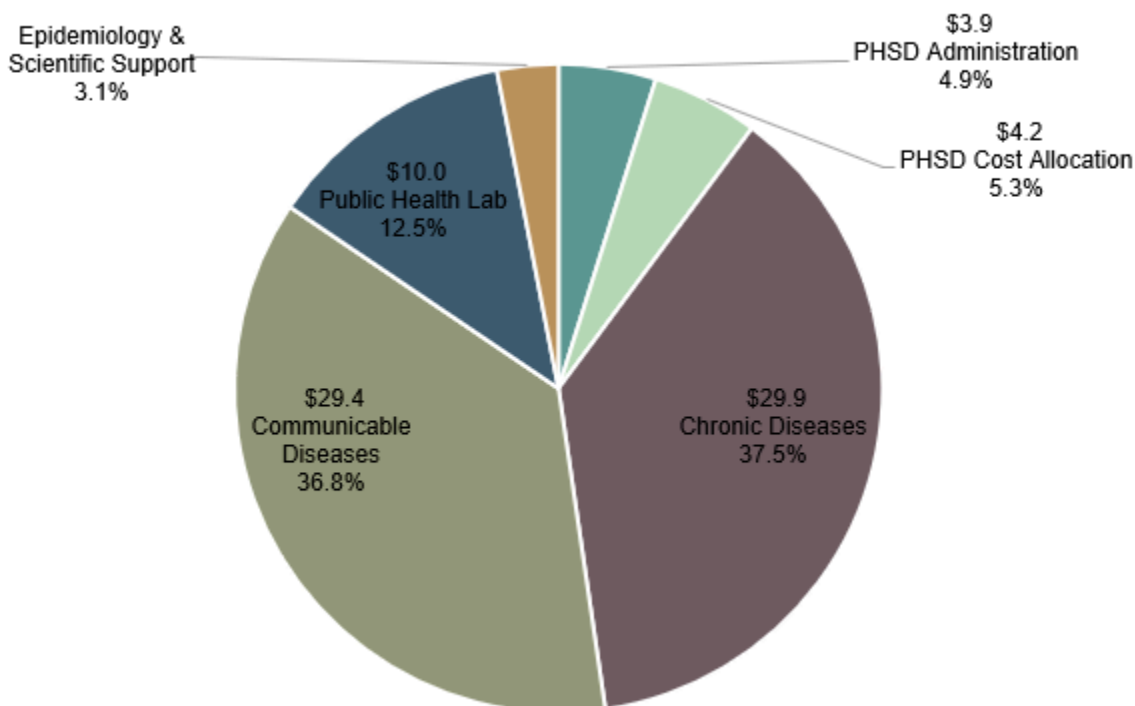
- Cancer control
- Asthma, diabetes, and cardiovascular health
- Emergency medical services and trauma systems
- Tobacco control and prevention

Communicable disease prevention is the second-largest component of the budget request at 36.8% of the total and includes these programs:

- Food and consumer safety
- Communicable disease and epidemiology
- Sexually transmitted disease and human immunodeficiency virus (HIV) prevention

The state public health laboratory is 12.5% of the total, division administration is about 4.9%, and cost allocation is 5.3%. Epidemiology and scientific support functions make up 3.1% of the total.

Figure 1: PHSD 2027 Biennium Budget Request by Major Function in Millions



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	(24,865)	46,892	(193,731)	(171,704)	0.00	(57,429)	38,369	(124,823)	(143,883)
DP 3 - Inflation Deflation	0.00	(790)	0	(1,588)	(2,378)	0.00	(534)	0	(1,073)	(1,607)
Grand Total All Present Law Adjustments	0.00	(\$25,655)	\$46,892	(\$195,319)	(\$174,082)	0.00	(\$57,963)	\$38,369	(\$125,896)	(\$145,490)

***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 Public Health and Human Services Public Health & Safety Division FY 2026 Statewide Present Law Adjustment for Personal Services		
Legislative Changes	\$	333,336
Management Changes		231,809
Total Budget Modifications		(736,849)
Total	\$	(171,704)

Budget modifications made in PHSD in the 2025 biennium included a pair of House Adjustments which added a net \$736,849 in personal services to adjust the authority within the appropriate funds and subclasses. DP1 removes those modifications while adding funding for pay plan increases, retention adjustments, and some additional smaller increases in personal 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 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 7001 - Realign Appropriation for Ryan White ADAP									
0.00	0	0	(705,150)	(705,150)	0.00	0	0	(705,055)	(705,055)
Total	0.00	\$0	\$0	(\$705,150)	0.00	\$0	\$0	(\$705,055)	(\$705,055)

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

DP 7001 - Realign Appropriation for Ryan White ADAP -

The executive proposes to reduce the appropriation of federal funds for the Ryan White acquired immunodeficiency syndrome (AIDS) Drug Assistance Program (ADAP) shortfall fund to align the appropriation with anticipated available funding.

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 FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
PB	88.50	88.50	88.50	0.00	0.0%
General Fund	2,704,940	2,860,587	2,869,307	320,014	5.9%
State/Other Special Rev. Funds	1,065,729	1,073,186	1,073,401	15,129	0.7%
Federal Spec. Rev. Funds	6,080,301	6,372,639	6,383,001	595,038	4.9%
Total Funds	9,850,970	10,306,412	10,325,709	930,181	4.7%
Personal Services	7,110,747	7,687,923	7,705,166	1,171,595	8.2%
Operating Expenses	2,101,046	1,979,312	1,981,366	(241,414)	(5.7%)
Grants	636,577	636,577	636,577		0.0%
Debt Service	2,600	2,600	2,600		0.0%
Total Expenditures	9,850,970	10,306,412	10,325,709	930,181	4.7%
Total Ongoing	9,850,970	10,306,412	10,325,709	930,181	4.7%
Total One-Time-Only					0.0%

Program Highlights**Office of Inspector General****Major Budget Highlights**

- The 2027 biennium appropriations are approximately \$930,000 or 4.7% higher than the FY 2025 base budget. This increase is driven primarily by present law adjustments for personal services, with some offset by reductions of federal funding to reflect anticipated program funding.

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.

Office of Inspector General 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
Base Budget	2,704,940	1,065,729	6,080,301	9,850,970	95.6%	2,704,940	1,065,729	6,080,301	9,850,970	95.4%
Statewide PL										
Personal Services	160,205	7,457	449,874	617,536	6.0%	167,447	7,672	459,660	634,779	6.1%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	(4,558)	0	(1,776)	(6,334)	(0.1%)	(3,080)	0	(1,200)	(4,280)	(0.0%)
Total Statewide PL	155,647	7,457	448,098	611,202	5.9%	164,367	7,672	458,460	630,499	6.1%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	(155,760)	(155,760)	(1.5%)	0	0	(155,760)	(155,760)	(1.5%)
Total HB 2 Adjustments	155,647	7,457	292,338	455,442	4.4%	164,367	7,672	302,700	474,739	4.6%
Total Requested Budget	2,860,587	1,073,186	6,372,639	10,306,412		2,869,307	1,073,401	6,383,001	10,325,709	

Funding

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

Department of Public Health & Human Services, 08-Office of Inspector General Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	5,729,894	0	0	0	5,729,894	27.8%
02034 Earmarked Alcohol Funds	203,152	0	0	0	203,152	9.5%
02043 Med Provider Revalidation Fees	1,000	0	0	0	1,000	0.0%
02380 02 Indirect Activity Prog 08	1,375,733	0	0	0	1,375,733	64.1%
02497 6901-Lien & Estate - SLTCD	163,650	0	0	0	163,650	7.6%
02585 Recovery Audit Contract	200	0	0	0	200	0.0%
02760 Private Alt Adoi Res Programs	402,852	0	0	0	402,852	18.8%
State Special Total	\$2,146,587	\$0	\$0	\$0	\$2,146,587	10.4%
03303 Title 18 CLIA	259,893	0	0	0	259,893	2.0%
03335 FDA Mammography Inspections	190,260	0	0	0	190,260	1.5%
03359 Recovery Audit Program	200	0	0	0	200	0.0%
03530 6901-Foster Care 93.658	185,378	0	0	0	185,378	1.5%
03580 6901-93.778 - Med Adm 50%	1,723,287	0	0	0	1,723,287	13.5%
03597 03 Indirect Activity Prog 08	2,582,640	0	0	0	2,582,640	20.2%
03934 Title 19	1,654,067	0	0	0	1,654,067	13.0%
03935 Title 18	4,452,873	0	0	0	4,452,873	34.9%
03960 Rural Hospital Flexibility Prog	1,707,042	0	0	0	1,707,042	13.4%
Federal Special Total	\$12,755,640	\$0	\$0	\$0	\$12,755,640	61.8%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$20,632,121	\$0	\$0	\$0	\$20,632,121	

The Office of the Inspector General (OIG) receives general fund, state special revenue, and federal funds. The entire appropriation for OIG comes from HB 2 authority.

General fund appropriations account for 27.8% of OIG's 2027 biennium budget and get funneled into a wide range of administrative functions including:

- State match for eligible Medicaid costs
- Title IV-E (foster care)
- Federal discretionary childcare funds
- Community residential facilities
- Program compliance

State special revenues make up 10.4% of the proposed budget and include:

- Alcohol taxes allocated to OIG used to fund staff and operational costs for the Chemical Dependency Licensure Program
- Lien and estate funds used to support services to pursue recoveries for Medicaid costs, mainly for nursing home services
- Recovery audit contract funds used to support audits performed by the program to identify waste, fraud, or abuse in Medicaid

Federal special revenue funds account for the remaining 61.8% of the proposed biennium budget. This funding comes from a variety of federal sources and supports activities pertaining to certifications, licensure, and program compliance. Some of these sources support multiple functions.

Two of the larger federal funds in the division are Title 18 and Title 19, which fund quality assurance certifications. Title 18 covers skilled nursing facilities (SNF) and long-term care (LTC) facilities. Title 19 covers the certification of home health providers. Federal Medicaid and Medicare funds are used to support multiple activities including certification of nursing homes and home health services, a Department of Justice fraud surveillance contract, federal match for the Recovery Audit Program, the nurse aide registry, and more. Clinical laboratory improvement amendments (CLIA) support reviews of laboratories that wish to qualify for federal funding. Rural hospital flexibility grants are used to help local hospitals maintain their critical access hospital (CAH) status.

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	88.50	88.50	88.50	88.50
Personal Services	7,298,827	6,780,078	7,110,747	7,687,923	7,705,166
Operating Expenses	1,157,621	2,063,797	2,101,046	1,979,312	1,981,366
Grants	677,192	636,577	636,577	636,577	636,577
Debt Service	56,174	2,600	2,600	2,600	2,600
Total Expenditures	\$9,189,814	\$9,483,052	\$9,850,970	\$10,306,412	\$10,325,709
General Fund	3,168,931	3,188,144	2,704,940	2,860,587	2,869,307
State/Other Special Rev. Funds	219,979	317,067	1,065,729	1,073,186	1,073,401
Federal Spec. Rev. Funds	5,800,904	5,977,841	6,080,301	6,372,639	6,383,001
Total Funds	\$9,189,814	\$9,483,052	\$9,850,970	\$10,306,412	\$10,325,709
Total Ongoing	\$9,189,814	\$9,483,052	\$9,850,970	\$10,306,412	\$10,325,709
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The OIG promotes and protects the safety and well-being of Montanans by providing responsive and independent assessment and monitoring of health and human services programs.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The OIG expended 96.9% of the total FY 2024 appropriation by using 99.4% of general funds, 69.4% of state special revenue authority, and 97.0% of federal special revenues.

The division did expend 107.7% of its personal services appropriation, with all three bureaus exceeding their personal services budgets; however, the program utilized only 56.1% of its operating expenses budget, balancing out the personal services overage as this underutilization mirrors the personal services in each bureau.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The FY 2025 HB 2 appropriation in the OIG is 3.9%, or \$368,000, higher than the FY 2024 appropriation. State special revenue appropriation rose by \$749,000 with most of this attributable to increases in the personal services and operating expenses of the Program Compliance Program.

Program Discussion

OIG provides services related to licensing, fraud, waste and abuse, and ensuring federal compliance. The program is comprised of three bureaus: Certification, Program Compliance, and Licensure.

The Certification Bureau approves various facilities and individuals to perform healthcare services, including the nurse aide registry, clinical laboratories, long-term care facilities, and non-long-term care facilities. In addition, the bureau conducts surveys of healthcare providers and receives and addresses complaints from the public regarding providers.

The Program Compliance Bureau investigates fraud allegations regarding Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), Medicaid, and Low Income Energy Assistance Program (LIEAP) recipient eligibility. It also conducts random reviews of SNAP and Medicaid recipient eligibility in addition to investigating allegations of Medicaid provider fraud, waste, and abuse. The bureau also ensures compliance with the federal programs through various random reviews or audits of provider payments and Medicaid and CHIP recipient eligibility.

The Licensure Bureau provides licensing services to healthcare facilities as well as a searchable public database of licensed facilities.

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	160,205	7,457	449,874	617,536	0.00	167,447	7,672	459,660	634,779
DP 3 - Inflation Deflation	0.00	(4,558)	0	(1,776)	(6,334)	0.00	(3,080)	0	(1,200)	(4,280)
Grand Total All Present Law Adjustments	0.00	\$155,647	\$7,457	\$448,098	\$611,202	0.00	\$164,367	\$7,672	\$458,460	\$630,499

*"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 Public Health and Human Services Office of the Inspector General FY 2026 Statewide Present Law Adjustment for Personal Services		
Legislative Changes	\$	200,118
Management Changes		204,418
Total Budget Modifications		213,000
Total	\$	617,536

The executive requests an increased statewide present law adjustment for personal services due in part to legislative changes for greater benefits and longevity pay. Upwards adjustments captured as management changes are largely a result of negotiated pay adjustments and retention adjustments. Budget modifications made include a House Adjustment which removed \$213,000 in personal services to adjust the authority within the appropriate funds and subclasses. DP1 adds those modifications back.

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 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 8001 - Realign Appropriation with Revenue Rural Hospital Flex Pgm									
0.00	0	0	(115,400)	(115,400)	0.00	0	0	(115,400)	(115,400)
DP 8002 - Realign Appropriation with Revenue Clinical Laboratory Impro									
0.00	0	0	(40,360)	(40,360)	0.00	0	0	(40,360)	(40,360)
Total	0.00	\$0	\$0	(\$155,760)	0.00	\$0	\$0	(\$155,760)	(\$155,760)

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

DP 8001 - Realign Appropriation with Revenue Rural Hospital Flex Pgm -

The executive proposes to reduce the appropriation of federal revenue to the Rural Hospital Flexibility program to align appropriation with anticipated expenditures.

DP 8002 - Realign Appropriation with Revenue Clinical Laboratory Impro -

The executive proposes to reduce the appropriation of federal revenue to the Title 18 Clinical Laboratory Improvement Amendments program to align appropriation with anticipated expenditures.

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	66.00	63.00	63.00	(3.00)	(2.3%)
General Fund	25,339,380	30,208,189	40,144,651	19,674,080	38.8%
State/Other Special Rev. Funds	2,306,712	2,373,007	2,517,984	277,567	6.0%
Federal Spec. Rev. Funds	47,874,108	51,629,298	62,394,382	18,275,464	19.1%
Total Funds	75,520,200	84,210,494	105,057,017	38,227,111	25.3%
Personal Services	6,767,040	6,666,355	6,682,400	(185,325)	(1.4%)
Operating Expenses	64,484,160	73,275,139	94,105,617	38,412,436	29.8%
Equipment & Intangible Assets	85,000	85,000	85,000		0.0%
Debt Service	4,184,000	4,184,000	4,184,000		0.0%
Total Expenditures	75,520,200	84,210,494	105,057,017	38,227,111	25.3%
Total Ongoing	75,520,200	84,210,494	105,057,017	38,227,111	25.3%
Total One-Time-Only					0.0%

Program Highlights

Technology Services Division (TSD) Major Budget Highlights

- The TSD 2027 biennium executive request is approximately \$38.2 million or 25.3% higher than the FY 2025 base budget.
- The executive proposal includes:
 - Increases for information technology maintenance and operational costs that amount to \$28.4 million in all funds across the biennium. This includes \$1.9 million general fund in FY 2026 and \$11.8 million general fund in FY 2027
 - Fixed cost increases of \$10.0 million for the biennium
 - A reduction of 3.00 FTE and \$633,000 across the biennium to consolidate information technology security

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
Base Budget	25,339,380	2,306,712	47,874,108	75,520,200	89.7%	25,339,380	2,306,712	47,874,108	75,520,200	71.9%
Statewide PL										
Personal Services	64,985	7,834	130,205	203,024	0.2%	71,608	9,194	138,268	219,070	0.2%
Fixed Costs	3,065,733	(92,627)	1,962,193	4,935,299	5.9%	3,108,253	(90,734)	2,037,197	5,054,716	4.8%
Inflation Deflation	(543)	0	0	(543)	(0.0%)	(367)	0	0	(367)	(0.0%)
Total Statewide PL	3,130,175	(84,793)	2,092,398	5,137,780	6.1%	3,179,494	(81,540)	2,175,465	5,273,419	5.0%
Present Law (PL)	1,893,077	175,581	1,804,489	3,873,147	4.6%	11,776,320	316,686	12,482,926	24,575,932	23.4%
New Proposals	(154,443)	(24,493)	(141,697)	(320,633)	(0.4%)	(150,543)	(23,874)	(138,117)	(312,534)	(0.3%)
Total HB 2 Adjustments	4,868,809	66,295	3,755,190	8,690,294	10.3%	14,805,271	211,272	14,520,274	29,536,817	28.1%
Total Requested Budget	30,208,189	2,373,007	51,629,298	84,210,494		40,144,651	2,517,984	62,394,382	105,057,017	

The base budget makes up 89.7% of the executive budget request in FY 2026 and 71.9% in FY 2027. Across the biennium, statewide present law adjustments account for 5.5% of the requested budget and most this request is for fixed costs paid to the State Information Technology Services Division (SITSD). Present law requests for operational and maintenance information technology costs account for 15.0% of the executive budget requested over the biennium. A new proposal aiming to consolidate information technology security brings the request down by about 0.3%.

The Technology Services Division (TSD) executive request for the 2027 biennium is about \$38.2 million or 25.3% higher compared to the FY 2025 base budget. This includes a 38.8% increase in general fund that totals about \$19.7 million. For all funds this is a 19.2% increase over the base in FY 2026 and an 58.4% increase over the base in FY 2027.

Funding

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

Department of Public Health & Human Services, 09-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	70,352,840	0	0	0	70,352,840	37.2%
02381 02 Indirect Activity Prog 09	4,890,991	0	0	0	4,890,991	100.0%
State Special Total	\$4,890,991	\$0	\$0	\$0	\$4,890,991	2.6%
03426 CHIP Program Fed	26,000	0	0	0	26,000	0.0%
03598 03 Indirect Activity Prog 09	91,945,020	0	0	0	91,945,020	80.6%
03974 Medicaid Exp HELP Act Admin	22,052,660	0	0	0	22,052,660	19.3%
Federal Special Total	\$114,023,680	\$0	\$0	\$0	\$114,023,680	60.2%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$189,267,511	\$0	\$0	\$0	\$189,267,511	

All of TSD's biennial funding authority comes from HB 2. About 37.2% of this authority is general fund, 2.6% of this authority comes from state special revenue funding, and the last 60.2% of authority is federal special revenues.

TSD receives most of its federal funds and all its state special revenue funds through a federally approved cost allocation formula that is generally referred to as indirect activity. The funding formula is derived from those funds expended on functions benefitting or serving other programs in the department. TSD provides services to every other division within the department in some capacity. This includes the oversight of information technology (IT) systems and improvement projects, data management and governance, as well as security regulation compliance.

There is also a large amount of funding for Medicaid expansion administrative funding, which covers various Montana Program for Automating and Transforming Healthcare (MPATH) operations including but not limited to data management and federal reporting.

The small amount of federal funding for Children's Health Insurance Program (CHIP) is authorized for an advanced planning document linked to the health Information exchange in this federal program.

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	66.00	66.00	63.00	63.00
Personal Services	7,211,600	6,402,275	6,767,040	6,666,355	6,682,400
Operating Expenses	63,967,933	69,073,158	64,484,160	73,275,139	94,105,617
Equipment & Intangible Assets	0	85,000	85,000	85,000	85,000
Debt Service	3,319,670	3,581,800	4,184,000	4,184,000	4,184,000
Total Expenditures	\$74,499,203	\$79,142,233	\$75,520,200	\$84,210,494	\$105,057,017
General Fund	24,337,818	24,684,291	25,339,380	30,208,189	40,144,651
State/Other Special Rev. Funds	2,288,183	2,944,053	2,306,712	2,373,007	2,517,984
Federal Spec. Rev. Funds	47,873,202	51,513,889	47,874,108	51,629,298	62,394,382
Total Funds	\$74,499,203	\$79,142,233	\$75,520,200	\$84,210,494	\$105,057,017
Total Ongoing	\$74,499,203	\$79,142,233	\$75,520,200	\$84,210,494	\$105,057,017
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The TSD manages DPHHS's information technology systems and infrastructure. TSD is comprised of three bureaus (Project Management, Application Development and Hosting, and Support and Security), three offices (Program Management, Data Management, and Information Security and Compliance), and one program (Medicaid IT Systems/MPATH). TSD services include programming, help desk functions, database support, web development, enterprise architecture, security, project management, data management, and network management. DPHHS's Chief Information Officer (CIO) leads TSD.

The overall mission of the Technology Service Division (TSD) is to use and improve information technology to protect the health, well-being, and self-reliance of all Montanans. TSD services include programming, help desk functions, database support, web development, enterprise architecture, security, project management, health and data analytics, and network management.

Statutory Authority - Technology Services Division - Title 17 and Title 40, MCA, and Title IV of the Social Security Act, Section 06, P.L. 96-265.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The TSD expended 94.1% of the total FY 2024 appropriation with 98.6% of general funds, 77.7% of state special revenues, and 92.9% of federal special revenues expended.

The overall HB 2 budget is 87.3% operating expenses which were 92.6% expended. Medicaid expansion administration was 68.3% expended which contributed to the underutilization of the appropriated budget.

Personal services are a smaller proportion, or 8.1%, of the overall budget. This category was 112.6% expended in FY 2024. Historic utilization of total PB hours budgeted within this division averages around 99.4% but FY 2024 saw a marginally higher utilization of 100.1%.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The FY 2025 HB 2 appropriation is 4.6% lower than the FY 2024 appropriation. This can be completely attributed to a reduction in operating expenses from FY 2024 to FY 2025. Several transfers were made from other programs to meet fiscal year end obligations for MPATH. Compared to the original FY 2024 legislative budget, the FY 2025 appropriation is similar.

Program Discussion

The TSD provides internal support to each division within the department as well as external users including but not limited to providers, tribes, local governments, non-profits, and external vendors. This division is split into six areas.

The Information Systems Bureau manages digital infrastructure, focusing on application modernization, innovation, and enterprise architecture, while ensuring interoperability and supporting legacy systems. The Network Communication Bureau oversees IT network infrastructure, security, technical support, and disaster recovery with a focus on managing hardware, network operations, and service desk functions. The Project Management Bureau coordinates project planning, risk management, and resource allocation for project delivery and quality assurance. The Office of Health Data and Analytics provides data analytics and reporting services, manages data governance and visualization, supports the health information exchange and manages internal onboarding and skills development. The Compliance and Security Office manages information security policies and assessments to ensure regulatory compliance. Lastly, the Montana's Program for Automating and Transforming Healthcare is the team responsible for operating the legacy claims processing system, Medicaid Management Information System (MMIS), as well as the delivery and support of the commercial-off-the-shelf modular replacement for the legacy system, the Medicaid Enterprise System (MES). They also manage a significant amount of the federal reporting responsibility associated with IT projects.

All funding for long range information technology projects in the department go through this division. The HB 10 appropriations from the 2025 biennium projects are included below.

DPHHS HB 10 Appropriations					
2023 Biennium					
System	Capital Development Funds	State Special Revenue Fund	Federal Special Revenue Fund	Total	
Comprehensive Welfare Information System	\$ 12,537,884	\$ -	\$ 12,537,881	\$ 25,075,765	
Montana Child Support Enforcement Automated System	4,412,940	6,304,200	20,803,860	31,521,000	
SNAP Employment and Training Enterprise Solution	1,400,000	-	1,400,000	2,800,000	
Electronic Benefits Transfer System Replacement	1,250,000	-	1,250,000	2,500,000	
Electronic Health Recods and Billing - State Facilities	25,000,000	2,321,690	285,614	27,607,304	
Montana Healthcare Programs Modularity Project (MES)	4,940,613	-	44,465,517	49,406,130	
Total	\$ 49,541,437	\$ 8,625,890	\$ 80,742,872	\$ 138,910,199	

* DPHHS FY 2025 Biennium HB10 Package. February 1, 2023, presentation to the 2023 Health and Human Services Joint Appropriations Subcommittee.

When these systems are finished and implemented, maintenance and operations (M&O) costs are added to the HB 2 biennial budget. Multiple systems are nearing completion in the coming biennium. The table below provides further detail on the 2027 biennium M&O request (DP 9000) for these systems. This includes a breakout by system, by year, and by biennium; it also includes further detail regarding adjustments to existing systems and additions for new system implementation. Decreases in the "Existing System" column are generally due to legacy system replacement.

Maintenance and Operations Request (DP 9000): Breakdown by System						
System	Acronym			2027 Biennium		
		2026	2027	New System/System Replacement	Existing System Increase / Decrease	Total
Montana's Program for Automating & Transforming Healthcare	MPATH	\$ -	\$ 12,592,730	\$20,092,730	(7,500,000)	\$12,592,730
Combined Health Information and Montana Eligibility System	CHIMES	1,873,590	2,598,901	410,000	4,062,491	4,472,491
Comprehensive Child Welfare Information System	CCWIS	-	1,665,773	3,120,000	(1,454,227)	1,665,773
Child Protective Services System	CAPS	170,642	290,845	-	461,487	461,487
System for the Enforcement and Recovery of Child Support	SEARCHS	334,750	855,950	2,450,000	(1,259,301)	1,190,699
Electronic Benefits Transfer	EBT	455,000	485,000	2,030,000	(1,090,000)	940,000
Electronic Health Records and Billing Solution	EHR	-	5,040,000	5,040,000	-	5,040,000
Health Information Exchange/ Big Sky Care Connect	HIE/BSCC	850,000	850,000	1,700,000	-	1,700,000
JIRA/JAMA Software Increase	-	189,165	196,733	-	385,898	385,898
Total		\$3,873,147	\$24,575,932	\$ 34,842,730	\$ (6,393,652)	\$ 28,449,078

*Breakdowns provided by DPHHS

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	64,985	7,834	130,205	203,024	0.00	71,608	9,194	138,268	219,070
DP 2 - Fixed Costs	0.00	3,065,733	(92,627)	1,962,193	4,935,299	0.00	3,108,253	(90,734)	2,037,197	5,054,716
DP 3 - Inflation Deflation	0.00	(543)	0	0	(543)	0.00	(367)	0	0	(367)
DP 9000 - TSD Combined Maintenance & Operational Requests	0.00	1,893,077	175,581	1,804,489	3,873,147	0.00	11,776,320	316,686	12,482,926	24,575,932
Grand Total All Present Law Adjustments	0.00	\$5,023,252	\$90,788	\$3,896,887	\$9,010,927	0.00	\$14,955,814	\$235,146	\$14,658,391	\$29,849,351

**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 Public Health and Human Services Technology Services Division FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 86,766
Management Changes	40,117
Total Budget Modifications	76,140
Total	\$ 203,023

There were several substantial increases in DP 1 including benefits in legislative changes and pay plan increases, retention adjustments, and promotions among other increases in management changes. These increases were in part offset by a reorganization that moved 7.00 PB from TSD.

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: warrant writer, motor pool, 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 9000 - TSD Combined Maintenance & Operational Requests -

The executive requests authority for existing maintenance and operations (M&O) costs as well as appropriations needed for new systems implementations within the Technology Services Division (TSD). For new IT systems, M&O costs are estimated during the HB10 request, but costs are not finalized until the contract has been awarded. These costs enter the HB 2 biennial budget when the system becomes operational. This proposal funds anticipated increases in existing vendor contracts for CHIMES, CAPS, SEARCHS and EBT as well as systems implementations / replacements for CCWIS, SEARCHS, HIE, EHR, and various MPATH modules.

System	Acronym
Combined Health Information and Montana Eligibility System	CHIMES
Child Protective Services System	CAPS
System for the Enforcement and Recovery of Child Support	SEARCHS
Electronic Benefits Transfer	EBT
Comprehensive Child Welfare Information System	CCWIS
Health Information Exchange	HIE
Electronic Health Records and Billing Solution	EHR
Montana's Program for Automating & Transforming Healthcare	MPATH

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 9001 - SITSD Security Consolidation										
	(3.00)	(154,443)	(24,493)	(141,697)	(320,633)	(3.00)	(150,543)	(23,874)	(138,117)	(312,534)
Total	(3.00)	(\$154,443)	(\$24,493)	(\$141,697)	(\$320,633)	(3.00)	(\$150,543)	(\$23,874)	(\$138,117)	(\$312,534)

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

DP 9001 - SITSD Security Consolidation -

The executive requests a reduction of 3.00 PB from Technology Services Division (TSD) as part of security consolidation efforts across the Executive Branch. Page R-5 of HB 2 from the 68th Legislature directed the State Information Technology Services Division to work with the Office of Budget and Program Planning to identify and reduce 8.00 PB across state agencies as part of the information technology security consolidation project. 3.00 PB from TSD were identified and are being requested to be removed with this change package.

69010 - Department Of Public Health & Human Services 10-Behavioral Health & Dev Disability

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 FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
PB	104.00	104.00	104.00	0.00	0.0%
General Fund	139,528,384	153,479,833	161,713,362	36,136,427	12.9%
State/Other Special Rev. Funds	40,409,848	65,495,293	57,476,303	42,151,900	52.2%
Federal Spec. Rev. Funds	385,165,051	361,876,101	423,271,526	14,817,525	1.9%
Total Funds	565,103,283	580,851,227	642,461,191	93,105,852	8.2%
Personal Services	9,072,333	9,458,744	9,740,639	1,054,717	5.8%
Operating Expenses	4,536,610	27,576,146	14,242,683	32,745,609	360.9%
Grants	7,878,514	11,034,279	11,037,933	6,315,184	40.1%
Benefits & Claims	543,257,862	532,424,094	607,081,972	52,990,342	4.9%
Debt Service	357,964	357,964	357,964		0.0%
Total Expenditures	565,103,283	580,851,227	642,461,191	93,105,852	8.2%
Total Ongoing	565,103,283	580,851,227	642,461,191	93,105,852	8.2%
Total One-Time-Only					0.0%

Program Highlights

Behavioral Health and Developmental Disabilities Division (BHDD) Major Budget Highlights
<ul style="list-style-type: none"> • The BHDD 2027 biennium appropriations are approximately \$93.1 million or 8.2% higher than the FY 2025 base budget. • The executive proposal includes: <ul style="list-style-type: none"> ◦ Ten recommendations supported by the Behavioral Health System for Future Generations were brought forward in the executive's initial request. In FY 2026, this amounts to \$31.0 million state special revenue funds from the account set up in the 2023 legislative session. In FY 2027, this amounts to \$23.0 million state special revenue funds and \$46.0 million federal funds ◦ Federal medical assistance percentage adjustments that increase state general fund obligations for traditional Medicaid by \$8.6 million in FY 2026 and \$9.1 million in FY 2027. State special revenue adjustments that increase obligations by \$2.5 million in FY 2026 and \$2.6 million in FY 2027 ◦ Traditional Medicaid caseload adjustments totaling a decrease of \$5.8 million in FY 2026 and an increase of \$12.8 million in FY 2027. If adopted, general fund obligations will increase by \$2.2 million in each year of the biennium ◦ Decrease in present law adjustments for Medicaid expansion adult mental health services of \$13.8 million all funds in FY 2026 and \$8.8 million all funds in FY 2027 ◦ An \$8.4 million dollar increase in federal funds to bring the State Opioid Response grant and the Food and Drug Administration Tobacco grant into HB 2. These programs are 100.0% federally funded and have historically been funded through budget amendment
Legislative Action Items
<ul style="list-style-type: none"> • Medicaid Expansion decision packages are contingent on legislative action. Currently, Medicaid Expansion is set to sunset on June 30th, 2025

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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.

Behavioral Health & Dev Disability 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
Base Budget	139,528,384	40,409,848	385,165,051	565,103,283	97.3%	139,528,384	40,409,848	385,165,051	565,103,283	88.0%
Statewide PL										
Personal Services	107,213	116,513	(55,469)	168,257	0.0%	119,824	116,794	(43,466)	193,152	0.0%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	(1,591)	(15)	(1,823)	(3,429)	(0.0%)	(1,075)	(10)	(1,233)	(2,318)	(0.0%)
Total Statewide PL	105,622	116,498	(57,292)	164,828	0.0%	118,749	116,784	(44,699)	190,834	0.0%
Present Law (PL)	11,345,827	(3,559,082)	(27,450,513)	(19,663,768)	(3.4%)	19,066,229	(3,015,875)	(12,055,706)	3,994,648	0.6%
New Proposals	2,500,000	28,528,029	4,218,855	35,246,884	6.1%	3,000,000	19,965,546	50,206,880	73,172,426	11.4%
Total HB 2 Adjustments	13,951,449	25,085,445	(23,288,950)	15,747,944	2.7%	22,184,978	17,066,455	38,106,475	77,357,908	12.0%
Total Requested Budget	153,479,833	65,495,293	361,876,101	580,851,227		161,713,362	57,476,303	423,271,526	642,461,191	

The executive budget request is mainly base budget with adjustments accounting for 2.7% of the overall budget in FY 2026 and adjustments accounting for 12.0% of the overall budget in FY 2027.

After Medicaid redetermination this past interim and large federal fund surpluses in Medicaid, the present law request for FY 2026 includes large reductions in federal funds for both traditional Medicaid and Medicaid expansion. These FY 2026 requests also include shifts from federal funding sources to state special revenue sources and general fund due to further decreases in the Federal Medical Assistance Percentage (FMAP). In FY 2027, Medicaid expansion decreases partially offset increases in traditional Medicaid for a small overall increase in total funds. Though total funds decrease in FY 2026 and only slightly increase in FY 2027, across the biennium there is an increase of \$30.4 million general fund within the present law requests.

With respect to the executive request for new proposals, the largest driver of increases in this area is the governor requested adjustments for the Behavioral Health System for Future Generations (BHSFG) Commission recommendations that were studied and approved by the commission this interim. The \$43.0 million in state special revenue funds for these proposals come from the behavioral health system for future generations state special revenue fund created by HB 872 in the 2023 legislative session. These funds will go to short term start-up and operational costs for these requests. Long-term costs will need to be brought into the base and will be a mixture of state and federal resources. These recommendations will take different time and effort commitments on behalf of the department to be implemented leading to the variation in funding commitments across the biennium.

Aside from these requests, the executive is requesting certain federal grants be brought into HB 2 as well as some fund switches in the Medicaid programs, which do not increase total funds in this program.

Overall, the HB 2 biennial request includes an increase in general fund of \$36.1 million, or a 12.9% increase over the general fund base in BHDD.

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Funding

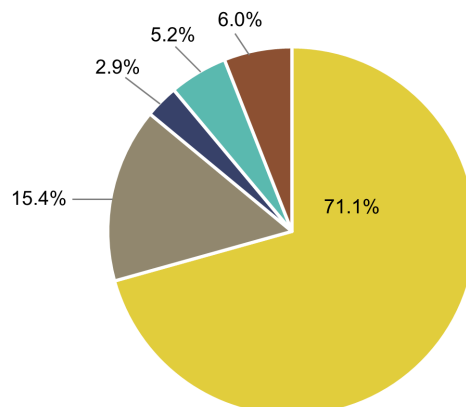
The following table shows proposed program funding for all sources of authority.

Department of Public Health & Human Services, 10-Behavioral Health & Dev Disability Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	315,193,195	0	0	0	315,193,195	25.7%
02034 Earmarked Alcohol Funds	6,986,760	0	0	4,860,884	11,847,644	9.3%
02064 HEART-Healing RECOVERY TRTMT	14,516,128	0	0	0	14,516,128	11.4%
02181 BHSFG	53,993,575	0	0	0	53,993,575	42.2%
02338 CSCT OPI State Match	8,319,633	0	0	0	8,319,633	6.5%
02517 02 Indirect Activity Prog 10	184,170	0	0	0	184,170	0.1%
02597 Healthy Montana Kids Plan	6,552,586	0	0	0	6,552,586	5.1%
02772 Tobacco Hlth and Medicaid Init	22,756,098	0	0	0	22,756,098	17.8%
02987 Tobacco Interest	9,662,646	0	0	0	9,662,646	7.6%
State Special Total	\$122,971,596	\$0	\$0	\$4,860,884	\$127,832,480	10.4%
03171 Data Infrastructure Developmnt	338,771	0	0	0	338,771	0.0%
03491 Tobacco Retail Inspctn Program	437,710	0	0	0	437,710	0.1%
03505 93.150 - Mntal Hlth - Homeless	609,950	0	0	0	609,950	0.1%
03507 93.958 - Mntal Hlth - Blk Grt	5,911,316	0	0	0	5,911,316	0.8%
03508 93.959 - ADAD - Blk Grt 100%	15,081,737	0	0	0	15,081,737	1.9%
03563 IVE Prevention Program	2,654,346	0	0	0	2,654,346	0.3%
03579 93.667 - SSBG - Benefits	3,542,280	0	0	0	3,542,280	0.5%
03580 6901-93.778 - Med Adm 50%	10,266,982	0	0	0	10,266,982	1.3%
03583 93.778 - Med Ben FMAP	547,031,342	0	0	0	547,031,342	69.7%
03599 03 Indirect Activity Prog 10	3,215,787	0	0	0	3,215,787	0.4%
03684 State Opioid Response Grant	8,000,000	0	0	0	8,000,000	1.0%
03975 Medicaid Exp HELP Act Benefit	188,057,406	0	0	0	188,057,406	24.0%
Federal Special Total	\$785,147,627	\$0	\$0	\$0	\$785,147,627	63.9%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$1,223,312,418	\$0	\$0	\$4,860,884	\$1,228,173,302	

Funding for BHDD is made up of a combination of general fund, state special revenue funds, and federal funds. Of BHDD's total funding, 91.7% is requested for traditional Medicaid or Medicaid expansion.

Biennial HB 2 Funding Request by Major Function

- Traditional Medicaid
- Medicaid Expansion
- BHSFG (Non-Medicaid Requests)
- BHSFG (Medicaid Requests)
- Other



About 63.9% of BHDD’s funding is federal funds. The largest portion of this funding, 69.7%, is from Medicaid benefits and claims at the standard FMAP. Medicaid expansion benefits and claims contribute 24.0% of federal funding that BHDD receives. Medicaid administration costs are also matched by the federal government at a rate of 50.0%, which accounts for 1.3% of federal spending.

BHDD also receives and administers non-competitive federal block grants, which are applied for annually and must be approved, conditional on demonstration of statutory and regulatory compliance, to receive the formula-based funding.

Montana receives \$15.1 million dollars in block grant funding for substance use treatment and prevention; \$5.9 million in block grant funding to provide community-based mental health services; \$3.5 million for the Title XX Social Services block grant; and \$610,000 in block grant funding for Projects for Assistance in Transition from Homelessness (PATH) program.

State special revenue funds make up 7.5% of the executive’s funding request. The Tobacco Health and Medicaid Initiative fund source makes up 17.8% of the funding request for BHDD and goes towards funding the home and community based services (HCBS) and the waiver for additional populations (WASP) Medicaid waivers. This has been supplanted as the largest fund source by the behavioral health system for future generations state special revenue fund which accounts for 42.4% of the executive’s funding request. About 11.4% of state special revenues fund the Healing and Ending Addiction through Recovery and Treatment (HEART) Act initiative.

The earmarked alcohol funds, which make up 9.3% of state special revenues, are tax revenues from alcohol consumption taxes. These funds are given to DPHHS for state programs that target prevention and treatment related directly to the use or abuse of these products. Most of these funds go to the Prevention Bureau or the Montana Chemical Dependency Center. The rest of state special revenues come from Comprehensive School and Community-based treatment state match, Healthy Montana Kids (HMK), and the tobacco interest.

A small portion of both state special revenue, and federal funds come to BHDD through a federally approved cost allocation formula that is generally referred to as indirect activity. The funding formula is derived from those funds expended on functions benefiting or serving other programs in the department.

The bulk of general fund in BHDD fund the state portion of Medicaid and Medicaid expansion benefits administered by the division including waivers, targeted case management, adult and child mental health services, case management services, suicide prevention efforts, and chemical dependency care.

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.

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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	104.00	104.00	104.00	104.00
Personal Services	9,373,030	8,344,553	9,072,333	9,458,744	9,740,639
Operating Expenses	5,127,387	4,307,084	4,536,610	27,576,146	14,242,683
Grants	14,399,813	9,338,114	7,878,514	11,034,279	11,037,933
Benefits & Claims	434,016,733	498,880,593	543,257,862	532,424,094	607,081,972
Debt Service	258,353	357,964	357,964	357,964	357,964
Total Expenditures	\$463,175,316	\$521,228,308	\$565,103,283	\$580,851,227	\$642,461,191
General Fund	120,634,014	122,608,865	139,528,384	153,479,833	161,713,362
State/Other Special Rev. Funds	31,974,044	38,290,738	40,409,848	65,495,293	57,476,303
Federal Spec. Rev. Funds	310,567,258	360,328,705	385,165,051	361,876,101	423,271,526
Total Funds	\$463,175,316	\$521,228,308	\$565,103,283	\$580,851,227	\$642,461,191
Total Ongoing	\$463,175,316	\$521,228,308	\$565,103,283	\$580,851,227	\$642,461,191
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The BHDD works to enhance the quality of life for individuals with behavioral health challenges and/or developmental disabilities by promoting recovery, resilience, and community integration. BHDD administers a wide range of services. The BHDD consists of four bureaus and two programs: Prevention Bureau, Mental Health Services Bureau, Children's Mental Health Bureau, Operations Bureau, Suicide Prevention Program, and Developmental Disabilities Program.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The BHDD expended 88.9% of the total FY 2024 appropriation with 98.4% of general funds, 83.5% of state special revenues, and 86.2% of federal special revenues expended.

The overall HB 2 budget is 95.7% benefits and claims, and this account was 87.0% expended in FY 2024. This difference is mostly attributable to surpluses in federal Medicaid funds. When budgeting last session, Medicaid benefits and claims faced the uncertainty of the public health emergency unwinding and its impact on enrollment as well as the FMAP.

Personal services, operating expenses, and grants partially offset this difference and are more than 100.0% expended but compared to benefits and claims, these are relatively small proportions of the overall HB 2 budget. Personal services were 112.3% expended. Historic utilization of total PB hours budgeted within this division averages around 90.9%, but FY 2024 saw marginally higher utilization of 93.0%. Operating expenses were 119.0% expended and grants were 154.2% primarily due to overages in the BHDD HB 2 grants in these categories, but this same subclass is under expended in benefits and claims, evening out those differences. These grants include the substance use block grant, mental health block grant, and the social services block grant.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The FY 2025 HB 2 appropriation is 8.4% higher than the FY 2024 appropriation. Much of this increase can be attributed to additional provider rate increases in FY 2025 for both Medicaid and non-Medicaid providers. Additionally, previously anticipated Medicaid caseload increases in FY 2025 account for a significant portion of this increase.

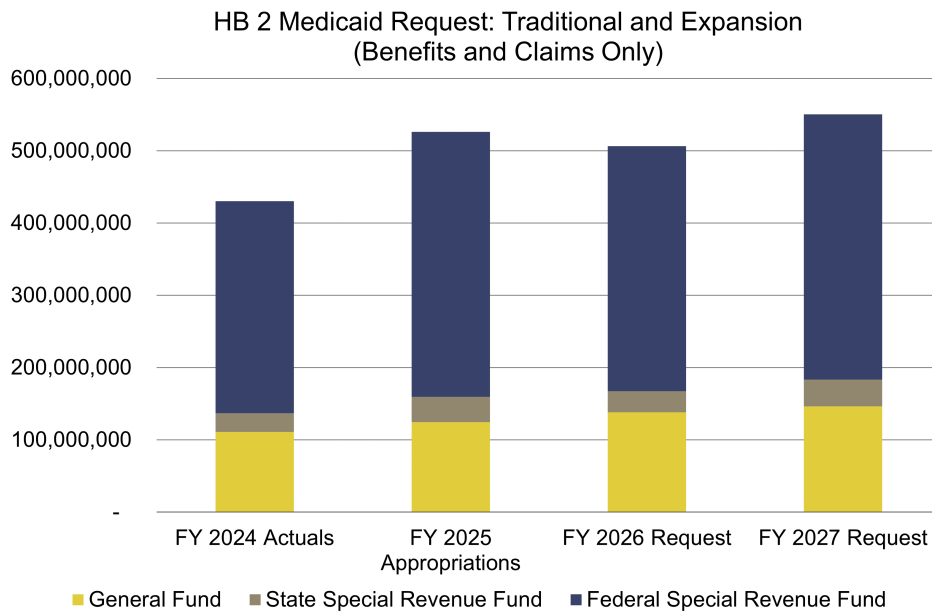
Program Discussion

The BHDD was created in FY 2023 through the consolidation of the non-institutional functions of the former Developmental Services Division (DSD) and the former Addictive and Mental Disorders Division (AMDD).

As discussed in the program description above, BHDD is made up of four bureaus and two programs that provide services to all age groups across the mental health continuums of care as well as those with developmental disabilities. These services include both federal grants and Medicaid state plan services. For a more detailed discussion of DPHHS's complete request please refer to the Medicaid discussion in the Agency summary.

Medicaid Request

The traditional Medicaid and Medicaid expansion request in BHDD totals \$1,075.2 million in benefits and claims over the biennium. The largest portion of the budget is traditional Medicaid which totals \$872.8 million dollars over the biennium. Though the benefits and claims request is slightly lower than the base budget for FY 2025, the FY 2026 request is \$94.3 million higher than the FY 2024 actual expenditures in BHDD.



Medicaid Waivers

There are 4 Medicaid waivers housed in the BHDD:

- The developmental disabilities waiver, also known as the 0208 waiver, provides home and community based (HCBS) services for individuals over the age of 8 with developmental disabilities who qualify for Medicaid and would otherwise need institutional care. It supports around 2,500 people across Montana, covering needs throughout their lives. Over 30 types of services are offered by both traditional provider agencies and family-directed hires. The program's individualized support costs average \$72,000 annually with a large range across individuals. This waiver is housed under the developmental disabilities program within the division
- The severe and disabling mental illness waiver provides long-term supports including but not limited to independent living supports and habilitative services. This waiver, managed by the treatment bureau, is meant to facilitate long-term care services being received in a community setting as opposed to a nursing home or other institutional setting

- The Healing and Ending Addiction through Recovery and Treatment (HEART) waiver requested federal approval to use Medicaid funds for four services that were not reimbursable through Medicaid: evidence-based stimulant use disorder treatment, tenancy support services, reentry services for incarcerated individuals, and substance use disorder treatment for facilities with more than 16 beds. All four components have now been approved. State match for these services come out of the HEART state special revenue fund discussed in the HEART Initiative section below
- The Waiver for Additional Service Populations (WASP) serves two exclusive populations. The first population includes individuals with an SDMI who are enrolled in the state-funded mental health services plan (MHSP) but are otherwise ineligible for Medicaid benefits. Through this waiver they receive standard Medicaid benefits. The second population includes aged, blind, or disabled individuals already eligible for Medicaid and offers dental treatment services above the state plan dental treatment cap. The first population is served in BHDD whereas the second population falls under HRD.

HEART Initiative

In addition to the Medicaid waiver portion of the HEART initiative mentioned above, HB 701 in the 2021 Session set up a state special revenue fund that receives up to \$6.0 million dollars a year from the tax on recreational marijuana. This money can be used to provide statewide programs for substance use disorder prevention, youth suicide prevention, mental health promotion, crisis treatment, and recovery services for substance use and mental health disorders, per 16-12-122 MCA. Total spending for the HEART Initiative for the last two fiscal years is detailed below. These numbers include Medicaid match as well as non-Medicaid programs.

HEART Initiative Expenditures from All Sources of Authority				
<u>Funding Source</u>	<u>Program Type</u>	<u>FY 2023</u>		<u>FY 2024</u>
State Funding	Medicaid	\$	1,106,340	\$ 2,663,809
	Non-Medicaid		<u>2,982,891</u>	<u>4,017,946</u>
	Total		4,089,231	6,681,754
Federal Funding	Medicaid	\$	6,887,559	\$ 12,462,822
	Non-Medicaid		<u>12,121</u>	<u>5,953</u>
	Total		6,899,680	12,468,775
All funds	Total	\$	10,988,911	\$ 19,150,529

Behavioral Health System for Future Generations (BHSFG) State Special Revenue Fund

HB 872 of the 2023 Session created the behavioral health system for future generations fund and transferred \$225.0 million into the fund along with \$75.0 million into the capital development fund for the purpose of stabilizing, studying, and continuing to develop a viable and comprehensive statewide behavioral health and developmental disabilities care system, per 50-1-119 MCA.

The bill also created a commission to study and recommend how the funds are to be used. This commission does not dissolve until the end of FY 2025. Staffed by the DPHHS, the commission met 15 times between the start of the FY 2024 and the publishing of this report. Past meeting materials and recordings can be found on the [commission website](#).

The report published in September of 2024 includes 22 recommendations to bolster the behavioral health and developmental disabilities systems across the state. The cost estimates for each recommendation are broken out in the report. These estimates include initial investments needed to launch the recommendation as well as estimated recurring costs. Any initial costs would be covered by BHSFG state special revenue funds. Recurring costs would have to be integrated into the state's base budget in future biennia. Many recommendations would be able to leverage federal funds so estimated federal share and estimated state share is included as well.

Of the 22 recommendations that were brought forth in the BHSFG Commission final report, ten were included in the executive request. Funding detail is broken out in the linked [appendix table](#) and further detail about each recommendation can be found in the [final report](#). Brief summaries can also be found in the "New Proposals" section of this division.

Overall, the executive has included \$99.0 million in funding requests for these initiatives; this includes \$63.0 million in Medicaid specific funding as well as \$36.0 million in programs outside of the Medicaid portion of the budget. This request includes \$53.5 million in state funding obligations across the biennium that would come out of the state special revenue fund created by HB 872 in the 2023 legislative session. This state special revenue fund does not have a revenue source in statute, nor does it retain its own interest so any ongoing costs will eventually require general fund. As requested, \$23.5 million in state obligation will be brought into the HB 2 budget in the 2027 biennium.

**LFD
COMMENT**

The legislature has several options for addressing the decision packages included in the executive request under HB 872. These decision packages may be approved as presented, modified in their entirety, or amended selectively. Potential options include:

- Adding restrictions to ensure funds are utilized for the purposes outlined in the proposals
- Categorizing the appropriations as one-time-only (OTO) to allow the legislature to evaluate the outcomes of these proposals before incorporating them into the base budget
- Including language to clarify or add legislative intent, providing guidance in the implementation of these funds
- Funding levels may be adjusted
- Other report recommendations may be considered, in lieu of or in addition to

In addition to the recommendations, over the course of the interim 11 near-term initiatives were approved by the commission and subsequently by the governor. DPHHS started implementing these initiatives upon approval. These near-term initiatives were meant to provide for short-term systemic stabilization efforts while the commission studied long-term solutions. Of the 11 approved initiatives, 6 initiatives are documented as one-time-only costs, 4 initiatives are pilot programs, and 1 initiative mentions potential future ongoing operation and maintenance costs. No decision packages are included at present to continue these pilot programs or provide for software operations and maintenance costs. The appropriation DPHHS has used to support these initiatives ends June 30th, 2025.

The commission has not yet issued recommendations for the capital development funding appropriated in the original bill, but \$1.6 million is included in DPHHS's base budget for future operation and maintenance costs. If this funding is not needed or used in this biennium, that amount reverts back to the general fund.

The BHSFG initiative is separate from the HEART initiative though they are tangentially related in their efforts.

Comprehensive School and Community Based Treatment

In addition to the commission and the recommendations, HB 872 also consolidated the funding mechanisms behind the Comprehensive School and Community Based Treatment (CSCT) program, moving all funding for the program back to DPHHS. This program is a Medicaid reimbursable mental health center service provided by a public school district designed and managed by the Children's Mental Health Bureau that primarily serves youth with serious emotional disturbance (SED) diagnosis(es). The services are provided by treatment teams of one licensed or supervised in-training practitioner and up to two behavioral aides. Youth admitted to the program may receive services in school, at home or in the community.

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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	107,213	116,513	(55,469)	168,257	0.00	119,824	116,794	(43,466)	193,152
DP 3 - Inflation Deflation	0.00	(1,591)	(15)	(1,823)	(3,429)	0.00	(1,075)	(10)	(1,233)	(2,318)
DP 10550 - Medicaid Core Services AMH - BHDD	0.00	737,128	(169,825)	910,435	1,477,738	0.00	1,946,557	(118,208)	2,916,911	4,745,260
DP 10551 - Medicaid Core Services DDP and CMH - BHDD	0.00	2,595,303	(5,602,063)	(4,825,384)	(7,832,144)	0.00	5,503,375	(5,375,819)	203,502	331,058
DP 10552 - Medicaid Core FMAP Adjustment AMH - BHDD	0.00	1,110,445	215,360	(1,325,805)	0	0.00	1,181,654	226,739	(1,408,393)	0
DP 10553 - Medicaid Core FMAP Adjustment DDP and CMH - BHDD	0.00	3,154,959	522,347	(3,677,306)	0	0.00	3,321,268	557,470	(3,878,738)	0
DP 10554 - Medicaid Waiver Services AMH - BHDD	0.00	1,580,789	333,485	3,072,113	4,986,387	0.00	3,255,238	430,510	5,880,168	9,565,916
DP 10555 - Medicaid Waiver Services DDP and CMH- BHDD	0.00	(1,111,917)	(600,000)	(2,747,360)	(4,459,277)	0.00	(97,109)	(600,000)	(1,112,155)	(1,809,264)
DP 10556 - Medicaid Waiver FMAP Adjustment AMH - BHDD	0.00	(258,695)	1,736,849	(1,478,154)	0	0.00	(258,695)	1,785,919	(1,527,224)	0
DP 10557 - Medicaid Waiver FMAP Adjustment DDP and CMH - BHDD	0.00	4,636,619	0	(4,636,619)	0	0.00	4,885,679	0	(4,885,679)	0
DP 10560 - Medicaid Expansion Services AMH - BHDD	0.00	(1,388,412)	4,765	(12,452,825)	(13,836,472)	0.00	(961,346)	77,514	(7,954,490)	(8,838,322)
DP 10564 - Medicaid Expansion FMAP AMH - BHDD	0.00	289,608	0	(289,608)	0	0.00	289,608	0	(289,608)	0
Grand Total All Present Law Adjustments	0.00	\$11,451,449	(\$3,442,584)	(\$27,507,805)	(\$19,498,940)	0.00	\$19,184,978	(\$2,899,091)	(\$12,100,405)	\$4,185,482

***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 Public Health and Human Services Behavioral Health and Developmental Disabilities Division FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 187,171
Management Changes	(18,078)
Total Budget Modifications	(835)
Total	<u>\$ 168,258</u>

Legislative changes in DP 1 are driven by benefit increases while management changes are driven by decreases in vacancy savings.

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 10550 - Medicaid Core Services AMH - BHDD -

The executive requests funding for caseload growth in the Adult Mental Health (AMH) Program in the Behavioral Health and Developmental Disabilities Division. This adjustment covers the projected change in the number of eligible individuals, utilization, acuity levels, and cost per service for medical care. This adjustment does not include any changes in eligibility criteria or allowable plan services.

DP 10551 - Medicaid Core Services DDP and CMH - BHDD -

The executive proposes a decrease in caseload in the Developmental Disabilities Program (DDP) and Children's Mental Health (CMH) programs in the Behavioral Health and Developmental Disabilities Division which covers the projected change in the number of eligible individuals, utilization, acuity levels, and cost per service for medical care. This adjustment does not include any changes in eligibility criteria or allowable plan services.

DP 10552 - Medicaid Core FMAP Adjustment AMH - BHDD -

The executive proposes an adjustment to maintain existing services for Adult Mental Health (AMH) services in the Behavioral Health and Developmental Disability Division. The biennial funding increases the general and state special revenue funds and includes an offsetting decrease in federal funds. The total cost for the program does not change.

DP 10553 - Medicaid Core FMAP Adjustment DDP and CMH - BHDD -

The executive requests an increase to maintain existing services for the Developmental Disabilities Program (DDP) and Children's Mental Health (CMH) programs in the Behavioral Health and Developmental Disabilities Division. The biennial funding increases the general and state special revenue funds and includes an offsetting decrease in federal funds. The total cost for the program does not change.

DP 10554 - Medicaid Waiver Services AMH - BHDD -

The executive requests an increase for caseload in the Adult Mental Health (AMH) Program in the Behavioral Health and Developmental Disabilities Division which covers the projected change in the number of eligible individuals, utilization, acuity levels, and cost per service for medical care in the Severe and Disabling Mental Illness (SDMI) Waiver. This adjustment does not include any changes in eligibility criteria or allowable plan services.

DP 10555 - Medicaid Waiver Services DDP and CMH- BHDD -

The executive proposes decrease of caseload in the Developmental Disabilities Program (DDP) and Children's Mental Health (CMH) programs in the Behavioral Health and Developmental Disabilities Division which covers the projected change in the number of eligible individuals, utilization, acuity levels, and cost per service for medical care in the Developmental Disabilities Waiver. This adjustment does not include any changes in eligibility criteria or allowable plan services.

69010 - Department Of Public Health & Human Services 10-Behavioral Health & Dev Disability

DP 10556 - Medicaid Waiver FMAP Adjustment AMH - BHDD -

The executive requests adjustments to maintain existing services for the Adult Mental Health (AMH) Program in the Behavioral Health and Developmental Disabilities Division. The biennial funding increases the general and state special revenue funds and includes an offsetting decrease in federal funds. The total cost for the program does not change.

DP 10557 - Medicaid Waiver FMAP Adjustment DDP and CMH - BHDD -

The executive requests adjustments to maintain existing services for the Developmental Disabilities and Children's Mental Health Bureaus in the Behavioral Health and Developmental Disabilities Division. The biennial funding increases the general and state special revenue funds and includes an offsetting decrease in federal funds. The total cost for the program does not change.

DP 10560 - Medicaid Expansion Services AMH - BHDD -

The executive requests adjustments for the decrease of caseload in the Adult Mental Health (AMH) Program in the Behavioral Health & Developmental Disabilities Division which covers the projected change in the number of eligible individuals, utilization, acuity levels, and cost per service for medical care for Medicaid Expansion. This adjustment does not include any changes in eligibility criteria or allowable plan services.

LFD COMMENT

Medicaid expansion continuing into the 2027 biennium is contingent upon legislative action.

DP 10564 - Medicaid Expansion FMAP AMH - BHDD -

The executive requests adjustments to maintain existing services for the Adult Mental Health (AMH) Program in the Behavioral Health and Developmental Disabilities Division. The total cost for the program does not change.

LFD COMMENT

Medicaid expansion continuing into the 2027 biennium is contingent upon legislative action.

69010 - Department Of Public Health & Human Services 10-Behavioral Health & Dev Disability

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 10001 - State Opioid Response Grant - BHDD										
0.00	0	0	4,000,000	4,000,000		0.00	0	0	4,000,000	4,000,000
DP 10002 - FDA Tobacco Grant - BHDD										
0.00	0	0	218,855	218,855		0.00	0	0	218,855	218,855
DP 10701 - BHSFG 01. Refine and Reconfigure the Current 0208 Comprehensive Waiver Services Rates										
0.00	0	950,000	0	950,000		0.00	0	2,894,836	4,558,764	7,453,600
DP 10703 - BHSFG 03. Expand the Service Delivery System to Support Individuals with Co-occurring Mental and Substance Use Disorders										
0.00	0	10,630,000	0	10,630,000		0.00	0	3,388,071	5,441,929	8,830,000
DP 10704 - BHSFG 04. Redefine and Reopen E&D Clinics to Support Families with Children and Adolescents										
0.00	0	2,025,000	0	2,025,000		0.00	0	500,000	500,000	1,000,000
DP 10706 - BHSFG 06. Enhance the Targeted Case Management Program - Behavioral Health										
0.00	0	1,335,545	0	1,335,545		0.00	0	750,000	0	750,000
DP 10708 - BHSFG 08. Implement a Care Transitions Program - BHDD										
0.00	0	1,115,619	0	1,115,619		0.00	0	991,661	0	991,661
DP 10709 - BHSFG 09. Adopt Electronic Bed Registry and Enhance 988 - Behavioral Health										
0.00	0	4,216,850	0	4,216,850		0.00	0	1,046,275	796,275	1,842,550
DP 10717 - BHSFG 17. Redesign Rates to Improve In-State Youth Residential Treatment										
0.00	0	0	0	0		0.00	0	75,000	75,000	150,000
DP 10718 - BHSFG 18. Invest in School-Based Behavioral Health Initiatives										
0.00	0	2,725,015	0	2,725,015		0.00	0	4,592,059	2,654,346	7,246,405
DP 10719 - BHSFG 19. Incentivize Providers to Join the BH and DD Workforce										
0.00	0	8,030,000	0	8,030,000		0.00	0	250,000	0	250,000
DP 10722 - BHSFG 22. Expand and Sustain Certified Community Behavioral Health Clinics										
0.00	0	0	0	0		0.00	0	8,477,644	31,961,711	40,439,355
DP 10801 - Refinance MED CORE AMH I-149										
0.00	0	0	0	0		0.00	0	0	0	0
DP 10802 - Realign Appropriation for HCBS MH Waiver										
0.00	0	0	0	0		0.00	0	0	0	0
DP 10803 - Realign Appropriation for Med Waiver AMH										
0.00	2,500,000	(2,500,000)	0	0		0.00	3,000,000	(3,000,000)	0	0
Total	0.00	\$2,500,000	\$28,528,029	\$4,218,855	\$35,246,884	0.00	\$3,000,000	\$19,965,546	\$50,206,880	\$73,172,426

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

DP 10001 - State Opioid Response Grant - BHDD -

The executive requests adjustments to add the State Opioid Response grant to the prevention program budget in BHDD. The funding has been requested through the Office of Budget and Program Planning (OBPP) using the Budget Amendment process since 2018. The grant dollars are used to address the opioid crisis by providing resources to Montana communities to increase access to FDA-approved medications for the treatment of opioid use disorder (OUD), and to support the continuum of prevention, harm reduction, treatment, and recovery support services for OUD, and other concurrent substance use disorders. The State Opioid Response Program also supports the continuum of care for stimulant misuse and use disorders, including cocaine and methamphetamine. This service is funded with 100% federal funds.

DP 10002 - FDA Tobacco Grant - BHDD -

The executive requests adjustments to add the federal Food and Drug Administration (FDA) Tobacco grant to the prevention program budget in BHDD. The funding has been requested through the Office of Budget and Program Planning using the Budget Amendment process since 2018. The grant dollars are used to enforce retailer compliance with tobacco regulations. This service is funded with 100% federal funds.

DP 10701 - BHSFG 01. Refine and Reconfigure the Current 0208 Comprehensive Waiver Services Rates -

The executive requests adjustments to implement Behavioral Health System for Future Generations recommendation 01 - Refine and Reconfigure the Current 0208 Comprehensive Waiver Services Rates. This recommendation proposes an adjustment in tiered rate methodology from hours of support to an acuity and level of supports based mode. More detail can be found on page 16 of the [BHSFG Commission Final Report](#). This funding will cover start-up and initial operations costs for the recommendation during the biennium and includes a continuing Medicaid funding component.

69010 - Department Of Public Health & Human Services 10-Behavioral Health & Dev Disability

DP		FY 2026		FY 2027		Biennial Total - All Funds
		State Special Revenue	Federal Special Revenue	State Special Revenue	Federal Special Revenue	
10701	Medicaid	\$ -	\$ -	\$ 2,894,836	\$ 4,558,764	\$ 7,453,600
	Non-Medicaid	950,000	-	-	-	950,000
	Total	950,000	-	2,894,836	4,558,764	8,403,600

DP 10703 - BHSFG 03. Expand the Service Delivery System to Support Ind -

The executive requests adjustments to implement Behavioral Health System for Future Generations recommendation 03 - Expand the Service Delivery System to Support Individuals with Complex Needs. This recommendation proposes piloting the START program, procuring training for those in the workforce focused on individuals with complex needs and develop an additional community living service in the 0208 waiver for individuals with complex needs. More detail can be found on page 18 of the [BHSFG Commission Final Report](#). This funding will cover one-time only and initial operations costs for the recommendation during the biennium and includes a Medicaid and non-Medicaid funding component.

DP		FY 2026		FY 2027		Biennial Total - All Funds
		State Special Revenue	Federal Special Revenue	State Special Revenue	Federal Special Revenue	
10703	Medicaid	\$ -	\$ -	\$ 3,388,071	\$ 5,441,929	\$ 8,830,000
	Non-Medicaid	10,630,000	-	-	-	10,630,000
	Total	10,630,000	-	3,388,071	5,441,929	19,460,000

DP 10704 - BHSFG 04. Redefine and Reopen E&D Clinics to Support Famili -

The executive requests adjustments to implement Behavioral Health System for Future Generations recommendation 04 - Redefine and Reopen Evaluation and Diagnostics (E&D) Clinics to Support Families More Effectively. This recommendation proposes redefining the intent and scope of E&D clinics as well as launching a pilot program of E&D clinics under these newly defined scope. More detail can be found on page 18 of the [BHSFG Commission Final Report](#). This funding will cover start-up and initial operations costs for the recommendation during the biennium.

**LFD
COMMENT**

In the BHS Commission's final report, this recommendation is proposed as a pilot program to give DPHHS an opportunity to "evaluate the effectiveness" of the newly redefined and launched E&D clinics. As requested, DP 10704 includes \$1.0 million dollars in state funding in FY 2026 for this pilot program as well as \$1.0 million in ongoing funding in FY 2027 that will bring this program immediately into the base budget in this biennium. This funding could be recategorized as one-time-only so that the legislature has the chance to consider the success of the pilot program before it becomes a part of the base budget going forward.

DP 10706 - BHSFG 06. Enhance the Targeted Case Management Program - BH -

The executive requests adjustments to implement Behavioral Health System for Future Generations recommendation 06 - Enhance the Targeted Case Management (TCM) Program. This recommendation proposes a revaluation of the TCM for certain service populations, an expansion of the TCM program as well as incentivization of TCM providers to measure outcomes. More detail can be found on page 21 of the [BHSFG Commission Final Report](#). This funding will cover start-up and initial operations costs for the recommendation during the biennium.

69010 - Department Of Public Health & Human Services 10-Behavioral Health & Dev Disability

DP 10708 - BHSFG 08. Implement a Care Transitions Program - BHDD -

The executive requests adjustments to implement Behavioral Health System for Future Generations recommendation 08 - Implement a Care Transitions Program. This recommendation proposes the initiation of a new case management program for people transitioning from certain settings. More detail can be found on page 23 of the [BHSFG Commission Final Report](#). This funding will cover start-up and initial operations costs for the recommendation during the biennium.

DP 10709 - BHSFG 09. Adopt Electronic Bed Registry and Enhance 988 - B -

The executive requests adjustments to implement Behavioral Health System for Future Generations recommendation 09 - Adopt Electronic Bed Registry and Enhance 988. The recommendation proposes the implementation of a web-based system to monitor real-time bed availability and inventory statewide resources. This recommendation also proposes formalized agreements with local dispatch centers to facilitate crisis response, as well as provide support for 988 call centers and first responders answering crisis situations. More detail can be found on page 24 of the [BHSFG Commission Final Report](#). This funding will cover one-time only and initial operations costs for the recommendation during the biennium. This funding will cover start-up and initial operations costs for the recommendation during the biennium and includes a continuing Medicaid administration funding component.

DP		FY 2026		FY 2027		Biennial Total - All Funds
		State Special Revenue	Federal Special Revenue	State Special Revenue	Federal Special Revenue	
10709	Medicaid	\$ -	\$ -	\$ 1,046,275	\$ 796,275	\$ 1,842,550
	Non- medicaid	4,216,850	-	-	-	4,216,850
	Total	4,216,850	-	1,046,275	796,275	6,059,400

DP 10717 - BHSFG 17. Redesign Rates to Improve In-State Youth Resident -

The executive requests adjustments to implement Behavioral Health System for Future Generations recommendation 17 - Redesign Rates to Improve In-State Youth Residential Services. This recommendation proposes redefining the rate structure for high acuity youth at in-state youth residential homes as well as provide for smaller residence options for higher acuity youth. More detail can be found on page 32 of the [BHSFG Commission Final Report](#). This funding will cover start-up and initial operations costs for the recommendation during the biennium.

DP 10718 - BHSFG 18. Invest in School-Based Behavioral Health Initiati -

he executive requests adjustments to implement Behavioral Health System for Future Generations recommendation 18 - Invest in School-Based Behavioral Health Initiatives. This recommendation proposes additional investments in school based behavioral health efforts such as one-time investments in school-based multi-tiered system of supports (MTSS) and provide interprofessional training for school staff. More detail can be found on page 33 of the [BHSFG Commission Final Report](#). This funding will cover start-up and initial operations costs for the recommendation during the biennium and includes a continuing Medicaid funding component.

DP		FY 2026		FY 2027		Biennial Total - All Funds
		State Special Revenue	Federal Special Revenue	State Special Revenue	Federal Special Revenue	
10718	Medicaid	\$ -	\$ -	\$ 1,663,770	\$ 2,654,346	\$ 4,318,116
	Non- medicaid	2,725,015	-	2,982,289	-	5,707,304
	Total	2,725,015	-	4,646,059	2,654,346	10,025,420

DP 10719 - BHSFG 19. Incentivize Providers to Join the BH and DD Workf -

The executive requests adjustments to implement Behavioral Health System for Future Generations (BHSFG) recommendation 19 - Incentivize Providers to Join the Behavioral Health (BH) and Developmental Disabilities (DD) Workforce. This recommendation proposes a tuition reimbursement program targeting the BH workforce and a dual enrollment program for tuition-free college level courses to high school students aimed at preparing students to enter BH and DD professions. More detail can be found on page 34 of the [BHSFG Commission Final Report](#). This funding will cover start-up and initial operations costs for the recommendation during the biennium.

DP 10722 - BHSFG 22. Expand and Sustain Certified Community Behavioral -

The executive requests adjustments to implement Behavioral Health System for Future Generations recommendation 22 - Expand and Sustain Certified Community Behavioral Health Clinics (CCBHC). This recommendation proposes infrastructure and capacity investments for a statewide CCBHC model statewide and provide funding to CCBHC providers to support adherence to SAMHSA CCBHC requirements. More detail can be found on page 37 of the [BHSFG Commission Final Report](#). This funding is all Medicaid funding.

DP 10801 - Refinance MED CORE AMH I-149 -

The executive requests adjustments to refinance Medicaid Core Adult Mental Health in BHDD. This change package requests a reduction of \$2.0 million from I-149 state special revenue fund paired with an offsetting increase in state special tobacco trust interest funds. The total cost for the program is not impacted by this change package.

DP 10802 - Realign Appropriation for HCBS MH Waiver -

The executive requests adjustments to state special revenue funds in the Home and Community Based Services Mental Health Waiver program to align appropriation with anticipated expenditures. This change package requests a reduction of \$1.6 million from I-149 state special revenue fund paired with an offsetting increase in state special tobacco trust interest funds. The total cost for the program is not impacted by this change package.

DP 10803 - Realign Appropriation for Med Waiver AMH -

The executive requests a fund switch in the Medicaid Waiver Adult Mental Health program reduces the state special appropriation for I-149 tobacco and increases general fund support. This change package requests a reduction of state special revenue over the biennium and includes an offsetting increase in general funds. The total cost for the program does not change.

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	41.12	41.12	41.12	0.00	0.0%
General Fund	252,485,411	266,623,054	285,569,668	47,221,900	9.4%
State/Other Special Rev. Funds	142,340,451	144,757,505	144,862,634	4,939,237	1.7%
Federal Spec. Rev. Funds	1,416,489,505	1,318,529,955	1,373,714,637	(140,734,418)	(5.0%)
Total Funds	1,811,315,367	1,729,910,514	1,804,146,939	(88,573,281)	(2.4%)
Personal Services	3,477,156	3,815,719	3,823,065	684,472	9.8%
Operating Expenses	15,753,952	16,376,199	16,515,442	1,383,737	4.4%
Benefits & Claims	1,792,081,842	1,709,716,179	1,783,806,015	(90,641,490)	(2.5%)
Debt Service	2,417	2,417	2,417		0.0%
Total Expenditures	1,811,315,367	1,729,910,514	1,804,146,939	(88,573,281)	(2.4%)
Total Ongoing	1,811,315,367	1,729,910,514	1,804,146,939	(88,573,281)	(2.4%)
Total One-Time-Only					0.0%

Program Highlights

Health Resources Division	
Major Budget Highlights	
<ul style="list-style-type: none"> The 2027 biennium appropriations are approximately \$88.6 million or 2.4% lower than the FY 2025 base budget, primarily within the benefits and claims budget Due to a change in the Medicaid match rate, general fund authority will increase by \$47.2 million and federal funds authority will decrease by \$140.7 million Net caseload adjustments to increase authority in general fund by \$11.6 million, state special revenue by \$6.6 million, and decrease authority in federal funds by \$1.7 million A \$3.0 million fund switch from the general fund would be used to increase state special revenue authority 	

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.

Health Resources 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
Base Budget	252,485,411	142,340,451	1,416,489,505	1,811,315,367	104.7%	252,485,411	142,340,451	1,416,489,505	1,811,315,367	100.4%
Statewide PL										
Personal Services	158,933	30,187	149,443	338,563	0.0%	161,493	31,122	153,294	345,909	0.0%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	(45)	(11)	(57)	(113)	0.0%	(30)	(8)	(38)	(76)	0.0%
Total Statewide PL	158,888	30,176	149,386	338,450	0.0%	161,463	31,114	153,256	345,833	0.0%
Present Law (PL)	16,978,755	(613,122)	(98,108,936)	(81,743,303)	(4.7%)	35,922,794	(508,931)	(42,928,124)	(7,514,261)	(0.4%)
New Proposals	(3,000,000)	3,000,000	0	0	0.0%	(3,000,000)	3,000,000	0	0	0.0%
Total HB 2 Adjustments	14,137,643	2,417,054	(97,959,550)	(81,404,853)	(4.7%)	33,084,257	2,522,183	(42,774,868)	(7,168,428)	(0.4%)
Total Requested Budget	266,623,054	144,757,505	1,318,529,955	1,729,910,514		285,569,668	144,862,634	1,373,714,637	1,804,146,939	

Funding

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

Department of Public Health & Human Services, 11-Health Resources 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	552,192,722	0	0	0	552,192,722	14.8%
02053 Medicaid IGT's	241,540	0	0	0	241,540	0.1%
02064 HEART-Healing RECOVERY TRTMT	30,000	0	0	0	30,000	0.0%
02067 Montana HELP Act	55,721,216	0	0	0	55,721,216	19.2%
02142 Medicaid Third Party Revenue	1,521,924	0	0	0	1,521,924	0.5%
02311 02 Indirect Activity Prog 11	479,074	0	0	0	479,074	0.2%
02338 CSCT OPI State Match	600,000	0	0	0	600,000	0.2%
02597 Healthy Montana Kids Plan	95,728,450	0	0	0	95,728,450	33.1%
02772 Tobacco Hlth and Medicaid Init	3,337,908	0	0	0	3,337,908	1.2%
02789 6901-CHIP/MCHA Tobacco Sett Fd	11,316,912	0	0	0	11,316,912	3.9%
02987 Tobacco Interest	5,665,944	0	0	0	5,665,944	2.0%
02989 69010-Hospital Utilization Fee	114,977,171	0	0	0	114,977,171	39.7%
State Special Total	\$289,620,139	\$0	\$0	\$0	\$289,620,139	7.8%
03426 CHIP Program Fed	175,065,560	0	0	0	175,065,560	6.1%
03580 6901-93.778 - Med Adm 50%	13,877,810	0	0	0	13,877,810	0.5%
03582 93.778 - Med Ben 100%	0	0	0	189,112,462	189,112,462	6.6%
03583 93.778 - Med Ben FMAP	850,566,887	0	0	2	850,566,889	29.5%
03611 03 Indirect Activity Prog 11	1,641,415	0	0	0	1,641,415	0.1%
03974 Medicaid Exp HELP Act Admin	2,125,849	0	0	0	2,125,849	0.1%
03975 Medicaid Exp HELP Act Benefit	1,473,204,048	0	0	0	1,473,204,048	51.1%
03977 Med Exp HELP Act Indian Health	175,763,023	0	0	0	175,763,023	6.1%
Federal Special Total	\$2,692,244,592	\$0	\$0	\$189,112,464	\$2,881,357,056	77.4%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$3,534,057,453	\$0	\$0	\$189,112,464	\$3,723,169,917	

The 2027 biennium Health Resources Division (HRD) HB 2 budget request is funded by general fund at 15.6%, state special revenue at 8.2%, and federal funds at 76.2%. General fund pays for the state Medicaid match, state Children's Health Insurance Program (CHIP) match, and Medicare buy-in.

State special revenue authority is 7.8% of the total proposed budget (including statutory expenditures) and includes several sources of revenue. State special revenue is used in the state match for Medicaid and CHIP. Federal funds include Medicaid and CHIP funds. Medicaid is an entitlement fund source, meaning that the federal government will match all eligible expenditures at a certain rate. This rate, known as the Federal Medical Assistance Percentage (FMAP), is determined by comparing the average per capita income of a state to the national average per capita income. The FMAP for Medicaid expansion is 90.0%, meaning that the federal government reimburses the state for 90.0% of the expenditures incurred under this program.

The table below presents recent and current Montana FMAPs by federal fiscal year (FFY). CHIP is funded with an enhanced federal FMAP, also detailed in the table below. Note that the COVID-enhanced FMAP (tied to the federal Families First Coronavirus Response Act) increased the FMAP for all states by 6.2 percentage points, retroactive to January 1, 2020, and changed the Montana FMAP from 64.78% to 70.98% for FFY 2020. This lowered the state share of traditional Medicaid expenditures. This enhanced rate persisted until the Secretary of Health and Human Services declared an end to the COVID-19 public health emergency (PHE) in 2023.

Montana FMAPs											
	FFY 2017	FFY 2018	FFY 2019	FFY 2020	FFY 2020 (COVID enhanced)	FFY 2021	FFY 2022	FFY 2023	FFY 2024	FFY 2025	FFY 2026
Montana Standard FMAP	65.56%	65.38%	65.54%	64.78%	70.98%	65.60%	64.90%	64.12%	63.91%	62.37%	61.47%
Montana E- FMAP for CHIP	98.89%	98.77%	98.88%	86.85%	91.19%	75.92%	75.43%	74.88%	74.74%	73.66%	73.03%
Source: FFIS											

Refer to the state special revenue fund balance table in the DPHHS Agency Summary for detail on the major state special funds used for DPHHS programs. HRD functions supported by state special revenue sources and the major sources of funds are:

State Medicaid match:

- Hospital utilization fee (\$70 per day assessed for each day of an inpatient stay)
- Outpatient hospital tax
- Tobacco revenue from the health and Medicaid initiatives account
- Insurance tax proceeds allocated to the Healthy Montana Kids (HMK) account
- Tobacco settlement trust fund interest

State CHIP match:

- Insurance tax proceeds allocated to the HMK account
- Tobacco state special revenue from the health and Medicaid initiatives account
- Tobacco settlement funds
- Tobacco settlement trust fund interest

Federal funds support 77.4% of the 2027 biennium budget proposal (including statutory expenditures). Federal funding sources include:

- Federal Medicaid matching funds: some at a 50.0% match (Medicaid program administration), some at 100.0% (Indian Health Services, which are the sole statutory appropriation), some at 90.0% (Medicaid expansion) and some at the FMAP rate discussed above (currently 62.37% for FY 2025)
- Federal CHIP matching funds, which are about 11 percentage points higher than the standard FMAP rate

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	41.12	41.12	41.12	41.12
Personal Services	3,283,776	3,567,644	3,477,156	3,815,719	3,823,065
Operating Expenses	8,757,189	15,443,938	15,753,952	16,376,199	16,515,442
Benefits & Claims	1,609,680,876	1,719,172,454	1,792,081,842	1,709,716,179	1,783,806,015
Debt Service	0	2,417	2,417	2,417	2,417
Total Expenditures	\$1,621,721,841	\$1,738,186,453	\$1,811,315,367	\$1,729,910,514	\$1,804,146,939
General Fund	232,549,210	236,743,307	252,485,411	266,623,054	285,569,668
State/Other Special Rev. Funds	129,205,197	133,072,313	142,340,451	144,757,505	144,862,634
Federal Spec. Rev. Funds	1,259,967,434	1,368,370,833	1,416,489,505	1,318,529,955	1,373,714,637
Total Funds	\$1,621,721,841	\$1,738,186,453	\$1,811,315,367	\$1,729,910,514	\$1,804,146,939
Total Ongoing	\$1,621,721,841	\$1,738,186,453	\$1,811,315,367	\$1,729,910,514	\$1,804,146,939
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The HRD administers Medicaid primary care services, HMK for children in low-income families, and the Montana Medicaid Expansion Program. The purpose of the division is to improve and protect the health and safety of Montanans.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

In FY 2024 HRD expended 98.2% of its general fund appropriations, 97.1% of its state special revenue, and 92.1% of its federal special revenue funds, for a total of 93.3% of its ongoing HB 2 budget.

Benefits and claims is the division's major spending category, accounting for 99.3% of total HRD expenditures.

FY 2024 Appropriation Compared to FY 2025 Appropriation

HRD ongoing FY 2025 total appropriations of \$1,811.3 million are 4.2%, or \$73.1 million, higher than the FY 2024 total appropriation of \$1,738.2 million. This difference is primarily due to increases in benefits and claims expenses.

Program Discussion

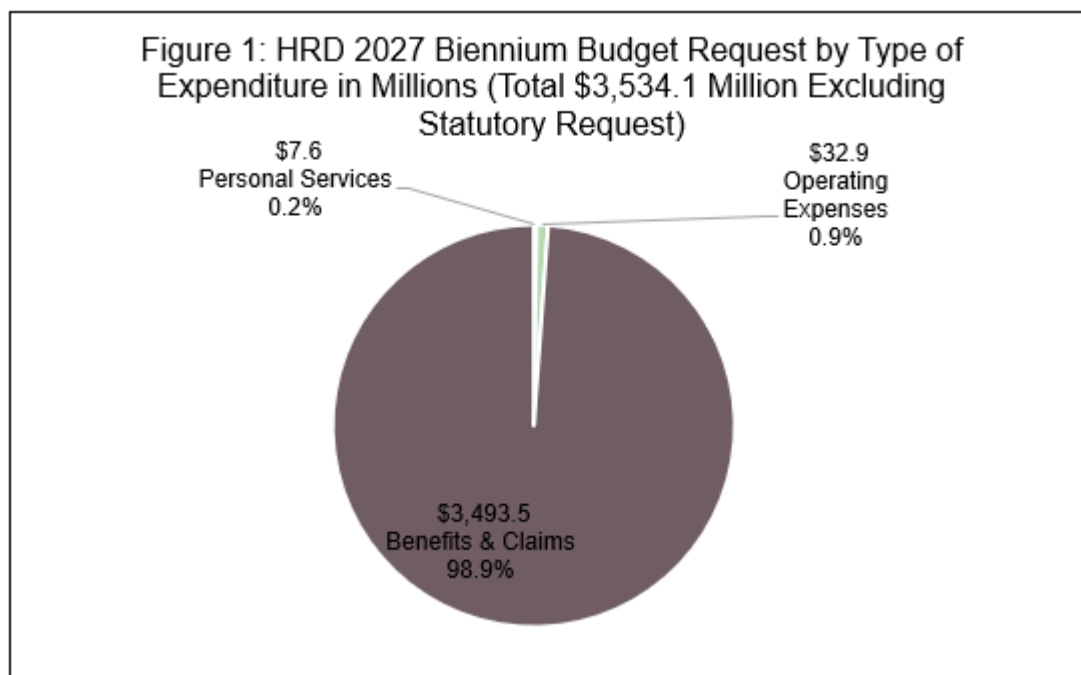
The HRD is comprised of four bureaus: Allied Health Services Bureau, Hospital and Physicians Services Bureau, Member Health Management Bureau, and the Fiscal and Operations Services Bureau.

The main function of the division is to reimburse private and public healthcare providers for a wide range of preventive, primary, and acute care services. The major service providers include: physicians, public health departments, clinics, hospitals, dentists, pharmacies, durable medical equipment, and mental health providers. The division develops tools, measurements, and reports necessary to allow management to administer and control programs and expenditures in the division, and to report those results in an accurate and timely manner to others. The majority of the division's services are funded through Medicaid. Medicaid is a voluntary state/federal partnership that reimburses for medical services for the aged, blind, disabled, children, and low-income families.

The division administers a children's health insurance program, HMK, as a separate health insurance program and contracts with Blue Cross Blue Shield to provide third party administrator services. HMK offers dental and eyeglass benefits which get reimbursed directly by the department. HMK is a voluntary state/federal partnership that reimburses for medical services for children at or below 261.0% of the federal poverty level.

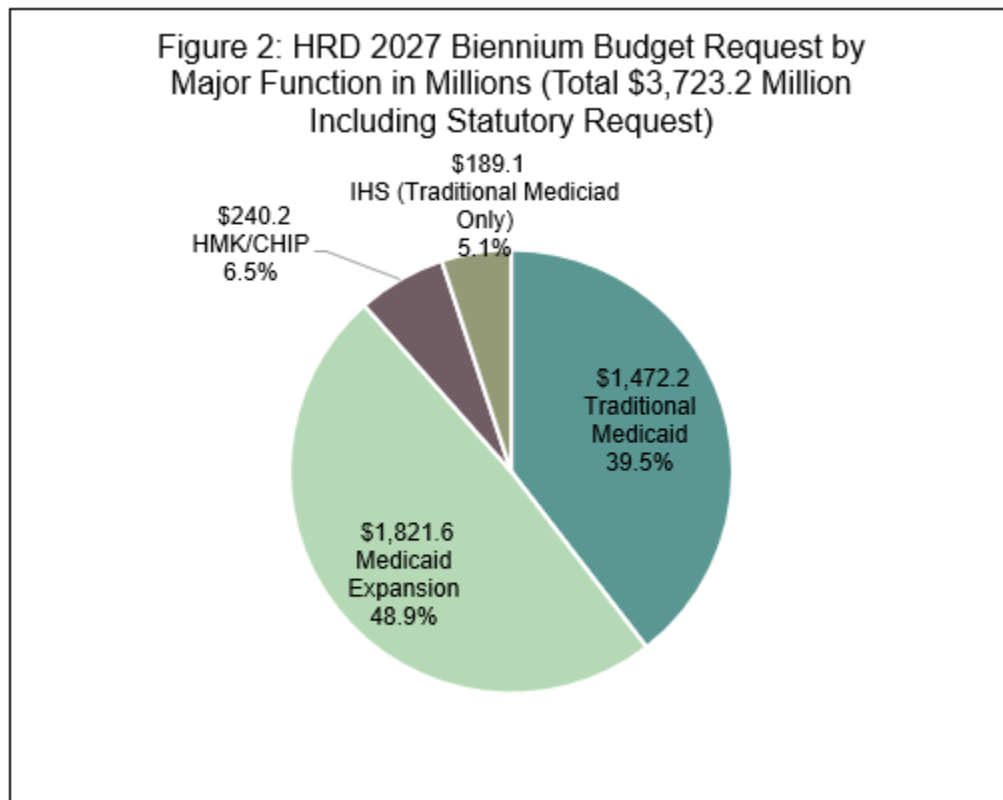
The Montana Medicaid Expansion Program is administered by the division to provide Medicaid coverage to Montanans whose income is below 138.0% of the federal poverty level.

The figure below shows the HRD 2027 biennium HB 2 budget request (not including statutory funding) by expenditure type.



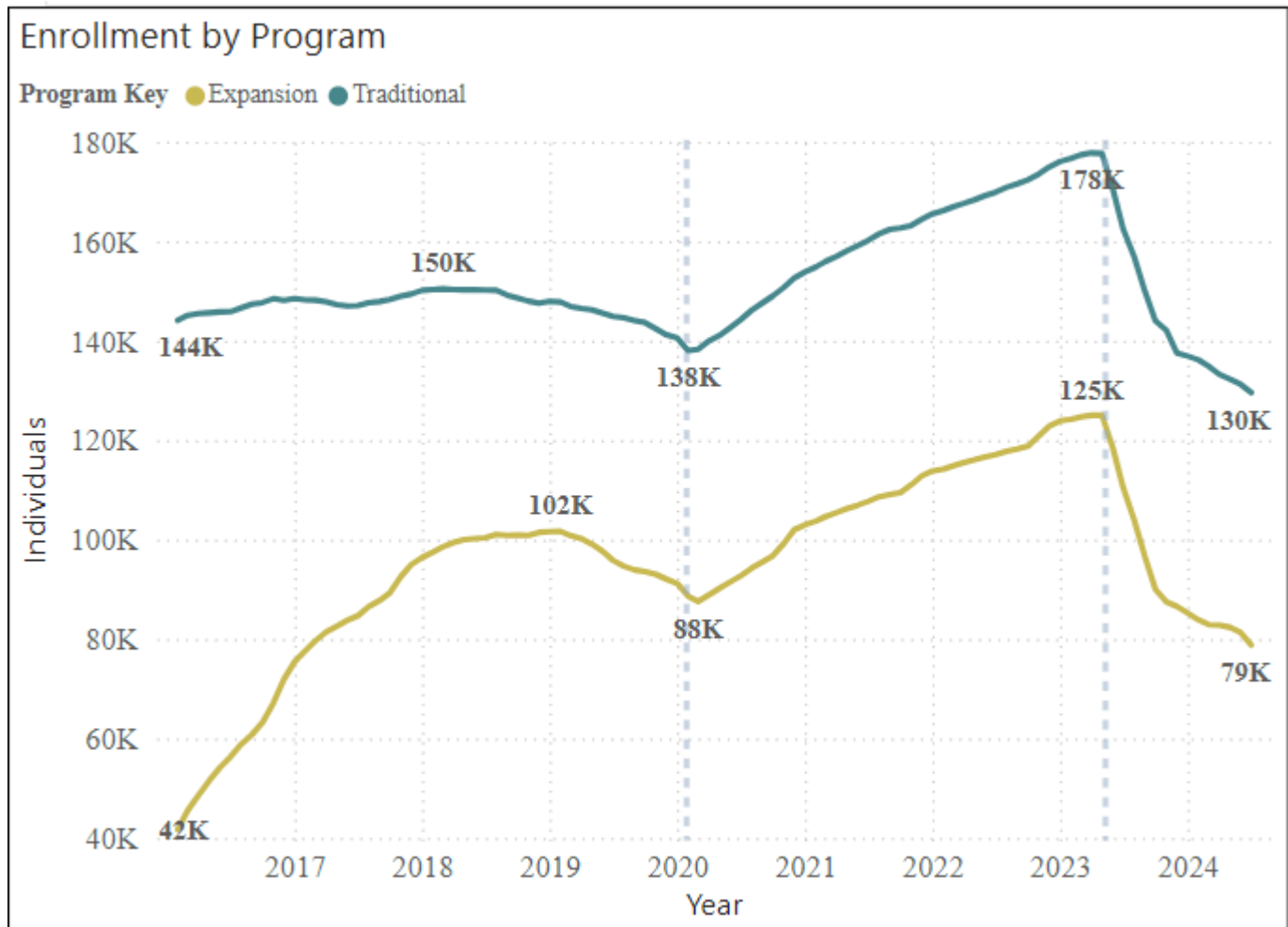
The vast majority, 98.9%, of the HRD budget request supports benefits and claims, or payments for medical services. Operating expenditures are 0.9% and personal services are 0.2% of the total budget request. Other DPHHS divisions include personal services and operating costs that support administration of some HRD programs. For instance, eligibility determination for Medicaid and Healthy Montana Kids (HMK) services is managed by the Human and Community Services Division, and funding for the Medicaid Management Information System (MMIS) claims payment is budgeted in the Technology Services Division.

Figure 2 below displays the HRD 2027 biennium budget request (including statutory funding) by major function. Traditional Medicaid services (including Medicaid administration) are 39.5% of the budget request, while Medicaid expansion makes up 48.9% of the request. HMK services funded from the federal Children's Health Insurance Program (CHIP) are 6.5% of the total. Indian Health Services, which is 100.0% federal and statutorily funded, makes up the remaining 5.1% of the request.



Enrollment in Medicaid

An important cost driver in Medicaid and CHIP services is the number of enrollees. The figure below shows total enrollment in each Medicaid program from 2016 to 2024.



Several enrollment trends are apparent in both traditional and expanded Medicaid:

- An increase from January 2016 (the first month of Medicaid expansion) through the spring of 2018. At the end of spring 2018 both programs began to flatten out
- A decline in enrollment from the spring of 2019 until the spring of 2020
- An increase coinciding with the COVID-based economic contraction which occurred in the spring and summer of 2020. This increase continued throughout the public health emergency (PHE) because the 2020 Families First Coronavirus Response Act (FFCRA) prohibited states from disenrolling individuals from Medicaid throughout the duration of the PHE. DPHHS also applied this policy to the CHIP population
- Upon conclusion of the PHE, the state was permitted to redetermine participants' eligibility which resulted in steep enrollment declines in both traditional and expanded Medicaid throughout 2023 and 2024

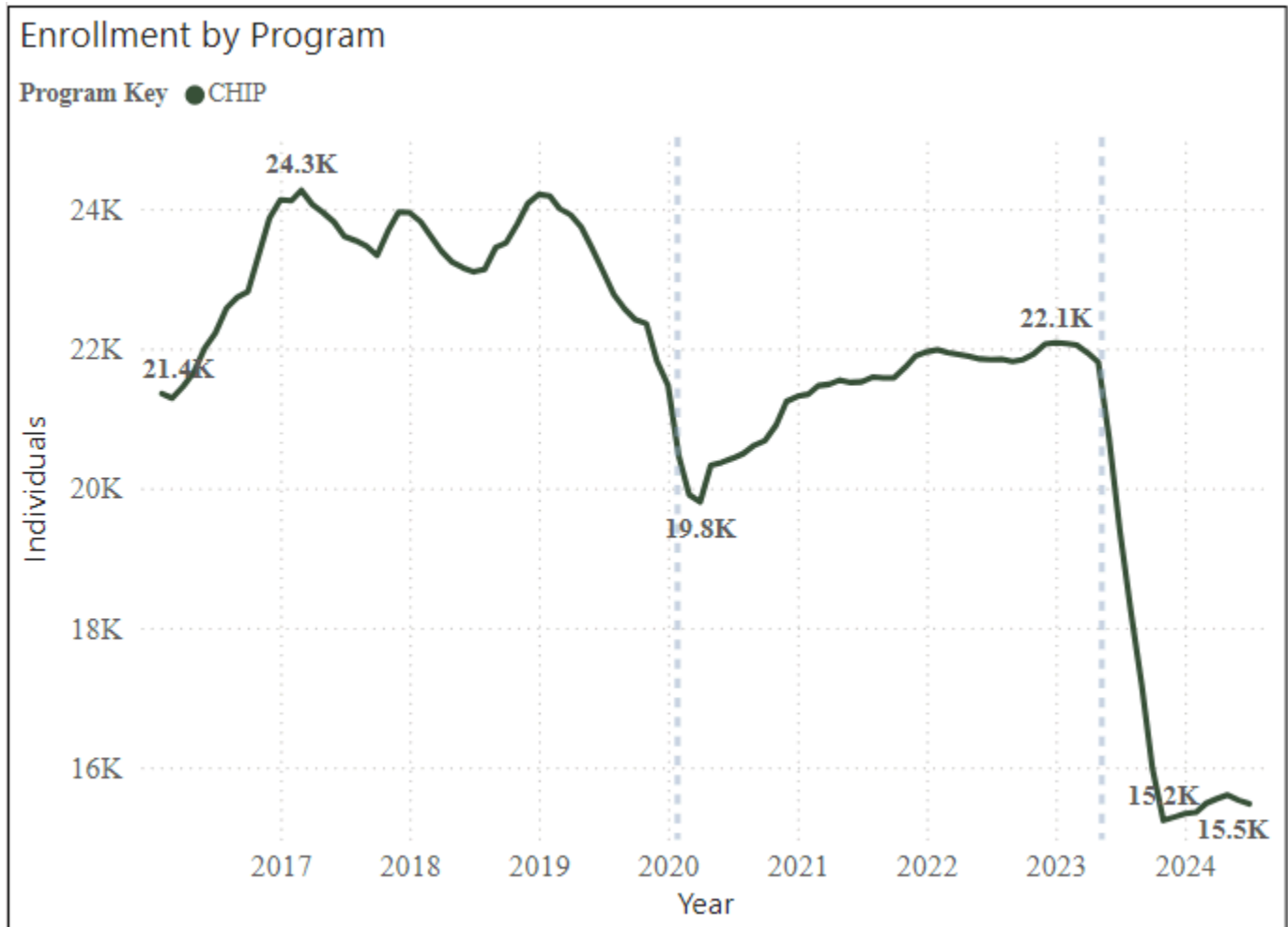
Note that the average per-enrollee annual cost varies significantly by eligibility category. Medicaid enrollees fit into one or more eligibility categories: children, adults, blind/disabled, or elderly/aged. See the table below for detail. The total numbers are displayed as weighted averages.

FY 2023 Average Per-User Annual Medicaid Expenditures		
<u>Age</u>	<u>Category</u>	<u>Amount</u>
< 1	Blind/Disabled	\$89,128
< 1	Child	11,167
1 to 5	Blind/Disabled	18,817
1 to 5	Child	3,028
6 to 18	Blind/Disabled	19,101
6 to 18	Child	4,173
19 to 20	Blind/Disabled	22,589
19 to 20	Adult	3,841
21 to 64	Blind/Disabled	25,302
21 to 64	Adult	5,822
65 +	Aged	27,440
65 +	Blind/Disabled	32,732
Total	Traditional - Core	8,034
All	Plan First	89
All	QMB	3,506
All	SLMB - QI	2,000
Total	Traditional	7,670
All	Expansion	8,458
Total	All Medicaid	7,988
6 to 18	HMK Plus	3,317
Total	All Categories	\$7,884

Source: DPHHS Data

CHIP

The following graph shows CHIP enrollment from 2015-2024. Note that enrollment in CHIP declined over the calendar year 2019 period before leveling out and slightly increasing during the COVID-19 period, then dropping once redetermination began in 2023.



The executive request for CHIP is detailed in the table below. General fund growth in the request for CHIP is associated with a lower federal match for CHIP.

CHIP Expenditures, Base Budget, and 2027 Biennium Request				
	FY 2024 Actuals	FY 2025 Base	FY 2026 Request	FY 2027 Request
General Fund	\$ 6,641,856	\$ 15,793,217	\$ 9,582,060	\$ 11,945,214
State Special Funds	17,837,388	21,790,551	21,756,922	21,757,280
<u>Federal Funds</u>	<u>74,137,804</u>	<u>93,188,447</u>	<u>84,740,255</u>	<u>90,453,447</u>
Total	\$ 98,617,048	\$ 130,772,215	\$ 116,079,237	\$ 124,155,941

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	158,933	30,187	149,443	338,563	0.00	161,493	31,122	153,294	345,909
DP 3 - Inflation Deflation	0.00	(45)	(11)	(57)	(113)	0.00	(30)	(8)	(38)	(76)
DP 11891 - Expansion Core Services - HRD	0.00	(4,200,194)	0	(42,676,153)	(46,876,347)	0.00	(1,327,571)	0	(16,822,553)	(18,150,124)
DP 11892 - Expansion Core HUF FMAP Adjustment - HRD	0.00	0	1,030,241	(1,030,241)	0	0.00	0	1,030,241	(1,030,241)	0
DP 11893 - Expansion Federal Services - HRD	0.00	0	0	(11,773,953)	(11,773,953)	0.00	0	0	(5,376,010)	(5,376,010)
DP 11896 - Expansion Core FMAP Adjustment - HRD	0.00	(1,065,138)	0	1,065,138	0	0.00	(1,065,138)	0	1,065,138	0
DP 11897 - Expansion Hospital Supplemental Payments - HRD	0.00	0	(1,628,006)	(14,652,058)	(16,280,064)	0.00	0	(1,628,006)	(14,652,058)	(16,280,064)
DP 11900 - HMK Caseload - HRD	0.00	(3,912,670)	0	(10,681,400)	(14,594,070)	0.00	(1,758,018)	0	(4,760,401)	(6,518,419)
DP 11991 - Medicaid Core Services - HRD	0.00	3,082,335	3,333,851	7,290,985	13,707,171	0.00	14,320,135	3,239,960	25,026,759	42,586,854
DP 11992 - Medicaid Core HUF FMAP Adjustment - HRD	0.00	0	1,957,059	(1,957,059)	0	0.00	0	2,068,443	(2,068,443)	0
DP 11993 - Medicaid Federal Services - HRD	0.00	0	0	(887,446)	(887,446)	0.00	0	0	(576,949)	(576,949)
DP 11994 - Medicaid Other Services - HRD	0.00	(523,115)	0	0	(523,115)	0.00	1,176,724	0	0	1,176,724
DP 11995 - Medicaid Administration - HRD	0.00	225,739	0	396,621	622,360	0.00	276,242	0	485,324	761,566
DP 11996 - Medicaid Core FMAP Adjustment - HRD	0.00	25,670,285	(3,333,851)	(22,336,434)	0	0.00	26,390,405	(3,239,960)	(23,150,445)	0
DP 11997 - Medicaid Hospital Supplemental Payments - HRD	0.00	0	(1,972,416)	(3,165,423)	(5,137,839)	0.00	0	(1,979,609)	(3,158,230)	(5,137,839)
DP 11998 - HMK FMAP Adjustment - HRD	0.00	(2,298,487)	0	2,298,487	0	0.00	(2,089,985)	0	2,089,985	0
Grand Total All Present Law Adjustments	0.00	\$17,137,643	(\$582,946)	(\$97,959,550)	(\$81,404,853)	0.00	\$36,084,257	(\$477,817)	(\$42,774,868)	(\$7,168,428)

**"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 Public Health and Human Services Health Resources Division FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 203,379
Management Changes	117,132
Total Budget Modifications	18,052
Total	<u>\$ 338,563</u>

The executive requests an increased statewide present law adjustment for personal services due in part to legislative changes for greater benefits and longevity pay. Upwards adjustments captured as management changes are largely a result of negotiated pay adjustments and retention adjustments. Budget modifications made in HRD in the 2025 biennium included a pair of reorganizations which added a net \$18,052 in personal after transferring 1.00 PB and its associated authority to SLTC. DP1 removes those modifications while adding funding for pay plan increases, retention adjustments, and some additional smaller increases in personal 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 motor pool and motor pool leased vehicles.

DP 11891 - Expansion Core Services - HRD -

The executive proposes a decrease to account for the projected change in the number of eligible individuals, utilization, acuity levels, and cost per service for medical care for Medicaid Core. This adjustment does not include any changes in eligibility criteria or allowable plan services. Medicaid expansion continuing into the 2027 biennium is contingent upon legislative action.

DP 11892 - Expansion Core HUF FMAP Adjustment - HRD -

The executive proposes an increase to maintain existing services for Expansion Core Hospital Utilization Fee (HUF). The biennial funding increases state special revenue and includes an offsetting decrease in federal funds. The total cost for the program does not change. Medicaid expansion continuing into the 2027 biennium is contingent upon legislative action.

DP 11893 - Expansion Federal Services - HRD -

The executive proposes a reduction to account for the projected caseload decrease in the number of eligible individuals, utilization, acuity levels, and cost per service for medical care for Medicaid expansion. This adjustment does not include any changes in eligibility criteria or allowable plan services. Medicaid expansion continuing into the 2027 biennium is contingent upon legislative action.

DP 11896 - Expansion Core FMAP Adjustment - HRD -

The executive proposes this adjustment to maintain existing services for Medicaid expansion. The biennial funding decreases general fund and includes an offsetting increase in federal funds. The total cost for the program does not change. Medicaid expansion continuing into the 2027 biennium is contingent upon legislative action.

DP 11897 - Expansion Hospital Supplemental Payments - HRD -

The executive proposes to reduce the appropriation for Medicaid expansion HUF. Medicaid expansion continuing into the 2027 biennium is contingent upon legislative action.

DP 11990 - HMK Caseload - HRD -

The executive proposes a reduction to account for the projected caseload decrease (number of eligible individuals, utilization, acuity levels, and cost per service for medical care) in the Healthy Montana Kids Program. This adjustment does not include any changes in eligibility criteria or allowable plan services.

DP 11991 - Medicaid Core Services - HRD -

The executive proposes an increase for the projected caseload growth (number of eligible individuals, utilization, acuity levels, and cost per service) for medical care for Medicaid Core Services (standard medical services). This adjustment does not include any changes in eligibility criteria or allowable plan services.

DP 11992 - Medicaid Core HUF FMAP Adjustment - HRD -

The executive proposes an increase to maintain existing services for the Medicaid HUF Program. The request adjusts the FY 2025 budgeted expenses from the FY 2025 FMAP (Federal Medical Assistance Percentage) rate of 37.45% state funds and 62.55% federal funds to the FY 2026 rate of 38.39% state funds and 61.61% federal funds, and the FY 2027 rate of 38.53% state funds and 61.47% federal funds. The total cost for the program does not change.

DP 11993 - Medicaid Federal Services - HRD -

The executive proposes a reduction for the decrease of caseload (number of eligible individuals, utilization, acuity levels, and cost per service) for medical care for Federal Medicaid. This adjustment does not include any changes in eligibility criteria or allowable plan services.

DP 11994 - Medicaid Other Services - HRD -

The executive proposes an increase to maintain existing services for the Medicaid Clawback Program.

DP 11995 - Medicaid Administration - HRD -

The executive proposes to maintain existing services for Medicaid administration.

DP 11996 - Medicaid Core FMAP Adjustment - HRD -

The executive proposes to maintain existing services for Medicaid. The request adjusts the FY 2025 budgeted expenses from the FY 2025 FMAP rate of 37.45% state funds and 62.55% federal funds to the FY 2026 rate of 38.39% state funds and 61.61% federal funds, and the FY 2027 rate of 38.53% state funds and 61.47% federal funds. The total cost for the program does not change.

DP 11997 - Medicaid Hospital Supplemental Payments - HRD -

The executive proposes to reduce the appropriation for the Medicaid Hospital Utilization Fee (HUF).

DP 11998 - HMK FMAP Adjustment - HRD -

The executive proposes to maintain existing services for the Healthy Montana Kids Program. The request adjusts the FY 2025 budgeted expenses from the FY 2025 FMAP rate of 26.07% state funds and 73.93% federal funds, to the state fiscal year (SFY) 2026 rate of 26.81% state funds and 73.19% federal funds, and the SFY 2027 rate of 26.97% state funds and 73.03% federal funds. The biennial funding increases general fund and includes an offsetting decrease in federal funds. The total cost for the program does not change.

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 11803 - Realign Appropriation for Med Core HRD	0.00	(3,000,000)	3,000,000	0	0	0.00	(3,000,000)	3,000,000	0	0
Total	0.00	(\$3,000,000)	\$3,000,000	\$0	\$0	0.00	(\$3,000,000)	\$3,000,000	\$0	\$0

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

DP 11803 - Realign Appropriation for Med Core HRD -

The executive proposes a fund switch in the Medicaid Core Program to increase the state special appropriation for I-155 Healthy Montana Kids Program and decrease the general fund support. This change package requests an increase in state special revenue in each year of the biennium and includes an offsetting decrease in general funds. The total cost for the program does not change.

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	4.00	4.00	4.00	0.00	0.0%
General Fund	1,362,425	1,353,506	1,353,648	(17,696)	(0.6%)
State/Other Special Rev. Funds	42,142	41,460	41,470	(1,354)	(1.6%)
Federal Spec. Rev. Funds	3,879,657	3,867,746	3,867,926	(23,642)	(0.3%)
Total Funds	5,284,224	5,262,712	5,263,044	(42,692)	(0.4%)
Personal Services	529,532	508,041	508,366	(42,657)	(4.0%)
Operating Expenses	4,754,692	4,754,671	4,754,678	(35)	(0.0%)
Total Expenditures	5,284,224	5,262,712	5,263,044	(42,692)	(0.4%)
Total Ongoing	5,284,224	5,262,712	5,263,044	(42,692)	(0.4%)
Total One-Time-Only					0.0%

Program Highlights

**Medicaid and Health Services Management Division (MHSM)
Major Budget Highlights**

- The requested budget is a reduction over the biennium of 0.4%, which is driven by reduction of 4.0% in personal services

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.

Medicaid & Health Svcs Mngmt 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
Base Budget	1,362,425	42,142	3,879,657	5,284,224	100.4%	1,362,425	42,142	3,879,657	5,284,224	100.4%
Statewide PL										
Personal Services	(8,898)	(682)	(11,911)	(21,491)	(0.4%)	(8,763)	(672)	(11,731)	(21,166)	(0.4%)
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	(21)	0	0	(21)	(0.0%)	(14)	0	0	(14)	(0.0%)
Total Statewide PL	(8,919)	(682)	(11,911)	(21,512)	(0.4%)	(8,777)	(672)	(11,731)	(21,180)	(0.4%)
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	(8,919)	(682)	(11,911)	(21,512)	(0.4%)	(8,777)	(672)	(11,731)	(21,180)	(0.4%)
Total Requested Budget	1,353,506	41,460	3,867,746	5,262,712		1,353,648	41,470	3,867,926	5,263,044	

Funding

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

Department of Public Health & Human Services, 12-Medicaid & Health Svcs Mngmt Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	2,707,154	0	0	0	2,707,154	25.7%
02220 02 Indirect Activity Prog 12	82,930	0	0	0	82,930	100.0%
State Special Total	\$82,930	\$0	\$0	\$0	\$82,930	0.8%
03305 03 Indirect Activity Prog 12	5,400,304	0	0	0	5,400,304	69.8%
03580 6901-93.778 - Med Adm 50%	153,098	0	0	0	153,098	2.0%
03974 Medicaid Exp HELP Act Admin	2,182,270	0	0	0	2,182,270	28.2%
Federal Special Total	\$7,735,672	\$0	\$0	\$0	\$7,735,672	73.5%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$10,525,756	\$0	\$0	\$0	\$10,525,756	

MHSM receives general fund, state special revenue fund, and federal special revenue fund authority. The majority of MHSM funding is federal authority from Medicaid administration (50.0% federal match) or indirect activity from the cost allocation plan (CAP). General fund is used for Medicaid administration. Federal funds for Medicaid expansion administration, Medicaid administration, and federal indirect activities are tied to utilization review/Quality Improvement Organization (QIO) contracts which serve the Medicaid programs across the agency.

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	4.00	4.00	4.00	4.00
Personal Services	556,231	510,521	529,532	508,041	508,366
Operating Expenses	4,107,923	4,869,043	4,754,692	4,754,671	4,754,678
Total Expenditures	\$4,664,154	\$5,379,564	\$5,284,224	\$5,262,712	\$5,263,044
General Fund	1,426,459	1,440,866	1,362,425	1,353,506	1,353,648
State/Other Special Rev. Funds	92,823	116,169	42,142	41,460	41,470
Federal Spec. Rev. Funds	3,144,872	3,822,529	3,879,657	3,867,746	3,867,926
Total Funds	\$4,664,154	\$5,379,564	\$5,284,224	\$5,262,712	\$5,263,044
Total Ongoing	\$4,664,154	\$5,379,564	\$5,284,224	\$5,262,712	\$5,263,044
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Medicaid and Health Services Management (MHSM) program is responsible for the overall governance and administration of Montana's Medicaid Program. MHSM is comprised of the Medicaid and Health Services Executive Director, Medicaid Chief Financial Manager, and two Complex Care Coordinators.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

In FY 2024 MHSM expended 86.7% of its overall ongoing HB 2 budget, and 99.0% of its general fund budget.

FY 2024 Appropriation Compared to FY 2025 Appropriation

MHSM ongoing FY 2025 total appropriations are 1.8%, or \$95,000 lower than the FY 2024 total appropriation of \$5.4 million. This difference is due to lower appropriations for operating expenses 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	(8,898)	(682)	(11,911)	(21,491)	0.00	(8,763)	(672)	(11,731)	(21,166)
DP 3 - Inflation Deflation	0.00	(21)	0	0	(21)	0.00	(14)	0	0	(14)
Grand Total All Present Law Adjustments	0.00	(\$8,919)	(\$682)	(\$11,911)	(\$21,512)	0.00	(\$8,777)	(\$672)	(\$11,731)	(\$21,180)

*"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 Public Health and Human Services Medicaid and Health Services Management Division FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$18,274
Management Changes	(39,766)
Total Budget Modifications	-
Total	<u><u>\$(21,492)</u></u>

The legislative changes are driven by benefits and longevity adjustments while management change reductions are driven by backing out HB13.

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.

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 FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
PB	20.60	20.60	20.60	0.00	0.0%
General Fund	854,603	921,844	924,528	137,166	8.0%
State/Other Special Rev. Funds	685,026	692,036	692,225	14,209	1.0%
Federal Spec. Rev. Funds	1,205,648	1,310,473	1,313,666	212,843	8.8%
Total Funds	2,745,277	2,924,353	2,930,419	364,218	6.6%
Personal Services	2,075,200	2,254,300	2,260,358	364,258	8.8%
Operating Expenses	670,077	670,053	670,061	(40)	(0.0%)
Total Expenditures	2,745,277	2,924,353	2,930,419	364,218	6.6%
Total Ongoing	2,745,277	2,924,353	2,930,419	364,218	6.6%
Total One-Time-Only					0.0%

Program Highlights

Operations Services Division (OSD) Major Budget Highlights	
<ul style="list-style-type: none"> The OSD 2027 biennium proposed budget is approximately \$364,000 or 6.6% higher than the FY 2025 base budget. The executive proposal includes: <ul style="list-style-type: none"> Decreases in statewide present law adjustments for inflation/deflation and increases for personal services 	

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.

Operations 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
Base Budget	854,603	685,026	1,205,648	2,745,277	93.9%	854,603	685,026	1,205,648	2,745,277	93.7%
Statewide PL										
Personal Services	67,265	7,010	104,825	179,100	6.1%	69,941	7,199	108,018	185,158	6.3%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	(24)	0	0	(24)	(0.0%)	(16)	0	0	(16)	(0.0%)
Total Statewide PL	67,241	7,010	104,825	179,076	6.1%	69,925	7,199	108,018	185,142	6.3%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	67,241	7,010	104,825	179,076	6.1%	69,925	7,199	108,018	185,142	6.3%
Total Requested Budget	921,844	692,036	1,310,473	2,924,353		924,528	692,225	1,313,666	2,930,419	

The Operations Services Division's (OSD) 2027 biennium appropriations are approximately \$364,000 or 6.6% higher than the FY 2025 base budget, with an increase in general fund of 8.0%. For all funds, this is a 6.5% increase over the base in FY 2026 and an 6.7% increase over the base in FY 2027. The base budget for this division accounts for 93.8% of the biennial executive request. The only requests for this division are statewide present law adjustments with the budgetary increase being driven by state-wide present law increases for personal services. More detail about the make-up of this request can be found in the Present Law section of this report.

Funding

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

Department of Public Health & Human Services, 16-Operations 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	1,846,372	0	0	0	1,846,372	31.5%
02221 02 Indirect Activity Prog 16	1,384,261	0	0	0	1,384,261	100.0%
State Special Total	\$1,384,261	\$0	\$0	\$0	\$1,384,261	23.6%
03304 03 Indirect Activity Prog 16	2,624,139	0	0	0	2,624,139	100.0%
Federal Special Total	\$2,624,139	\$0	\$0	\$0	\$2,624,139	44.8%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$5,854,772	\$0	\$0	\$0	\$5,854,772	

OSD receives general fund, state special revenue, and federal funds through a federally approved cost allocation formula that is generally referred to as indirect activity. The funding formula is derived from those funds expended on functions benefiting or serving other programs in the department. General funds are used to meet the match requirement for federally funded activities.

General fund constitutes 31.5% of total appropriation authority while state special revenue and federal funds constitute 23.6% and 44.8% of the authority, respectively.

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	20.60	20.60	20.60	20.60
Personal Services	1,767,995	1,932,324	2,075,200	2,254,300	2,260,358
Operating Expenses	178,985	740,968	670,077	670,053	670,061
Total Expenditures	\$1,946,980	\$2,673,292	\$2,745,277	\$2,924,353	\$2,930,419
General Fund	811,214	837,794	854,603	921,844	924,528
State/Other Special Rev. Funds	69,674	672,976	685,026	692,036	692,225
Federal Spec. Rev. Funds	1,066,092	1,162,522	1,205,648	1,310,473	1,313,666
Total Funds	\$1,946,980	\$2,673,292	\$2,745,277	\$2,924,353	\$2,930,419
Total Ongoing	\$1,946,980	\$2,673,292	\$2,745,277	\$2,924,353	\$2,930,419
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The OSD manages DPHHS's budgeting and operational processes. OSD is comprised of four offices; Budget and Finance, Information Technology (IT) Procurement and Contracts, Research and Data Analytics, and Internal Controls and Compliance. DPHHS's Chief Financial and Operating Officer (CFOO) leads OSD.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The OSD expended 72.8% of the total FY 2024 appropriation with 96.8% of general funds, 10.4% of state special revenues, and 91.7% of federal special revenues expended.

Personal services were 91.5% expended in FY 2024. This division has utilized 100.3% of PB hours compared to the historical average of 88.0%. This is in part due to overtime and comp hours, which make up for the 3.00 PB vacancies in the division.

Operation expenses, which were 24.2% expended, comprise 27.7% of the overall budget.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The FY 2025 HB 2 appropriation is 2.7% higher than the FY 2024 appropriation. This is attributable to a rise in cost of personal services due to inflation and pay adjustments.

Program Discussion

Prior to this last fiscal year, the OSD housed three primary functions: the Chief Financial Officer, Office of Budget and Finance and the Office of IT Procurement and Contracting. In FY 2024, two reorganizations occurred transferring 13.00 PB into this division. In the first half of the fiscal year, the Office of Health Data and Analytics and its 7.00 PB were moved from the Technology Services Division. A compliance and internal control position as well as a project management position associated with workspace planning was also moved into OSD with 2.00 PB; 1.00 PB from the Business and Financial Services Division and 1.00 PB from the Director's Office. Following this change, 4.00 PB were transferred from the Office of the Inspector General in the second half of the fiscal year. This transfer fully consolidated the Internal Audit Control, Risk Management and Compliance functions.

As of August 1, 2024, the OSD has 20.60 HB 2 regular PB, of which 17.60 PB are filled and 3.00 PB are vacant.

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	67,265	7,010	104,825	179,100		0.00	69,941	7,199	108,018	185,158
DP 3 - Inflation Deflation										
0.00	(24)	0	0	(24)		0.00	(16)	0	0	(16)
Grand Total All Present Law Adjustments										
0.00	\$67,241	\$7,010	\$104,825	\$179,076		0.00	\$69,925	\$7,199	\$108,018	\$185,142

**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 Public Health and Human Services	
Operations Services Division	
FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 66,287
Management Changes	131,228
Total Budget Modifications	(18,414)
Total	<u>\$ 179,101</u>

Legislative changes in DP 1 are driven by benefits while management changes are driven by pay plan adjustments, salary changes and other smaller increases. Two reorganizations brought 12.00 PB into the division. The amount transferred was greater than what was needed for the PB transferred causing a negative adjustment in budget modifications.

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.

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	75.75	79.75	79.75	4.00	2.6%
General Fund	110,420,770	115,118,591	118,809,127	13,086,178	5.9%
State/Other Special Rev. Funds	36,806,754	30,275,484	30,289,986	(13,048,038)	(17.7%)
Federal Spec. Rev. Funds	271,712,100	244,556,736	250,639,980	(48,227,484)	(8.9%)
Total Funds	418,939,624	389,950,811	399,739,093	(48,189,344)	(5.8%)
Personal Services	6,909,213	6,865,954	6,880,228	(72,244)	(0.5%)
Operating Expenses	2,733,471	3,084,643	3,109,252	726,953	13.3%
Grants	14,795,566	14,795,566	14,795,566		0.0%
Benefits & Claims	394,210,268	364,913,542	374,662,941	(48,844,053)	(6.2%)
Transfers	28,500	28,500	28,500		0.0%
Debt Service	262,606	262,606	262,606		0.0%
Total Expenditures	418,939,624	389,950,811	399,739,093	(48,189,344)	(5.8%)
Total Ongoing	418,939,624	389,950,811	399,739,093	(48,189,344)	(5.8%)
Total One-Time-Only					0.0%

Program Highlights

Senior and Long-Term Care Division (SLTC) Major Budget Highlights
<ul style="list-style-type: none"> The requested budget includes a reduction over the biennium of 5.8%, which is driven almost entirely by a 6.2% reduction in benefits and claims General fund is proposed to increase by 5.9%, driven by the projected reduction in the federal share of Medicaid (FMAP), as well as higher caseload for the Community First Choice program The request includes an additional 3.00 PB and \$0.5 million general fund for adult protective services guardianship staff

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.

Senior & Long-Term Care Svcs 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
Base Budget	110,420,770	36,806,754	271,712,100	418,939,624	107.4%	110,420,770	36,806,754	271,712,100	418,939,624	104.8%
Statewide PL										
Personal Services	505,420	(6,712)	(865,661)	(366,953)	(0.1%)	516,089	(6,712)	(862,056)	(352,679)	(0.1%)
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	(7,057)	0	(457)	(7,514)	(0.0%)	(4,769)	0	(309)	(5,078)	(0.0%)
Total Statewide PL	498,363	(6,712)	(866,118)	(374,467)	(0.1%)	511,320	(6,712)	(862,365)	(357,757)	(0.1%)
Present Law (PL)	846,370	(2,110,589)	(26,289,246)	(27,553,465)	(7.1%)	4,532,049	(2,096,087)	(20,209,755)	(17,773,793)	(4.4%)
New Proposals	3,353,088	(4,413,969)	0	(1,060,881)	(0.3%)	3,344,988	(4,413,969)	0	(1,068,981)	(0.3%)
Total HB 2 Adjustments	4,697,821	(6,531,270)	(27,155,364)	(28,988,813)	(7.4%)	8,388,357	(6,516,768)	(21,072,120)	(19,200,531)	(4.8%)
Total Requested Budget	115,118,591	30,275,484	244,556,736	389,950,811		118,809,127	30,289,986	250,639,980	399,739,093	

Funding

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

Department of Public Health & Human Services, 22-Senior & Long-Term Care Svcs Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	233,927,718	0	0	0	233,927,718	29.6%	
02053 Medicaid IGT's	6,051,201	0	0	0	6,051,201	10.0%	
02497 6901-Lien & Estate - SLTCD	2,664,634	0	0	0	2,664,634	4.4%	
02772 Tobacco Hlth and Medicaid Init	21,995,360	0	0	0	21,995,360	36.3%	
02783 6901-Traumatic Brain Injury Dn	32,216	0	0	0	32,216	0.1%	
02987 Tobacco Interest	4,224,760	0	0	0	4,224,760	7.0%	
02990 69010-Nursing Home Utilization	25,597,299	0	0	0	25,597,299	42.3%	
State Special Total	\$60,565,470	\$0	\$0	\$0	\$60,565,470	7.7%	
03073 Aging - Farmers Market	197,696	0	0	0	197,696	0.0%	
03074 Aging - Nutrition Services HDM	2,946,813	0	0	0	2,946,813	0.6%	
03116 Nursing Home Civil Penalties	768,310	0	0	0	768,310	0.2%	
03347 APS Pathway to Safety	91,020	0	0	0	91,020	0.0%	
03350 Aging-SHIP-ACL	1,024,832	0	0	0	1,024,832	0.2%	
03512 MFP Demonstration Grant	2,901,115	0	0	0	2,901,115	0.6%	
03514 10.570 - Elderly Feeding 100%	1,952,270	0	0	0	1,952,270	0.4%	
03515 93.041 - Elder Abuse Prev 100%	49,678	0	0	0	49,678	0.0%	
03516 93.042 - Ombudsman Activity 10	219,430	0	0	0	219,430	0.0%	
03517 93.043 - Preventive Hlth 100%	271,778	0	0	0	271,778	0.1%	
03518 93.044 - Aging Sup S & Train 1	3,819,420	0	0	0	3,819,420	0.8%	
03519 93.045 - Aging Meals 100%	4,926,308	0	0	0	4,926,308	1.0%	
03579 93.667 - SSBG - Benefits	725,684	0	0	0	725,684	0.1%	
03580 6901-93.778 - Med Adm 50%	3,420,165	0	0	0	3,420,165	0.7%	
03583 93.778 - Med Ben FMAP	438,984,482	0	0	0	438,984,482	88.6%	
03666 Aging - Caregiver III-E	2,186,569	0	0	0	2,186,569	0.4%	
03975 Medicaid Exp HELP Act Benefit	30,711,146	0	0	0	30,711,146	6.2%	
Federal Special Total	\$495,196,716	\$0	\$0	\$0	\$495,196,716	62.7%	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%	
Total All Funds	\$789,689,904	\$0	\$0	\$0	\$789,689,904		

The table above shows the distribution of funding for the SLTC division. SLTC is funded by general fund, state special revenue, and federal special revenue funds.

The general fund supports:

- State Medicaid match
- Aging services
- Adult protective services
- Administrative costs

General fund expenditures can increase due to:

- Provider rate increases for Medicaid and aging services
- An increased number of Medicaid enrollees
- Higher costs of care for Medicaid enrollees
- Direct care worker wage increases
- Higher state Medicaid matching costs due to the reduction in the federal match rate (FMAP)

Most state revenue sources are used as a match for Medicaid services, including:

- Nursing home utilization fee
- Health and Medicaid initiative tobacco tax revenue
- County intergovernmental transfer revenues (IGT)

Nursing Home Utilization Fee

A portion of the state Medicaid match for nursing homes is paid from a fee assessed for each day of nursing home care.

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	75.75	75.75	79.75	79.75
Personal Services	6,501,272	6,293,481	6,909,213	6,865,954	6,880,228
Operating Expenses	2,703,692	3,024,883	2,733,471	3,084,643	3,109,252
Grants	14,624,993	14,339,694	14,795,566	14,795,566	14,795,566
Benefits & Claims	315,790,141	354,131,314	394,210,268	364,913,542	374,662,941
Transfers	0	32,500	28,500	28,500	28,500
Debt Service	212,276	29,081	262,606	262,606	262,606
Total Expenditures	\$339,832,374	\$377,850,953	\$418,939,624	\$389,950,811	\$399,739,093
General Fund	85,166,831	94,427,953	110,420,770	115,118,591	118,809,127
State/Other Special Rev. Funds	33,495,421	36,124,216	36,806,754	30,275,484	30,289,986
Federal Spec. Rev. Funds	221,170,122	247,298,784	271,712,100	244,556,736	250,639,980
Total Funds	\$339,832,374	\$377,850,953	\$418,939,624	\$389,950,811	\$399,739,093
Total Ongoing	\$339,832,374	\$377,850,953	\$418,939,624	\$389,950,811	\$399,739,093
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The SLTC plans, administers, and provides publicly funded long term care services for Montana's senior citizens and persons with disabilities. In addition, the division provides education and support regarding aging and long-term care issues to Montanans of all ages. The division makes services available through four major programs:

- The Office on Aging manages the Older Americans Act which contracts through 10 Area Agencies on Aging to provide meals, transportation, public education, information, and assistance. The Long-Term Care Ombudsman program provides resident centered advocacy in Montana long term care facilities. Other services include Medicare counseling, legal development and life span respite
- The Medicaid Community Services develops and manages programs to pay for in-home care, the Big Sky Waiver, home health and hospice. The Medicaid residential facility section pays for care to Medicaid-eligible individuals in 65 Montana nursing homes as well as manages the Assisted Living benefit under the Big Sky Waiver
- The Adult Protective Services (APS) Program investigates abuse, neglect, and exploitation of Montanans over the age of 60 and individuals over 18 with mental health or developmental disabilities. The guardianship unit provides oversight of the wards of the state placed with APS by the court system. The bureau also provides public education and training on the topics of abuse, neglect, exploitation, and reporting
- The State Supplemental Payments Program pays for a portion of the room and board costs for Supplemental Security Income (SSI) eligible individuals residing in designated residential care facilities

Statutory References: Aging Services, 52-3-201 et seq., MCA, (Protection Services Act for Aged Persons or Disabled Adults), 52-3-501 et seq., MCA, (Montana Older Americans Act), 52-3-801 et seq., MCA, (Montana

Elder and Developmentally Disabled Abuse Prevention Act); P.L.89-75 (Federal Older Americans Act), P.L. 93-66 Section 212, P.L. 93-233 (authorizes states to supplement the Supplemental Security Income Amendments to the (SSI) Payments Program Social Security Act); Medicaid, Title 53, Chapter 6, MCA; Title 19, Social Security Act 42 USC 1396 et. seq. (establishes and authorizes Medicaid Program).

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

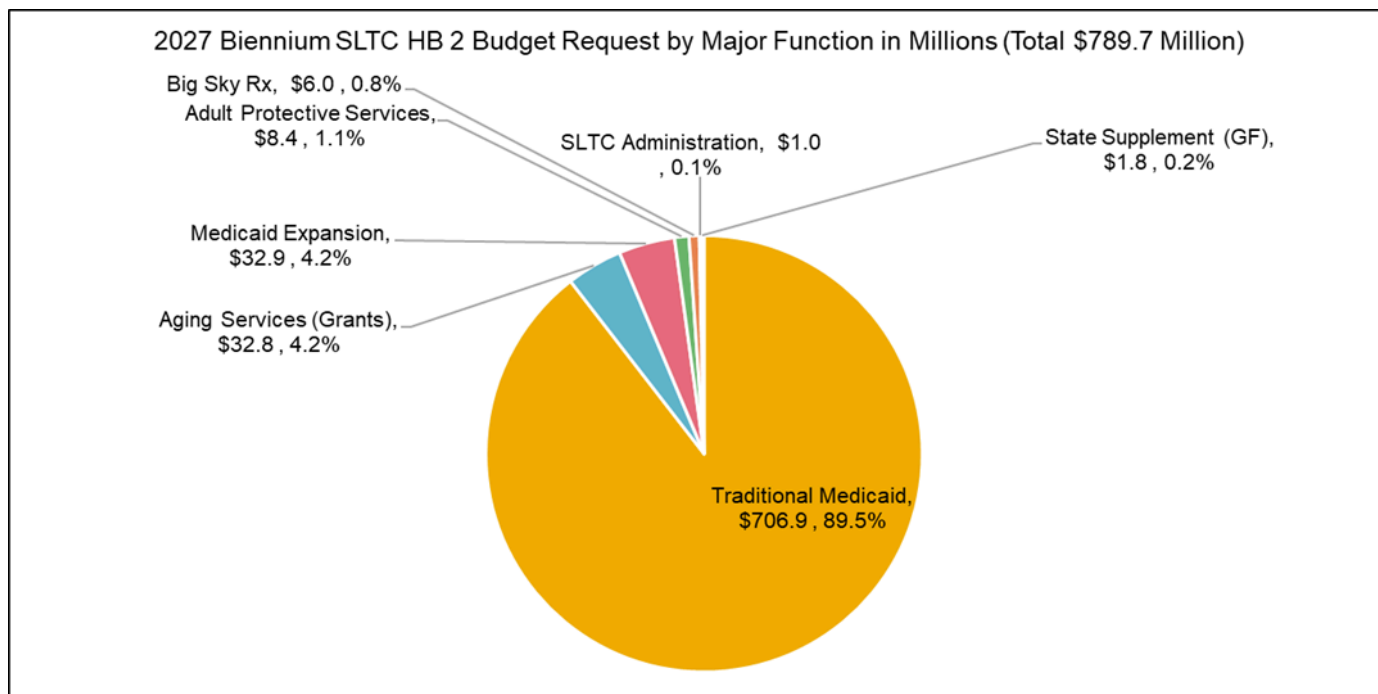
In FY 2024 SLTC expended 89.9% of its overall ongoing HB 2 budget, and 90.2% of its general fund budget.

FY 2024 Appropriation Compared to FY 2025 Appropriation

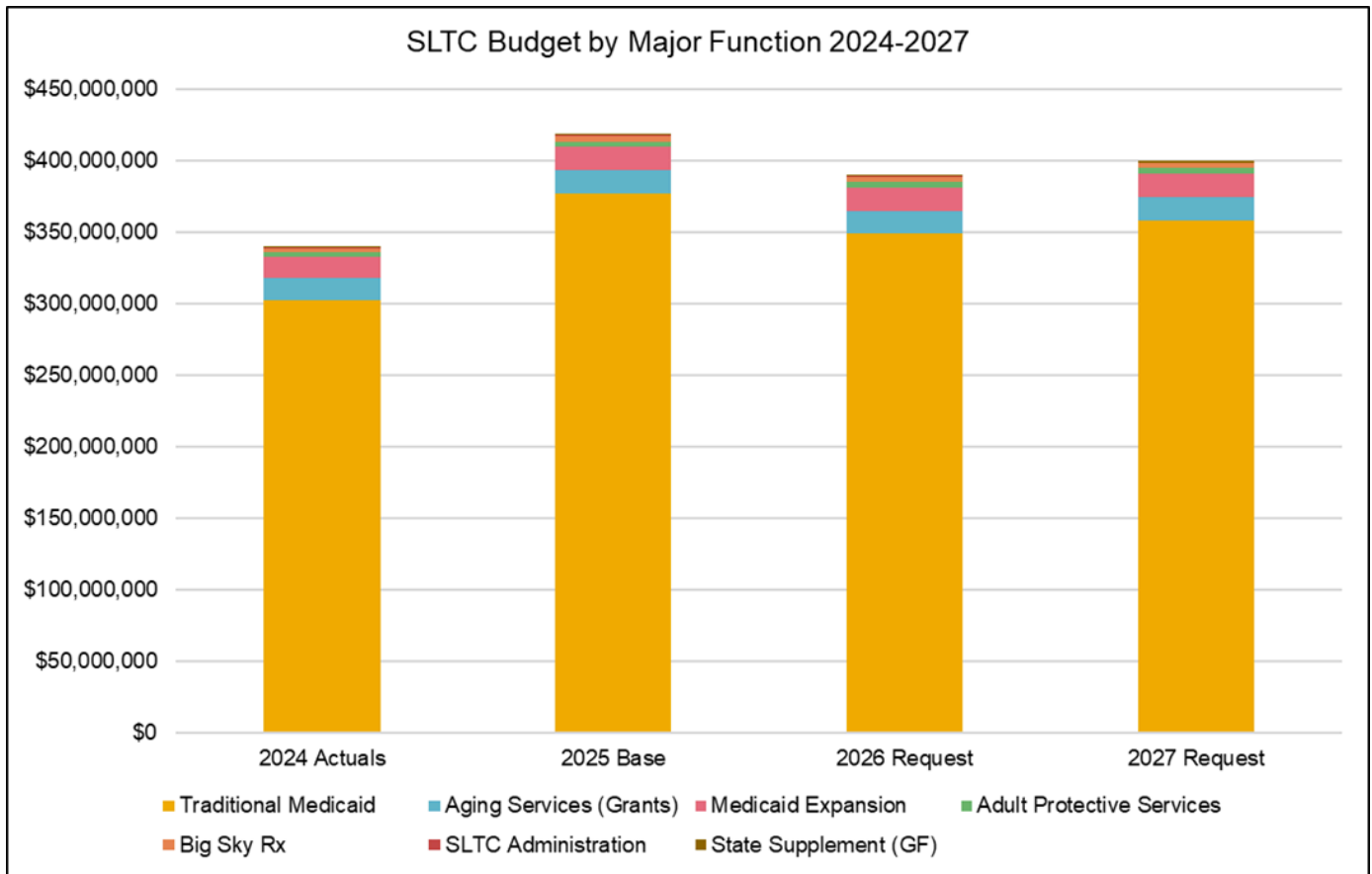
SLTC ongoing FY 2025 total appropriations are 10.9%, or \$41.1 million higher than the FY 2024 total appropriation of \$377.9 million. This difference is primarily due to higher appropriations for benefits and claims in FY 2025.

*Program Discussion**Biennium Budget by Major Function*

The figure below shows the SLTC 2027 biennium budget request by major function. Appropriations for Medicaid services are the most significant budgetary item, comprising 89.5% of the 2027 biennium SLTC budget request. Aging services are 4.2% of the request, Big Sky Rx is 0.8%, Adult Protective Services are 1.1%, with division administration making up 0.1% of the total.

*SLTC Budget by Major Function: FY 2024-2027*

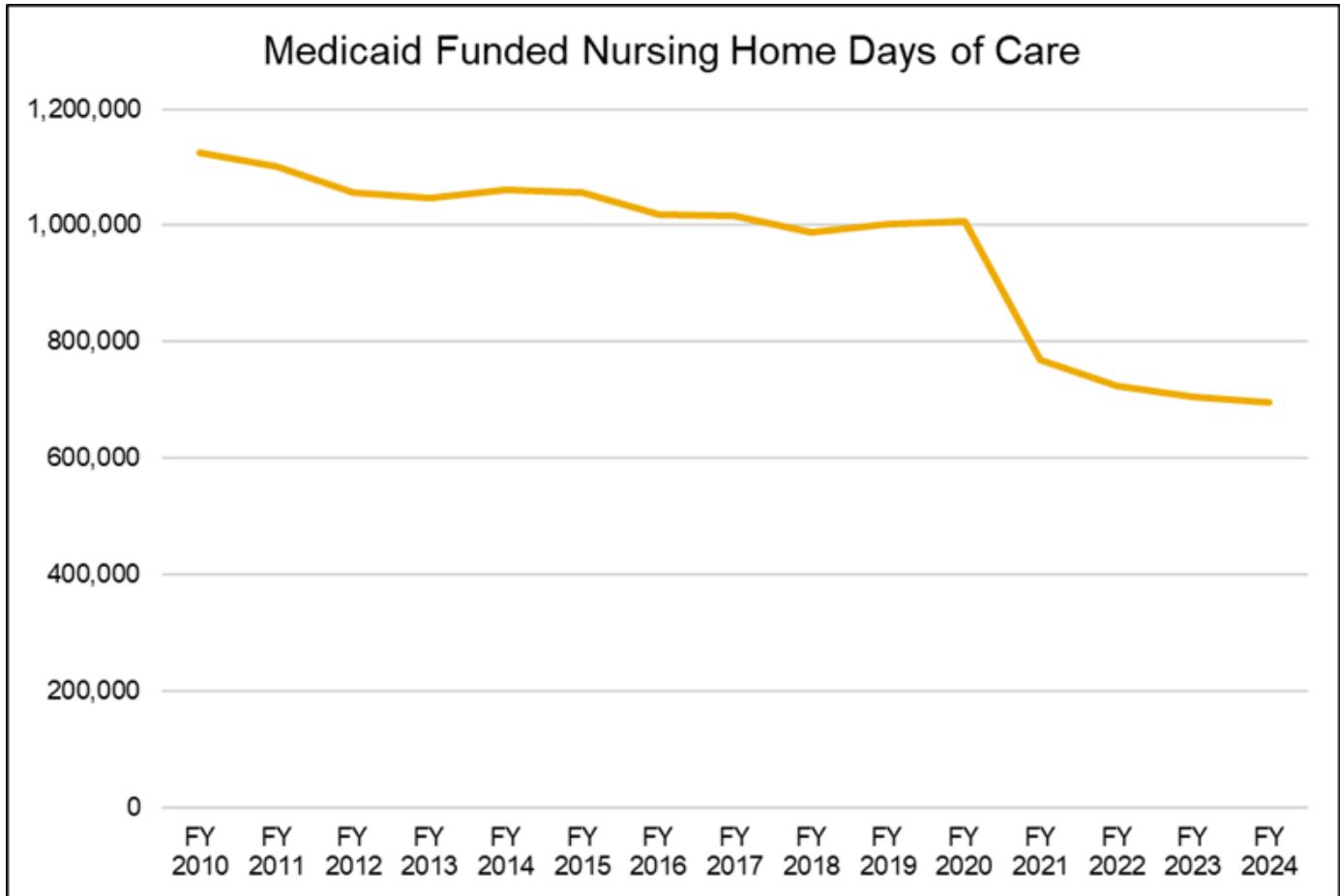
The figure below presents the SLTC division budget by major function by fiscal year. Note that this chart does not include every function performed by SLTC but highlights the major functions.



Nursing home services (including IGT payments) are the majority of Medicaid services expenditures for the division. For the most part, other Medicaid services support the ability of persons, who might otherwise be served in facility-based care, to live in home and community settings while receiving services.

Nursing Home Days of Care

The figure below shows the DPHHS/SLTC figures for Medicaid funded days of nursing home services. Nursing home days of care funded by Medicaid have been declining over the past several biennia, with a larger decrease occurring during the COVID pandemic.



Community First Choice

The 2013 Legislature implemented Community First Choice (CFC), an optional Medicaid service. Prior to FY 2014, most Medicaid funded personal care services were provided in the home-based services category but shifted to the CFC program. CFC has an enhanced federal match, which is six percentage points above a state's regular federal match rate.

In addition to provision of personal care, CFC requires developing a person-centered service plan, including an emergency contact/response component in the plan, establishing and maintaining a comprehensive continuous quality assurance system specifically for the CFC benefit, collecting and reporting information for federal oversight, and completing an evaluation of the program. As of FYE 2024, Community First Choice served 3,624 persons.

Services available to recipients include case management, homemaker, personal care, adult day care, respite, habilitation, medical alert monitor, meals, transportation, environmental modification, respiratory therapy, nursing services, adult residential care provided in a personal care or assisted living facility, or adult foster home, as well as several specialized services for recipients with a traumatic brain injury. The community-based waiver is managed through allocation of various types of services depending on the health and needs of the individual.

The Big Sky Waiver

The Big Sky Home and Community Based Services Program/Waiver, as defined by DPHHS: "allows people, who would otherwise be institutionalized, to live in their own home and community. The services are made available through the Department of Public Health & Human Services (DPHHS) and the Senior and Long-Term Care Division (SLTC)." DPHHS indicates the Big Sky Waiver served 2,049 persons at FYE 2024. This enrollment figure is similar to the past few FYE counts: 2,195 in FY 2023, 2,197 in FY 2022, 2,144 in FY 2021, 2,071 in FY 2020, and 2,050 in FY 2019.

As of November 2024, the waiting list for the Big Sky Waiver stood at 354 persons, and the average days on the waitlist was 91.5. The 2027 biennium request for Medicaid waiver services is \$137.5 million total funds.

Big Sky Rx

Big Sky Rx is a state funded program that helps Montanans at or below 200.0% of poverty and who are eligible for the Medicare Part D prescription drug program, pay for their Medicare premium. Big Sky Rx eligibility is determined by SLTC.

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	505,420	(6,712)	(865,661)	(366,953)	0.00	516,089	(6,712)	(862,056)	(352,679)
DP 3 - Inflation Deflation	0.00	(7,057)	0	(457)	(7,514)	0.00	(4,769)	0	(309)	(5,078)
DP 22100 - Medicaid Core Services CFC - SLTC	0.00	1,356,416	0	3,102,236	4,458,652	0.00	2,762,397	0	6,037,043	8,799,440
DP 22101 - FMAP Adjustment Medicaid Core CFC - SLTC	0.00	1,737,899	0	(1,737,899)	0	0.00	1,737,899	0	(1,737,899)	0
DP 22204 - Contractual Adjustments - SLTC	0.00	243,902	0	99,359	343,261	0.00	259,038	0	114,496	373,534
DP 22891 - Expansion Core Services - SLTC	0.00	80,000	0	720,001	800,001	0.00	120,821	0	1,087,387	1,208,208
DP 22892 - Expansion Core Services CFC - SLTC	0.00	(296,739)	0	(523,695)	(820,434)	0.00	(288,128)	0	(317,041)	(605,169)
DP 22991 - Medicaid Core Services - SLTC	0.00	(9,416,388)	(3,037,001)	(19,985,659)	(32,439,048)	0.00	(8,680,310)	(3,037,001)	(18,693,566)	(30,410,877)
DP 22992 - FMAP Adjustment Medicaid Core - SLTC	0.00	5,531,645	0	(5,531,645)	0	0.00	5,828,393	0	(5,828,393)	0
DP 22993 - Medicaid Federal Services - SLTC	0.00	0	0	(45,847)	(45,847)	0.00	0	0	(45,847)	(45,847)
DP 22994 - Medicaid Other Services IGT - SLTC	0.00	0	653,743	1,049,156	1,702,899	0.00	0	656,127	1,046,772	1,702,899
DP 22995 - FMAP Adjustment IGT - SLTC	0.00	0	118,546	(118,546)	0	0.00	0	125,117	(125,117)	0
DP 22996 - Medicaid Waiver Services - SLTC	0.00	(596,177)	0	(956,772)	(1,552,949)	0.00	463,909	0	740,110	1,204,019
DP 22997 - FMAP Adjustment Waiver - SLTC	0.00	1,711,130	0	(1,711,130)	0	0.00	1,807,611	0	(1,807,611)	0
DP 22998 - FMAP Adjustment DCW-HCHCW - SLTC	0.00	223,059	154,123	(377,182)	0	0.00	235,944	159,670	(395,614)	0
DP 22999 - FMAP Adjustment CFC DCW-HCHCW - SLTC	0.00	271,623	0	(271,623)	0	0.00	284,475	0	(284,475)	0
Grand Total All Present Law Adjustments	0.00	\$1,344,733	(\$2,117,301)	(\$27,155,364)	(\$27,927,932)	0.00	\$5,043,369	(\$2,102,799)	(\$21,072,120)	(\$18,131,550)

***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 Public Health and Human Services	
Senior and Long Term Care Division	
FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$166,183
Management Changes	413,926
Total Budget Modifications	(947,063)
Total	<u>\$(366,954)</u>

Budget modifications made in SLTC in the 2025 biennium included several House Adjustments. The two largest adjustments added \$833,986 in personal services for modified PB associated with the Money Follows the Person program. DP1 removes those modifications, along with some additional smaller ones, while adding funding for pay plan increases, retention adjustments, and some additional smaller increases in personal 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 22100 - Medicaid Core Services CFC - SLTC -

The executive requests funding for existing services for the Community First Choice (CFC) Program in the Senior and Long-Term Care Division. This adjustment does not include any changes in eligibility criteria or allowable plan services.

DP 22101 - FMAP Adjustment Medicaid Core CFC - SLTC -

The executive requests funding for existing services for the Community First Choice (CFC) Program in the Senior and Long-Term Care Division. The biennial funding increases general fund and includes an offsetting decrease in federal funds. The total cost for the program does not change.

DP 22204 - Contractual Adjustments - SLTC -

The executive requests an increase for contracted services in the Senior and Long-Term Care Division.

DP 22891 - Expansion Core Services - SLTC -

The executive requests funding for caseload growth in the Senior and Long-Term Care Division. This request covers the projected change in the number of eligible individuals, utilization, acuity levels, and cost per service for medical care for Core Expansion. This adjustment does not include any changes in eligibility criteria or allowable plan services. Medicaid expansion continuing into the 2027 biennium is contingent upon legislative action.

DP 22892 - Expansion Core Services CFC - SLTC -

The executive requests funding for caseload changes in the Medicaid expansion Community First Choice Program (CFC) in the Senior and Long-Term Care Division. This decision package covers the projected change in the number of eligible individuals, utilization, acuity levels, and cost per service for medical care. This adjustment does not include any changes in eligibility criteria or allowable plan services. Medicaid expansion continuing into the 2027 biennium is contingent upon legislative action.

DP 22991 - Medicaid Core Services - SLTC -

The executive requests funding changes for a caseload reduction in the Senior and Long-Term Care Division. This decision package covers the projected change in the number of eligible individuals, utilization, acuity levels, and cost per service for medical care for Core Medicaid.

DP 22992 - FMAP Adjustment Medicaid Core - SLTC -

The executive requests funding changes for existing services in the Medicaid Core Program in SLTC. The biennial funding increases general fund and includes an offsetting decrease in federal funds. The total cost for the program does not change.

DP 22993 - Medicaid Federal Services - SLTC -

The executive requests funding changes for a caseload reduction in the Senior and Long-Term Care Division. This decision package covers the projected change in the number of eligible individuals, utilization, acuity levels, and cost per service for medical care for federal Medicaid. This adjustment does not include any changes in eligibility criteria or allowable plan services.

DP 22994 - Medicaid Other Services IGT - SLTC -

The executive requests funding to align county fiscal participation for the Intergovernmental Transfer (IGT) Program in the Senior and Long-Term Care Division. This change does not impact services.

DP 22995 - FMAP Adjustment IGT - SLTC -

The executive requests funding changes for existing services in the Medicaid Intergovernmental Transfer (IGT) Program in SLTC.

DP 22996 - Medicaid Waiver Services - SLTC -

The executive requests funding changes for a caseload reduction in the Senior and Long-Term Care Division. This decision package covers the projected change in the number of eligible individuals, utilization, acuity levels, and cost per service for medical care for Medicaid Waiver Services. This adjustment does not include any changes in eligibility criteria or allowable plan services.

DP 22997 - FMAP Adjustment Waiver - SLTC -

The executive requests funding changes for existing Medicaid waiver services in the Senior and Long-Term Care Division. The biennial funding increases general fund and includes an offsetting decrease in federal funds. The total cost for the program does not change.

DP 22998 - FMAP Adjustment DCW-HCHCW - SLTC -

The executive requests funding changes for existing services in the Direct Care Wage and Healthcare for Healthcare Workers Program in SLTC. The biennial funding increases general fund, increases state special revenue and includes an offsetting decrease in federal funds. The total cost for the program does not change.

DP 22999 - FMAP Adjustment CFC DCW-HCHCW - SLTC -

The executive requests funding changes for existing services in the CFC Direct Care Wage and Health Care for Health Care Workers program in SLTC. The biennial funding increases the general fund and includes an offsetting decrease in federal funds. The total cost for the program does not change.

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 22001 - Aging Services Assessment and Review Program Officer - SLTC									
1.00	80,924	0	0	80,924	1.00	80,923	0	0	80,923
DP 22002 - Realign Appropriation with Revenue I-149 BigSky Rx - SLTC									
0.00	0	(1,400,000)	0	(1,400,000)	0.00	0	(1,400,000)	0	(1,400,000)
DP 22003 - Adult Protective Services Guardianship PB									
3.00	258,195	0	0	258,195	3.00	250,096	0	0	250,096
DP 22004 - Realign Appropriation for MED Nursing Home									
0.00	3,013,969	(3,013,969)	0	0	0.00	3,013,969	(3,013,969)	0	0
Total	4.00	\$3,353,088	(\$4,413,969)	\$0 (\$1,060,881)	4.00	\$3,344,988	(\$4,413,969)	\$0 (\$1,068,981)	

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

DP 22001 - Aging Services Assessment and Review Program Officer - SLTC -

The executive requests 1.00 PB for an aging services assessment and review program officer in the Senior and Long-Term Care Division Aging Services Bureau. This position will be responsible for overseeing the federal Older Americans Act (OAA) including program monitoring and providing technical assistance to Area Agencies on Aging (AAAs). This position is funded entirely with general fund.

DP 22002 - Realign Appropriation with Revenue I-149 BigSky Rx - SLTC -

The executive proposes a reduction of Tobacco Health and Medicaid Initiative (I-149) state special revenue to the Big Sky Rx program to align appropriations with anticipated expenditures. This is a reduction of \$1.4 million in state special revenue in each year of the biennium.

DP 22003 - Adult Protective Services Guardianship PB -

The executive requests 3.00 PB for the Adult Protective Services (APS) Guardianship Program. The position type is Social Services Worker II (SSW). These positions will be responsible for monitoring APS guardianship cases. SSWs are required by law to render an annual report and accounting to the court of origin. At minimum, the SSW conducts in-person visits with wards under guardianship on a quarterly basis to assess the ward's health and safety and ensure their needs are being met appropriately. The SSW also conducts monthly contacts with the ward's support network (family, medical provider, support staff, case manager, etc.). APS currently monitors 75 guardianship cases with approximately 10-15 new requests for guardianship monthly. This request is due to an increase in reports received, caseload per staff, and complexity of guardianship caseloads. This request includes \$508,291 in general fund for the biennium.

DP 22004 - Realign Appropriation for MED Nursing Home -

The executive proposes a reduction in the appropriation of state special revenue to the Medicaid Nursing Home program to align appropriation with anticipated expenditures. This is a reduction of \$3.0 million in Tobacco Health and Medicaid Initiative (I-149) state special revenue in each year of the biennium with an offsetting increase in general fund.

69010 - Department Of Public Health & Human Services25-Early Childhood and Family Support

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 FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
PB	60.24	60.24	60.24	0.00	0.0%
General Fund	19,838,404	20,800,892	21,037,975	2,162,059	5.4%
State/Other Special Rev. Funds	4,233,081	3,847,507	3,847,660	(770,995)	(9.1%)
Federal Spec. Rev. Funds	68,619,176	71,120,815	71,249,649	5,132,112	3.7%
Total Funds	92,690,661	95,769,214	96,135,284	6,523,176	3.5%
Personal Services	5,413,020	5,629,851	5,646,317	450,128	4.2%
Operating Expenses	3,967,064	5,979,960	6,293,954	4,339,786	54.7%
Equipment & Intangible Assets	75,000	75,000	75,000		0.0%
Grants	23,621,433	24,470,259	24,505,869	1,733,262	3.7%
Benefits & Claims	59,574,455	59,574,455	59,574,455		0.0%
Transfers	35,000	35,000	35,000		0.0%
Debt Service	4,689	4,689	4,689		0.0%
Total Expenditures	92,690,661	95,769,214	96,135,284	6,523,176	3.5%
Total Ongoing	92,690,661	95,769,214	96,135,284	6,523,176	3.5%
Total One-Time-Only					0.0%

Program Highlights

Early Childhood and Family Services Division (ECFSD) Major Budget Highlights	
<ul style="list-style-type: none"> The ECFSD 2027 biennium proposed budget is approximately \$6.5 million or 3.5% higher than the FY 2025 base budget. The executive proposal includes: <ul style="list-style-type: none"> Increases for provider rates in the Part C Early Intervention Program amounting to \$2.0 million total funds in FY 2026 and \$2.3 total funds in FY 2027 Federal fund adjustments to match grant award levels amounting to \$2.4 million federal funds across the biennium 	

69010 - Department Of Public Health & Human Services25-Early Childhood and Family Support

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.

Early Childhood and Family Support 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
Base Budget	19,838,404	4,233,081	68,619,176	92,690,661	96.8%	19,838,404	4,233,081	68,619,176	92,690,661	96.4%
Statewide PL										
Personal Services	(424,053)	(52,409)	693,293	216,831	0.2%	(420,507)	(52,406)	706,210	233,297	0.2%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	(1,526)	(1,526)	(0.0%)	0	0	(1,030)	(1,030)	(0.0%)
Total Statewide PL	(424,053)	(52,409)	691,767	215,305	0.2%	(420,507)	(52,406)	705,180	232,267	0.2%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	1,386,541	(333,165)	1,809,872	2,863,248	3.0%	1,620,078	(333,015)	1,925,293	3,212,356	3.3%
Total HB 2 Adjustments	962,488	(385,574)	2,501,639	3,078,553	3.2%	1,199,571	(385,421)	2,630,473	3,444,623	3.6%
Total Requested Budget	20,800,892	3,847,507	71,120,815	95,769,214		21,037,975	3,847,660	71,249,649	96,135,284	

The executive budget request is mainly base budget with adjustments accounting for 3.2% of the overall budget in FY 2026 and 3.6% of the overall budget in FY 2027. These adjustments are mostly new proposals which include provider rate increases for Part C services, adjustments of authority for various federal grants, and an adjustment of state special revenue authority for children's special health services.

69010 - Department Of Public Health & Human Services25-Early Childhood and Family Support

Funding

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

Department of Public Health & Human Services, 25-Early Childhood and Family Support Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	41,838,867	0	0	0	41,838,867	21.8%	
02076 PRAMS Svey Fees	9,388	0	0	0	9,388	0.1%	
02089 Child Abuse & Neglect Program	317,134	0	0	0	317,134	4.1%	
02225 02 Indirect Activity Prog 25	399,608	0	0	0	399,608	5.2%	
02698 69010-Prevention&Stabilization	1,660,604	0	0	0	1,660,604	21.6%	
02765 Insurance Policies Fees SB278	2,644,357	0	0	0	2,644,357	34.4%	
02772 Tobacco Hlth and Medicaid Init	51,338	0	0	0	51,338	0.7%	
02773 Childrens Special Health Svc.	61,350	0	0	0	61,350	0.8%	
02790 6901-Statewide Tobacco Sttlmnt	613,098	0	0	0	613,098	8.0%	
02987 Tobacco Interest	1,938,290	0	0	0	1,938,290	25.2%	
State Special Total	\$7,695,167	\$0	\$0	\$0	\$7,695,167	4.0%	
03027 WIC (Women,Infants & Children)	13,948,800	0	0	0	13,948,800	9.8%	
03031 Maternal & Child Health	4,673,219	0	0	0	4,673,219	3.3%	
03057 Newborn Hearing Screening	589,955	0	0	0	589,955	0.4%	
03096 Discretionary Child Care	50,630,439	0	0	0	50,630,439	35.6%	
03146 10.577 WIC BF Peer Counseling	447,812	0	0	0	447,812	0.3%	
03206 MIECHV - Service Delivery	114,140	0	0	0	114,140	0.1%	
03236 Child Nutrition	21,847,480	0	0	0	21,847,480	15.3%	
03246 WIC Admin	13,380,083	0	0	0	13,380,083	9.4%	
03250 Child Care Manditory/MOE	3,597,650	0	0	0	3,597,650	2.5%	
03252 Child Care Matching	11,261,947	0	0	0	11,261,947	7.9%	
03273 Primary Care Services	267,300	0	0	0	267,300	0.2%	
03362 Data Integration	130,120	0	0	0	130,120	0.1%	
03417 PRAMS Pregnancy Risk Assessment	314,260	0	0	0	314,260	0.2%	
03479 CN SPAD CIL	1,780,000	0	0	0	1,780,000	1.3%	
03530 6901-Foster Care 93.658	2,149,146	0	0	0	2,149,146	1.5%	
03534 93.672 - Child Abuse Challenge	493,692	0	0	0	493,692	0.3%	
03539 93.600 Headstart	119,940	0	0	0	119,940	0.1%	
03541 State Loan Repayment Program	300,228	0	0	0	300,228	0.2%	
03556 84.181 - Part H - Early Interv	4,761,172	0	0	0	4,761,172	3.3%	
03579 93.667 - SSBG - Benefits	6,379,036	0	0	0	6,379,036	4.5%	
03625 03 Indirect Activity Prog 25	1,858,626	0	0	0	1,858,626	1.3%	
03677 6901-CACFP 10.558 & 10.560	1,371,876	0	0	0	1,371,876	1.0%	
03690 6901-Rape Prev & Educ 93.126	740,071	0	0	0	740,071	0.5%	
03713 6901-WIC Farmer Market 10.572	104,388	0	0	0	104,388	0.1%	
03823 Oral Health Workforce	697,738	0	0	0	697,738	0.5%	
03827 Personal Resp Education Prgm	411,346	0	0	0	411,346	0.3%	
Federal Special Total	\$142,370,464	\$0	\$0	\$0	\$142,370,464	74.2%	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%	
Total All Funds	\$191,904,498	\$0	\$0	\$0	\$191,904,498		

ECFSD receives general fund, state special revenue fund, and federal special revenue fund authority. The 2027 biennium ECFSD budget request is 21.8% general fund, 4.0% state special revenue fund, and 74.2% federal funds. The major sources of state special revenue are:

- Tobacco settlement funds and tobacco settlement trust fund interest - For additional information see the state special revenue fund balance table in the DPHHS Agency Summary LFD Budget Analysis B-131** 2025 Biennium
- Insurance policies fees - \$1.00 annually for each Montana resident insured under any individual or group disability or health insurance policy

The major sources of federal funding include the discretionary childcare fund at 26.4% of all funding, the child nutrition fund at 11.4%, and WIC (Women, Infants and Children) fund at 7.3%.

Historically, this program has included a small amount of statutory authority for the Title X Family Planning federal grant. This program ended at the end of federal fiscal year (FFY) 2022 and the federal awarding agency is now working directly with a new grantee. Federal authority was not reduced in the 2023 Legislative Session. The statute will sunset on June 30th, 2025. Without this single statutory program, ECFSD is completely funded by HB 2.

69010 - Department Of Public Health & Human Services25-Early Childhood and Family Support

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	60.24	60.24	60.24	60.24
Personal Services	6,903,879	5,609,818	5,413,020	5,629,851	5,646,317
Operating Expenses	6,295,583	6,584,048	3,967,064	5,979,960	6,293,954
Equipment & Intangible Assets	0	75,000	75,000	75,000	75,000
Grants	25,658,663	28,003,639	23,621,433	24,470,259	24,505,869
Benefits & Claims	48,069,806	48,539,495	59,574,455	59,574,455	59,574,455
Transfers	21,125	29,900	35,000	35,000	35,000
Debt Service	200,860	110,689	4,689	4,689	4,689
Total Expenditures	\$87,149,916	\$88,952,589	\$92,690,661	\$95,769,214	\$96,135,284
General Fund	8,293,860	8,407,897	19,838,404	20,800,892	21,037,975
State/Other Special Rev. Funds	2,864,560	4,211,556	4,233,081	3,847,507	3,847,660
Federal Spec. Rev. Funds	75,991,496	76,333,136	68,619,176	71,120,815	71,249,649
Total Funds	\$87,149,916	\$88,952,589	\$92,690,661	\$95,769,214	\$96,135,284
Total Ongoing	\$87,149,916	\$88,952,589	\$92,690,661	\$95,769,214	\$96,135,284
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The ECFSD is comprised of three bureaus:

- Early Childhood Services Bureau
- Family and Community Health Bureau
- Fiscal and Operations Bureau

In addition to the three bureaus, this division includes the No Kid Hungry Project, Prevention and Early Intervention Team, and the Children's Trust Fund.

The Early Childhood Services Bureau manages the Best Beginnings Scholarship Program and the child protective services childcare. This division also licenses childcare facilities and provides training and technical assistance across the state. Other programs within ECSB include the Child and Adult Care Food Program which provides reimbursement to childcare providers and Head Starts for the cost of meals served to eligible children and adults, the Head Start Collaboration Grant, and the Montana Milestones Program which works with community partners to support children from birth to age three with developmental delays.

The Family and Community Health Bureau provides a variety of programs targeted at supporting women, infants, children, adolescents, and families. This includes universal newborn screenings and other aid for parents and children through the Maternal Child Health Block Grant. Nutrition and breastfeeding support and education is provided across the state through the Women, Infants, and Children Supplemental Nutrition Program (WIC). In addition, FCHB supports children with special health care needs through parent mentoring, financial assistance, and technical assistance.

The Fiscal and Operations Bureau coordinates, analyzes, implements, and monitors the division budget; purchases supplies and equipment; assists with grant reporting and contracts; manages the division's data systems and provides internal control oversight for the division.

69010 - Department Of Public Health & Human Services25-Early Childhood and Family Support

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The ECFSD expended 98.0% of the total FY 2024 appropriation with 98.6% of general funds, 68.0% of state special revenues, and 99.1% of federal special revenues expended.

Grants in FY 2024 were 91.6% expended. Additional funding was transferred into the Best Beginnings Stars to Quality programs at fiscal year-end to ensure the division could meet grant obligations in this area but not all of this transfer was used.

When looking at the overall budget, the difference in expenditure caused by the lower spending in grants is largely balanced by elevated personal services expenditures. Personal services were 123.1% expended. These elevated expenditures were distributed throughout most functions of the division with most of the over-expenditure occurring in the Stars to Quality Program. For the entire division, current PB hour utilization is at 115.0% of budgeted hours compared to a historical average of 107.4%. This utilization percentage has been trending up since 2020. This division has very few vacancies and overtime hours have been logged.

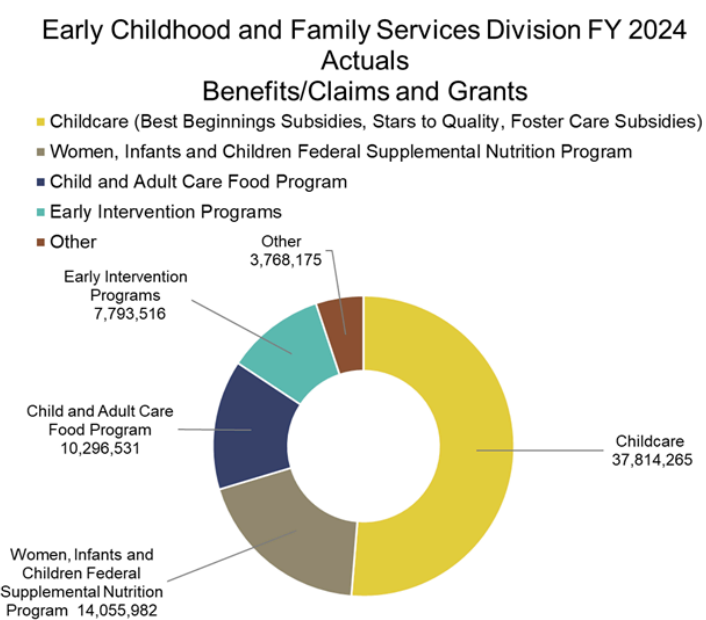
Benefits and claims in this division, which include Best Beginnings childcare subsidies and the Special Supplemental Nutrition Program for Women, Infants and Children (WIC), were 99.0% expended.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The FY 2025 HB 2 budget appropriation is 4.2% lower than the FY 2024 appropriation. Relative to the FY 2024 HB 2 appropriation, there is a 39.7% decrease in the appropriation for operating expenses, a 15.6% decrease in the appropriation for grants, and an 22.7% increase in the appropriation for benefits and claims. A transfer of authority occurred to ensure ECFSD was able to meet year end obligations for increased operating expenses in FY 2024. A transfer of authority for FY 2024 increased grants relative to FY 2025.

Program Discussion

The two largest accounts in this division are benefits and claims and grants; below are the largest programs contributing to these accounts in ECFSD.



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Childcare

The Best Beginnings Childcare Scholarship Program is housed in ECFSD. This program provides scholarships to low-income families whose children received care provided by a licensed or registered childcare provider or daycare facility. In order for a child to be eligible for this scholarship, their family must earn less than 185.0% of the federal poverty level (FPL) and also meet certain activity requirements specified by the program. Depending on the income level, families are responsible for co-payments that are determined with a sliding fee scale. HB 648 in the 2023 Session capped this program at 9.0% of a family's gross monthly income. This bill also increased the eligibility threshold from 150.0% of the FPL to 185.0% of the FPL and changed provider reimbursement from an attendance-based model to a slot-based model. The bill appropriated an additional \$7.0 million general fund to this program to implement these policy changes which are included in the base this biennium.

Childcare Discretionary Fund: Benefits and Claims					
Source of Authority	Fund Source	2021	2022	2023	2024
HB 2 + Other House and Senate Bills	State	\$ 6,698,476	\$ 6,699,681	\$ 7,544,374	\$ 12,242,249
	Federal	15,045,007	19,474,296	20,772,168	22,849,758
	Total	21,743,484	26,173,977	28,316,542	35,092,007
Pandemic	State	-	-	-	-
	Federal	8,263,039	4,492,471	492,408	1,527,343
	Total				
Total	State	6,698,476	6,699,681	7,544,374	12,242,249
	Federal	23,308,046	23,966,766	21,264,576	24,377,101
	Total	\$ 30,006,523	\$ 30,666,448	\$ 28,808,950	\$ 36,619,350

A small part of this funding goes to the STARS to Quality Program. This is a voluntary provider quality rating and improvement program that aligns quality indicators with support and incentives for childcare providers. Components of this program include workforce development efforts, the quality rating and improvement system, as well as infrastructure to administer the programs, provide training, coaching and technical assistance, and to validate the STARS system. For participating providers, incentives come in the form of quarterly improvement awards and tiered reimbursement percent increases for facilities that serve Best Beginnings Scholarship Families.

The Best Beginnings and Stars to Quality programs are funded with a combination of state match funding and federal sources. Two different federal sources – the Childcare and Development Block Grant and the Social Security Act's Childcare Entitlement to States – make up the main fund for these programs, the childcare development fund. State matching funds and maintenance of efforts funds necessary to draw down these federal funds come from the general fund and the prevention and stabilization fund (02698).

In addition to the contribution of state resources, the state must fulfill use requirements put in place by the federal authorities in order to receive funds from these federal sources. Within the state childcare program, 12.0% of funds must be set aside for quality improvement efforts, such as the STARS to Quality program; no more than 5.0% of federal funds can be used for administrative activities; and at least 70.0% of the remaining funding must be used for direct services, or certificates in Montana.

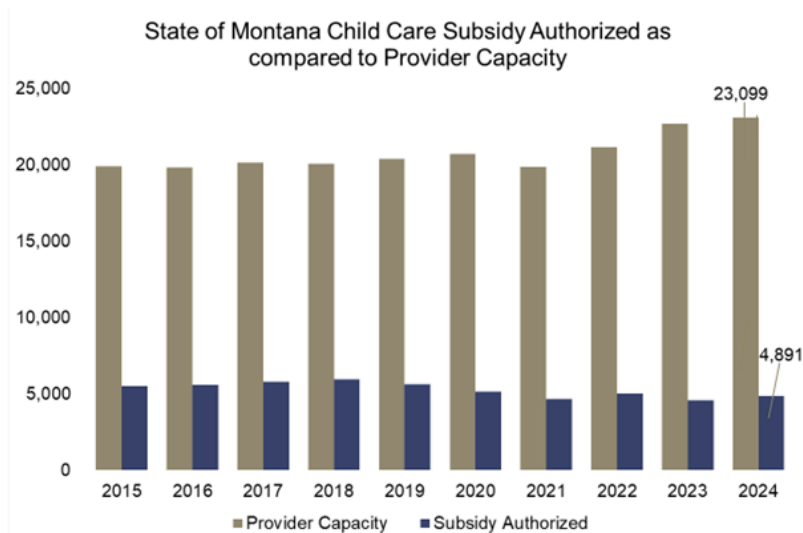
Childcare Discretionary Fund: All Expenditures by Fiscal Year					
Source of Authority	Fund Type	2021	2022	2023	2024
House Bill 2 + Other House and Senate	General	\$ 7,966,263	\$ 7,168,306	\$ 7,582,176	\$ 12,573,715
	State				
	Special	512,666	504,367	629,836	423,684
	Federal	27,766,486	35,289,082	33,703,668	37,359,023
	Total	\$ 36,245,415	\$ 42,961,756	\$ 41,915,680	\$ 50,356,422

In FY 2023, [a market rate survey](#) was completed for the Best Beginnings child care provider rates. Various methodologies were used to assess child care rates and changes from FY 2020 to FY 2023. The study used 75th percentile rates from

69010 - Department Of Public Health & Human Services25-Early Childhood and Family Support

October 2023 to set the March 2023 Best Beginnings Childcare Scholarship reimbursement rates increasing all rates from their 2020 level. In addition, regression analyses done in the survey support higher childcare rates, or rate premiums, for high growth counties which included Flathead, Gallatin, Lewis and Clark, Missoula, Ravalli, and Yellowstone. Though authorized subsidies have remained relatively consistent throughout the years, these changes will directly impact program expenditures, and more so if enrollment in the program grows.

The chart below shows licensed provider capacity and the number of children authorized for Best Beginnings Childcare subsidies. This same data, as well as data on a county level, and further information can be found on the [Childcare Capacity and Subsidy Authorization interactive dashboard](#) maintained by the Department of Public Health and Human Services.



There are many competing variables that play a part in the child care landscape here in Montana. The Department of Labor and Industry has done analysis on some of these competing factors and the most recent report can be found [here](#).

Supplemental Nutrition Program for Women, Infants and Children

The Supplemental Nutrition Program for Women, Infants and Children (WIC) makes up 13.3% of the division's biennial budget request. According to the United States Department of Agriculture (USDA), this program provides "federal grants to states for supplemental foods, health care referrals and nutrition education for low-income pregnant, breastfeeding, and non-breastfeeding postpartum women, and to infants and children up to age five who are found to be at nutritional risk" (USDA WIC Eligibility Criteria 2021). This program is almost entirely federally funded.

Early Intervention Programs

ECFSD funds multiple programs that fall under the early intervention umbrella.

- Montana Milestones, or Part C of the IDEA Early Intervention Program provides a comprehensive system of early intervention services and supports for families who have infants and toddlers with developmental delays or disabilities or have been diagnosed with an established condition associated with significant delays in development. These services are provided for eligible children from birth to age three
- The Montana Children's Trust Fund supports initiatives to strengthen Montana families and prevent child abuse and neglect
- Fetal, Infant, Child and Maternal Mortality Review and Injury Prevention which is a statewide effort to reduce preventable fetal, infant, child, and maternal deaths
- Healthy Montana Families Home Visiting programs which offer professional home visiting services to low income pregnant, and post-natal women as well as families/caregivers with infants and young children. Multiple home visiting models are implemented across the state so eligibility for the program is broad. This program is federally funded primarily by budget amendment authority through the Maternal Infant and Early Childhood Home Visiting (MIECHV) funding
- Sexual Assault Prevention and Victim Services implement many different efforts to reduce risk factors and increase protective factors associated with sexual violence perpetration and victimization

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Child and Adult Care Food Program

The Child and Adult Care Food Program (CACFP) is a primarily federally funded program that provides meal reimbursement to institutions who serve meals to enrolled children or adults. This reimbursement rate is determined by the USDA and is based on the number of meals served. Organizations eligible to apply for these reimbursements include licensed childcare centers, Head Start, adult day care or after school programs (no license required).

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	(424,053)	(52,409)	693,293	216,831	0.00	(420,507)	(52,406)	706,210	233,297
DP 3 - Inflation Deflation	0.00	0	0	(1,526)	(1,526)	0.00	0	0	(1,030)	(1,030)
Grand Total All Present Law Adjustments	0.00	(\$424,053)	(\$52,409)	\$691,767	\$215,305	0.00	(\$420,507)	(\$52,406)	\$705,180	\$232,267

***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 Public Health and Human Services Early Childhood and Family Support Division FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 125,718
Management Changes	92,113
Total Budget Modifications	(1,000)
Total	<u>\$ 216,831</u>

Legislative changes for DP 1 are driven by benefits. Management changes are driven by pay plan increases, promotion adjustments and retention adjustments among other smaller increases. Budget modifications are slightly negative due to the reversal of a house adjustment.

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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 25001 - Provider Rate Adjustment - Part C Services - ECFSD										
0.00	1,386,541	0	627,881	2,014,422	0.00	1,620,078	0	707,842	2,327,920	
DP 25003 - Adjust Federal Authority to Match Grant Award Level - ECFSD										
0.00	0	0	1,181,991	1,181,991	0.00	0	0	1,217,451	1,217,451	
DP 25007 - Realign Appropriation for Children's Special Se										
0.00	0	(333,165)	0	(333,165)	0.00	0	(333,015)	0	(333,015)	
Total	0.00	\$1,386,541	(\$333,165)	\$1,809,872	\$2,863,248	0.00	\$1,620,078	(\$333,015)	\$1,925,293	\$3,212,356

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

DP 25001 - Provider Rate Adjustment - Part C Services - ECFSD -

The executive requests adjustments of authority to support a provider rate increase for Part C of the Individuals with Disabilities Education Act (IDEA). The increase is intended to meet the provider rate increases specified by the Guidehouse Provider Rate Study completed in October 2023. The state has entered new contracts at a rate equal to that recommended by Guidehouse. This change package adjusts the budget to the level supported by the current provider rate.

DP 25003 - Adjust Federal Authority to Match Grant Award Level - ECFSD -

The executive requests adjustments to increase the federal appropriations of various grants in the Early Childhood and Family Services Division.

DP 25007 - Realign Appropriation for Children's Special Se -

The executive requests an adjustment of state special revenue funds for children's special health services to align appropriation with anticipated expenditures.

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	871.36	774.06	774.06	(97.30)	(5.6%)
General Fund	72,112,922	112,360,895	112,683,420	80,818,471	56.0%
State/Other Special Rev. Funds	21,948,180	18,860,058	18,989,225	(6,047,077)	(13.8%)
Federal Spec. Rev. Funds	17,682,499	15,314,581	16,039,692	(4,010,725)	(11.3%)
Total Funds	111,743,601	146,535,534	147,712,337	70,760,669	31.7%
Personal Services	72,591,248	69,761,446	70,710,093	(4,710,957)	(3.2%)
Operating Expenses	38,254,428	75,876,163	76,104,319	75,471,626	98.6%
Equipment & Intangible Assets	77,093	77,093	77,093		0.0%
Debt Service	820,832	820,832	820,832		0.0%
Total Expenditures	111,743,601	146,535,534	147,712,337	70,760,669	31.7%
Total Ongoing	111,743,601	111,485,296	112,434,529	432,623	0.2%
Total One-Time-Only		35,050,238	35,277,808	70,328,046	0.0%

Program Highlights

Healthcare Facilities Division (HFD) Major Budget Highlights
<ul style="list-style-type: none"> The requested budget includes an increase over the biennium of 31.7%, which is driven by an OTO increase in operating expenses The request includes one-time-only funding of \$70.3 million, with \$69.9 million in general fund over the biennium for "facility wage and operational standardization", offset by a reduction of 97.30 PB
Legislative Action Items
<ul style="list-style-type: none"> The legislature may wish to clarify legislative intent for PB reductions and additional facility operations funding if choosing to provide such an appropriation.

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.

Health Care Facilities 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
Base Budget	72,112,922	21,948,180	17,682,499	111,743,601	76.3%	72,112,922	21,948,180	17,682,499	111,743,601	75.6%
Statewide PL										
Personal Services	1,614,645	(432,199)	(108,155)	1,074,291	0.7%	1,693,617	(404,365)	(103,709)	1,185,543	0.8%
Fixed Costs	(426,141)	(119,816)	(24,559)	(570,516)	(0.4%)	(435,628)	(122,485)	(25,106)	(583,219)	(0.4%)
Inflation Deflation	(6,212)	(1,126)	0	(7,338)	(0.0%)	(4,199)	(760)	0	(4,959)	(0.0%)
Total Statewide PL	1,182,292	(553,141)	(132,714)	496,437	0.3%	1,253,790	(527,610)	(128,815)	597,365	0.4%
Present Law (PL)	1,632,024	234,218	894,091	2,760,333	1.9%	1,746,323	247,012	1,615,303	3,608,638	2.4%
New Proposals	37,433,657	(2,769,199)	(3,129,295)	31,535,163	21.5%	37,570,385	(2,678,357)	(3,129,295)	31,762,733	21.5%
Total HB 2 Adjustments	40,247,973	(3,088,122)	(2,367,918)	34,791,933	23.7%	40,570,498	(2,958,955)	(1,642,807)	35,968,736	24.4%
Total Requested Budget	112,360,895	18,860,058	15,314,581	146,535,534		112,683,420	18,989,225	16,039,692	147,712,337	

Funding

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

Department of Public Health & Human Services, 33-Health Care Facilities Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	155,126,149	69,918,166	0	0	225,044,315	76.5%
02023 Private Ins. Medicaid Reim.-Ve	10,044,546	0	0	0	10,044,546	26.5%
02032 Vets-I&I Lease	35,782	0	0	0	35,782	0.1%
02034 Earmarked Alcohol Funds	11,337,626	409,880	0	0	11,747,506	31.0%
02260 Cigarette Tax Revenue	9,835,750	0	0	0	9,835,750	26.0%
02384 02 Indirect Activity Prog 33	699,363	0	0	0	699,363	1.8%
02598 MCDC Cost Recovery	4,703,020	0	0	0	4,703,020	12.4%
02691 6901-MSH/DOC Maint Agreement	280,162	0	0	0	280,162	0.7%
02959 EMVH Clinic Rent	112,882	0	0	0	112,882	0.3%
02987 Tobacco Interest	390,272	0	0	0	390,272	1.0%
State Special Total	\$37,439,403	\$409,880	\$0	\$0	\$37,849,283	12.9%
03005 EMVH V-A Nursing Reimbursement	10,205,369	0	0	0	10,205,369	32.5%
03112 Vets-V.A. Reimb	10,432,021	0	0	0	10,432,021	33.3%
03501 64.014 - Vets St. Domic Care 1	450,696	0	0	0	450,696	1.4%
03601 03 Indirect Activity Prog 33	406,446	0	0	0	406,446	1.3%
03976 SWMVH Vets VA reimbursement	9,859,741	0	0	0	9,859,741	31.4%
Federal Special Total	\$31,354,273	\$0	\$0	\$0	\$31,354,273	10.7%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$223,919,825	\$70,328,046	\$0	\$0	\$294,247,871	

The 2027 biennium HFD HB 2 budget request is funded by general fund, state special revenue, and federal funds.

General fund pays for administration and facility costs, including personal services and operating expenses.

State special revenue includes several sources of revenue:

- Cigarette Tax Revenue: By statute, 8.3% of cigarette taxes collected are deposited into a state special revenue account for support of veterans' nursing home costs at state operated veterans' homes. Statute requires that funds in excess of \$2.0 million in the veterans' portion of the cigarette tax revenue be transferred to the general fund at the end of the fiscal year. Cigarette taxes are a declining revenue source
- Earmarked Alcohol funds support the Montana Chemical Dependency Center (MCDC) in Butte

Federal funds in the proposed budget are associated with the three veterans' homes.

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	871.36	871.36	774.06	774.06
Personal Services	52,234,218	67,862,856	72,591,248	69,761,446	70,710,093
Operating Expenses	52,215,530	46,199,550	38,254,428	75,876,163	76,104,319
Equipment & Intangible Assets	187,067	173,553	77,093	77,093	77,093
Benefits & Claims	1,000	0	0	0	0
Transfers	0	50,001	0	0	0
Debt Service	2,132,724	787,231	820,832	820,832	820,832
Total Expenditures	\$106,770,539	\$115,073,191	\$111,743,601	\$146,535,534	\$147,712,337
General Fund	77,617,495	77,680,511	72,112,922	112,360,895	112,683,420
State/Other Special Rev. Funds	17,322,812	20,499,460	21,948,180	18,860,058	18,989,225
Federal Spec. Rev. Funds	11,830,232	16,893,220	17,682,499	15,314,581	16,039,692
Total Funds	\$106,770,539	\$115,073,191	\$111,743,601	\$146,535,534	\$147,712,337
Total Ongoing	\$106,770,539	\$115,073,191	\$111,743,601	\$111,485,296	\$112,434,529
Total OTO	\$0	\$0	\$0	\$35,050,238	\$35,277,808

Program Description

The Healthcare Facilities Division (HFD) is responsible for the management and oversight of seven state health care facilities. HFD facilities include the Montana State Hospital (MSH) in Warm Springs, Montana Mental Health Nursing Care Center (MMHNCC) in Lewistown; Montana Chemical Dependency Center (MCDC) in Butte, Montana Veterans' Home (MVH) in Columbia Falls, Southwest Montana Veterans Home (SWMVH) in Butte (contracted), Eastern Montana Veterans Home (EMVH) in Glendive (contracted), and the Intensive Behavior Center (IBC) in Boulder. HFD clients include Montanans living with mental illness, substance use disorders, developmental disabilities, and/or aging-related health conditions.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

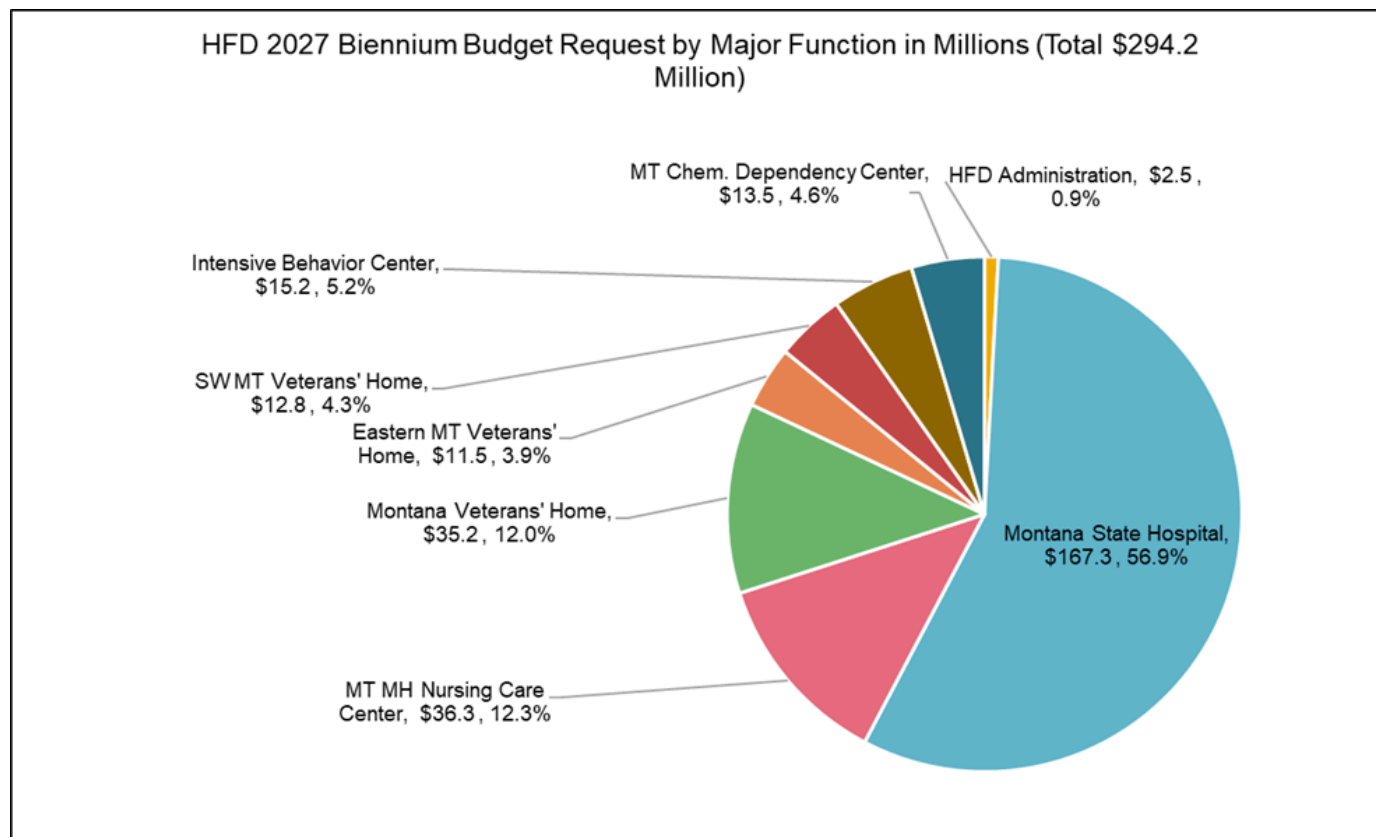
In FY 2024 HFD expended 92.8% of its overall ongoing HB 2 budget, and 99.9% of its general fund budget.

FY 2024 Appropriation Compared to FY 2025 Appropriation

HFD ongoing FY 2025 total appropriations are \$3.3 million lower, or 2.9% lower, than the FY 2024 total appropriation of \$115.1 million. This difference is primarily due to a lower budgeted amount for operating expenses in FY 2025.

*Program Discussion**Biennium Budget by Major Function*

The HFD 2027 biennium HB 2 budget request is \$294.2 million. The table below illustrates the HFD budget request by major function.

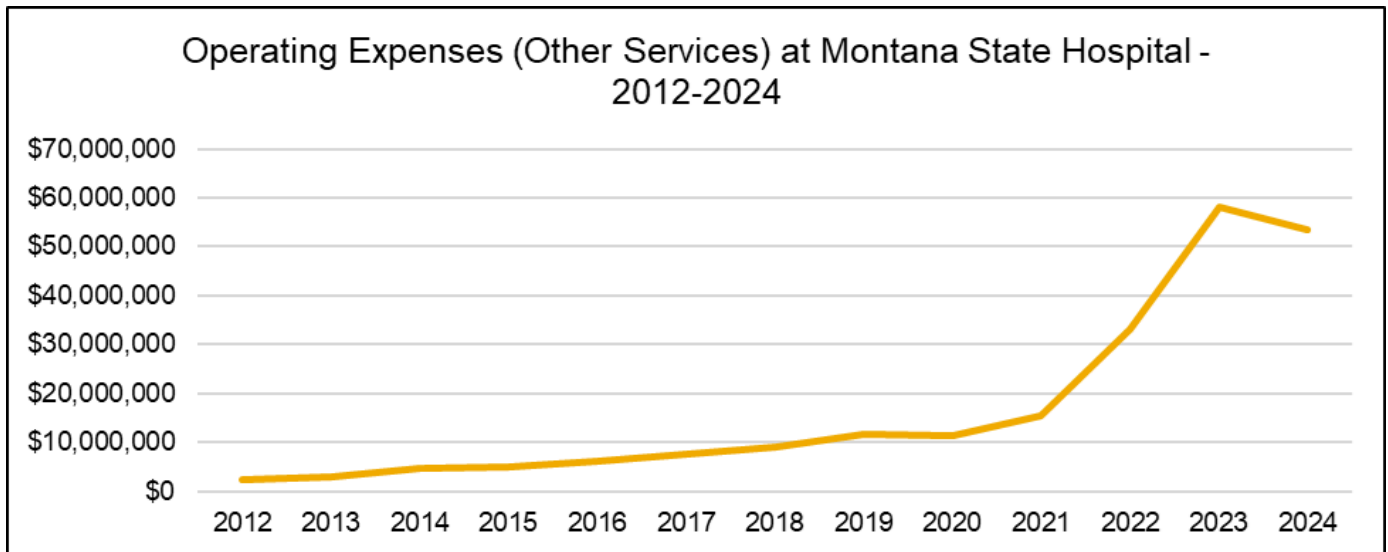


The majority of the HFD budget request supports the seven facilities. Division administration makes up 0.9% of the total.

The Montana State Hospital

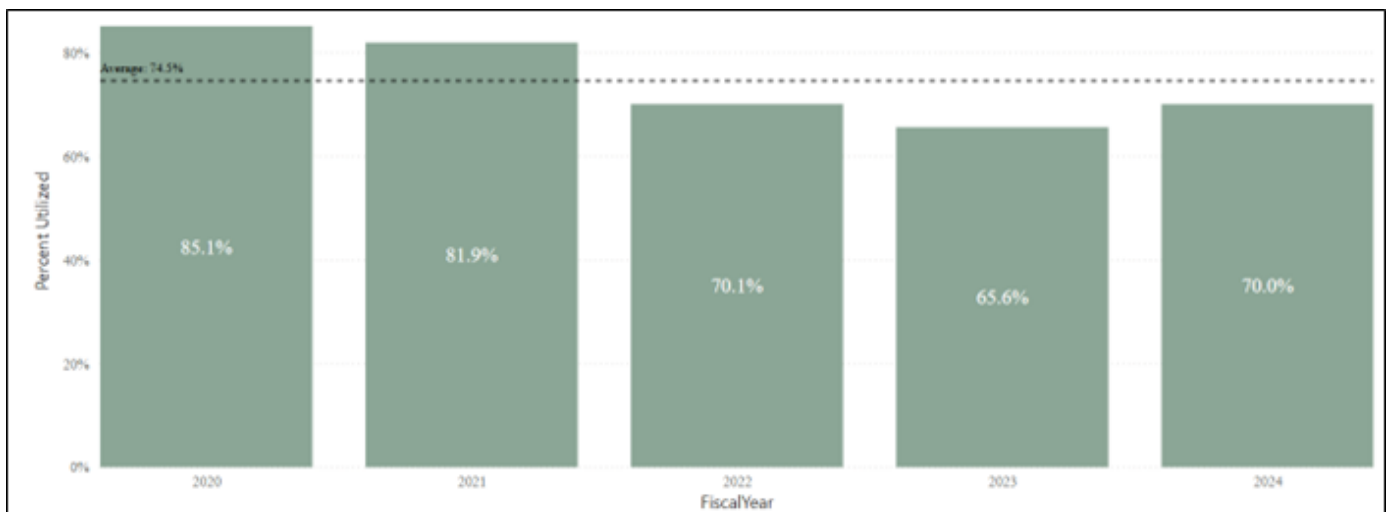
The requested HB 2 budget for the Montana State Hospital is a 56.0% increase in FY 2026 and 56.3% increase in FY 2027 as compared to the FY 2025 base budget for the same facility. During the 2023 biennium interim (April 2022) MSH lost its CMS Medicare/Medicaid reimbursable facility status due to being “out of compliance with CMS basic health and safety requirements.” DPHHS and the Department of Administration (DOA) are in the process of working toward compliance and CMS recertification. The target date for recertification completion is December 2025, and spending as of September 2024 on recertification totaled \$15.3 million.

Difficulties at MSH predate this most recent action by CMS. The facility has had difficulty maintaining adequate staffing levels over the past few biennia. The graph below shows expenditures at MSH on the “other expenses” category of operating expenses. Most, though not all, of this category of expenditure at MSH is on contract labor. Contract labor (traveling nurses and similar types of roles) is used to fill gaps in staffing when state employees are not sufficient to meet staffing level requirements.

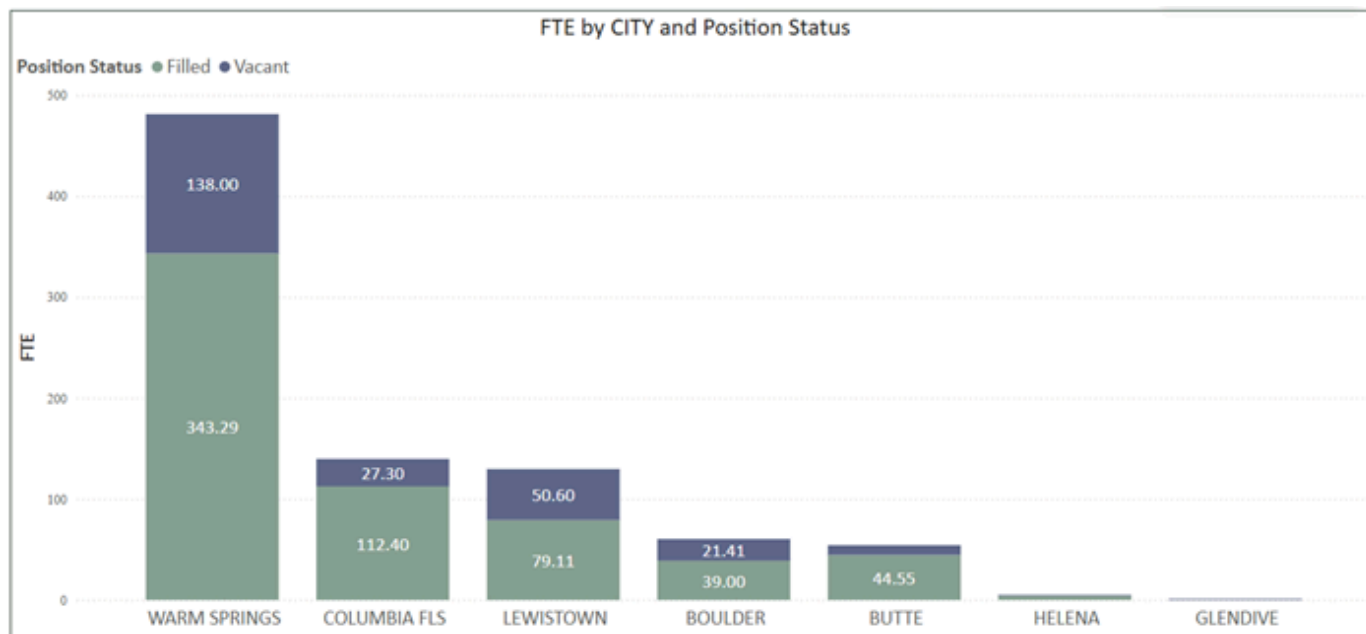


Vacancies and Utilized Hours in HFD

The column graph below shows the percentage of appropriated hours of labor that were utilized at HFD in the FY 2020-2024 period. The drop in utilized hours over time indicates elevated levels of vacancies.



The graph below shows filled and vacant positions for the seven HFD facilities as of August 1, 2024. Overall, the vacancy rate for HFD at this time was 28.6%, or 249.01 PB out of 871.36 PB vacant.



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	1,614,645	(432,199)	(108,155)	1,074,291	0.00	1,693,617	(404,365)	(103,709)	1,185,543
DP 2 - Fixed Costs	0.00	(426,141)	(119,816)	(24,559)	(570,516)	0.00	(435,628)	(122,485)	(25,106)	(583,219)
DP 3 - Inflation Deflation	0.00	(6,212)	(1,126)	0	(7,338)	0.00	(4,199)	(760)	0	(4,959)
DP 33001 - Overtime/Holiday/Differential - MSH	0.00	495,473	0	0	495,473	0.00	495,473	0	0	495,473
DP 33002 - Overtime/Holiday/Differential - MVH	0.00	0	137,190	69,459	206,649	0.00	0	137,190	69,459	206,649
DP 33003 - Overtime/Holiday/Differential - IBC	0.00	135,203	0	0	135,203	0.00	135,203	0	0	135,203
DP 33004 - Overtime/Holiday/Differential - MHNCC	0.00	177,041	0	0	177,041	0.00	177,041	0	0	177,041
DP 33005 - Overtime/Holiday/Differential - MCDC	0.00	0	65,964	0	65,964	0.00	0	65,964	0	65,964
DP 33006 - Per Deim Request - EMVH	0.00	0	0	590,263	590,263	0.00	0	0	892,372	892,372
DP 33007 - Per Deim Request - SWMVH	0.00	0	0	222,718	222,718	0.00	0	0	637,023	637,023
DP 33009 - Facilities Contracted Services Rate Increase	0.00	824,307	31,064	11,651	867,022	0.00	938,606	43,858	16,449	998,913
Grand Total All Present Law Adjustments	0.00	\$2,814,316	(\$318,923)	\$761,377	\$3,256,770	0.00	\$3,000,113	(\$280,598)	\$1,486,488	\$4,206,003

***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 Public Health and Human Services Healthcare Facilities Division FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$(9,661,864)
Management Changes	799,913
Total Budget Modifications	9,936,243
Total	<u>\$1,074,291</u>

The significant reductions in legislative changes in DP1 are driven by backing out one-time-only appropriations for HFD passed during the 2023 Session. The Legislature appropriated \$30.0 million general fund in FY 2024 and \$20.0 million general fund in FY 2025 to support facility operation. Of the \$20.0 million in FY 2025, the \$10.0 million appropriated for personal services was backed out of DP 1.

Management changes are driven by promotion, retention, and hiring differential pay. The most significant budget modification in the 2025 biennium moved \$9.7 million out of personal services and into operating expenses to pay for contract labor – DP 1 adds this amount, along with some other smaller changes, back into personal services.

DP 2 - Fixed Costs -

The request includes reductions of \$570,516 in FY 2026 and \$583,219 in FY 2027 to provide the funding required in the budget to pay fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates charged for these services are approved in a separate portion of the budget.

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 33001 - Overtime/Holiday/Differential - MSH -

The executive requests funding for existing services at the Montana State Hospital in HFD. Overtime personal services expenses are removed from the adjusted base when the program's positions are funded. The increase is intended to fully fund overtime to maintain required staffing levels at this 24/7 acute care facility in addition to what is funded in DP 1.

DP 33002 - Overtime/Holiday/Differential - MVH -

The executive requests funding for existing services at the Montana Veterans Home in HFD. Overtime personal services expenses are removed from the adjusted base when the program's positions are funded. The increase fully funds overtime to maintain required staffing levels at this 24/7 facility in addition to what is funded in DP 1.

DP 33003 - Overtime/Holiday/Differential - IBC -

The executive requests funding for existing services at the Intensive Behavior Center in HFD. Overtime personal services expenses are removed from the adjusted base when the program's positions are funded. The increase is intended to fully fund overtime to maintain required staffing levels at this 24/7 facility in addition to what is funded in DP 1.

DP 33004 - Overtime/Holiday/Differential - MHNCC -

The executive requests funding for existing services at the Montana Mental Health Nursing Care Center in HFD. Overtime personal services expenses are removed from the adjusted base when the program's positions are funded. The increase is intended to fully fund overtime to maintain required staffing levels at this 24/7 facility in addition to what is funded in DP 1.

DP 33005 - Overtime/Holiday/Differential - MCDC -

The executive requests funding for existing services at the Montana Chemical Dependency Center in HFD. Overtime personal services expenses are removed from the adjusted base when the program's positions are funded. The increase is intended to fully fund overtime to maintain required staffing levels at this 24/7 facility in addition to what is funded in DP 1.

DP 33006 - Per Diem Request - EMVH -

The executive requests an increase in federal authority for the federal Veterans Administration (VA) per diem rates that will be reimbursed for the nursing facility days of care at the Eastern Montana Veterans Home (EMVH) in the Healthcare Facility Division in the 2027 Biennium. The VA per diem rate increases effective October 1st of each year.

DP 33007 - Per Diem Request - SWMVH -

The executive requests an increase in federal authority for the federal Veterans Affairs (VA) per diem rates that will be reimbursed for the nursing facility days of care at the Southwest Montana Veterans Home in the Healthcare Facilities Division in the 2027 biennium. The VA per diem rate increases on October 1st of each year.

DP 33009 - Facilities Contracted Services Rate Increase -

The executive requests funding to maintain operational contracted services at the state-run facilities within the Healthcare Facilities Division. Examples of this include food services and laundry services.

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 33104 - Facility Wage and Operational Standardization (OTO)	(97.30)	34,890,719	159,519	0	35,050,238	(97.30)	35,027,447	250,361	0	35,277,808
DP 33107 - State Special Revenue Funding Switch - MCDC	0.00	0	0	0	0	0.00	0	0	0	0
DP 33108 - State Special Revenue Fund Switch - MSH	0.00	0	0	0	0	0.00	0	0	0	0
DP 33109 - Realign Appropriation for SWMVH VA Reimbursement	0.00	0	0	(2,067,833)	(2,067,833)	0.00	0	0	(2,067,833)	(2,067,833)
DP 33201 - Fund Switch and Realignment for Montana Veterans	0.00	2,542,938	(2,928,718)	(1,061,462)	(1,447,242)	0.00	2,542,938	(2,928,718)	(1,061,462)	(1,447,242)
Total	(97.30)	\$37,433,657	(\$2,769,199)	(\$3,129,295)	\$31,535,163	(97.30)	\$37,570,385	(\$2,678,357)	(\$3,129,295)	\$31,762,733

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

DP 33104 - Facility Wage and Operational Standardization (OTO) -

The executive requests to adjust wages for targeted clinical positions among all facilities and adjust operational funding, including contracted clinical labor in the Healthcare Facilities Division. The adjusted funding request reflects the current operating environment at 24/7 state health care facilities tasked with serving vulnerable populations. These facilities continue to exhibit significant authorized PB vacancy rates, which has led to the contracting of certain clinical positions to ensure patient and staff safety and the mandatory admission of patients, as well as to maintain facility licensure.

Funding associated with contracted clinical labor is requested as one-time-only and will not be included in the base budget, allowing DPHHS to continue reevaluating and reforming facilities operations in subsequent biennia. This package requests \$70.3 million in total funds for the biennium, including \$69.9 million in general fund and \$409,880 in state special funds. This also includes a reduction of 97.30 PB with associated funding. The reduction in personal services funding associated with the removal of 97.30 PB is offset by an increase to both personal services in some areas of the HFD budget (most notably the MT Mental Health Nursing Care Center and the Montana State Hospital) and significant increases in operating expenses for contract staff, most notably at MSH.

LFD ISSUE

Legislative Options for Facility Funding

While the executive has proposed this as one-time-only (OTO), the interpretation of this for various aspects could be less than clear when determining the base budget for the next biennium. The legislature may wish to clarify their intent regarding any actions taken.

One option for clarification would be to break the components of DP 33104 into several discrete decision packages:

- One-time-only funding for operating expenses (contract staff) at 24/7 facilities
- Ongoing funding for higher wages for state employees at 24/7 facilities
- Ongoing removal of vacant PB and associated funding

Breaking these components apart may permit more clarity on budget components that are intended to be one-time-only versus those intended to be ongoing.

DP 33107 - State Special Revenue Funding Switch - MCDC -

The executive requests to align Medicaid cost recovery funds for the Montana Chemical Dependency Center in the Healthcare Facilities Division. This fund switch increases state special revenue funds for alcohol tax and decreases state special revenue funds for Medicaid cost recovery revenue in each year of the biennium. The total cost for the program is not impacted by this package.

DP 33108 - State Special Revenue Fund Switch - MSH -

The executive requests to align cigarette tax revenue in the Healthcare Facilities Division. This fund switch increases state special revenue funds for alcohol tax and decreases state special revenue funds for cigarette tax revenue in each year of the biennium. The total cost for the program is not impacted by this decision package.

DP 33109 - Realign Appropriation for SWMVH VA Reimbursement -

The executive requests to reduce the appropriation of federal funds to the Southwest Montana Veterans Home to align appropriations with anticipated expenditures.

DP 33201 - Fund Switch and Realignment for Montana Veterans' Home -

The executive requests to realign funding for the Montana Veterans' Home programs. Included in the realignment is a fund switch reducing the use of state special revenue cigarette taxes and federal funds, while increasing general funds.

DEPARTMENT OF FISH, WILDLIFE, & PARKS

Section C

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----Agencies-----

Dept. of Fish, Wildlife, & Parks
Dept. of Environmental Quality
Dept. of Transportation

Dept. of Livestock
Dept. of Natural Resources & Conservation
Dept. of Agriculture

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

House

Representative Jerry Schillinger (Chair)
Representative Eric Albus
Representative Debo Powers

Senate

Senator Mike Cuffe (Vice Chair)
Senator Kenneth Bogner
Senator Jane Ellis

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

Rob Miller
Alice Hecht
Barb Wagner

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	711.91	742.26	742.26	30.35	2.1%
State/Other Special Rev. Funds	99,157,465	112,430,463	111,945,005	26,060,538	13.1%
Federal Spec. Rev. Funds	34,443,293	34,107,343	34,142,144	(637,099)	(0.9%)
Total Funds	133,600,758	146,537,806	146,087,149	25,423,439	9.5%
Personal Services	63,075,639	66,205,386	66,384,653	6,438,761	5.1%
Operating Expenses	64,045,497	73,251,165	73,056,741	18,216,912	14.2%
Equipment & Intangible Assets	1,140,054	1,741,687	1,306,187	767,766	33.7%
Grants	1,577,888	1,577,888	1,577,888		0.0%
Benefits & Claims	18,800	18,800	18,800		0.0%
Transfers	3,101,537	3,101,537	3,101,537		0.0%
Debt Service	641,343	641,343	641,343		0.0%
Total Expenditures	133,600,758	146,537,806	146,087,149	25,423,439	9.5%
Total Ongoing	133,600,758	145,944,593	145,929,436	24,672,513	9.2%
Total One-Time-Only	450,000	593,213	157,713	(149,074)	(16.6%)

Agency Highlights

**Department of Fish, Wildlife, and Parks
Major Budget Highlights**

The executive proposes an increase of 9.5% or \$25.4 million above FY 2025 base funding. In addition to the statewide present law adjustment of \$3.3 million, this includes:

- Aircraft and vehicle fleet rate increases: \$6.1 million
- New positions, 30.35 PB: \$5.8 million
- Game and nongame programs operational increase: \$4.9 million
- Equipment purchases: \$767,800
- USGS stream gage network support: \$630,000
- Technology and website improvements: \$575,600
- Legal unit caseload increase: \$570,500
- Proprietary maintenance increase: \$500,000
- Modified positions: \$491,000
- Overtime and pay adjustments: \$478,000
- Montana Outdoor Magazine operations increase: \$250,000
- Grizzly bear operations: \$240,000
- One-time-only Stream Protection Act permitting in support of MDT projects: - \$214,500

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 Fish, Wildlife, and Parks 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
Base Budget	0	99,157,465	34,443,293	133,600,758	91.2%	0	99,157,465	34,443,293	133,600,758	91.5%
Statewide PL										
Personal Services	0	542,003	(54,844)	487,159	0.3%	0	685,947	(34,407)	651,540	0.4%
Fixed Costs	0	1,297,450	0	1,297,450	0.9%	0	1,241,117	0	1,241,117	0.8%
Inflation Deflation	0	(112,379)	(89,664)	(202,043)	(0.1%)	0	(75,951)	(60,600)	(136,551)	(0.1%)
Total Statewide PL	0	1,727,074	(144,508)	1,582,566	1.1%	0	1,851,113	(95,007)	1,756,106	1.2%
Present Law (PL)	0	6,652,142	0	6,652,142	4.5%	0	6,830,634	0	6,830,634	4.7%
New Proposals	0	4,893,782	(191,442)	4,702,340	3.2%	0	4,105,793	(206,142)	3,899,651	2.7%
Total HB 2 Adjustments	0	13,272,998	(335,950)	12,937,048	8.8%	0	12,787,540	(301,149)	12,486,391	8.5%
Total Requested Budget	0	112,430,463	34,107,343	146,537,806		0	111,945,005	34,142,144	146,087,149	

Personal services increase by \$1.6 million.

Increases in personal services include statewide present law adjustments and adjustments for sergeant pay and overtime. The pay adjustment is to address a pay imbalance within their law enforcement division where criminal investigators, in non-supervisory roles, are earning more per hour than sergeants who hold supervisory positions. Overtime pay would be for game wardens.

Operating expenditures increase by \$14.8 million.

The executive proposes a \$6.1 million increase for fleet programs to maintain vehicles and aircraft used by staff. Non-game program operating expenses would rise by \$3.3 million, using marijuana tax revenue to enhance conservation efforts for priority species and support wildlife biologists in surveying game and nongame animals.

An additional \$630,000 would fund contracts with the U.S. Geological Service for stream gage information, while \$100,000 would improve irrigation system efficiency to boost stream flows for trout. The Wildlife division's 35.08 modified positions conducting chronic wasting disease (CWD) surveillance would receive a \$491,000 increase for pay and benefits, as these positions are not included in statewide present law adjustments. The grizzly bear conflict program would receive an additional \$240,000 to work with landowners and communities on mitigating and reducing conflict.

Montana Outdoors Magazine funding would increase by \$250,000, mainly for printing and mailing costs and to meet an increasing caseload, and litigation funding would increase by \$570,500. All other increases in operations total \$3.1 million.

Equipment expenditures increases by \$403,800.

Appropriations in the wildlife and enforcement divisions would increase by \$254,300 for equipment such as all-terrain vehicles, snowmobiles, and bear traps. The executive requests a one-time-only appropriation for equipment in the Parks and Outdoor Recreation Division of \$149,500 funded from a portion of vehicle registration fees.

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 (DP 1) has been broken down into three categories, as follows:

- Legislatively approved changes – This category includes adjustments explicitly approved by the legislature, such as expected changes to annualized personal services costs included in the FY 2023 statewide pay plan adjustments, changes to benefit rates, increases in pay approved by the legislature, longevity adjustments required by statute, and changes in rates for workers' compensation and unemployment insurance
- Management decisions – 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 2023 personal services base budget such as management decisions to transfer personal services funding between programs within an agency or transfers to move personal funding to or from other 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.

Department of Fish, Wildlife, and Parks DP 1 Personal Services Statewide Present Law Adjustments FY 2026				
<u>Division</u>	<u>Legislative Changes</u>	<u>Management Decisions</u>	<u>Budget Modifications</u>	<u>DP 1 Total</u>
Technical Services	\$37,164	(\$17,127)	\$0	\$20,037
Fisheries	700,691	(566,711)	-	133,980
Enforcement	(44,143)	159,692	(26,100)	89,449
Wildlife	111,476	22,240	106,101	239,817
Parks and Recreation	225,600	(422,944)	(40)	(197,384)
Communications and Education	42,493	(9,369)	-	33,124
Administration	(136,507)	304,643	-	168,136
DP 1 - Personal Services	\$936,774	(\$529,576)	\$79,961	\$487,159

The base budget includes \$63.1 million in personal services. The executive proposes a statewide present law personal services adjustment increase of \$1.1 million, or 0.9%, above base funding: \$487,200 in FY 2026 and \$651,500 in FY 2027. Higher authority in FY 2027 is due to increases for longevity and retirement. Management decision decreases include the decision to move about 57.00 PB for maintenance out of HB 2 and into a proprietary program. Management also adjusted expenditures for promotions, reclassifications, vacancy savings, and temporary duties.

New Positions Budgeted

The executive proposes a total increase of 30.35 positions budgeted (PB) across various divisions, which would add \$4.8 million in personal services and \$1.0 million in operating costs.

In the Technical Services division, the proposal includes 1.00 new PB to support the MyFWP mobile application, funded with state special revenue. The Enforcement division would see an increase of 7.00 PB for new game wardens funded with state special revenue. For the Parks and Outdoor Recreation Division, the executive proposes adding 7.35 PB to the Montana State Parks system. The Communications and Education division would receive 7.00 PB to enhance regional customer service, expand outdoor education programs, and support regional offices during peak seasons.

The Administration Division would see the largest increase with several proposals: 1.00 PB for aquatic habitat protection, 1.00 PB for a new staff pilot in the Great Falls and Lewistown area, 2.00 PB for a fisheries research biologist and a research coordinator in the research unit, 2.00 PB to expand the genetics program within the Research Unit, and 2.00 PB to expand the fish health lab staff.

The table below summarizes the new position budgeted as proposed by the executive.

Department of Fish, Wildlife, and Parks Proposed New Positions Budgeted						
Division	Tech. <u>Servc.</u>	Admin	Com & <u>Educ.</u>	Enforc	Parks & Outdoor <u>Rec.</u>	Total
Positions Budgeted	1.00	8.00	7.00	7.00	7.35	30.35
Expenditures						
Personal Services	\$195,732	\$1,504,254	\$914,910	\$1,347,980	\$859,220	\$4,822,096
Operating Expense	22,001	353,000	19,600	549,128	83,296	1,027,025
Total Expenditures	\$217,733	\$1,857,254	\$934,510	\$1,897,108	\$942,516	\$5,849,121
Funding						
State Special Revenue	\$217,733	\$1,857,254	\$233,628	\$1,897,108	\$942,516	\$5,148,239
Federal Special Revenue	-	-	700,882	-	-	700,882
Total Funding	\$217,733	\$1,857,254	\$934,510	\$1,897,108	\$942,516	\$5,849,121

The executive is proposing to fund 43.08 temporary positions across several divisions, in addition to the ongoing positions previously mentioned. These positions would be funded with \$4.1 million in operating costs funded with state special revenue.

**LFD
COMMENT**
Temporary Positions

Temporary positions use authorized funding, but do not become permanent PB upon which the snapshot is built for personal services costs for the subsequent biennium. However, if the funding is maintained outside of the personal services expenditure category, that funding does go into the base, and the agency would have the flexibility to use that authority for temporary positions or for other purposes in future biennia.

In the Wildlife Division:

The executive proposes an increase in state special revenue to cover personal services costs for the division's current 35.08 positions in the new proprietary maintenance program. These positions support various wildlife management and conservation efforts, including CWD surveillance, bear management, wolf and mountain lion monitoring, and various species-specific technician roles. Additionally, the executive proposes funding for 3.00 temporary technicians for wildlife surveys and monitoring in the nongame program, aiming to prevent endangered species listings and enhance conservation efforts.

Administration Division:

To address increased caseloads and inflationary costs in the legal unit, the executive proposes an increase in state special revenue to fund 1.00 temporary attorney position and increase operational resources for contracts and litigation costs.

Fisheries Division:

A one-time-only increase in state special revenue is proposed to fund 1.00 temporary position to perform Stream Protection Act permitting, anticipating increased caseloads due to the Department of Transportation's bridge rehabilitation initiative.

Education and Communications Division:

The executive proposes a one-time-only 1.00 temporary position to facilitate the transition of a new Montana Outdoors editor, funding the retention of the retiring editor during the transition period and updating public program materials.

Present Law Adjustments

The executive proposes to increase state special authority by \$6.1 million to cover higher fleet and aircraft proprietary rates.

The executive proposes to increase the budget by \$730,000 for enhanced instream flow monitoring and improvement. This includes funding USGS stream gaging services for real-time data and collaborating with water users to improve irrigation practices, upgrade infrastructure, and lease water, benefiting aquatic ecosystems and water management.

Increased funding for wildlife programs of \$940,000 is proposed for game and nongame animal surveys, grizzly bear conflict management, and the Upland Game Bird Program, these operations support habitat conservation, public hunting opportunities, and conflict prevention.

Proposals for equipment purchase total \$403,800 and include in the Parks and Outdoor Recreation Division an increase in ongoing authority for equipment purchases to replace aging equipment such as trailers, all-terrain vehicles, snowmobiles, and habitat management tools. In the Enforcement Division, a one-time-only appropriation is proposed for small equipment purchases. In the Wildlife Division, there is a proposal for an increase in authority for the ongoing equipment budget to replace unsafe and outdated equipment necessary for daily operations, including boats, all-terrain vehicles, utility task vehicles, bear traps, and snowmobiles.

The proposed budget for the proprietary maintenance program and the Havre Area Office increases authority by \$526,300. Proposals for pay adjustments and overtime total \$478,000 in the enforcement division. The executive budget includes \$32,000 for employee development. Other funding totaling \$480,000 is budgeted for website updates and other operational improvements.

New Proposals

The executive request includes several new proposals. A \$1.6 million increase is proposed for the nongame native fisheries program to support inventorying, monitoring, and data gathering for species conservation and habitat restoration. The executive proposes \$425,000 for technology updates. The proposed budget includes \$50,000 to fund a contractor as the Gartside Reservoir Dam Operator, a high-hazard dam currently maintained by FWP staff. For the Communication and Education Division, \$78,000 is proposed to establish an annual equipment budget. The budget request also includes a one-time-only appropriation of \$268,000 for specialized wildlife equipment, including vehicles, traps, and trailers to support wildlife technicians.

Funding

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

Total Department of Fish, Wildlife, and Parks 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
02409 General License	156,157,397	601,426		1,114,826	157,873,649	47.8%
02334 Hunting Access	25,262,385				25,262,385	7.6%
02411 State Parks Miscellaneous	18,303,409	149,500		124,702	18,577,611	5.6%
02274 FWP Accommodations Tax				9,625,508	9,625,508	2.9%
02061 Nongame Wildlife Account	6,678,990				6,678,990	2.0%
Other State Special Revenue	17,222,361			226,298	17,448,659	5.3%
State Special Revenue Total	223,624,542	750,926	-	11,091,334	235,466,802	71.2%
03097 Fish(WB)-Wildl(Pr) Restor Grnt	51,937,867			625,400	52,563,267	15.9%
03403 Misc Federal Funds	14,388,437				14,388,437	4.4%
03408 State Wildlife Grants	1,616,845				1,616,845	0.5%
03098 Parks Federal Revenue	225,816				225,816	0.1%
03129 USFWS Section 6	80,522				80,522	0.0%
Federal Special Revenue Total	68,249,487	-	-	625,400	68,874,887	20.8%
06513 FWP Maintenance Fund			15,798,287		15,798,287	4.8%
06502 FWP Fleet Fund			7,767,210		7,767,210	2.3%
06540 DFWP Aircraft			1,349,034		1,349,034	0.4%
06068 MFWP Visitor Services			1,117,356		1,117,356	0.3%
06503 F & G Warehouse Inventory			208,372		208,372	0.1%
Proprietary Fund Total	-	-	26,240,259	-	26,240,259	7.9%
Total of All Funds	291,874,029	750,926	26,240,259	11,716,734	330,581,948	
Percent of All Sources of Authority	88.3%	0.2%	7.9%	3.5%		

The agencies largest source of funding is state special revenue, which funds 76.7% of HB 2, and 71.2% of total funding. This revenue is derived from permitting fees, fines, and bond proceeds utilized to support specific department functions such as permitting, enforcement, and remediation.

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	711.91	711.91	742.26	742.26
Personal Services	63,838,740	65,281,995	63,075,639	66,205,386	66,384,653
Operating Expenses	53,239,719	59,181,358	64,495,497	73,251,165	73,056,741
Equipment & Intangible Assets	1,303,892	1,674,254	1,140,054	1,741,687	1,306,187
Grants	1,752,987	1,793,379	1,577,888	1,577,888	1,577,888
Benefits & Claims	19,500	27,502	18,800	18,800	18,800
Transfers	1,147,232	2,222,856	3,101,537	3,101,537	3,101,537
Debt Service	634,468	686,518	641,343	641,343	641,343
Total Expenditures	\$121,936,538	\$130,867,862	\$134,050,758	\$146,537,806	\$146,087,149
State/Other Special Rev. Funds	89,204,489	97,186,403	99,607,465	112,430,463	111,945,005
Federal Spec. Rev. Funds	32,732,049	33,681,459	34,443,293	34,107,343	34,142,144
Total Funds	\$121,936,538	\$130,867,862	\$134,050,758	\$146,537,806	\$146,087,149
Total Ongoing	\$121,895,196	\$130,287,862	\$133,600,758	\$145,944,593	\$145,929,436
Total OTO	\$41,342	\$580,000	\$450,000	\$593,213	\$157,713

Agency Description

Agency Mission: Montana Fish, Wildlife & Parks, through its employees and citizen commission, provides for the stewardship of the fish, wildlife, parks, and recreational resources of Montana, while contributing to the quality of life for present and future generations.

Additional information is included in the agency profile.

FY 2024 Appropriations Compared to FY 2024 Expenditures.

In FY 2024, the Department of Fish, Wildlife, and Parks spent 93.2% of its \$130.9 million HB 2 budget Leaving \$8.9 million unexpended.

The Department expended 97.8% of the \$65.3 million appropriated for personal services, leaving \$1.4 million unexpended in FY 2024. Unexpended authority, primarily for operations in the Parks and Outdoor Recreation Division totaled \$2.8 million. Administration programs were \$1.4 million unexpended. Authority for fisheries programs operations was 87.4% expended leaving \$1.3 million unexpended. Authority for enforcement operations were 85.1% expended leaving \$521,500 unexpended. Unexpended authority in the Communications, Technical Services, Wildlife Divisions totaled \$1.5 million.

FY 2024 Appropriations Compared to FY 2025 Appropriations

Total appropriations increased by 2.4% or \$3.2 million in FY 2025 compared to FY 2024. Increases were due primarily to operating costs increased by \$5.3 million primarily in the parks division which accounted for 63.1% or \$3.4 million of the increase. Personal services authority is lower in FY 2025 by \$2.2 million, primarily in the wildlife and the parks divisions where personal services decreased by a combined \$3.0 million. Authority for transfers increased by \$878,700, while all other expenditure decreased by \$673,600.

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 Fish, Wildlife, and Parks Comparison of the FY 2025 Legislative Budget to the FY 2025 Base Budget				
Program	<u>Legislative Budget</u>	<u>Executive Modifications</u>	<u>Base Budget</u>	<u>Percent Change</u>
<u>Technical Services Division</u>				
Personal Services	\$4,045,921	-	\$4,045,921	0.0%
Operating Expenses	4,004,639	604,279	4,608,918	15.1%
Equipment & Intangible Assets	53,111	-	53,111	0.0%
Transfers	102,342	-	102,342	0.0%
Total	8,206,013	604,279	8,810,292	7.4%
<u>Fisheries Division</u>				
Personal Services	13,824,495	(285,990)	13,538,505	-2.1%
Operating Expenses	8,625,790	220,438	8,846,228	2.6%
Equipment & Intangible Assets	385,000	-	385,000	0.0%
Grants	264,570	42,500	307,070	16.1%
Benefits & Claims	3,000	-	3,000	0.0%
Transfers	1,402,392	18,000	1,420,392	1.3%
Debt Service	12,905	-	12,905	0.0%
Total	24,518,152	(5,052)	24,513,100	0.0%
<u>Enforcement Division</u>				
Personal Services	11,900,370	-	11,900,370	0.0%
Operating Expenses	3,093,593	424,940	3,518,533	13.7%
Equipment & Intangible Assets	107,200	-	107,200	0.0%
Transfers	53,044	-	53,044	0.0%
Debt Service	-	50,417	50,417	-
Total	15,154,207	475,357	15,629,564	3.1%
<u>Wildlife Division</u>				
Personal Services	9,457,704	(581,724)	8,875,980	-6.2%
Operating Expenses	10,613,274	(58,615)	10,554,659	-0.6%
Equipment & Intangible Assets	147,867	-	147,867	0.0%
Grants	195,800	200,000	395,800	102.1%
Benefits & Claims	4,800	2,000	6,800	41.7%
Transfers	-	146,780	146,780	-
Total	20,419,445	(291,560)	20,127,885	-1.4%
<u>Parks & Outdoor Rec Div</u>				
Personal Services	8,366,264	(86,516)	8,279,748	-1.0%
Operating Expenses	24,115,763	142,582	24,258,345	0.6%
Equipment & Intangible Assets	419,238	-	419,238	0.0%
Grants	517,696	-	517,696	0.0%
Benefits & Claims	4,000	-	4,000	0.0%
Debt Service	500	-	500	0.0%
Total	33,423,461	56,066	33,479,527	0.2%
<u>Communication & Education Div</u>				
Personal Services	2,590,863	-	2,590,863	0.0%

52010 - Department Of Fish, Wildlife, And Parks**SUMMARY**

Operating Expenses	2,491,930	92,178	2,584,108	3.7%
Grants	431,402	(74,080)	357,322	-17.2%
Benefits & Claims	2,000	-	2,000	0.0%
Transfers	-	2,000	2,000	-
Total	5,516,195	20,098	5,536,293	0.4%
<u>Administration</u>				
Personal Services	12,996,083	848,169	13,844,252	6.5%
Operating Expenses	11,973,565	(2,298,858)	9,674,707	-19.2%
Equipment & Intangible Assets	27,638	-	27,638	0.0%
Benefits & Claims	3,000	-	3,000	0.0%
Transfers	1,348,479	28,500	1,376,979	2.1%
Debt Service	14,521	563,000	577,521	3877.1%
Total	26,363,286	(859,189)	25,504,097	-3.3%
Agency Total	\$133,600,759	-	\$133,600,759	0.0%

Program transfers moved \$1.2 million primarily from the Administration and Wildlife Divisions primarily to the Technical Services and Enforcement Divisions. Operating plan changes moved \$979,100 from operating expense and personal services to debt service, grants, and transfers.

HB 2 Language -

The Department of Fish, Wildlife and Parks is authorized to adjust the appropriations between state special and federal special revenue by like amounts in order to respond to increases or reductions in annual federal funding received during the biennium.

The snowmobile trail groomer appropriation in the Parks and Outdoor Recreation Division of \$300,000 a year is biennial.

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	39.00	40.00	40.00	1.00	1.3%
State/Other Special Rev. Funds	8,642,397	10,135,261	10,107,169	2,957,636	17.1%
Federal Spec. Rev. Funds	167,895	167,895	167,895		0.0%
Total Funds	8,810,292	10,303,156	10,275,064	2,957,636	16.8%
Personal Services	4,045,921	4,163,186	4,172,478	243,822	3.0%
Operating Expenses	4,608,918	5,984,517	5,947,133	2,713,814	29.4%
Equipment & Intangible Assets	53,111	53,111	53,111		0.0%
Transfers	102,342	102,342	102,342		0.0%
Total Expenditures	8,810,292	10,303,156	10,275,064	2,957,636	16.8%
Total Ongoing	8,810,292	10,303,156	10,275,064	2,957,636	16.8%
Total One-Time-Only					0.0%

Program Highlights

Technical Services Division Major Budget Highlights	
<p>The executive proposes an increase of 16.8% or \$3.0 million above base funding. In addition to statewide present law adjustments of \$2.2 million, this includes:</p> <ul style="list-style-type: none"> • Technology updates: \$425,600 • MyFWP website mobile application 1.00 PB: \$217,700 • Website support: \$150,000 	

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.

Technical 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
Base Budget	0	8,642,397	167,895	8,810,292	85.5%	0	8,642,397	167,895	8,810,292	85.7%
Statewide PL										
Personal Services	0	20,038	0	20,038	0.2%	0	28,052	0	28,052	0.3%
Fixed Costs	0	1,076,798	0	1,076,798	10.5%	0	1,039,415	0	1,039,415	10.1%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	0	1,096,836	0	1,096,836	10.6%	0	1,067,467	0	1,067,467	10.4%
Present Law (PL)	0	75,000	0	75,000	0.7%	0	75,000	0	75,000	0.7%
New Proposals	0	321,028	0	321,028	3.1%	0	322,305	0	322,305	3.1%
Total HB 2 Adjustments	0	1,492,864	0	1,492,864	14.5%	0	1,464,772	0	1,464,772	14.3%
Total Requested Budget	0	10,135,261	167,895	10,303,156		0	10,107,169	167,895	10,275,064	

Funding

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

Department of Fish, Wildlife, and Parks, 01-Technical Services 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%
02409 General License	20,242,430	0	0	0	20,242,430	100.0%
State Special Total	\$20,242,430	\$0	\$0	\$0	\$20,242,430	98.4%
03403 Misc Federal Funds	335,790	0	0	0	335,790	100.0%
Federal Special Total	\$335,790	\$0	\$0	\$0	\$335,790	1.6%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$20,578,220	\$0	\$0	\$0	\$20,578,220	

The Technical Services Division is funded primarily from state special revenue, and federal sources which fund less than 2.0% of the program. State special revenue is from the general license account. Revenues include the sale of fishing and hunting licenses, camping fees, permit sales, and other miscellaneous revenue.

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	39.00	39.00	40.00	40.00
Personal Services	3,590,701	3,872,491	4,045,921	4,163,186	4,172,478
Operating Expenses	3,985,877	4,625,777	4,608,918	5,984,517	5,947,133
Equipment & Intangible Assets	9,483	53,111	53,111	53,111	53,111
Transfers	0	102,342	102,342	102,342	102,342
Debt Service	55,046	56,000	0	0	0
Total Expenditures	\$7,641,107	\$8,709,721	\$8,810,292	\$10,303,156	\$10,275,064
State/Other Special Rev. Funds	7,497,240	8,541,826	8,642,397	10,135,261	10,107,169
Federal Spec. Rev. Funds	143,867	167,895	167,895	167,895	167,895
Total Funds	\$7,641,107	\$8,709,721	\$8,810,292	\$10,303,156	\$10,275,064
Total Ongoing	\$7,641,107	\$8,709,721	\$8,810,292	\$10,303,156	\$10,275,064
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Technology Services Division is responsible for FWP's technology infrastructure and website frameworks; software development; technology related oversight and guidance to ensure business alignment; collection, analysis, and dissemination of biological and geographical information via GIS technology; and user support, to ensure consistent and effective use of technology expenditures, products, and services. The division is designed with the state's enterprise principles, sustainable and achievable service levels, and the department's mission in mind.

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	20,038	0	20,038	0.00	0	28,052	0	28,052
DP 2 - Fixed Costs	0.00	0	1,076,798	0	1,076,798	0.00	0	1,039,415	0	1,039,415
DP 103 - Website Support	0.00	0	75,000	0	75,000	0.00	0	75,000	0	75,000
Grand Total All Present Law Adjustments	0.00	\$0	\$1,171,836	\$0	\$1,171,836	0.00	\$0	\$1,142,467	\$0	\$1,142,467

***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

Technical Services Division FY 2026 Statewide Present Law Adjustment for Personal Services	
	FY 2026
Legislative Changes	\$37,164
Management Changes	(17,126)
Budget Modifications	-
Total	\$20,038

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: warrant writer, motor pool, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 103 - Website Support -

The executive proposes an appropriation of state special revenue to update the FWP website. The FWP website is the main source of public information.

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 101 - Technology Modernization	0.00	0	212,800	0	212,800	0.00	0	212,800	0	212,800
DP 102 - Mobile App Resources	1.00	0	108,228	0	108,228	1.00	0	109,505	0	109,505
Total	1.00	\$0	\$321,028	\$0	\$321,028	1.00	\$0	\$322,305	\$0	\$322,305

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

DP 101 - Technology Modernization -

The executive proposes to appropriate state special revenue for technology updates.

DP 102 - Mobile App Resources -

The executive proposes increased state special authority to fund 1.00 new PB. The new position will support the MyFWP mobile application.

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	173.69	173.69	173.69	0.00	0.0%
State/Other Special Rev. Funds	10,926,591	11,944,464	11,896,121	1,987,403	9.1%
Federal Spec. Rev. Funds	13,586,508	13,587,765	13,616,094	30,843	0.1%
Total Funds	24,513,099	25,532,229	25,512,215	2,018,246	4.1%
Personal Services	13,538,505	13,672,484	13,704,147	299,621	1.1%
Operating Expenses	8,846,227	9,731,378	9,679,701	1,718,625	9.7%
Equipment & Intangible Assets	385,000	385,000	385,000		0.0%
Grants	307,070	307,070	307,070		0.0%
Benefits & Claims	3,000	3,000	3,000		0.0%
Transfers	1,420,392	1,420,392	1,420,392		0.0%
Debt Service	12,905	12,905	12,905		0.0%
Total Expenditures	24,513,099	25,532,229	25,512,215	2,018,246	4.1%
Total Ongoing	24,513,099	25,424,988	25,404,974	1,803,764	3.7%
Total One-Time-Only		107,241	107,241	214,482	0.0%

Program Highlights

Fisheries Division Major Budget Highlights	
<p>The executive proposes an increase of 4.1% or \$2.0 million above base funding. In addition to statewide present law adjustment of \$205,900 million, this includes:</p> <ul style="list-style-type: none"> • Non-game fisheries: \$1.6 million • Stream Protection Act permitting technician, 1.00 modified PB: \$214,500 	

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.

Fisheries 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
Base Budget	0	10,926,591	13,586,508	24,513,099	96.0%	0	10,926,591	13,586,508	24,513,099	96.1%
Statewide PL										
Personal Services	0	108,376	25,603	133,979	0.5%	0	119,601	46,041	165,642	0.6%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	(31,566)	(24,346)	(55,912)	(0.2%)	0	(21,334)	(16,455)	(37,789)	(0.1%)
Total Statewide PL	0	76,810	1,257	78,067	0.3%	0	98,267	29,586	127,853	0.5%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	941,063	0	941,063	3.7%	0	871,263	0	871,263	3.4%
Total HB 2 Adjustments	0	1,017,873	1,257	1,019,130	4.0%	0	969,530	29,586	999,116	3.9%
Total Requested Budget	0	11,944,464	13,587,765	25,532,229		0	11,896,121	13,616,094	25,512,215	

Funding

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

Department of Fish, Wildlife, and Parks, 03-Fisheries 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%
02061 Nongame Wildlife Account	1,597,844	0	0	0	1,597,844	6.7%
02148 Paddlefish Roe Account	52,932	0	0	0	52,932	0.2%
02284 Aquatic Invasive Species	5,175,569	0	0	0	5,175,569	21.7%
02409 General License	16,799,758	214,482	0	0	17,014,240	71.4%
State Special Total	\$23,626,103	\$214,482	\$0	\$0	\$23,840,585	46.7%
03097 Fish(WB)-Wildl(Pr) Restor Grnt	13,449,195	0	0	0	13,449,195	49.4%
03129 USFWS Section 6	80,522	0	0	0	80,522	0.3%
03403 Misc Federal Funds	12,827,261	0	0	0	12,827,261	47.2%
03408 State Wildlife Grants	846,881	0	0	0	846,881	3.1%
Federal Special Total	\$27,203,859	\$0	\$0	\$0	\$27,203,859	53.3%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$50,829,962	\$214,482	\$0	\$0	\$51,044,444	

The division is funded from state special revenue and federal sources. State special revenue is primarily funded from the general license account, which derives revenue from the sale of fishing and hunting licenses, camping fees, permit sales, a portion of vehicle license fees and other miscellaneous revenue. Revenues for aquatic invasive species come primarily from fees charged to anglers, and boat owners.

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	173.69	173.69	173.69	173.69
Personal Services	13,323,663	13,613,178	13,538,505	13,672,484	13,704,147
Operating Expenses	7,888,505	8,390,096	8,846,227	9,731,378	9,679,701
Equipment & Intangible Assets	724,980	789,200	385,000	385,000	385,000
Grants	202,645	211,870	307,070	307,070	307,070
Benefits & Claims	6,000	6,000	3,000	3,000	3,000
Transfers	18,406	723,642	1,420,392	1,420,392	1,420,392
Debt Service	13,076	13,080	12,905	12,905	12,905
Total Expenditures	\$22,177,275	\$23,747,066	\$24,513,099	\$25,532,229	\$25,512,215
State/Other Special Rev. Funds	9,996,648	11,249,625	10,926,591	11,944,464	11,896,121
Federal Spec. Rev. Funds	12,180,627	12,497,441	13,586,508	13,587,765	13,616,094
Total Funds	\$22,177,275	\$23,747,066	\$24,513,099	\$25,532,229	\$25,512,215
Total Ongoing	\$22,177,275	\$23,747,066	\$24,513,099	\$25,424,988	\$25,404,974
Total OTO	\$0	\$0	\$0	\$107,241	\$107,241

Program Description

The **Fisheries Division** is responsible for preserving, maintaining, and enhancing aquatic species and their ecosystems to meet the public's demand for recreational opportunities and stewardship of aquatic wildlife. Primary functions of the division include collection and analysis of fisheries data, fish stocking, establishing fishing regulations, habitat conservation and management, preserving aquatic resources, and maintaining sound fish populations and opportunities to enjoy them. The division formulates and implements policies and programs that emphasize management for wild fish populations and the protection and restoration of habitat necessary to maintain these populations. The division is responsible for:

- Aquatic Invasive Species Program
- Fisheries Mitigation Program
- Manages and protects fish and fish habitats
- Operating a hatchery program to stock lakes and reservoirs where natural reproduction is limited
- Regulating angler harvests

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	108,376	25,603	133,979	0.00	0	119,601	46,041	165,642
DP 3 - Inflation Deflation	0.00	0	(31,566)	(24,346)	(55,912)	0.00	0	(21,334)	(16,455)	(37,789)
Grand Total All Present Law Adjustments	0.00	\$0	\$76,810	\$1,257	\$78,067	0.00	\$0	\$98,267	\$29,586	\$127,853

***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

Fisheries Division FY 2026 Statewide Present Law Adjustment for Personal Services	
	<u>FY 2026</u>
Legislative Changes	\$700,690
Management Changes	(566,711)
Budget Modifications	-
Total	\$133,979

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 301 - SPA Coordination (OTO)	0.00	0	107,241	0	107,241	0.00	0	107,241	0	107,241
DP 302 - Non-Game Fisheries Request	0.00	0	833,822	0	833,822	0.00	0	764,022	0	764,022
Total	0.00	\$0	\$941,063	\$0	\$941,063	0.00	\$0	\$871,263	\$0	\$871,263

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

DP 301 - SPA Coordination (OTO) -

The executive proposes a one-time-only increase in state special revenue to fund 1.00 temporary position to perform Stream Protection Act permitting. Increased case load is anticipated due to the Department of Transportation initiative to rehabilitate or replace 500 – 700 bridges across the state of Montana over the next five years.

DP 302 - Non-Game Fisheries Request -

The executive proposes an increase in state special authority for the nongame native fisheries program. New funding will support inventorying and monitoring high-priority species, and gather data for conserving and restoring native nongame fish populations and habitats.

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	119.00	126.00	126.00	7.00	2.9%
State/Other Special Rev. Funds	15,034,105	17,035,890	16,680,217	3,647,897	12.1%
Federal Spec. Rev. Funds	595,459	46,226	46,226	(1,098,466)	(92.2%)
Total Funds	15,629,564	17,082,116	16,726,443	2,549,431	8.2%
Personal Services	11,900,370	12,902,791	12,938,743	2,040,794	8.6%
Operating Expenses	3,518,533	3,943,664	3,552,039	458,637	6.5%
Equipment & Intangible Assets	107,200	132,200	132,200	50,000	23.3%
Transfers	53,044	53,044	53,044		0.0%
Debt Service	50,417	50,417	50,417		0.0%
Total Expenditures	15,629,564	17,082,116	16,726,443	2,549,431	8.2%
Total Ongoing	15,629,564	17,082,116	16,726,443	2,549,431	8.2%
Total One-Time-Only					0.0%

Program Highlights

Enforcement Division Major Budget Highlights
<p>The executive proposes an increase of 8.2% or \$2.5 million above base funding. In addition to statewide present law adjustment of \$124,400 million, this includes:</p> <ul style="list-style-type: none"> • New game wardens, 7.00 PB: \$1.9 million • Overtime pay base increase: \$300,800 • Pay adjustments for sergeants: \$177,200 • Ongoing authority for equipment purchases: \$50,000

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.

Enforcement 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
Base Budget	0	15,034,105	595,459	15,629,564	91.5%	0	15,034,105	595,459	15,629,564	93.4%
Statewide PL										
Personal Services	0	89,448	0	89,448	0.5%	0	125,400	0	125,400	0.7%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	(53,997)	0	(53,997)	(0.3%)	0	(36,494)	0	(36,494)	(0.2%)
Total Statewide PL	0	35,451	0	35,451	0.2%	0	88,906	0	88,906	0.5%
Present Law (PL)	0	263,983	0	263,983	1.5%	0	263,983	0	263,983	1.6%
New Proposals	0	1,702,351	(549,233)	1,153,118	6.8%	0	1,293,223	(549,233)	743,990	4.4%
Total HB 2 Adjustments	0	2,001,785	(549,233)	1,452,552	8.5%	0	1,646,112	(549,233)	1,096,879	6.6%
Total Requested Budget	0	17,035,890	46,226	17,082,116		0	16,680,217	46,226	16,726,443	

Funding

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

Department of Fish, Wildlife, and Parks, 04-Enforcement 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%
02115 Off-Highway Decal	118,048	0	0	0	118,048	0.4%
02329 Snowmobile Fuel Tax-Enforcemnt	94,020	0	0	0	94,020	0.3%
02334 Hunting Access	1,310,628	0	0	0	1,310,628	3.9%
02409 General License	31,140,118	0	0	0	31,140,118	92.4%
02411 State Parks Miscellaneous	271,091	0	0	0	271,091	0.8%
02413 F & G Motorboat Cert Id	139,642	0	0	0	139,642	0.4%
02414 Snowmobile Reg	169,976	0	0	0	169,976	0.5%
02938 TLMD Trust Administration	472,584	0	0	0	472,584	1.4%
State Special Total	\$33,716,107	\$0	\$0	\$0	\$33,716,107	99.7%
03097 Fish(WB)-Wildlf(Pr) Restor Grnt	52,452	0	0	0	52,452	56.7%
03403 Misc Federal Funds	40,000	0	0	0	40,000	43.3%
Federal Special Total	\$92,452	\$0	\$0	\$0	\$92,452	0.3%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$33,808,559	\$0	\$0	\$0	\$33,808,559	

The largest source of funding for the division is the general license account. Revenues funding the division include the sale of fishing and hunting licenses, camping fees, permit sales, a portion of vehicle license fees, and other miscellaneous revenue. Other sources of funding come from motor vehicle registrations, snowmobile permits and pass fees.

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	119.00	119.00	126.00	126.00
Personal Services	11,022,856	11,513,676	11,900,370	12,902,791	12,938,743
Operating Expenses	2,873,573	3,169,752	3,518,533	3,943,664	3,552,039
Equipment & Intangible Assets	62,326	237,200	107,200	132,200	132,200
Benefits & Claims	1,500	1,502	0	0	0
Transfers	53,000	53,044	53,044	53,044	53,044
Debt Service	0	50,417	50,417	50,417	50,417
Total Expenditures	\$14,013,255	\$15,025,591	\$15,629,564	\$17,082,116	\$16,726,443
State/Other Special Rev. Funds	13,043,101	13,891,548	15,034,105	17,035,890	16,680,217
Federal Spec. Rev. Funds	970,154	1,134,043	595,459	46,226	46,226
Total Funds	\$14,013,255	\$15,025,591	\$15,629,564	\$17,082,116	\$16,726,443
Total Ongoing	\$14,013,255	\$14,895,591	\$15,629,564	\$17,082,116	\$16,726,443
Total OTO	\$0	\$130,000	\$0	\$0	\$0

Program Description

The Enforcement Division provides modern professional conservation law enforcement services to the people of Montana for the purpose of the stewardship and protection of Montana's fish, wildlife, parks, and outdoor recreational resources, to preserve the quality of life and outdoor traditions of present and future generations. The division engages in complex fish and wildlife criminal investigations aimed at unlawful trafficking and unlawful exploitation of fish and wildlife. The division is responsible for:

- Assisting with hunter education
- Assisting other law enforcement agencies as requested
- Patrolling Block management area
- Permitting Commercial wildlife
- Enforcing laws and regulations relative to lands or waters under agency jurisdiction and authority of the department such as state parks, fishing access sites, and wildlife management areas
- Enforcing laws and regulations pertaining to outfitters/guides, boating, snowmobiles, and off-highway vehicle safety and registration
- Ensuring compliance with laws and regulations pertaining to the protection and preservation of game animals, fur-bearing animals, fish, game birds, and other protected wildlife species.
- Responding to Game damage
- Managing License vendor contacts
- Managing Recreational Boating Safety Program
- Enforcing Stream access laws
- Operating TIPMONT Crimestoppers Program
- Managing Urban wildlife activities

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	89,448	0	89,448	0.00	0	125,400	0	125,400
DP 3 - Inflation Deflation	0.00	0	(53,997)	0	(53,997)	0.00	0	(36,494)	0	(36,494)
DP 401 - Sergeant Pay Adjustment	0.00	0	88,594	0	88,594	0.00	0	88,594	0	88,594
DP 404 - Base Equipment Authority Increase	0.00	0	25,000	0	25,000	0.00	0	25,000	0	25,000
DP 405 - Overtime Base Adjustment Request	0.00	0	150,389	0	150,389	0.00	0	150,389	0	150,389
Grand Total All Present Law Adjustments	0.00	\$0	\$299,434	\$0	\$299,434	0.00	\$0	\$352,889	\$0	\$352,889

***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

Enforcement Division	
FY 2026 Statewide Present Law Adjustment for Personal Services	
	<u>FY 2026</u>
Legislative Changes	(\$44,143)
Management Changes	159,691
Budget Modifications	(26,100)
Total	\$89,448

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 - Sergeant Pay Adjustment -

The executive proposes an increase in starting base pay for sergeants to bring pay in line with their supervisory responsibilities.

DP 404 - Base Equipment Authority Increase -

The executive proposes an increase in authority for the ongoing equipment budget. Typical purchases would replace unsafe and outdated equipment necessary for daily activities such as boats, all-terrain vehicles, utility task vehicles, bear traps and snowmobiles.

DP 405 - Overtime Base Adjustment Request -

The executive proposes an increase in state special revenue for overtime. Overtime costs are not captured in the snapshot (DP1). The pay plan approved by the 2023 Legislature increased base pay and therefore overtime cost for game wardens. FWP Game Wardens have the ability for each Warden to earn 100 hours of overtime per year.

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 402 - Game Warden Resources	7.00	0	1,153,118	0	1,153,118	7.00	0	743,990	0	743,990
DP 406 - Coast Guard Funding Switch	0.00	0	549,233	(549,233)	0	0.00	0	549,233	(549,233)	0
Total	7.00	\$0	\$1,702,351	(\$549,233)	\$1,153,118	7.00	\$0	\$1,293,223	(\$549,233)	\$743,990

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

DP 402 - Game Warden Resources -

The executive proposes increasing state special authority to support 7.00 PB new game wardens.

DP 406 - Coast Guard Funding Switch -

The executive proposes a funding shift from federal to state special revenues. The US Coast Guard notified FWP of deficiencies in state boating licensing requirements. Addressing these would require multiple statute changes, increasing costs and bureaucracy for boaters. To maintain the current boating program without these changes, FWP proposes replacing USCG authority with general license account funding.

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	102.48	102.48	102.48	0.00	0.0%
State/Other Special Rev. Funds	8,289,240	12,798,359	12,665,155	8,885,034	53.6%
Federal Spec. Rev. Funds	11,838,645	11,692,880	11,714,052	(270,358)	(1.1%)
Total Funds	20,127,885	24,491,239	24,379,207	8,614,676	21.4%
Personal Services	8,875,979	9,115,796	9,136,192	500,030	2.8%
Operating Expenses	10,554,659	14,290,063	14,443,635	7,624,380	36.1%
Equipment & Intangible Assets	147,867	536,000	250,000	490,266	165.8%
Grants	395,800	395,800	395,800		0.0%
Benefits & Claims	6,800	6,800	6,800		0.0%
Transfers	146,780	146,780	146,780		0.0%
Total Expenditures	20,127,885	24,491,239	24,379,207	8,614,676	21.4%
Total Ongoing	20,127,885	24,205,239	24,379,207	8,328,676	20.7%
Total One-Time-Only		286,000		286,000	0.0%

Program Highlights

Wildlife Division Major Budget Highlights
<p>The executive proposes an increase of 21.4% or \$8.6 million above base funding. In addition to statewide present law adjustment of \$390,600, this includes:</p> <ul style="list-style-type: none"> • Rate increase for aircraft: \$3.1 million • Nongame programs: \$2.7 million • Wildlife surveys and inventory: \$600,000 • Proprietary maintenance program: \$500,000 • Operations increase to cover existing modified positions: \$491,000 • Grizzly bear conflicts: \$240,000 • Upland game bird program: \$100,000 • Equipment purchases one-time-only: \$286,000 • Equipment purchases ongoing: \$204,300

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.

Wildlife 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
Base Budget	0	8,289,240	11,838,645	20,127,885	82.2%	0	8,289,240	11,838,645	20,127,885	82.6%
Statewide PL										
Personal Services	0	320,264	(80,447)	239,817	1.0%	0	340,661	(80,448)	260,213	1.1%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	(65,318)	(65,318)	(0.3%)	0	0	(44,145)	(44,145)	(0.2%)
Total Statewide PL	0	320,264	(145,765)	174,499	0.7%	0	340,661	(124,593)	216,068	0.9%
Present Law (PL)	0	3,902,855	0	3,902,855	15.9%	0	4,035,254	0	4,035,254	16.6%
New Proposals	0	286,000	0	286,000	1.2%	0	0	0	0	0.0%
Total HB 2 Adjustments	0	4,509,119	(145,765)	4,363,354	17.8%	0	4,375,915	(124,593)	4,251,322	17.4%
Total Requested Budget	0	12,798,359	11,692,880	24,491,239		0	12,665,155	11,714,052	24,379,207	

Funding

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

Department of Fish, Wildlife, and Parks, 05-Wildlife 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%
02061 Nongame Wildlife Account	4,894,428	0	0	0	4,894,428	19.2%
02085 Waterfowl Stamp Spec. Rev.	26,136	0	0	0	26,136	0.1%
02086 Mountain Sheep Account	299,250	0	0	0	299,250	1.2%
02112 Moose Auction	80,916	0	0	0	80,916	0.3%
02113 Upland Game Bird Habitat	489,112	0	0	0	489,112	1.9%
02176 Mountain Goat Auction	28,710	0	0	0	28,710	0.1%
02409 General License	17,211,120	286,000	0	0	17,497,120	68.7%
02423 Wolf Collaring	465,894	0	0	0	465,894	1.8%
02424 Wolf Depredation	389,284	0	0	0	389,284	1.5%
02469 Habitat Trust Interest	1,165,766	0	0	0	1,165,766	4.6%
02559 Mule Deer Auction	50,356	0	0	0	50,356	0.2%
02560 Elk Auction	76,542	0	0	0	76,542	0.3%
State Special Total	\$25,177,514	\$286,000	\$0	\$0	\$25,463,514	52.1%
03097 Fish(WB)-Wildlf(Pr) Restor Grnt	21,603,112	0	0	0	21,603,112	92.3%
03403 Misc Federal Funds	1,033,856	0	0	0	1,033,856	4.4%
03408 State Wildlife Grants	769,964	0	0	0	769,964	3.3%
Federal Special Total	\$23,406,932	\$0	\$0	\$0	\$23,406,932	47.9%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$48,584,446	\$286,000	\$0	\$0	\$48,870,446	

The division is funded with state and federal special revenues. State special revenues primarily come from the general license account, which is funded by the sale of hunting and fishing licenses, camping fees, and permit sales. These funds are used to benefit both anglers and hunters. Additionally, the Nongame Wildlife Account receives a portion of marijuana taxes and voluntary donations from income tax filings. The Habitat Trust Account, which supports the Habitat Montana Program, is funded by interest from the habitat trust and a portion of hunting license revenues. Federal funding is derived from an excise tax on fishing equipment, sporting arms, and ammunition. These federal funds are allocated to support fish and wildlife management projects.

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	102.48	102.48	102.48	102.48
Personal Services	10,450,185	10,459,988	8,875,979	9,115,796	9,136,192
Operating Expenses	9,222,380	9,600,402	10,554,659	14,290,063	14,443,635
Equipment & Intangible Assets	144,241	147,867	147,867	536,000	250,000
Grants	697,461	699,870	395,800	395,800	395,800
Benefits & Claims	8,500	8,500	6,800	6,800	6,800
Transfers	49,101	87,849	146,780	146,780	146,780
Total Expenditures	\$20,571,868	\$21,004,476	\$20,127,885	\$24,491,239	\$24,379,207
State/Other Special Rev. Funds	8,723,854	9,106,855	8,289,240	12,798,359	12,665,155
Federal Spec. Rev. Funds	11,848,014	11,897,621	11,838,645	11,692,880	11,714,052
Total Funds	\$20,571,868	\$21,004,476	\$20,127,885	\$24,491,239	\$24,379,207
Total Ongoing	\$20,571,868	\$21,004,476	\$20,127,885	\$24,205,239	\$24,379,207
Total OTO	\$0	\$0	\$0	\$286,000	\$0

Program Description

The Wildlife Division is responsible for the conservation and management of Montana's 600+ birds, big game, nongame wildlife, furbearers, reptiles, amphibians, threatened and endangered species, habitat, and meeting public demand for hunting opportunities and wildlife stewardship. The division formulates and implements policies and programs that emphasize management for wildlife populations, protection, and restoration of habitat to maintain these populations. The division is responsible for:

- Innovative management that ensures the health and integrity of native and wildlife populations
- Monitoring and conserving wildlife and habitat
- Protecting the diversity of wildlife and Montana's landscapes
- Providing opportunities for public enjoyment of wildlife through hunting, trapping, and viewing
- Reducing conflicts between wildlife and persons to strike a reasonable balance while ensuring a future for the species
- Using sound science and stewardship for protecting the integrity of Montana's outdoor resources

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	320,264	(80,447)	239,817	0.00	0	340,661	(80,448)	260,213
DP 3 - Inflation Deflation	0.00	0	0	(65,318)	(65,318)	0.00	0	0	(44,145)	(44,145)
DP 502 - Operations Increase to cover modified workers	0.00	0	245,500	0	245,500	0.00	0	245,500	0	245,500
DP 503 - Nongame Program Increase	0.00	0	1,360,342	0	1,360,342	0.00	0	1,346,342	0	1,346,342
DP 504 - Increase Survey & Inventory	0.00	0	300,000	0	300,000	0.00	0	300,000	0	300,000
DP 505 - Equipment Increase	0.00	0	102,133	0	102,133	0.00	0	102,133	0	102,133
DP 506 - Grizzly Bears Operations Increase	0.00	0	120,000	0	120,000	0.00	0	120,000	0	120,000
DP 508 - UGBEP Operations Increase	0.00	0	50,000	0	50,000	0.00	0	50,000	0	50,000
DP 912 - Aircraft Rate Base Increase	0.00	0	1,474,880	0	1,474,880	0.00	0	1,621,279	0	1,621,279
DP 913 - Maintenance Rate Base Increase	0.00	0	250,000	0	250,000	0.00	0	250,000	0	250,000
Grand Total All Present Law Adjustments	0.00	\$0	\$4,223,119	(\$145,765)	\$4,077,354	0.00	\$0	\$4,375,915	(\$124,593)	\$4,251,322

***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

Wildlife Division	
FY 2026 Statewide Present Law Adjustment for Personal Services	
	<u>FY 2026</u>
Legislative Changes	\$111,476
Management Changes	22,240
Budget Modifications	106,101
Total	\$239,817

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 502 - Operations Increase to cover modified workers -

The executive proposes an increase in state special authority to cover personal services costs for the division's current 35.08 modified HB 2 positions in the proprietary maintenance program. These positions support CWD surveillance and response plans, Grizzly and Black Bear specialists to reduce conflicts on private lands, Grizzly and Black Bear coordinators and technicians, Mountain Lion technicians, Wolf technicians, State Wildlife Action Plan (SWAP) coordinator, nongame technicians, Marten technicians, Sharp-tailed Grouse technicians, and Swift Fox technicians.

**LFD
COMMENT***HB 2 Modified Positions*

HB 2 modified positions are not approved by the legislature, and consequently, these positions are not included in statewide present law adjustments for personal services (DP 1). The 2023 legislature approved a reorganization of the agency that removed these positions from HB 2 and placed them in a new proprietary program to simplify funding.

DP 503 - Nongame Program Increase -

The executive proposes increased state special revenue funding for the nongame program to 3.00 modified positions as technicians for wildlife surveys and monitoring. This aims to prevent endangered species listings, protect landowners, conserve priority species, develop a Watchable Wildlife Program, and enhance interagency conservation collaboration.

DP 504 - Increase Survey & Inventory -

The executive proposes an increase in state special revenue to support a survey and inventory of game and nongame animals.

DP 505 - Equipment Increase -

The executive proposes an increase to ongoing authority for equipment purchases to replace existing equipment at the end of its life cycle. Typical equipment includes trailers, all-terrain vehicles, snowmobiles, and habitat management equipment.

DP 506 - Grizzly Bears Operations Increase -

The executive proposes an increase in state special revenue authority to support growing grizzly bear conflicts. Specialists work with landowners and communities to prevent conflicts and to respond to conflicts that do occur. This authority would support increased travel and supplies. This funding would support additional operations staff in regions 1-5, including the two augmentation techs that were approved in the 2023 session.

DP 508 - UGBEP Operations Increase -

The executive proposes an increase in state special revenue authority for the Upland Game Bird Program. The program conserves and enhances upland game bird habitats and populations and provides public hunting opportunities through its work with landowners across the state. Increased funding would support increased costs of travel, signage, program materials, and public meetings.

DP 912 - Aircraft Rate Base Increase -

The executive proposes an increase in state special revenue authority for increases in aircraft proprietary rates. FWP operates a proprietary aircraft unit. Each biennium rates are calculated in the proprietary program to ensure that the agency is equipped with safe, secure, and reliable aircraft to perform wildlife surveys, fish planting and general flight needs.

DP 913 - Maintenance Rate Base Increase -

The executive proposes an increase in state special revenue for proprietary maintenance rates. FWP operates a proprietary maintenance unit. Each biennium rates are calculated in the proprietary program to ensure that the agency can perform necessary maintenance across all FWP sites.

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 507 - Equipment (BIEN/OTO)	0.00	0	286,000	0	286,000	0.00	0	0	0	0
Total	0.00	\$0	\$286,000	\$0	\$286,000	0.00	\$0	\$0	\$0	\$0

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

DP 507 - Equipment (BIEN/OTO) -

The executive proposes a one-time-only appropriation of state special revenue for specialized wildlife equipment including trucks, tracked UTVs, tree planter, snowmobiles, elk traps, and camper trailers to support wildlife technicians.

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	101.72	109.07	109.07	7.35	3.6%
State/Other Special Rev. Funds	28,017,310	28,485,862	28,359,775	811,017	1.4%
Federal Spec. Rev. Funds	5,462,218	5,462,218	5,462,218		0.0%
Total Funds	33,479,528	33,948,080	33,821,993	811,017	1.2%
Personal Services	8,279,749	8,511,952	8,528,985	481,439	2.9%
Operating Expenses	24,258,345	24,345,194	24,351,574	180,078	0.4%
Equipment & Intangible Assets	419,238	568,738	419,238	149,500	17.8%
Grants	517,696	517,696	517,696		0.0%
Benefits & Claims	4,000	4,000	4,000		0.0%
Debt Service	500	500	500		0.0%
Total Expenditures	33,479,528	33,948,080	33,821,993	811,017	1.2%
Total Ongoing	33,479,528	33,798,580	33,821,993	661,517	1.0%
Total One-Time-Only	350,000	149,500		(550,500)	(78.6%)

Program Highlights

Parks and Outdoor Recreation Division Major Budget Highlights

The executive proposes an increase of 1.2% or \$811,000 above base funding. In addition to reductions due to statewide present law adjustment of \$411,000, this includes:

- Additional state parks staff, 7.35 PB: \$942,500
- Equipment purchases, one-time-only: \$149,500
- Smith River operations: \$80,000
- Gartside Reservoir Dam operator: \$50,000

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.

Parks and Outdoor Recreation 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
Base Budget	0	28,017,310	5,462,218	33,479,528	98.6%	0	28,017,310	5,462,218	33,479,528	99.0%
Statewide PL										
Personal Services	0	(197,384)	0	(197,384)	(0.6%)	0	(180,397)	0	(180,397)	(0.5%)
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	(19,822)	0	(19,822)	(0.1%)	0	(13,396)	0	(13,396)	(0.0%)
Total Statewide PL	0	(217,206)	0	(217,206)	(0.6%)	0	(193,793)	0	(193,793)	(0.6%)
Present Law (PL)	0	189,500	0	189,500	0.6%	0	40,000	0	40,000	0.1%
New Proposals	0	496,258	0	496,258	1.5%	0	496,258	0	496,258	1.5%
Total HB 2 Adjustments	0	468,552	0	468,552	1.4%	0	342,465	0	342,465	1.0%
Total Requested Budget	0	28,485,862	5,462,218	33,948,080		0	28,359,775	5,462,218	33,821,993	

Funding

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

Department of Fish, Wildlife, and Parks, 06-Parks and Outdoor Recreation 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%	
02055 Snowmobile Trail Pass	126,588	0	0	0	126,588	0.2%	
02057 OHV Noxious Weeds	56,308	0	0	0	56,308	0.1%	
02171 Smith R. Corridor Enhancement	540,426	0	0	0	540,426	0.8%	
02213 Off Highway Vehicle Gas Tax	165,278	0	0	0	165,278	0.2%	
02239 Off Hwy Vehicle Acct (Parks)	77,262	0	0	0	77,262	0.1%	
02273 Motorboat Fees	410,878	0	0	0	410,878	0.6%	
02274 FWP Accommodations Tax	0	0	0	9,625,508	9,625,508	14.5%	
02328 Parks OHV Fuel Safety/Educ	39,230	0	0	0	39,230	0.1%	
02330 Parks Snomo Fuel Tax Sfty/Educ	100,580	0	0	0	100,580	0.2%	
02332 Snowmobile Registration-Parks	778,152	0	0	0	778,152	1.2%	
02333 Fishing Access Site Maint	841,568	0	0	0	841,568	1.3%	
02334 Hunting Access	23,680,317	0	0	0	23,680,317	35.6%	
02407 Snowmobile Fuel Tax	1,523,028	0	0	0	1,523,028	2.3%	
02408 Coal Tax Trust Account	1,893,422	0	0	0	1,893,422	2.8%	
02409 General License	8,534,142	0	0	0	8,534,142	12.8%	
02411 State Parks Miscellaneous	16,893,352	149,500	0	0	17,042,852	25.6%	
02412 Motorboat Fuel Tax	517,720	0	0	0	517,720	0.8%	
02558 FAS - Vehicle Registration	517,886	0	0	0	517,886	0.8%	
State Special Total	\$56,696,137	\$149,500	\$0	\$9,625,508	\$66,471,145	84.7%	
03097 Fish(WB)-Wildl(Pr) Restor Grnt	10,849,128	0	0	0	10,849,128	99.3%	
03403 Misc Federal Funds	75,308	0	0	0	75,308	0.7%	
Federal Special Total	\$10,924,436	\$0	\$0	\$0	\$10,924,436	13.9%	
06068 MFWP Visitor Services	0	0	1,117,356	0	1,117,356	100.0%	
Proprietary Total	\$0	\$0	\$1,117,356	\$0	\$1,117,356	1.4%	
Total All Funds	\$67,620,573	\$149,500	\$1,117,356	\$9,625,508	\$78,512,937		

The division is funded with revenue from day-use park entry fees, camping fees, cabin site rentals, a portion of state gasoline dealers license and distribution tax, coal tax dollars, recreational and commercial user fees for floating and camping on the Smith River, hunting and fishing licenses, and other miscellaneous taxes, fees, and permit revenue. Statutory appropriations come from 6.5% of the total accommodations bed tax and issued for the maintenance of facilities in state parks that have both resident and non-resident use (15-65-121(2)(c), MCA).

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	101.72	101.72	109.07	109.07
Personal Services	9,497,535	9,718,466	8,279,749	8,511,952	8,528,985
Operating Expenses	18,497,549	21,255,643	24,608,345	24,345,194	24,351,574
Equipment & Intangible Assets	352,917	419,238	419,238	568,738	419,238
Grants	513,159	517,696	517,696	517,696	517,696
Benefits & Claims	2,500	6,500	4,000	4,000	4,000
Debt Service	478	500	500	500	500
Total Expenditures	\$28,864,138	\$31,918,043	\$33,829,528	\$33,948,080	\$33,821,993
State/Other Special Rev. Funds	23,468,638	26,460,618	28,367,310	28,485,862	28,359,775
Federal Spec. Rev. Funds	5,395,500	5,457,425	5,462,218	5,462,218	5,462,218
Total Funds	\$28,864,138	\$31,918,043	\$33,829,528	\$33,948,080	\$33,821,993
Total Ongoing	\$28,822,796	\$31,568,043	\$33,479,528	\$33,798,580	\$33,821,993
Total OTO	\$41,342	\$350,000	\$350,000	\$149,500	\$0

Program Description

The Parks & Outdoor Recreation Division provides valued services to the public and manages human use to ensure the long-term sustainability of Montana's scenic, historic, cultural, archaeological, and fish and wildlife resources. The division is responsible for:

- Access and landowner relations for hunting, fishing, and other types of recreation on public and private lands
- Trail and shooting range grant programs
- Americorps and Volunteer Program
- Block Management Program
- Heritage Program
- Hunting Access Program
- Off-Highway Vehicle and Snowmobile Program
- Planning Unit
- Recreation management and visitor services for state parks, fishing access sites and wildlife
- River recreation
- Shooting range development
- Stewardship
- Trail coordination and planning

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	(197,384)	0	(197,384)	0.00	0	(180,397)	0	(180,397)
DP 3 - Inflation Deflation									
0.00	0	(19,822)	0	(19,822)	0.00	0	(13,396)	0	(13,396)
DP 603 - Region 4 Smith River-Budget Authority Increase									
0.00	0	40,000	0	40,000	0.00	0	40,000	0	40,000
DP 606 - Recreational Equipment (BIEN/OTO)									
0.00	0	149,500	0	149,500	0.00	0	0	0	0
Grand Total All Present Law Adjustments									
0.00	\$0	(\$27,706)	\$0	(\$27,706)	0.00	\$0	(\$153,793)	\$0	(\$153,793)

***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

Parks and Outdoor Recreation Division	
FY 2026 Statewide Present Law Adjustment for Personal Services	
	<u>FY 2026</u>
Legislative Changes	\$225,600
Management Changes	(422,944)
Budget Modifications	(40)
Total	(\$197,384)

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 603 - Region 4 Smith River-Budget Authority Increase -

The executive proposes an increase in state special revenue authority to support increased operating costs. This proposal is to be funded out of the Smith River Corridor Enhancement state special revenue fund, which receives revenues from charges for services, permit and license fees, outfitter fees, and other miscellaneous income related to the Smith River recreational activities.

DP 606 - Recreational Equipment (BIEN/OTO) -

The executive proposes a one-time-only and biennial appropriation from state special revenue for small equipment purchases.

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 604 - Gartside Reservoir FAS Dam Operator										
0.00	0	25,000	0	25,000		0.00	0	25,000	0	25,000
DP 605 - State Parks Statewide Resources										
7.35	0	471,258	0	471,258		7.35	0	471,258	0	471,258
Total	7.35	\$0	\$496,258	\$0	\$496,258	7.35	\$0	\$496,258	\$0	\$496,258

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

DP 604 - Gartside Reservoir FAS Dam Operator -

The executive proposes state special revenue to fund a contractor to assume duties as the Gartside Reservoir Dam Operator. Duties are currently performed by FWP maintenance staff located in Miles City (approximately 120 miles from dam location). Gartside Reservoir Dam is classified by DNRC as a High Hazard Dam.

DP 605 - State Parks Statewide Resources -

The executive proposes 7.35 PB to the Montana State Parks system.

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	27.50	34.50	34.50	7.00	12.7%
State/Other Special Rev. Funds	4,502,852	4,864,716	4,870,722	729,734	8.1%
Federal Spec. Rev. Funds	1,033,441	1,391,232	1,376,532	700,882	33.9%
Total Funds	5,536,293	6,255,948	6,247,254	1,430,616	12.9%
Personal Services	2,590,863	3,081,443	3,090,729	990,446	19.1%
Operating Expenses	2,584,108	2,774,183	2,756,203	362,170	7.0%
Equipment & Intangible Assets		39,000	39,000	78,000	0.0%
Grants	357,322	357,322	357,322		0.0%
Benefits & Claims	2,000	2,000	2,000		0.0%
Transfers	2,000	2,000	2,000		0.0%
Total Expenditures	5,536,293	6,255,948	6,247,254	1,430,616	12.9%
Total Ongoing	5,536,293	6,205,476	6,196,782	1,329,672	12.0%
Total One-Time-Only		50,472	50,472	100,944	0.0%

Program Highlights

Communication and Education Division Major Budget Highlights

The executive proposes an increase of 12.9% or \$1.4 million above base funding. In addition to statewide present law adjustment of \$67,200 this includes:

- Additional state parks staff, 7.00 PB: \$934,500
- Montana Outdoor Magazine operations: \$250,000
- Temporary publication specialist one-time-only: \$109,900
- Equipment: \$78,000

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.

Communication and Education 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
Base Budget	0	4,502,852	1,033,441	5,536,293	88.5%	0	4,502,852	1,033,441	5,536,293	88.6%
Statewide PL										
Personal Services	0	33,125	0	33,125	0.5%	0	42,411	0	42,411	0.7%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	(4,997)	0	(4,997)	(0.1%)	0	(3,377)	0	(3,377)	(0.1%)
Total Statewide PL	0	28,128	0	28,128	0.4%	0	39,034	0	39,034	0.6%
Present Law (PL)	0	125,000	0	125,000	2.0%	0	125,000	0	125,000	2.0%
New Proposals	0	208,736	357,791	566,527	9.1%	0	203,836	343,091	546,927	8.8%
Total HB 2 Adjustments	0	361,864	357,791	719,655	11.5%	0	367,870	343,091	710,961	11.4%
Total Requested Budget	0	4,864,716	1,391,232	6,255,948		0	4,870,722	1,376,532	6,247,254	

Funding

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

Department of Fish, Wildlife, and Parks, 08-Communication and Education 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%
02409 General License	9,566,582	100,944	0	0	9,667,526	99.3%
02411 State Parks Miscellaneous	67,912	0	0	0	67,912	0.7%
State Special Total	\$9,634,494	\$100,944	\$0	\$0	\$9,735,438	77.9%
03097 Fish(WB)-Wildlf(Pr) Restor Grnt	2,691,542	0	0	0	2,691,542	97.2%
03403 Misc Federal Funds	76,222	0	0	0	76,222	2.8%
Federal Special Total	\$2,767,764	\$0	\$0	\$0	\$2,767,764	22.1%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$12,402,258	\$100,944	\$0	\$0	\$12,503,202	

The division is funded almost entirely from the state general license account and federal sources. State special revenues are from the sale of fishing and hunting licenses, camping fees, permit sales, commercial use fees, and other miscellaneous state revenues. Federal revenue sources are from an excise tax on the sale of fishing gear, sporting arms, and ammunition.

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	27.50	27.50	34.50	34.50
Personal Services	2,699,821	2,708,782	2,590,863	3,081,443	3,090,729
Operating Expenses	2,061,599	2,276,671	2,584,108	2,774,183	2,756,203
Equipment & Intangible Assets	0	0	0	39,000	39,000
Grants	339,722	363,943	357,322	357,322	357,322
Benefits & Claims	0	2,000	2,000	2,000	2,000
Transfers	0	0	2,000	2,000	2,000
Total Expenditures	\$5,101,142	\$5,351,396	\$5,536,293	\$6,255,948	\$6,247,254
State/Other Special Rev. Funds	4,199,534	4,383,304	4,502,852	4,864,716	4,870,722
Federal Spec. Rev. Funds	901,608	968,092	1,033,441	1,391,232	1,376,532
Total Funds	\$5,101,142	\$5,351,396	\$5,536,293	\$6,255,948	\$6,247,254
Total Ongoing	\$5,101,142	\$5,351,396	\$5,536,293	\$6,205,476	\$6,196,782
Total OTO	\$0	\$0	\$0	\$50,472	\$50,472

Program Description

The **Communication & Education Division** is the information and education section of FWP. The division is responsible for:

- Distributing public information through various media outlets, including Montana Outdoors Magazine
- Coordinating youth education programs
- Coordinating the production of hunting, fishing, and trapping regulations
- Coordinating the hunter, bow-hunter, trapper, boat education, and safety programs
- Managing FWP's website and social media platform
- Marketing and Communication
- Overseeing the Montana Wild Education Center

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	33,125	0	33,125		0.00	0	42,411	0	42,411
DP 3 - Inflation Deflation										
0.00	0	(4,997)	0	(4,997)		0.00	0	(3,377)	0	(3,377)
DP 803 - MT Outdoors Ops Increase										
0.00	0	125,000	0	125,000		0.00	0	125,000	0	125,000
Grand Total All Present Law Adjustments										
0.00	\$0	\$153,128	\$0	\$153,128		0.00	\$0	\$164,034	\$0	\$164,034

*"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

Communications and Educations Division	
FY 2026 Statewide Present Law Adjustment for Personal Services	
	<u>FY 2026</u>
Legislative Changes	\$42,493
Management Changes	(9,368)
Budget Modifications	-
Total	\$33,125

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 803 - MT Outdoors Ops Increase -

The executive proposes an increase in state special revenue to produce the Montana Outdoor Magazine. This funding would cover inflationary increases in printing, mailing and operations costs.

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 801 - Education Technician Resources	7.00	0	119,264	357,791	477,055	7.00	0	114,364	343,091	457,455
DP 802 - Com Ed Equipment	0.00	0	39,000	0	39,000	0.00	0	39,000	0	39,000
DP 805 - Publication Specialist (OTO)	0.00	0	50,472	0	50,472	0.00	0	50,472	0	50,472
Total	7.00	\$0	\$208,736	\$357,791	\$566,527	7.00	\$0	\$203,836	\$343,091	\$546,927

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

DP 801 - Education Technician Resources -

The executive proposes state special revenue authority to fund 7.00 PB to enhance regional customer service, expand outdoor education programs (like boating safety and hunter education), and support regional offices during peak seasons by assisting with licensing, vessel checks, animal tagging, and public inquiries.

DP 802 - Com Ed Equipment -

The executive proposes to establish an equipment budget funded with state special revenue for the Communication and Education Division. This base equipment budget addition will allow the purchase and replacement of equipment on an annual basis.

DP 805 - Publication Specialist (OTO) -

The executive proposes a one-time-only temporary position to facilitate the transition of a new Montana Outdoors editor. The modified position would fund the retention of the retiring editor during the transition period to a new editor and to update public program materials.

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	148.52	156.52	156.52	8.00	2.7%
State/Other Special Rev. Funds	23,744,970	27,165,911	27,365,846	7,041,817	14.8%
Federal Spec. Rev. Funds	1,759,127	1,759,127	1,759,127		0.0%
Total Funds	25,504,097	28,925,038	29,124,973	7,041,817	13.8%
Personal Services	13,844,252	14,757,734	14,813,379	1,882,609	6.8%
Operating Expenses	9,674,707	12,182,166	12,326,456	5,159,208	26.7%
Equipment & Intangible Assets	27,638	27,638	27,638		0.0%
Benefits & Claims	3,000	3,000	3,000		0.0%
Transfers	1,376,979	1,376,979	1,376,979		0.0%
Debt Service	577,521	577,521	577,521		0.0%
Total Expenditures	25,504,097	28,925,038	29,124,973	7,041,817	13.8%
Total Ongoing	25,504,097	28,925,038	29,124,973	7,041,817	13.8%
Total One-Time-Only	100,000			(200,000)	(100.0%)

Program Highlights

Administration Division Major Budget Highlights
<p>The executive proposes an increase of 13.8% or \$7.0 million above base funding. In addition to statewide present law adjustment of \$797,400 this includes:</p> <ul style="list-style-type: none"> • Vehicle fleet rate increases: \$2.6 million • Additional staff, 8.00 PB: \$1.9 million • Support for US Geological Stream Gage network: \$630,000 • Legal caseload increases: \$570,500 • Aircraft rate increase: \$422,200 • Irrigation infrastructure improvement: \$100,000 • Employee development: \$32,000 • Havre Area Office operation and maintenance: \$26,262

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.

Administration 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
Base Budget	0	23,744,970	1,759,127	25,504,097	88.2%	0	23,744,970	1,759,127	25,504,097	87.6%
Statewide PL										
Personal Services	0	168,136	0	168,136	0.6%	0	210,219	0	210,219	0.7%
Fixed Costs	0	220,652	0	220,652	0.8%	0	201,702	0	201,702	0.7%
Inflation Deflation	0	(1,997)	0	(1,997)	(0.0%)	0	(1,350)	0	(1,350)	(0.0%)
Total Statewide PL	0	386,791	0	386,791	1.3%	0	410,571	0	410,571	1.4%
Present Law (PL)	0	2,095,804	0	2,095,804	7.2%	0	2,291,397	0	2,291,397	7.9%
New Proposals	0	938,346	0	938,346	3.2%	0	918,908	0	918,908	3.2%
Total HB 2 Adjustments	0	3,420,941	0	3,420,941	11.8%	0	3,620,876	0	3,620,876	12.4%
Total Requested Budget	0	27,165,911	1,759,127	28,925,038		0	27,365,846	1,759,127	29,124,973	

Funding

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

Department of Fish, Wildlife, and Parks, 09-Administration 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%
02061 Nongame Wildlife Account	186,718	0	0	0	186,718	0.3%
02086 Mountain Sheep Account	64,000	0	0	0	64,000	0.1%
02112 Moose Auction	4,666	0	0	0	4,666	0.0%
02176 Mountain Goat Auction	3,000	0	0	0	3,000	0.0%
02334 Hunting Access	271,440	0	0	0	271,440	0.5%
02408 Coal Tax Trust Account	10,000	0	0	0	10,000	0.0%
02409 General License	52,663,247	0	0	1,114,826	53,778,073	96.0%
02411 State Parks Miscellaneous	1,071,054	0	0	124,702	1,195,756	2.1%
02469 Habitat Trust Interest	77,998	0	0	226,298	304,296	0.5%
02543 Search and Rescue - General	10,168	0	0	0	10,168	0.0%
02559 Mule Deer Auction	2,800	0	0	0	2,800	0.0%
02560 Elk Auction	6,666	0	0	0	6,666	0.0%
02600 Hunters Against Hunger	160,000	0	0	0	160,000	0.3%
State Special Total	\$54,531,757	\$0	\$0	\$1,465,826	\$55,997,583	65.7%
03097 Fish(WB)-Wildlf(Pr) Restor Grnt	3,292,438	0	0	625,400	3,917,838	94.6%
03098 Parks Federal Revenue	225,816	0	0	0	225,816	5.4%
Federal Special Total	\$3,518,254	\$0	\$0	\$625,400	\$4,143,654	4.9%
06502 FWP Fleet Fund	0	0	7,767,210	0	7,767,210	30.9%
06503 F & G Warehouse Inventory	0	0	208,372	0	208,372	0.8%
06513 FWP Maintenance Fund	0	0	15,798,287	0	15,798,287	62.9%
06540 DFWP Aircraft	0	0	1,349,034	0	1,349,034	5.4%
Proprietary Total	\$0	\$0	\$25,122,903	\$0	\$25,122,903	29.5%
Total All Funds	\$58,050,011	\$0	\$25,122,903	\$2,091,226	\$85,264,140	

The division is funded primarily with state special revenue from the sale of hunting and fishing licenses. Proprietary revenue includes charges for the vehicle fleet, and warehouse fees. Statutory expenditures are for Payment in Lieu of Taxes (PILT). PILT are payments to local governments to help offset losses in property taxes due to the existence of state or federal lands not subject to property taxes.

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	148.52	148.52	156.52	156.52
Personal Services	13,253,979	13,395,414	13,844,252	14,757,734	14,813,379
Operating Expenses	8,710,236	9,863,017	9,774,707	12,182,166	12,326,456
Equipment & Intangible Assets	9,945	27,638	27,638	27,638	27,638
Benefits & Claims	1,000	3,000	3,000	3,000	3,000
Transfers	1,026,725	1,255,979	1,376,979	1,376,979	1,376,979
Debt Service	565,868	566,521	577,521	577,521	577,521
Total Expenditures	\$23,567,753	\$25,111,569	\$25,604,097	\$28,925,038	\$29,124,973
State/Other Special Rev. Funds	22,275,474	23,552,627	23,844,970	27,165,911	27,365,846
Federal Spec. Rev. Funds	1,292,279	1,558,942	1,759,127	1,759,127	1,759,127
Total Funds	\$23,567,753	\$25,111,569	\$25,604,097	\$28,925,038	\$29,124,973
Total Ongoing	\$23,567,753	\$25,011,569	\$25,504,097	\$28,925,038	\$29,124,973
Total OTO	\$0	\$100,000	\$100,000	\$0	\$0

Program Description

The Administration Division is responsible for operating the Legal Unit; Human Resources; Lands and Water Unit; Operations and Fiscal Services, and the outlying seven regional offices. This division also provides oversight of the Communication and Education, Enforcement, Fisheries, Parks and Outdoor Recreation, and Wildlife Divisions.

Operations and Financial Services provides centralized services, quality guidance to all divisions and regions throughout the agency including:

- Accounting, fiscal management and budget preparation
- Administrative support to divisions and regions
- Agency facility maintenance
- Capital outlay
- Financial Assistance and Compliance
- Hunting, fishing, and other recreational license sales
- Maintain biological and GIS applications
- Managing federal aid
- Maintaining internal control procedures
- Procurement and property management

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	168,136	0	168,136	0.00	0	210,219	0	210,219
DP 2 - Fixed Costs	0.00	0	220,652	0	220,652	0.00	0	201,702	0	201,702
DP 3 - Inflation Deflation	0.00	0	(1,997)	0	(1,997)	0.00	0	(1,350)	0	(1,350)
DP 902 - USGS Funding	0.00	0	300,000	0	300,000	0.00	0	330,000	0	330,000
DP 905 - Irrigation Infrastructure Improvements	0.00	0	50,000	0	50,000	0.00	0	50,000	0	50,000
DP 909 - Organizational Development Operations	0.00	0	16,000	0	16,000	0.00	0	16,000	0	16,000
DP 911 - Fleet Rate Base Increase	0.00	0	1,230,283	0	1,230,283	0.00	0	1,375,913	0	1,375,913
DP 912 - Aircraft Rate Base Increase	0.00	0	201,120	0	201,120	0.00	0	221,083	0	221,083
DP 914 - Havre Area Office Ongoing Operations and Maintenance	0.00	0	13,131	0	13,131	0.00	0	13,131	0	13,131
DP 918 - Legal Unit Operations	0.00	0	285,270	0	285,270	0.00	0	285,270	0	285,270
Grand Total All Present Law Adjustments	0.00	\$0	\$2,482,595	\$0	\$2,482,595	0.00	\$0	\$2,701,968	\$0	\$2,701,968

***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

Administration Division	
FY 2026 Statewide Present Law Adjustment for Personal Services	
	<u>FY 2026</u>
Legislative Changes	(\$136,507)
Management Changes	304,643
Budget Modifications	-
Total	\$168,136

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: warrant writer, motor pool, 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 902 - USGS Funding -

The executive proposes an increase in state special revenue authority to contract with United States Geological Survey (USGS) to provide stream gaging services. This service provides real-time data via the USGS website in addition to quality-controlled data compiled for each site.

DP 905 - Irrigation Infrastructure Improvements -

The executive proposes an increase in state special revenue authority to work with water users across the state on improving the efficiency of irrigation practices, upgrading irrigation infrastructure and/or leasing of water to improve instream flows for trout and other aquatic organisms. This proposal would support one or more large projects each biennium.

DP 909 - Organizational Development Operations -

The executive proposes an increase in state special revenue for in person employee training for new employees, supervisors, and agency leadership training.

DP 911 - Fleet Rate Base Increase -

The executive proposes an increase in state special revenue authority for increases in fleet proprietary rates. FWP operates a proprietary fleet program like the MDT motor pool program. Each biennium rates are calculated in the proprietary program to ensure that the agency is equipped with safe, secure, and reliable vehicles for all staff statewide.

DP 912 - Aircraft Rate Base Increase -

The executive proposes an increase in state special revenue authority for increases in aircraft proprietary rates. FWP operates a proprietary aircraft unit. Each biennium rates are calculated in the proprietary program to ensure that the agency is equipped with safe, secure, and reliable aircraft to perform wildlife surveys, fish planting and general flight needs.

DP 914 - Havre Area Office Ongoing Operations and Maintenance -

The executive proposes an increase in state special revenue for ongoing operations and maintenance costs of the new Havre Area Office facility approved in House Bill 5 during the 2021 legislative session. This proposal would increase the base budget.

**LFD
COMMENT**

HB 5 Appropriation for operation and maintenance.

HB 5 of the 2021 session included an appropriation of \$26,261 for the Havre Area Office and was included in the agencies base budget. This appropriation is required under 17-7-210, MCA.

DP 918 - Legal Unit Operations -

The executive proposes an increase in state special authority to support a threefold increase in caseloads and inflationary costs in the legal unit. This proposal would fund an attorney to address the workload as well as an increase to the operations resources available for the contracts and litigation costs.

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 901 - Land & Water Hydrology Resources	1.00	0	111,836	0	111,836	1.00	0	115,403	0	115,403
DP 904 - Aircraft Pilot Resources	1.00	0	105,441	0	105,441	1.00	0	105,986	0	105,986
DP 906 - Research Unit Resources	2.00	0	240,337	0	240,337	2.00	0	226,014	0	226,014
DP 907 - FWP Genetics Program Resources	2.00	0	213,617	0	213,617	2.00	0	204,390	0	204,390
DP 910 - Statewide Fish Health Resources	2.00	0	267,115	0	267,115	2.00	0	267,115	0	267,115
Total	8.00	\$0	\$938,346	\$0	\$938,346	8.00	\$0	\$918,908	\$0	\$918,908

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

DP 901 - Land & Water Hydrology Resources -

The executive proposes 1.00 PB to work on aquatic habitat protection through expanded surface water measurements, technical investigations, and stream gage programming across Montana.

DP 904 - Aircraft Pilot Resources -

The executive proposes to add a new staff pilot, 1.00 PB in the Great Falls and Lewistown area. The department's pilots conduct wildlife surveys and stock remote mountain lakes.

DP 906 - Research Unit Resources -

The executive proposes to add a fisheries research biologist and a research coordinator, 2.00 PB, to the agency's research unit.

DP 907 - FWP Genetics Program Resources -

The executive proposes to expand the genetics program within the Research Unit by 2.00 PB. The expansion would meet growing demand for fisheries and wildlife genetic services. This includes adding in-house expertise to support conservation efforts, manage hatchery brood stock, and address Endangered Species listings.

DP 910 - Statewide Fish Health Resources -

The executive proposes to expand the fish health lab staff by 2.00 PB. New positions would include a disease ecologist, and a technician.

DEPARTMENT OF ENVIRONMENTAL QUALITY

Section C

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----Agencies-----

Dept. of Fish, Wildlife, & Parks
Dept. of Environmental Quality
Dept. of Transportation

Dept. of Livestock
Dept. of Natural Resources & Conservation
Dept. of Agriculture

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

House

Representative Jerry Schillinger (Chair)
Representative Eric Albus
Representative Debo Powers

Senate

Senator Mike Cuffe (Vice Chair)
Senator Kenneth Bogner
Senator Jane Ellis

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

Rob Miller
Alice Hecht
Barb Wagner

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 FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
PB	367.04	376.04	376.04	9.00	1.2%
General Fund	6,751,689	8,286,014	8,292,637	3,075,273	22.8%
State/Other Special Rev. Funds	34,851,429	37,198,365	37,238,796	4,734,303	6.8%
Federal Spec. Rev. Funds	25,843,362	26,424,836	26,446,828	1,184,940	2.3%
Total Funds	67,446,480	71,909,215	71,978,261	8,994,516	6.7%
Personal Services	34,929,402	36,423,717	36,508,445	3,073,358	4.4%
Operating Expenses	27,011,859	29,980,279	29,964,597	5,921,158	11.0%
Equipment & Intangible Assets	101,740	101,740	101,740		0.0%
Grants	1,938,835	1,938,835	1,938,835		0.0%
Benefits & Claims	425,000	425,000	425,000		0.0%
Transfers	3,039,644	3,039,644	3,039,644		0.0%
Total Expenditures	67,446,480	71,909,215	71,978,261	8,994,516	6.7%
Total Ongoing	67,446,480	71,909,215	71,978,261	8,994,516	6.7%
Total One-Time-Only	1,513,825			(3,027,650)	(100.0%)

Agency Highlights

**Department of Environmental Quality
Major Budget Highlights**

The executive proposes an increase of 6.7% or \$9.0 million in total appropriations above base funding. In addition to statewide present law adjustments of \$1.7 million the executive proposes:

- Mine reclamation: \$4.9 million
- Additional 9.00 PB to support increasing case load and applications: \$2.3 million
- Board of Environmental Review operations: \$80,000

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 Environmental Quality 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
Base Budget	6,751,689	34,851,429	25,843,362	67,446,480	93.8%	6,751,689	34,851,429	25,843,362	67,446,480	93.7%
Statewide PL										
Personal Services	530,149	(561,153)	466,499	435,495	0.6%	552,532	(521,938)	490,027	520,621	0.7%
Fixed Costs	292,082	100,239	13,454	405,775	0.6%	274,847	97,301	8,454	380,602	0.5%
Inflation Deflation	(5,772)	(12,814)	(10,685)	(29,271)	(0.0%)	(3,899)	(8,659)	(7,221)	(19,779)	(0.0%)
Total Statewide PL	816,459	(473,728)	469,268	811,999	1.1%	823,480	(433,296)	491,260	881,444	1.2%
Present Law (PL)	293,344	2,620,664	112,206	3,026,214	4.2%	292,946	2,620,663	112,206	3,025,815	4.2%
New Proposals	424,522	200,000	0	624,522	0.9%	424,522	200,000	0	624,522	0.9%
Total HB 2 Adjustments	1,534,325	2,346,936	581,474	4,462,735	6.2%	1,540,948	2,387,367	603,466	4,531,781	6.3%
Total Requested Budget	8,286,014	37,198,365	26,424,836	71,909,215		8,292,637	37,238,796	26,446,828	71,978,261	

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 (DP 1) has been broken down into three categories, as follows:

- Legislatively approved changes – This category includes adjustments explicitly approved by the legislature, such as expected changes to annualize personal services costs included in the FY 2023 statewide pay plan adjustments, changes to benefit rates, increases in pay approved by the legislature, longevity adjustments required by statute, and changes in rates for workers' compensation and unemployment insurance
- Management decisions – 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 2023 personal services base budget such as management decisions to transfer personal services funding between programs within an agency or transfers to move personal funding to or from other 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.

Department of Environmental Quality DP 1 Personal Services State Wide Present Law Adjustments FY 2026				
<u>Division</u>	<u>Legislative Changes</u>	<u>Management Decisions</u>	<u>Budget Modifications</u>	<u>DP 1 Total</u>
Central Management Program	\$43,333	(\$36,916)	\$0	\$6,417
Water Quality Division	9,029	174,103	-	183,132
Waste Management & Remediation	78,693	230,089	-	308,782
Air Energy & Mining	(100,800)	14,068	-	(86,732)
Petro Tank Release Compensation Board	2,996	20,900	-	23,896
DP 1 - Personal Services	\$33,251	\$402,244	\$0	\$435,495

In Fiscal Year 2025, the Department of Environmental Quality received an appropriation of \$35.3 million to fund PB. Personal services accounted for 51.1% of the total appropriations.

The department's proposed 376.04 PB are distributed across five divisions and programs:

- Central Management Program: 22.23 PB
- Water Quality Division: 143.67 PB
- Waste Management and Remediation Division: 102.36 PB
- Air, Energy, and Mining Division: 101.03 PB
- Petroleum Tank Release Compensation Board: 6.75 PB

Statewide present law adjustments for personal services in FY 2026 total about \$435,500. Legislative changes include increases in benefits and salaries budgeted for vacant positions. The agency did not fully utilize the HB 13 pay plan due to higher than anticipated vacant positions. Increases due to management decisions included increases for performance adjustments, retention incentives, and promotions.

As proposed by the executive, the 2027 biennium budget would add 9.00 new PB increasing the agency budget by 6.7% or \$9.0 million above base funding. This increase would be funded with \$3.1 million in general fund, \$4.7 million in state special revenue, and \$1.2 million in federal funds. All new funding is proposed as ongoing.

New Positions Budgeted

The executive proposes an increase of \$2.3 million, primarily from the general fund, to support the addition of 9.00 new positions budgeted, with 2.00 in the Central Management Division and 7.00 in the Water Quality Division. This proposed funding increase will cover personal services and operating costs associated with the new positions.

In the Central Management Division 2.00 new positions, a lawyer and legal secretary, would be added to deal with an increasing legal caseload.

In the Water Quality Division, the executive proposes to make permanent 3.00 PB approved by the 2023 Legislature as one-time-only to work on subdivision applications. Additionally, 2.00 new positions are proposed to implement the Safe Drinking Water Act. These positions would work on drafting rules and conducting sampling to ensure compliance with EPA standards for PFAS/PFOA. Other new positions include 1.00 PB as an engineering compliance specialist, tasked with handling compliance investigations and providing training related to subdivision and water/wastewater regulations, and 1.00 PB for a wastewater technical advisor to assist municipalities with system optimization and operator training.

The table below summarizes the proposed budget for the new positions.

Department of Environmental Quality Proposed New Positions Budgeted			
	Central Management <u>Division</u>	Water Quality <u>Division</u>	<u>Total</u>
Positions Budgeted	2.00	7.00	9.00
Expenditures			
Personal Services	\$399,498	\$1,417,744	\$1,817,242
Operating Expense	106,792	397,037	503,829
Total Expenditures	\$506,290	\$1,814,781	\$2,321,071
Funding			
General Fund	\$506,290	\$849,044	\$1,355,334
State Special Revenue	-	741,325	741,325
Federal Special Revenue	-	224,412	224,412
Total Funding	\$506,290	\$1,814,781	\$2,321,071

Mine Reclamation

As proposed by the executive the 2027 biennium budget would include \$4.9 million in state special revenue for mine reclamation.

The executive also proposes increasing state special revenue by \$500,000 for reclamation work at the CR Kendall mine site. This funding would be contingent on the passage of LC0540 – “Revise distributions mine remediation”. If approved statute would be changed to replace funding from surety bond proceeds for the CR Kendall Mine which have been exhausted. Additionally, the executive is requesting the authority to expend \$400,000 from the forfeiture of surety bonds and \$3.6 million from the hard rock reclamation state special revenue fund to support the operation and maintenance of the Zortman/Landusky and CR Kendall mine sites. Lastly, there is a proposal to increase state special revenue by \$400,000 for implementing the Metal Mine Reclamation Act (MMRA), dependent on the passage of LC0538 – “Revise hard rock mining fees, account”, which establishes a new fee structure dedicated to metal mine reclamation.

The executive also proposes \$80,000 in general fund to support increased case load at the Board of Environmental Review.

Funding

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

Total Department of Environmental Quality 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
01100 General Fund	16,578,651				16,578,651	9.5%
02058 Petroleum Storage Tank Cleanup	7,411,435			10,500,000	17,911,435	10.3%
02201 Air Quality-Operating Fees	7,320,646				7,320,646	4.2%
02278 MPDES Permit Program	7,007,137				7,007,137	4.0%
02988 Hard Rock Mining Reclamation	6,252,704				6,252,704	3.6%
02576 Natural Resources Operations	5,231,196				5,231,196	3.0%
Other State Special Revenue	41,214,043				41,214,043	23.7%
State Special Revenue Total	74,437,161	-	-	10,500,000	84,937,161	48.7%
03433 EPA Perf Partnership Grant	12,656,372				12,656,372	7.3%
03036 DEQ - Federal Aml Grant	8,756,129				8,756,129	5.0%
03816 DOI OSM A&E Grant	4,458,027				4,458,027	2.6%
03595 DW24 SRF Grant	3,862,698				3,862,698	2.2%
03231 NPS25 Staffing Grant	2,175,108				2,175,108	1.2%
Other Federal Special Revenue	20,963,330				20,963,330	12.0%
Federal Special Revenue Total	52,871,664	-	-	-	52,871,664	30.3%
06509 DEQ Indirects			19,872,506		19,872,506	11.4%
Proprietary Fund Total	-	-	19,872,506	-	19,872,506	11.4%
Total of All Funds	143,887,476	-	19,872,506	10,500,000	174,259,982	
Percent of All Sources of Authority	82.6%	0.0%	11.4%	6.0%		

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	367.04	367.04	376.04	376.04
Personal Services	29,026,795	33,670,229	35,253,427	36,423,717	36,508,445
Operating Expenses	18,679,506	27,818,459	28,201,659	29,980,279	29,964,597
Equipment & Intangible Assets	360,243	238,395	101,740	101,740	101,740
Capital Outlay	1,531,886	1,445,500	0	0	0
Grants	1,815,250	1,938,835	1,938,835	1,938,835	1,938,835
Benefits & Claims	348,053	425,000	425,000	425,000	425,000
Transfers	496,892	1,618,644	3,039,644	3,039,644	3,039,644
Total Expenditures	\$52,258,625	\$67,155,062	\$68,960,305	\$71,909,215	\$71,978,261
General Fund	6,709,708	6,797,215	7,165,514	8,286,014	8,292,637
State/Other Special Rev. Funds	24,304,542	35,109,635	35,951,429	37,198,365	37,238,796
Federal Spec. Rev. Funds	21,244,375	25,248,212	25,843,362	26,424,836	26,446,828
Total Funds	\$52,258,625	\$67,155,062	\$68,960,305	\$71,909,215	\$71,978,261
Total Ongoing	\$51,861,805	\$65,615,926	\$67,446,480	\$71,909,215	\$71,978,261
Total OTO	\$396,820	\$1,539,136	\$1,513,825	\$0	\$0

Agency Description

The Department of Environmental Quality (DEQ) is responsible for regulating various environmental aspects in Montana, including air and water quality, waste management, mining operations, and energy facility siting. The department's responsibilities extend to reclamation and cleanup activities related to federal and state superfund programs and leaking underground storage tanks.

DEQ's work is carried out through four main programs: Central Management, Water Quality, Waste Management & Remediation, and Air, Energy, & Mining. Additionally, the Petroleum Tank Compensation Board and the Libby Asbestos Superfund Oversight Committee are administratively attached to the department.

The department operates in partnership with federal agencies, primarily the Environmental Protection Agency (EPA) and the Department of Interior's Office of Surface Mining. While Congress initially tasked the EPA with developing and implementing environmental protection measures, many federal statutes allow for delegation of programs to states that demonstrate the capacity to manage them effectively.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The agency expended 77.8% of the \$67.2 million HB 2 budget in FY 2024, leaving \$14.9 million of authority unexpended.

The FY 2024 budget included appropriations for personal services totaling \$33.7 million and were 86.2% expended leaving \$4.6 million unexpended for fiscal year 2024. The department has 370.04 HB 2 PB of which 40.57 PB were vacant at year end.

Operating expenses budgeted for FY 2024 totaled \$27.8 million and were 67.1% expended leaving \$9.1 million unexpended. Unexpended operating authority for waste management programs totaled \$3.1 million, air quality and mining programs had unexpended authority of \$2.2 million, and water quality programs \$1.7 million. Operating expenditures budgeted for administration was \$1.8 million unexpended. Other operating expense in support of the Petroleum Tank Release Compensation Board, and the Libby Asbestos Advisory Team were \$300,000 unexpended.

FY 2024 Appropriations Compared to FY 2025 Appropriations

Total appropriations in FY 2025 increased by 2.7% or \$1.8 million when compared to FY 2024 appropriations. Appropriations for personal services increased by 4.7% or \$1.6 million due to the legislative pay plan and management decisions related to promotion and retention. Increases in personal services were funded primarily with \$807,600 of state special revenue, \$441,400 of federal special revenue, and \$334,167 of general fund. Operating expenditures increased by 1.1% or \$298,300. Authority for equipment purchases decreased by \$100,000.

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 Environmental Quality Comparison of the FY 2025 Legislative Budget to the FY 2025 Base Budget				
Program	Legislative Budget	Executive Modifications	Base Budget	Percent Change
<u>Central Management</u>				
Personal Services	\$2,146,750	-	\$2,146,750	0.0%
Operating Expenses	2,961,769	-	2,961,769	0.0%
Central Management Program Total	5,108,519	-	5,108,519	0.0%
<u>Water Quality</u>				
Personal Services	13,140,844	-	13,140,844	0.0%
Operating Expenses	6,323,619	-	6,323,619	0.0%
Grants	252,020		252,020	0.0%
Transfers	4,001		4,001	0.0%
Water Quality Total	19,720,484	-	19,720,484	0.0%
<u>Waste Management & Remediation</u>				
Personal Services	9,434,405	-	9,434,405	0.0%
Operating Expenses	9,805,455	-	9,805,455	0.0%
Grants	1,686,815		1,686,815	0.0%
Benefits & Claims	425,000		425,000	0.0%
Transfers	2,714,699	-	2,714,699	0.0%
Waste Management & Remediation Total	24,066,374	-	24,066,374	0.0%
<u>Air Energy and Mining</u>				
Personal Services	9,637,711		9,637,711	0.0%
Operating Expenses	7,399,742		7,399,742	0.0%
Equipment & Intangible Assets	101,740		101,740	0.0%
Transfers	13,698		13,698	0.0%
Air Energy and Mining Total	17,152,891	-	17,152,891	0.0%
<u>Libby Asbestos Advisory Team</u>				
Operating Expenses	181,440		181,440	0.0%
Transfers	307,246		307,246	0.0%
Libby Asbestos Advisory Team Total	488,686	-	488,686	0.0%
<u>Petroleum Tank Release Compensation Board</u>				
Personal Services	569,692		569,692	0.0%
Operating Expenses	339,834		339,834	0.0%
Petroleum Tank Release Total	909,526	-	909,526	0.0%
Agency Total	\$67,446,480	-	\$67,446,480	0.0%

The agency made no changes to the base.

HB 2 Language -

"The Water Quality Division is authorized to decrease federal special revenue and increase state special revenue in the drinking water or water pollution control revolving loan programs by a like amount within the administration account, when the amount of federal capitalization funds has been expended or when federal funds and bond proceeds will be used for other program purposes."

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	20.23	22.23	22.23	2.00	4.9%
General Fund	1,309,529	1,872,582	1,879,601	1,133,125	43.3%
State/Other Special Rev. Funds	2,697,560	2,697,560	2,697,560		0.0%
Federal Spec. Rev. Funds	1,101,430	873,770	874,551	(454,539)	(20.6%)
Total Funds	5,108,519	5,443,912	5,451,712	678,586	6.6%
Personal Services	2,146,750	2,353,115	2,362,807	422,422	9.8%
Operating Expenses	2,961,769	3,090,797	3,088,905	256,164	4.3%
Total Expenditures	5,108,519	5,443,912	5,451,712	678,586	6.6%
Total Ongoing	5,108,519	5,443,912	5,451,712	678,586	6.6%
Total One-Time-Only					0.0%

Program Highlights

**Central Management Program
Major Budget Highlights**

The executive proposes an increase of 4.9% or \$678,600 in total appropriations above base funding. In addition to statewide present law adjustments of \$92,300 the executive proposes:

- New positions for legal staff, 2.00 PB: \$506,300
- Board of Environmental Review operations increase: \$80,000

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.

Central Management Program 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
Base Budget	1,309,529	2,697,560	1,101,430	5,108,519	93.8%	1,309,529	2,697,560	1,101,430	5,108,519	93.7%
Statewide PL										
Personal Services	234,077	0	(227,660)	6,417	0.1%	243,386	0	(226,879)	16,507	0.3%
Fixed Costs	36,494	0	0	36,494	0.7%	34,322	0	0	34,322	0.6%
Inflation Deflation	(862)	0	0	(862)	(0.0%)	(582)	0	0	(582)	(0.0%)
Total Statewide PL	269,709	0	(227,660)	42,049	0.8%	277,126	0	(226,879)	50,247	0.9%
Present Law (PL)	293,344	0	0	293,344	5.4%	292,946	0	0	292,946	5.4%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	563,053	0	(227,660)	335,393	6.2%	570,072	0	(226,879)	343,193	6.3%
Total Requested Budget	1,872,582	2,697,560	873,770	5,443,912		1,879,601	2,697,560	874,551	5,451,712	

Funding

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

Department of Environmental Quality, 10-Central Management Program Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	3,752,183	0	0	0	3,752,183	12.2%
02070 Hazardous Waste-CERCLA	270,508	0	0	0	270,508	5.0%
02075 UST Leak Prevention Program	82,270	0	0	0	82,270	1.5%
02097 Environmental Rehab & Response	500,434	0	0	0	500,434	9.3%
02157 Solid Waste Management Fee	124,506	0	0	0	124,506	2.3%
02201 Air Quality-Operating Fees	413,450	0	0	0	413,450	7.7%
02202 Asbestos Control	128,334	0	0	0	128,334	2.4%
02204 Public Drinking Water	290,482	0	0	0	290,482	5.4%
02223 Wastewater SRF Special Admin	5,430	0	0	0	5,430	0.1%
02278 MPDES Permit Program	499,808	0	0	0	499,808	9.3%
02418 Subdivision Plat Review	146,000	0	0	0	146,000	2.7%
02428 Major Facility Siting	785,888	0	0	0	785,888	14.6%
02542 MT Environ Policy Act Fee	1,945,678	0	0	0	1,945,678	36.1%
02576 Natural Resources Operations	84,110	0	0	0	84,110	1.6%
02845 Junk Vehicle Disposal	104,220	0	0	0	104,220	1.9%
02955 State Energy conservation ARRA	14,002	0	0	0	14,002	0.3%
State Special Total	\$5,395,120	\$0	\$0	\$0	\$5,395,120	17.5%
03036 DEQ - Federal Aml Grant	117,491	0	0	0	117,491	6.7%
03046 2019 Exchange Network	168,130	0	0	0	168,130	9.6%
03067 DSL Federal Reclamation Grant	12	0	0	0	12	0.0%
03231 NPS25 Staffing Grant	41,778	0	0	0	41,778	2.4%
03433 EPA Perf Partnership Grant	943,936	0	0	0	943,936	54.0%
03796 Haz Mat Emergency Prep	31,948	0	0	0	31,948	1.8%
03816 DOI OSM A&E Grant	445,026	0	0	0	445,026	25.5%
Federal Special Total	\$1,748,321	\$0	\$0	\$0	\$1,748,321	5.7%
06509 DEQ Indirects	0	0	19,872,506	0	19,872,506	100.0%
Proprietary Total	\$0	\$0	\$19,872,506	\$0	\$19,872,506	64.6%
Total All Funds	\$10,895,624	\$0	\$19,872,506	\$0	\$30,768,130	

About 64.6% of the activities in the Central Management Program are funded with non-budgeted proprietary funds that are not appropriated through HB 2. The proprietary funding is based upon a negotiated indirect rate with the Environmental Protection Agency (EPA). The indirect rate is assessed against personal services and operations. Budgeted funds constitute 35.4% of total funding sources for the program. The appropriated funds consist of general funds, 15 state special revenue funds, and federal grants. Most of the funding comes from Montana Environmental Protection Act (MEPA) fees. Other revenue comes from fees for major facility siting, environmental re-habitation and response, air quality operating fees, and pollutant discharge elimination system permits.

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	20.23	20.23	22.23	22.23
Personal Services	2,139,473	2,048,219	2,146,750	2,353,115	2,362,807
Operating Expenses	1,047,168	2,860,010	2,961,769	3,090,797	3,088,905
Total Expenditures	\$3,186,641	\$4,908,229	\$5,108,519	\$5,443,912	\$5,451,712
General Fund	1,167,995	1,178,422	1,309,529	1,872,582	1,879,601
State/Other Special Rev. Funds	1,242,610	2,670,455	2,697,560	2,697,560	2,697,560
Federal Spec. Rev. Funds	776,036	1,059,352	1,101,430	873,770	874,551
Total Funds	\$3,186,641	\$4,908,229	\$5,108,519	\$5,443,912	\$5,451,712
Total Ongoing	\$3,186,641	\$4,908,229	\$5,108,519	\$5,443,912	\$5,451,712
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Central Management Program is responsible for agency-wide administration, management, planning, evaluation, and support.

- The Director's Office includes the director's staff, a centralized legal pool, the Montana Environmental Policy Act and the Montana Facility Siting Act functions, public affairs, and the enforcement program.
- The Centralized Management Program is an extension of the Director's Office and provides overall policy direction and support services to the agency in the areas of human resources, information management and technology, fiscal, records management, safety, emergency management, and continuous process improvement.

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	234,077	0	(227,660)	6,417		0.00	243,386	0	(226,879)	16,507
DP 2 - Fixed Costs										
0.00	36,494	0	0	36,494		0.00	34,322	0	0	34,322
DP 3 - Inflation Deflation										
0.00	(862)	0	0	(862)		0.00	(582)	0	0	(582)
DP 10002 - Additional Legal Support										
2.00	253,344	0	0	253,344		2.00	252,946	0	0	252,946
DP 10011 - Board of Environmental Review										
0.00	40,000	0	0	40,000		0.00	40,000	0	0	40,000
Grand Total All Present Law Adjustments										
2.00	\$563,053	\$0	(\$227,660)	\$335,393		2.00	\$570,072	\$0	(\$226,879)	\$343,193

*"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

Central Management Program	
FY 2026 Statewide Present Law Adjustment for Personal Services	
	<u>FY 2026</u>
Legislative Changes	\$43,333
Management Changes	(36,916)
Budget Modifications	-
Total	\$6,417

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: warrant writer, motor pool, 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 10002 - Additional Legal Support -

The executive proposes an increase in general fund to support the addition of 2.00 PB, a new attorney and legal secretary.

DP 10011 - Board of Environmental Review -

The executive proposes an increase in general fund to support increasing caseloads at the Board of Environmental Review.

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	136.67	143.67	143.67	7.00	2.6%
General Fund	2,766,335	3,517,297	3,513,493	1,498,120	27.1%
State/Other Special Rev. Funds	8,547,420	8,475,100	8,480,538	(139,202)	(0.8%)
Federal Spec. Rev. Funds	8,406,729	8,999,405	9,009,848	1,195,795	7.1%
Total Funds	19,720,484	20,991,802	21,003,879	2,554,713	6.5%
Personal Services	13,140,844	14,032,848	14,054,787	1,805,947	6.9%
Operating Expenses	6,323,619	6,702,933	6,693,071	748,766	5.9%
Grants	252,020	252,020	252,020		0.0%
Transfers	4,001	4,001	4,001		0.0%
Total Expenditures	19,720,484	20,991,802	21,003,879	2,554,713	6.5%
Total Ongoing	19,720,484	20,991,802	21,003,879	2,554,713	6.5%
Total One-Time-Only	413,825			(827,650)	(100.0%)

Program Highlights

Water Quality Division Major Budget Highlights

The executive proposes an increase of 6.5% or \$2.6 million in total appropriations above base funding. In addition to statewide present law adjustments of \$739,900 the executive proposes:

6.00 new PB at a cost of \$1.8 million for:

- Safe Drinking Water Act
- Engineering compliance specialist
- Wastewater technical inspector
- Subdivision applications support

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.

Water Quality 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
Base Budget	2,766,335	8,547,420	8,406,729	19,720,484	93.9%	2,766,335	8,547,420	8,406,729	19,720,484	93.9%
Statewide PL										
Personal Services	145,646	(442,984)	480,470	183,132	0.9%	151,703	(437,545)	490,913	205,071	1.0%
Fixed Costs	185,704	0	0	185,704	0.9%	174,250	0	0	174,250	0.8%
Inflation Deflation	(4,910)	0	0	(4,910)	(0.0%)	(3,317)	0	0	(3,317)	(0.0%)
Total Statewide PL	326,440	(442,984)	480,470	363,926	1.7%	322,636	(437,545)	490,913	376,004	1.8%
Present Law (PL)	0	370,664	112,206	482,870	2.3%	0	370,663	112,206	482,869	2.3%
New Proposals	424,522	0	0	424,522	2.0%	424,522	0	0	424,522	2.0%
Total HB 2 Adjustments	750,962	(72,320)	592,676	1,271,318	6.1%	747,158	(66,882)	603,119	1,283,395	6.1%
Total Requested Budget	3,517,297	8,475,100	8,999,405	20,991,802		3,513,493	8,480,538	9,009,848	21,003,879	

Funding

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

Department of Environmental Quality, 20-Water Quality 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	7,030,790	0	0	0	7,030,790	16.7%	
02203 Nutrient Standards	90,062	0	0	0	90,062	0.5%	
02204 Public Drinking Water	2,988,252	0	0	0	2,988,252	17.6%	
02206 Agriculture Monitoring	11,064	0	0	0	11,064	0.1%	
02223 Wastewater SRF Special Admin	2,355,275	0	0	0	2,355,275	13.9%	
02278 MPDES Permit Program	6,507,329	0	0	0	6,507,329	38.4%	
02316 SRF Bonds State Administration	206,478	0	0	0	206,478	1.2%	
02418 Subdivision Plat Review	3,014,815	0	0	0	3,014,815	17.8%	
02420 Bd of Cert For W&WW OP	443,343	0	0	0	443,343	2.6%	
02472 Orphan Share Fund	2	0	0	0	2	0.0%	
02491 Drinking Water Spec Admin Cost	1,339,018	0	0	0	1,339,018	7.9%	
State Special Total	\$16,955,638	\$0	\$0	\$0	\$16,955,638	40.4%	
03003 Regional Wetlands Program	20,000	0	0	0	20,000	0.1%	
03013 WPC24 SRF Grant	245,318	0	0	0	245,318	1.4%	
03231 NPS25 Staffing Grant	2,133,330	0	0	0	2,133,330	11.8%	
03262 EPA Ppg	773,341	0	0	0	773,341	4.3%	
03433 EPA Perf Partnership Grant	6,626,038	0	0	0	6,626,038	36.8%	
03436 NPS22 Staffing Grant	2,123	0	0	0	2,123	0.0%	
03490 FY21 Wetland Develop Grant	367,251	0	0	0	367,251	2.0%	
03586 DW23 SRF Grant	1,815,212	0	0	0	1,815,212	10.1%	
03595 DW24 SRF Grant	3,862,698	0	0	0	3,862,698	21.4%	
03608 WPC21 SRF Grant	20	0	0	0	20	0.0%	
03676 Bureau of Land Management	200,000	0	0	0	200,000	1.1%	
03691 NPS24 Staffing Grant	1,463,922	0	0	0	1,463,922	8.1%	
03817 DW22 SRF Grant	500,000	0	0	0	500,000	2.8%	
Federal Special Total	\$18,009,253	\$0	\$0	\$0	\$18,009,253	42.9%	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%	
Total All Funds	\$41,995,681	\$0	\$0	\$0	\$41,995,681		

The Water Quality Division is primarily funded with state special revenue and federal grants, which together account for 83.3% of its total budget. The division's primary sources of state special revenue include fees collected for Montana pollutant discharge elimination system permits, subdivision plat reviews, and funds from wastewater and drinking water revolving funds programs. Federal funding primarily comes from Environmental Protection Agency (EPA) programs. These include the performance partnership grant and funds allocated for non-point source water projects under the federal Clean Water Act.

General fund support makes up the remaining 16.7% of the total budget, primarily covering personal services and operating expenses.

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	136.67	136.67	143.67	143.67
Personal Services	11,297,692	12,879,277	13,464,869	14,032,848	14,054,787
Operating Expenses	4,666,009	6,412,093	6,413,419	6,702,933	6,693,071
Grants	313,333	252,020	252,020	252,020	252,020
Transfers	0	4,001	4,001	4,001	4,001
Total Expenditures	\$16,277,034	\$19,547,391	\$20,134,309	\$20,991,802	\$21,003,879
General Fund	3,099,560	3,142,352	3,180,160	3,517,297	3,513,493
State/Other Special Rev. Funds	5,712,936	8,255,548	8,547,420	8,475,100	8,480,538
Federal Spec. Rev. Funds	7,464,538	8,149,491	8,406,729	8,999,405	9,009,848
Total Funds	\$16,277,034	\$19,547,391	\$20,134,309	\$20,991,802	\$21,003,879
Total Ongoing	\$15,880,214	\$19,108,255	\$19,720,484	\$20,991,802	\$21,003,879
Total OTO	\$396,820	\$439,136	\$413,825	\$0	\$0

Program Description

The Water Quality Division protects public health and water quality in the state of Montana. This is accomplished through the financing and technical assistance provided for community water and wastewater systems; the development of water quality restoration plans; managing a statewide monitoring network; subdivision review; monitoring compliance of public water systems; and water discharge permitting. The division achieves this through coordination with the public and regulated community by proposing rules, drafting policy, and developing water quality standards.

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	145,646	(442,984)	480,470	183,132		0.00	151,703	(437,545)	490,913	205,071
DP 2 - Fixed Costs										
0.00	185,704	0	0	185,704		0.00	174,250	0	0	174,250
DP 3 - Inflation Deflation										
0.00	(4,910)	0	0	(4,910)		0.00	(3,317)	0	0	(3,317)
DP 20006 - PWS Requesting HB2 PB										
2.00	0	112,205	112,206	224,411		2.00	0	112,205	112,206	224,411
DP 20007 - Engineering Compliance Specialist										
1.00	0	131,333	0	131,333		1.00	0	131,333	0	131,333
DP 20008 - Wastewater Technical Inspector										
1.00	0	127,125	0	127,125		1.00	0	127,124	0	127,124
Grand Total All Present Law Adjustments										
4.00	\$326,440	(\$72,321)	\$592,676	\$846,795		4.00	\$322,636	(\$66,883)	\$603,119	\$858,872

***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

The Water Quality Division	
FY 2026 Statewide Present Law Adjustment for Personal Services	
	<u>FY 2026</u>
Legislative Changes	\$9,029
Management Changes	174,103
Budget Modifications	-
Total	\$183,132

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: warrant writer, motor pool, 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 20006 - PWS Requesting HB2 PB -

The executive proposes an increase in state and federal special revenues to fund an additional 2.00 PB to enact the Safe Drinking Water Act. These new positions will draft rules and conduct necessary sampling to ensure compliance with EPA standards for PFAS/PFOA (Per- and polyfluoroalkyl substances/perfluorooctanoic acid).

DP 20007 - Engineering Compliance Specialist -

The executive proposes an increase in state special revenue to fund an additional 1.00 PB for an engineering compliance specialist. This new position will be responsible for conducting all compliance investigations related to complaints received by the Engineering Bureau. Additionally, the specialist will provide training to assist businesses and individuals in adhering to regulations concerning subdivision and public water/wastewater systems.

DP 20008 - Wastewater Technical Inspector -

The executive proposes an increase in state special revenue to fund an additional 1.00 PB for a wastewater technical advisor. This new position would assist municipalities with optimizing their wastewater systems and provide wastewater operator training.

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 20001 - Establish HB2 PB for Engineering Bureau										
3.00	424,522	0	0	424,522		3.00	424,522	0	0	424,522
Total	3.00	\$424,522	\$0	\$0	\$424,522	3.00	\$424,522	\$0	\$0	\$424,522

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

DP 20001 - Establish HB2 PB for Engineering Bureau -

The executive proposes an increase in general fund for an additional 3.00 PB in the Engineering Bureau for subdivision review.

53010 - Department Of Environmental Quality 40-Waste Management and Remediation Division

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	102.36	102.36	102.36	0.00	0.0%
General Fund	681,173	739,824	743,154	120,632	8.9%
State/Other Special Rev. Funds	12,338,396	12,288,408	12,306,209	(82,175)	(0.3%)
Federal Spec. Rev. Funds	11,046,805	11,374,388	11,379,279	660,057	3.0%
Total Funds	24,066,374	24,402,620	24,428,642	698,514	1.5%
Personal Services	9,434,405	9,743,187	9,769,953	644,330	3.4%
Operating Expenses	9,805,455	9,832,919	9,832,175	54,184	0.3%
Grants	1,686,815	1,686,815	1,686,815		0.0%
Benefits & Claims	425,000	425,000	425,000		0.0%
Transfers	2,714,699	2,714,699	2,714,699		0.0%
Total Expenditures	24,066,374	24,402,620	24,428,642	698,514	1.5%
Total Ongoing	24,066,374	24,402,620	24,428,642	698,514	1.5%
Total One-Time-Only	1,100,000			(2,200,000)	(100.0%)

Program Highlights

Waste Management and Remediation Division Major Budget Highlights
The executive proposes a increase of 1.5% or \$698,500 in total appropriations above base funding. The increase is due entirely to statewide present law adjustments.

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.

Waste Management and Remediation 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
Base Budget	681,173	12,338,396	11,046,805	24,066,374	98.6%	681,173	12,338,396	11,046,805	24,066,374	98.5%
Statewide PL										
Personal Services	58,651	(77,452)	327,583	308,782	1.3%	61,981	(58,907)	332,474	335,548	1.4%
Fixed Costs	0	31,970	0	31,970	0.1%	0	29,765	0	29,765	0.1%
Inflation Deflation	0	(4,506)	0	(4,506)	(0.0%)	0	(3,045)	0	(3,045)	(0.0%)
Total Statewide PL	58,651	(49,988)	327,583	336,246	1.4%	61,981	(32,187)	332,474	362,268	1.5%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	58,651	(49,988)	327,583	336,246	1.4%	61,981	(32,187)	332,474	362,268	1.5%
Total Requested Budget	739,824	12,288,408	11,374,388	24,402,620		743,154	12,306,209	11,379,279	24,428,642	

53010 - Department Of Environmental Quality 40-Waste Management and Remediation Division

Funding

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

Department of Environmental Quality, 40-Waste Management and Remediation 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	1,482,978	0	0	0	1,482,978	3.0%
02054 UST-Installer Lic & Permit Acc	100,810	0	0	0	100,810	0.4%
02058 Petroleum Storage Tank Cleanup	5,541,590	0	0	0	5,541,590	22.5%
02070 Hazardous Waste-CERCLA	1,450,714	0	0	0	1,450,714	5.9%
02075 UST Leak Prevention Program	801,936	0	0	0	801,936	3.3%
02130 Libby Asbestos Cleanup O&M	200,000	0	0	0	200,000	0.8%
02157 Solid Waste Management Fee	1,856,090	0	0	0	1,856,090	7.5%
02162 Environmental Quality Protecti	4,600,683	0	0	0	4,600,683	18.7%
02202 Asbestos Control	694,084	0	0	0	694,084	2.8%
02206 Agriculture Monitoring	40,000	0	0	0	40,000	0.2%
02314 DNRC Grants - REMediation	457,060	0	0	0	457,060	1.9%
02421 Hazardous Waste Fees	537,780	0	0	0	537,780	2.2%
02438 Pegasus - Beal Mountain	1,988	0	0	0	1,988	0.0%
02472 Orphan Share Fund	1,122,530	0	0	0	1,122,530	4.6%
02565 LUST Cost Recovery	900,028	0	0	0	900,028	3.7%
02676 Hard Rock Reclamation	1,200,000	0	0	0	1,200,000	4.9%
02845 Junk Vehicle Disposal	4,912,610	0	0	0	4,912,610	20.0%
02940 Pegasus - Basin	77,964	0	0	0	77,964	0.3%
02954 Septage Fees	98,750	0	0	0	98,750	0.4%
State Special Total	\$24,594,617	\$0	\$0	\$0	\$24,594,617	50.4%
03036 DEQ - Federal Aml Grant	8,638,638	0	0	0	8,638,638	38.0%
03151 Upper Tenmile TA	300,000	0	0	0	300,000	1.3%
03155 Carpenter Snow Creek	810,000	0	0	0	810,000	3.6%
03228 L.U.S.T./Trust	1,031,980	0	0	0	1,031,980	4.5%
03309 UST Leak Prevention Grant	840,548	0	0	0	840,548	3.7%
03351 Tech Assist - Butte Mine Flood	800,000	0	0	0	800,000	3.5%
03353 Management Assist - Spec Acct	1,154,594	0	0	0	1,154,594	5.1%
03360 Management Assistance - Bulk	1,851,572	0	0	0	1,851,572	8.1%
03433 EPA Perf Partnership Grant	1,745,102	0	0	0	1,745,102	7.7%
03447 Belt Water Treatment Fund	300,000	0	0	0	300,000	1.3%
03463 Mine Lease/Reclamation	125,518	0	0	0	125,518	0.6%
03721 Libby Sitewide	700,000	0	0	0	700,000	3.1%
03798 LIBBY O&M GRANT	150,000	0	0	0	150,000	0.7%
03820 Libby OU3	2,132,700	0	0	0	2,132,700	9.4%
03973 EPA Brownfields Grant	2,173,015	0	0	0	2,173,015	9.6%
Federal Special Total	\$22,753,667	\$0	\$0	\$0	\$22,753,667	46.6%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$48,831,262	\$0	\$0	\$0	\$48,831,262	

The Waste Management and Remediation Division is funded primarily with state and federal special revenues which combined fund 98.1% of the budget. State special revenue comes from junk vehicle fees, \$0.0075 gas tax for petroleum tank cleanup, registration fees for underground storage tanks, and interest proceeds from the Resource Indemnity Trust (RIT). Federal special revenue is derived from the federal EPA for Superfund oversight and various other activities. Other federal revenue sources include the Office of Surface Mining for the Abandoned Mine Lands Program.

The general fund supports 1.9% of the division budget and supports the Waste Management Bureau.

53010 - Department Of Environmental Quality 40-Waste Management and Remediation 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	102.36	102.36	102.36	102.36
Personal Services	7,455,153	8,976,524	9,434,405	9,743,187	9,769,953
Operating Expenses	7,722,865	10,816,527	10,905,455	9,832,919	9,832,175
Capital Outlay	1,531,886	1,445,500	0	0	0
Grants	1,501,917	1,686,815	1,686,815	1,686,815	1,686,815
Benefits & Claims	348,053	425,000	425,000	425,000	425,000
Transfers	10,557	1,293,699	2,714,699	2,714,699	2,714,699
Total Expenditures	\$18,570,431	\$24,644,065	\$25,166,374	\$24,402,620	\$24,428,642
General Fund	502,208	535,830	681,173	739,824	743,154
State/Other Special Rev. Funds	9,132,415	13,217,924	13,438,396	12,288,408	12,306,209
Federal Spec. Rev. Funds	8,935,808	10,890,311	11,046,805	11,374,388	11,379,279
Total Funds	\$18,570,431	\$24,644,065	\$25,166,374	\$24,402,620	\$24,428,642
Total Ongoing	\$18,570,431	\$23,544,065	\$24,066,374	\$24,402,620	\$24,428,642
Total OTO	\$0	\$1,100,000	\$1,100,000	\$0	\$0

Program Description

The Waste Management and Remediation Division protects human health and the environment by preventing exposure to contaminants, working with Montana communities and businesses to implement effective material management and cleanup strategies, and overseeing compliance with state and federal laws and regulations. It oversees and conducts or supports remedial investigation and efficient, cost-effective cleanup activities at state and federal Superfund sites; supervises voluntary cleanup activities; reclaims abandoned mine lands; implements corrective actions at sites; and administrates regulatory waste management programs.

53010 - Department Of Environmental Quality 40-Waste Management and Remediation 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	58,651	(77,452)	327,583	308,782	0.00	61,981	(58,907)	332,474	335,548
DP 2 - Fixed Costs	0.00	0	31,970	0	31,970	0.00	0	29,765	0	29,765
DP 3 - Inflation Deflation	0.00	0	(4,506)	0	(4,506)	0.00	0	(3,045)	0	(3,045)
Grand Total All Present Law Adjustments	0.00	\$58,651	(\$49,988)	\$327,583	\$336,246	0.00	\$61,981	(\$32,187)	\$332,474	\$362,268

*"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

Waste Management and Remediation Division	
FY 2026 Statewide Present Law Adjustment for Personal Services	
	FY 2026
Legislative Changes	\$78,693
Management Changes	230,089
Budget Modifications	-
Total	\$308,782

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: warrant writer, motor pool, 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.

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	101.03	101.03	101.03	0.00	0.0%
General Fund	1,994,652	2,156,311	2,156,389	323,396	8.1%
State/Other Special Rev. Funds	9,869,841	12,313,818	12,330,751	4,904,887	24.8%
Federal Spec. Rev. Funds	5,288,398	5,177,273	5,183,150	(216,373)	(2.0%)
Total Funds	17,152,891	19,647,402	19,670,290	5,011,910	14.6%
Personal Services	9,637,711	9,700,979	9,726,944	152,501	0.8%
Operating Expenses	7,399,742	9,830,985	9,827,908	4,859,409	32.8%
Equipment & Intangible Assets	101,740	101,740	101,740		0.0%
Transfers	13,698	13,698	13,698		0.0%
Total Expenditures	17,152,891	19,647,402	19,670,290	5,011,910	14.6%
Total Ongoing	17,152,891	19,647,402	19,670,290	5,011,910	14.6%
Total One-Time-Only					0.0%

Program Highlights

Air, Energy, and Mining Division Major Budget Highlights

The executive proposes an increase of 14.6% or \$5.0 million in total appropriations above base funding. In addition to statewide present law adjustments of \$111,900, this includes:

- Zortman/Landusky mine reclamation - \$4.0 million
- CR Kendall mine reclamation - \$500,000
- Mine reclamation, increased authority from hard rock mining fees - \$400,000

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.

Air, Energy, and Mining 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
Base Budget	1,994,652	9,869,841	5,288,398	17,152,891	87.3%	1,994,652	9,869,841	5,288,398	17,152,891	87.2%
Statewide PL										
Personal Services	91,775	(64,613)	(113,894)	(86,732)	(0.4%)	95,462	(49,748)	(106,481)	(60,767)	(0.3%)
Fixed Costs	69,884	66,898	13,454	150,236	0.8%	66,275	66,272	8,454	141,001	0.7%
Inflation Deflation	0	(8,308)	(10,685)	(18,993)	(0.1%)	0	(5,614)	(7,221)	(12,835)	(0.1%)
Total Statewide PL	161,659	(6,023)	(111,125)	44,511	0.2%	161,737	10,910	(105,248)	67,399	0.3%
Present Law (PL)	0	2,250,000	0	2,250,000	11.5%	0	2,250,000	0	2,250,000	11.4%
New Proposals	0	200,000	0	200,000	1.0%	0	200,000	0	200,000	1.0%
Total HB 2 Adjustments	161,659	2,443,977	(111,125)	2,494,511	12.7%	161,737	2,460,910	(105,248)	2,517,399	12.8%
Total Requested Budget	2,156,311	12,313,818	5,177,273	19,647,402		2,156,389	12,330,751	5,183,150	19,670,290	

Funding

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

Department of Environmental Quality, 50-Air, Energy, and Mining 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	4,312,700	0	0	0	4,312,700	11.0%	
02036 Opencut permit Fees	1,410,965	0	0	0	1,410,965	5.7%	
02095 Opencut Bond Forfeitures	429,248	0	0	0	429,248	1.7%	
02096 Reclamation - Bond Forfeitures	747,688	0	0	0	747,688	3.0%	
02201 Air Quality-Operating Fees	6,907,196	0	0	0	6,907,196	28.0%	
02291 Alternative Energy Loan ARRA	200,812	0	0	0	200,812	0.8%	
02370 Energy Conserv Repayment Acct	24,862	0	0	0	24,862	0.1%	
02388 Database Development	900,000	0	0	0	900,000	3.7%	
02555 Alternative Energy Rev Loan	441,840	0	0	0	441,840	1.8%	
02576 Natural Resources Operations	5,147,086	0	0	0	5,147,086	20.9%	
02579 Coal & Uranium Mine Account	558,006	0	0	0	558,006	2.3%	
02676 Hard Rock Reclamation	25,296	0	0	0	25,296	0.1%	
02955 State Energy conservation ARRA	1,092,764	0	0	0	1,092,764	4.4%	
02973 Univ System Benefits Program	506,102	0	0	0	506,102	2.1%	
02988 Hard Rock Mining Reclamation	6,252,704	0	0	0	6,252,704	25.4%	
State Special Total	\$24,644,569	\$0	\$0	\$0	\$24,644,569	62.7%	
03052 DOE SHOPP 09/14/21	34,640	0	0	0	34,640	0.3%	
03067 DSL Federal Reclamation Grant	196,540	0	0	0	196,540	1.9%	
03199 Stripper Wells	9,000	0	0	0	9,000	0.1%	
03262 EPA Ppg	80,269	0	0	0	80,269	0.8%	
03325 EPA 103 PM 2.5	218	0	0	0	218	0.0%	
03433 EPA Perf Partnership Grant	3,341,296	0	0	0	3,341,296	32.3%	
03435 PM 2.5 Fiscal Year 2004	854,926	0	0	0	854,926	8.3%	
03437 DOE-State Energy Program	888,722	0	0	0	888,722	8.6%	
03459 DOE Competitive Special Proj	182,733	0	0	0	182,733	1.8%	
03723 Clean Diesel DS-97867001	759,078	0	0	0	759,078	7.3%	
03816 DOI OSM A&E Grant	4,013,001	0	0	0	4,013,001	38.7%	
Federal Special Total	\$10,360,423	\$0	\$0	\$0	\$10,360,423	26.4%	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%	
Total All Funds	\$39,317,692	\$0	\$0	\$0	\$39,317,692		

The Air Energy and Mining Division is funded primarily with state special revenues and funds 62.7% of the total budget. State special revenue primarily consists of air quality and opencut mining licensing and permitting fees, as well as production taxes on oil, gas, and metal mines. The agency also receives Resource Indemnity Trust (RIT) interest via the natural resource operations fund. Federal revenues, which fund 26.4% of the budget, come primarily from EPA, Department of Energy, and Department of Interior grants. General fund, 11.0% of the budget, supports the administration of the division and the Air Quality, Energy, and Mining bureaus.

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	101.03	101.03	101.03	101.03
Personal Services	7,588,402	9,226,261	9,637,711	9,700,979	9,726,944
Operating Expenses	5,024,034	7,213,201	7,399,742	9,830,985	9,827,908
Equipment & Intangible Assets	360,243	238,395	101,740	101,740	101,740
Transfers	0	13,698	13,698	13,698	13,698
Total Expenditures	\$12,972,679	\$16,691,555	\$17,152,891	\$19,647,402	\$19,670,290
General Fund	1,939,945	1,940,611	1,994,652	2,156,311	2,156,389
State/Other Special Rev. Funds	6,964,741	9,601,886	9,869,841	12,313,818	12,330,751
Federal Spec. Rev. Funds	4,067,993	5,149,058	5,288,398	5,177,273	5,183,150
Total Funds	\$12,972,679	\$16,691,555	\$17,152,891	\$19,647,402	\$19,670,290
Total Ongoing	\$12,972,679	\$16,691,555	\$17,152,891	\$19,647,402	\$19,670,290
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Air, Energy and Mining Division (AEMD) permits and regulates environmentally-protective and productive operations in air, hard rock mining, opencut mining, and coal mining industries according to program statutory authority. The permitting and regulatory work includes extensive coordination with other programs to develop environmental review documents that comply with the Montana Environmental Policy Act (MEPA), including environmental assessments and environmental impact statements. AEMD includes the State Energy Office, or Energy Bureau, which promotes and improves Montanan's access to energy efficiency and alternative energy sources while improving the state's energy security by offering financing mechanisms, technical assistance, and education for public and private entities.

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	91,775	(64,613)	(113,894)	(86,732)	0.00	95,462	(49,748)	(106,481)	(60,767)
DP 2 - Fixed Costs	0.00	69,884	66,898	13,454	150,236	0.00	66,275	66,272	8,454	141,001
DP 3 - Inflation Deflation	0.00	0	(8,308)	(10,685)	(18,993)	0.00	0	(5,614)	(7,221)	(12,835)
DP 50003 - CR Kendall Funding	0.00	0	250,000	0	250,000	0.00	0	250,000	0	250,000
DP 50010 - Appropriation for Zortman Landusky	0.00	0	2,000,000	0	2,000,000	0.00	0	2,000,000	0	2,000,000
Grand Total All Present Law Adjustments	0.00	\$161,659	\$2,243,977	(\$111,125)	\$2,294,511	0.00	\$161,737	\$2,260,910	(\$105,248)	\$2,317,399

*"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

Air, Energy, and Mining Division	
FY 2026 Statewide Present Law Adjustment for Personal Services	
	<u>FY 2026</u>
Legislative Changes	(\$100,800)
Management Changes	14,068
Budget Modifications	-
Total	(\$86,732)

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: warrant writer, motor pool, 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 50003 - CR Kendall Funding -

The executive proposes an increase in state special revenue to support reclamation work at the CR Kendall mine site. The funding source for this decision package is dependent on the passage of LC0540. Prior funding for the reclamation, bond proceeds, has been exhausted.

**LFD
COMMENT**

Decision Package Contingent on Legislation.

The Legislative Finance Committee recommends subcommittees to refrain from approving contingent decision packages until the associated bill has been passed.

DP 50010 - Appropriation for Zortman Landusky -

The executive proposes an increase in state special revenue to support operation and maintenance of the Zortman/Landusky and CR Kendal mine reclamation sites. This proposal would be funded with forfeited surety bonds.

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 50005 - Hard Rock Mining Fees										
	0.00	0	200,000	0	200,000	0.00	0	200,000	0	200,000
Total	0.00	\$0	\$200,000	\$0	\$200,000	0.00	\$0	\$200,000	\$0	\$200,000

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

DP 50005 - Hard Rock Mining Fees -

The executive proposes to increase state special revenue to support implementing the Metal Mine Reclamation Act (MMRA). This new funding is dependent on the passage of LC 538 – "An Act Revising Hard Rock and Rock Products Mining Fees". LC 538 establishes a new fee structure dedicated to metal mine reclamation.

**LFD
COMMENT**

Decision Package Contingent on Legislation.

The Legislative Finance Committee recommends subcommittees to refrain from approving contingent decision packages until the associated bill has been passed.

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
State/Other Special Rev. Funds	488,686	488,686	488,686		0.0%
Total Funds	488,686	488,686	488,686		0.0%
Operating Expenses	181,440	181,440	181,440		0.0%
Transfers	307,246	307,246	307,246		0.0%
Total Expenditures	488,686	488,686	488,686		0.0%
Total Ongoing	488,686	488,686	488,686		0.0%
Total One-Time-Only					0.0%

Program Highlights

<p style="text-align: center;">Libby Asbestos Super Fund Advisory Team Major Budget Highlights</p>	
The executive proposes base funding.	

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.

Libby Asbestos Superfund Advisory Team 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
Base Budget	0	488,686	0	488,686	100.0%	0	488,686	0	488,686	100.0%
Statewide PL										
Personal Services	0	0	0	0	0.0%	0	0	0	0	0.0%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	0	0	0	0	0.0%	0	0	0	0	0.0%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Requested Budget	0	488,686	0	488,686		0	488,686	0	488,686	

Funding

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

Department of Environmental Quality, 80-Libby Asbestos Superfund Advisory Team 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%
02130 Libby Asbestos Cleanup O&M	977,372	0	0	0	977,372	100.0%
State Special Total	\$977,372	\$0	\$0	\$0	\$977,372	100.0%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$977,372	\$0	\$0	\$0	\$977,372	

The Libby Asbestos Superfund Advisory Team is funded from the Libby Asbestos Cleanup Operations and Maintenance state special revenue account. Sources of revenue include penalties, forfeited financial assurances, proceeds from the resource indemnity trust fund, cost recoveries, and interest on the fund balance.

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
Operating Expenses	2	179,334	181,440	181,440	181,440
Transfers	486,335	307,246	307,246	307,246	307,246
Total Expenditures	\$486,337	\$486,580	\$488,686	\$488,686	\$488,686
State/Other Special Rev. Funds	486,337	486,580	488,686	488,686	488,686
Total Funds	\$486,337	\$486,580	\$488,686	\$488,686	\$488,686
Total Ongoing	\$486,337	\$486,580	\$488,686	\$488,686	\$488,686
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Libby Asbestos Oversight Committee is attached to DEQ for administrative purposes. The oversight committee was created to enhance communication with stakeholders regarding the Libby Asbestos Superfund site. In addition, the oversight committee advises DEQ on administration of the Libby Asbestos Cleanup Trust Fund and operation and maintenance accounts. The appropriated funds are used to maintain committee activities and support operation and maintenance at the site for long-term environmental and public health protection.

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	6.75	6.75	6.75	0.00	0.0%
State/Other Special Rev. Funds	909,526	934,793	935,052	50,793	2.8%
Total Funds	909,526	934,793	935,052	50,793	2.8%
Personal Services	569,692	593,588	593,954	48,158	4.2%
Operating Expenses	339,834	341,205	341,098	2,635	0.4%
Total Expenditures	909,526	934,793	935,052	50,793	2.8%
Total Ongoing	909,526	934,793	935,052	50,793	2.8%
Total One-Time-Only					0.0%

Program Highlights

Department of [Program] Major Budget Highlights
The executive proposes an increase of 2.8% or \$50,800 in total appropriations above base funding. The entire increase is due to statewide present law adjustments.

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.

Petro Tank Release Compensation Board 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
Base Budget	0	909,526	0	909,526	97.3%	0	909,526	0	909,526	97.3%
Statewide PL										
Personal Services	0	23,896	0	23,896	2.6%	0	24,262	0	24,262	2.6%
Fixed Costs	0	1,371	0	1,371	0.1%	0	1,264	0	1,264	0.1%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	0	25,267	0	25,267	2.7%	0	25,526	0	25,526	2.7%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	0	25,267	0	25,267	2.7%	0	25,526	0	25,526	2.7%
Total Requested Budget	0	934,793	0	934,793		0	935,052	0	935,052	

Funding

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

Department of Environmental Quality, 90-Petro Tank Release Compensation Board 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%
02058 Petroleum Storage Tank Cleanup	1,869,845	0	0	10,500,000	12,369,845	100.0%
State Special Total	\$1,869,845	\$0	\$0	\$10,500,000	\$12,369,845	100.0%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$1,869,845	\$0	\$0	\$10,500,000	\$12,369,845	

The Board is funded entirely through a portion of the \$.0075 tax on gasoline, diesel, heating oil, and aviation fuel. Statutory appropriations pay for the reimbursement due to storage tank releases as described in 75-11-313, MCA.

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	6.75	6.75	6.75	6.75
Personal Services	546,075	539,948	569,692	593,588	593,954
Operating Expenses	219,428	337,294	339,834	341,205	341,098
Total Expenditures	\$765,503	\$877,242	\$909,526	\$934,793	\$935,052
State/Other Special Rev. Funds	765,503	877,242	909,526	934,793	935,052
Total Funds	\$765,503	\$877,242	\$909,526	\$934,793	\$935,052
Total Ongoing	\$765,503	\$877,242	\$909,526	\$934,793	\$935,052
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Petroleum Tank Release Compensation Board is responsible for administering the Petroleum Tank Release Cleanup Fund. This includes reimbursement to certain petroleum storage tank owners and operators for corrective action costs, and compensation paid to third parties for bodily injury and property damage resulting from a release of petroleum from a petroleum storage tank. The board is responsible for responding to and working with private individuals, corporations, other state agencies, the Governor's Office, the legislature, federal agencies, and other interested parties with activities relative to petroleum storage tanks and their associated cleanups. It is attached to DEQ for administrative purposes.

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	23,896	0	23,896		0.00	0	24,262	0	24,262
DP 2 - Fixed Costs										
0.00	0	1,371	0	1,371		0.00	0	1,264	0	1,264
Grand Total All Present Law Adjustments										
0.00	\$0	\$25,267	\$0	\$25,267		0.00	\$0	\$25,526	\$0	\$25,526

**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

Petroleum Tank Release Compensation Board	
FY 2026 Statewide Present Law Adjustment for Personal Services	
	<u>FY 2026</u>
Legislative Changes	\$2,996
Management Changes	20,900
Budget Modifications	-
Total	\$23,896

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: warrant writer, motor pool, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DEPARTMENT OF TRANSPORTATION

Section C

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----Agencies-----

Dept. of Fish, Wildlife, & Parks
Dept. of Environmental Quality
Dept. of Transportation

Dept. of Livestock
Dept. of Natural Resources & Conservation
Dept. of Agriculture

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

House

Representative Jerry Schillinger (Chair)
Representative Eric Albus
Representative Debo Powers

Senate

Senator Mike Cuffe (Vice Chair)
Senator Kenneth Bogner
Senator Jane Ellis

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

Rob Miller
Alice Hecht
Barb Wagner

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	2,019.77	2,045.77	2,045.77	26.00	0.6%
State/Other Special Rev. Funds	336,128,560	380,400,065	380,797,936	88,940,881	13.2%
Federal Spec. Rev. Funds	642,794,651	715,108,142	722,716,598	152,235,438	11.8%
Total Funds	978,923,211	1,095,508,207	1,103,514,534	241,176,319	12.3%
Personal Services	195,494,675	200,415,078	200,898,996	10,324,724	2.6%
Operating Expenses	731,607,883	807,922,495	827,362,843	172,069,572	11.8%
Equipment & Intangible Assets	4,167,186	5,088,081	5,088,081	1,841,790	22.1%
Capital Outlay	12,956,865	14,756,865	12,956,865	1,800,000	6.9%
Grants	30,730,768	60,212,854	50,648,915	49,400,233	80.4%
Transfers	2,972,256	3,722,256	3,722,256	1,500,000	25.2%
Debt Service	993,578	3,390,578	2,836,578	4,240,000	213.4%
Total Expenditures	978,923,211	1,095,508,207	1,103,514,534	241,176,319	12.3%
Total Ongoing	978,923,211	1,092,577,596	1,102,388,723	237,119,897	12.1%
Total One-Time-Only	175,000	2,930,611	1,125,811	3,706,422	1,059.0%

Agency Highlights

**Department of Transportation
Major Budget Highlights**

The Montana Department of Transportation's (MDT) 2027 biennium appropriations are approximately \$241.2 million or 12.3% higher than the FY 2025 base budget. Significant changes include:

- Statewide present law adjustments totaling \$5.7 million for the biennium consisting of 63.2% state special revenue and 36.8% federal special revenue. These include:
 - DP 1 - Personal services: \$4.8 million
 - DP 2 - Fixed costs: \$961,961
 - DP 3 - Inflation/Deflation: (\$22,970)
- Present law increases totaling \$202.8 million for the biennium consisting of 28.7% state special revenue and 71.3% federal special revenue. Major changes include:
 - DP 4 - Equipment rental: \$26.5 million for the biennium, 94.0% state special revenue, 6.0% federal special revenue. This increase is spread across four programs that utilize the proprietary Equipment Program. However, most of the increase is to the Maintenance Program
 - DP 214 - Contractor payments: \$127.3 million
 - DP 306 - Winter maintenance materials: \$4.5 million
 - DP 5005 - Federal Transit Authority (FTA) Funding: \$28.5 million - authority for increased federal apportionment
 - DP 5006 - National Highway Traffic Safety Administration (NHTSA): \$9.2 million - budget authority for increase in federal program
- New proposals totaling \$32.7 million for the biennium, an increase of 27.00 PB, and a reduction of 1.00 PB. Details of major changes include:
 - General Operations Program
 - A decrease of 1.00 PB and associated funding as part of an executive branch consolidation
 - An increase of \$4.2 million for software maintenance and hosting fees of the new billing system
 - Highways and Engineering Program
 - New proposals totaling \$2.3 million and 15.00 PB for bridge replacement and rehabilitation specialists and engineers, an asset management liaison, and a computer-aided drafting (CADD) specialist
 - Maintenance Program
 - A new proposal for 6.00 PB and associated pay and benefits for a Bridge Preservation, Maintenance and Response team
 - Rail, Transit, and Planning Program
 - A new proposal for 6.00 PB for positions specializing in delivery and reporting requirements of new federal programs

Legislative Action Items

- A new proposal for \$20.0 million state special revenue for maintenance of off-system bridges, contingent upon passage of LCXXXX.

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 Transportation 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
Base Budget	0 336,128,560	642,794,651	978,923,211	89.4%		0 336,128,560	642,794,651	978,923,211	88.7%	
Statewide PL										
Personal Services	0 1,169,417	987,049	2,156,466	0.2%		0 1,509,287	1,131,109	2,640,396	0.2%	
Fixed Costs	0 698,247	0	698,247	0.1%		0 263,714	0	263,714	0.0%	
Inflation Deflation	0 (8,111)	(5,595)	(13,706)	(0.0%)		0 (5,483)	(3,781)	(9,264)	(0.0%)	
Total Statewide PL	0 1,859,553	981,454	2,841,007	0.3%		0 1,767,518	1,127,328	2,894,846	0.3%	
Present Law (PL)	0 28,443,373	67,728,423	96,171,796	8.8%		0 29,767,234	76,824,562	106,591,796	9.7%	
New Proposals	0 13,968,579	3,603,614	17,572,193	1.6%		0 13,134,624	1,970,057	15,104,681	1.4%	
Total HB 2 Adjustments	0 44,271,505	72,313,491	116,584,996	10.6%		0 44,669,376	79,921,947	124,591,323	11.3%	
Total Requested Budget	0 380,400,065	715,108,142	1,095,508,207			0 380,797,936	722,716,598	1,103,514,534		

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 (DP 1) has been broken down into three categories, as follows:

- Legislatively approved changes – This category includes adjustments explicitly approved by the legislature, such as expected changes to annualize personal services costs included in the FY 2025 statewide pay plan adjustments, changes to benefit rates, increases in pay approved by the legislature, longevity adjustments required by statute, and changes in rates for workers' compensation and unemployment insurance
- Management decisions – 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 transfers to move personal funding to or from other 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.

Department of Transportation				
FY 2026 Statewide Present Law adjustment for personal services				
Program	Legislative changes	Management Decisions	Budget Modifications	Total DP 1
01 General Operations	\$ 244,459	\$ (320,320)	\$ 208,385	\$ 132,524
02 Highways & Engineering	1,166,127	566,954	(208,385)	1,524,696
03 Maintenance	772,835	(651,266)		121,569
22 Motor Carrier Services	206,364	(116,280)		90,084
40 Aeronautics	31,103	82,773		113,876
50 Rail, Transit & Planning	135,697	24,103		173,717
Total	\$ 2,556,585	\$ (400,119)		\$2,156,466

Changes to individual programs include:

- **General Operations**
 - Legislative changes in the General Operations Program include a decrease in longevity offset by increased benefits
 - Management changes include an increase in vacancy savings offset by increases to the pay plan, career ladder changes, promotion adjustments and retention pay. Vacant positions were filled at higher rates
 - A budget modification moved 2.00 PB and associated funding from the Highways and Engineering Program, increasing General Operations
- **Highways and Engineering**
 - Legislative changes including increased benefits and longevity
 - Management changes in the program included career ladder increases, promotion adjustments, retention pay and pay plan increases. Additionally, vacant positions were filled at higher rates of pay
 - Budget modifications transferred 2.00 PB and associated funding to General Operations, decreasing Highways and Engineering
- **Maintenance**
 - Legislative changes include reduced longevity offset by increases in benefits
 - Management changes include increases for career ladder, promotion adjustment and training assignments, offset by an increase in vacancy savings. Reductions are a result of longer-term employees leaving the program
- **Motor Carrier Services**
 - Legislative increases to pay plan and benefits
 - Management changes including increases from career ladder changes and promotion adjustments offset by an increase in vacancy savings
- **Aeronautics**
 - Legislative changes include increases in benefits and longevity
 - Management increases are primarily due to previously vacant positions being filled at higher rates
- **Rail, Transit, and Planning**
 - Legislative changes include increases in longevity and benefits
 - Management decisions include increases such as career ladder changes and promotion adjustments

Statewide Present Law Adjustment for Fixed Costs

- DP 2 - Fixed Costs - \$961,961 state special revenue for the biennium

Nearly all HB 2 fixed costs for the agency are consolidated in the General Operations Program, with the exception of a small negative adjustment in the Aeronautics Program. The fixed costs adjustment provides 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..

Statewide Present Law Adjustment for Inflation/Deflation

- DP 3 - Inflation/Deflation - (\$22,970) 59.2% state special revenue, 40.8% federal special revenue

Currently the only adjustment to inflation/deflation is due to the decrease of motor pool rates. Rates have declined due to lower fuel costs.

Present Law Adjustments

The following present law decision package occurs in multiple programs:

- DP 4 - Equipment Rental - \$26.5 million 94.2% state special revenue, 5.8% federal special revenue

The executive proposes a one-time-only (OTO) increase in state special revenue for FY 2026 and FY 2027 to repair and replace construction equipment. Details by program include:

- Highways and Engineering - \$3.5 million
- Maintenance - \$22.4 million
- Motor Carrier Services - \$513,429
- Rail, Transit, and Planning - \$167,963

Funding

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

Total Department of Transportation 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
02422 Highways Special Revenue	695,918,921	2,497,982			698,416,903	27.8%
02129 LOCAL GOVT FUEL TAX				84,185,286	84,185,286	3.4%
02253 Local Road and Bridge Account				58,091,969	58,091,969	2.3%
02435 SAFER Account				30,000,000	30,000,000	1.2%
02179 Local Bridge Projects	20,000,000				20,000,000	0.8%
Other State Special Revenue	42,781,098			18,519,370	61,300,468	2.4%
State Special Revenue Total	758,700,019	2,497,982	-	190,796,625	951,994,626	37.9%
03407 Highway Trust - Sp Rev	1,350,298,780	1,558,440			1,351,857,220	53.9%
03147 FTA Grants	52,325,008				52,325,008	2.1%
03828 Traffic Safety	20,529,788				20,529,788	0.8%
03292 MCS Federal Grants	10,002,926				10,002,926	0.4%
03060 Aeronautics Division	2,777,692				2,777,692	0.1%
Other Federal Special Revenue	332,106				332,106	0.0%
Federal Special Revenue Total	1,436,266,300	1,558,440	-	-	1,437,824,740	57.3%
06508 Highway Equipment - Int Svc.			105,326,547		105,326,547	4.2%
06506 Motor Pool - Int Svc			13,860,192		13,860,192	0.6%
06007 Yellowstone Airport			1,044,828		1,044,828	0.0%
Proprietary Fund Total	-	-	120,231,567	-	120,231,567	4.8%
Total of All Funds	2,194,966,319	4,056,422	120,231,567	190,796,625	2,510,050,933	
Percent of All Sources of Authority	87.4%	0.2%	4.8%	7.6%		

HB 2 Appropriations

The department is funded from a combination of state special revenue and federal special revenue.

Statutory Appropriations

Statutory appropriations include distributions of gasoline taxes to local and tribal governments (state special funds).

LFD
COMMENT

MDT's ongoing state special revenue appropriations are primarily financed through two state special revenue accounts. These accounts make up the majority of the agency's HB 2 state special revenues. The revenues that fund the accounts can be grouped in two general categories, constitutionally restricted and non-restricted revenues. Restricted revenues are derived from gross vehicle weight fees and excise and license taxes on gasoline, fuel, and other energy sources that are used to propel vehicles on public highways. Registration fees for electric vehicles also contribute to revenue. These funds are deposited into the highway state special revenue restricted account (HSSRA-Restricted). They can only be used for: • Paying obligations incurred for construction, reconstruction, repair, operation, and maintenance of public highways, streets, roads, and bridges; and for enforcement of highway safety, driver education, tourist promotion, and administrative collection costs • Use of these funds for other purposes can be made through a 3/5th vote of the members of each chamber of the legislature. Non-restricted revenues are derived from special use permits and motor fuel penalties and interest payments. The funds are deposited into the highway state special revenue non-restricted account (HSSRA-Non-Restricted). MDT relies on these funds for functions that are not directly related to road and highway construction and maintenance, such as emergency services and transit grants. They can be used for any purpose for which the legislature sees fit.

MDT Major State Special Revenue Accounts Working Capital Analysis

The figure below provides the working capital balance for the restricted highway state special revenue account (HSSRA) and the highway state special revenue non-restricted account (HSSRA-NR). This analysis differs from a regular fund

balance analysis because it includes only those actual expenditures in the year when they occur. It does not include amounts that are encumbered for projects started in the current year but completed in the next. In such a case, the continued project costs would be included in the following year. As such, the analysis provides a more accurate assessment of funding availability.

2027 Biennium Projected Working Capital Balances			
Item	HSSRA - Non-Rest.	HSSRA - Restricted	All Major Funds
	Total 2027 Bien.	Total 2027 Bien.	Total 2027 Bien.
Beginning Balance	\$6,172,564	\$128,540,387	\$134,712,950
Revenues ¹			
Gasoline Tax	0	244,824,480	244,824,480
Diesel Tax	0	160,670,725	160,670,725
BaRSAA Fuel Tax		0	0
Gross Vehicle Weight Fees (GVW)	21,772,715	65,652,680	87,425,395
Federal Cost Recovery	0	145,000,000	145,000,000
Other Revenues	0	38,559,504	38,559,504
Total Revenue	21,772,715	654,707,389	676,480,104
HB 2			
Department of Transportation (MDT)			
General Operations Program	0	83,299,470	83,299,470
Construction Program	290,012	243,876,378	244,166,390
Maintenance Program	15,663,688	339,248,080	354,911,768
Motor Carrier Services	190,056	18,382,067	18,572,123
Rail, Transit, & Planning Program	2,552,766	13,610,908	16,163,674
Lincoln Airport Remediation	0		0
Pay Plan Adjustment		0	0
Total MDT HB 2	18,696,522	698,416,903	717,113,425
Total MDT Other Leg. (HB5, HB 10)	0	18,801,352	18,801,352
Total Expenditures / Appropriations	18,696,522	717,218,255	735,914,777
Revenue less Expenditures/Appropriations	3,076,193	(62,510,866)	(59,434,673)
Actual / Projected Ending Balance	\$9,248,757	\$66,029,521	\$75,278,278
¹ Revenues based HJ 2 projections. Other revenues and federal indirect cost recovery are projected by MDT.			

To some degree, the MDT major accounts are managed in tandem. When revenues are not sufficient in one of the accounts, authority may be moved to another, while considering the constraints of the restricted nature of the account. As such, a combined balance is included for informational purposes. The combined balance of the MDT major accounts is projected to be \$134.7 million at the beginning of the 2027 biennium. If the agencies fully expend appropriations as currently planned in the 2027 budgets and the anticipated revenues are realized as projected, the combined balance would be \$75.3 million at the end of the 2027 biennium.

Constitutionally Restricted HSSRA

As shown in the figure, HSSRA is expected to start the 2027 biennium with a positive working capital balance of \$128.5 million. The revenue estimates included in HJ 2 would provide \$654.7 million in the biennium. The budget requests include \$717.2 million of appropriations. As requested, appropriations are higher than ongoing revenues. This decreases the projected working capital balance to \$66.0 million. Structural balance is the measure of ongoing revenues less ongoing expenses. When appropriation requests outpace ongoing revenues, the result is a negative structural balance. This proposal uses leftover working capital balance to cover the discrepancy between ongoing revenues and ongoing expenditure requests, however longer-term this may be unsustainable.

Non-restricted HSSRA-NR

HSSRA-NR supports the operations of four programs in MDT. As shown in the figure, the account is expected to start the 2027 biennium with a balance of \$6.2 million. Total revenue in the biennium is projected to be \$21.8 million and total appropriations requested are \$18.7 million, increasing the fund balance by \$3.1 million over the biennium and providing a projected balance of \$9.2 million by the end of the 2027 biennium.

The MDT major funds figure provides a high-level view of the working capital balances of the highway state special revenue accounts, a more detailed view of account activities and budgeting is found online.

Federal Aid Highway Funding

The federal Infrastructure, Investment and Jobs Act (IIJA) was signed into law in the fall of 2021. IIJA provides approximately a 20% increase to funding for Montana over the previous highway spending bill and is expected to be the new level from which federal transportation funding grows. Montana currently has a 13/87 state/federal match for a majority of its federal funding.

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	2,019.77	2,019.77	2,045.77	2,045.77
Personal Services	181,256,966	187,320,571	195,494,675	200,415,078	200,898,996
Operating Expenses	659,236,747	686,458,996	731,782,883	807,922,495	827,362,843
Equipment & Intangible Assets	3,056,946	5,305,176	4,167,186	5,088,081	5,088,081
Capital Outlay	18,721,209	19,430,498	12,956,865	14,756,865	12,956,865
Grants	25,050,985	28,720,818	30,730,768	60,212,854	50,648,915
Transfers	2,689,419	3,191,417	2,972,256	3,722,256	3,722,256
Debt Service	1,129,433	1,268,334	993,578	3,390,578	2,836,578
Total Expenditures	\$891,141,705	\$931,695,810	\$979,098,211	\$1,095,508,207	\$1,103,514,534
State/Other Special Rev. Funds	322,692,321	342,133,906	336,303,560	380,400,065	380,797,936
Federal Spec. Rev. Funds	568,449,384	589,561,904	642,794,651	715,108,142	722,716,598
Total Funds	\$891,141,705	\$931,695,810	\$979,098,211	\$1,095,508,207	\$1,103,514,534
Total Ongoing	\$887,446,967	\$927,915,810	\$978,923,211	\$1,092,577,596	\$1,102,388,723
Total OTO	\$3,694,738	\$3,780,000	\$175,000	\$2,930,611	\$1,125,811

Agency Description

The Department of Transportation is the agency responsible for administering the transportation network in Montana. The department plans, designs, builds, and maintains the statewide network of highways and bridges. The department also provides for the other aspects of a statewide multimodal transportation system through:

- Aviation airport planning, safety, promotion, and maintenance facilitation
- Rail infrastructure coordination, monitoring, and planning
- Highway traffic safety promotion, planning, and administration
- Vehicle weight and dimension permitting and law enforcement
- Transit assistance

The Governor-appointed five-member transportation commission establishes department priorities and apportions funding among the five state financial districts according to statutory guidelines, department recommendations, and community input. The Governor-appointed nine-member Board of Aeronautics establishes priorities for department aeronautics grant activities.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The overall FY 2024 budget was 95.6% expended. Personal services were 96.8% expended for FY 2024. Operating expenses were 96.6% expended. Compared with other categories equipment and intangible assets has lower expenditures at 61.8% expended. All programs spent less than planned in equipment & intangible assets due to inflation and delayed purchases. Unused funds are still available as all MDT appropriations are biennial.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The overall FY 2025 appropriation is 5.1% higher than the FY 2024 appropriation. The state special revenue appropriation decreased by 1.7% while the federal appropriation increased by 9.0%. Most programs have increases in federal funding in the second year of the biennium ranging from 5.9% in maintenance to 93.2% in aeronautics. Overall personal services increased by 4.4% in FY 2025. Operating expense in FY 2025 is 6.6% higher than the previous year.

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.

Montana Department of Transportation Comparison of the FY 2025 Legislative Budget to the FY 2025 Base Budget				
	Legislative Budget	Executive Modifications	Base Budget	% Change
01 GENERAL OPERATIONS PROGRAM				
61000 Personal Services	19,652,472	208,385	19,860,857	1.1%
62000 Operating Expenses	20,580,695	75,000	20,655,695	0.4%
66000 Grants	75,000	(75,000)	-	-100.0%
Total	40,308,167	208,385	40,516,552	0.5%
02 HIGHWAYS & ENGINEERING				
61000 Personal Services	85,970,657	(208,385)	85,762,272	-0.2%
62000 Operating Expenses	599,724,179	(10,680,200)	589,043,979	-1.8%
63000 Equipment & Intangible Assets	2,665,262		2,665,262	0.0%
64000 Capital Outlay	12,956,865		12,956,865	0.0%
66000 Grants	4,130,628	(1,921,875)	2,208,753	-46.5%
68000 Transfers		-	-	0.0%
69000 Debt Service		880,142	880,142	100.0%
Total	705,447,591	(11,930,318)	693,517,273	-1.7%
03 MAINTENANCE PROGRAM				
61000 Personal Services	68,074,806		68,074,806	0.0%
62000 Operating Expenses	105,592,269		105,592,269	0.0%
63000 Equipment & Intangible Assets	370,208		370,208	0.0%
64000 Capital Outlay	0		-	0.0%
Total	174,037,283		174,037,283	0.0%
22 MOTOR CARRIER SERVICES				
61000 Personal Services	10,488,865	-	10,488,865	0.0%
62000 Operating Expenses	4,022,321	314,064	4,336,385	7.8%
63000 Equipment & Intangible Assets	1,041,716	(460,000)	581,716	-44.2%
68000 Transfers	113,030	32,500	145,530	28.8%
69000 Debt Service		113,436	113,436	100.0%
Total	15,665,932	-	15,665,932	0.0%
40 AERONAUTICS PROGRAM				
61000 Personal Services	905,237		905,237	0.0%
62000 Operating Expenses	2,452,256		2,452,256	0.0%
66000 Grants	20,000		20,000	0.0%
68000 Transfers	13,800		13,800	0.0%
Total	3,391,293		3,391,293	0.0%
50 RAIL TRANSIT & PLANNING				
61000 Personal Services	10,402,638	-	10,402,638	0.0%
62000 Operating Expenses	9,527,299		9,527,299	0.0%
63000 Equipment & Intangible Assets	550,000		550,000	0.0%
66000 Grants	26,502,015	2,000,000	28,502,015	7.5%
68000 Transfers	2,812,926	-	2,812,926	0.0%
Total	49,794,878	2,000,000	51,794,878	4.0%
Agency Total	988,645,144	(9,721,933)	978,923,211	-1.0%

Executive modifications to the base budget include the following adjustments:

- A transfer of two positions and associated personal services from the construction program to the general operations
- Realignment between operating costs and grants following the passage of HB 76 which changed city/county fuel tax allocations
- A transfer of COVID related funds from FY 25 to FY 24 to use up remaining CARES Act appropriation authority
- Transfers from operating expenses to debt service to comply with a GASB accounting rule for certain types of leases
- A transfer of grant authority from Highways and Engineering to Rail, Transit and Planning where the grant is managed
- Realignment of grant funds due to changes in overtime eligibility and match rates

HB 2 Language -

The following language is requested in HB 2:

"The Department of Transportation may adjust appropriations between state special revenue and federal special revenue funds if the total state special revenue authority by program is not increased by more than 10% of the total appropriations established by the Legislature."

"All appropriations in the Department of Transportation are biennial."

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	186.30	185.30	185.30	(1.00)	(0.3%)
State/Other Special Rev. Funds	38,939,947	42,119,189	41,180,281	5,419,576	7.0%
Federal Spec. Rev. Funds	1,576,605	1,579,990	1,581,788	8,568	0.3%
Total Funds	40,516,552	43,699,179	42,762,069	5,428,144	6.7%
Personal Services	19,860,857	19,874,995	19,928,524	81,805	0.2%
Operating Expenses	20,655,695	21,427,184	20,990,545	1,106,339	2.7%
Debt Service		2,397,000	1,843,000	4,240,000	0.0%
Total Expenditures	40,516,552	43,699,179	42,762,069	5,428,144	6.7%
Total Ongoing	40,516,552	43,699,179	42,762,069	5,428,144	6.7%
Total One-Time-Only	175,000			(350,000)	(100.0%)

Program Highlights

**General Operation Program
Major Budget Highlights**

The General Operations Program's 2027 biennium appropriations are approximately \$5.4 million or 6.7% higher than the FY 2025 base budget. The increase is comprised of 99.8% state special revenue. Significant changes include:

- Statewide present law adjustments (SWPL) totaling \$1.3 million for the biennium consisting of 99.3% state special revenue and 0.7% federal special revenue
 - The majority of SWPL adjustments are from DP 2, Fixed Costs. The agency consolidates most fixed costs in the General Operations Program
 - DP1 - Personal services adjustments of \$132,524 in FY 2026 and \$186,055 in FY 2027
 - A negative adjustment in DP 3 - inflation/deflation due to reduced motor pool rates
- Present law adjustments totaling \$140,000 state special for the biennium
 - A present law adjustment of \$70,000 state special revenue in each fiscal year for increased costs in the employee safety program
- New Proposals totaling \$4.0 million
 - A new proposal for a decrease of 1.00 PB and a reduction of \$236,774 state special revenue for the biennium as part of a targeted consolidation of security in the executive branch
 - A new proposal for \$4.2 million for the biennium for software maintenance and hosting fees of MDT's new financial and billing system. This increase is categorized as debt service due to the required accounting treatment of long-term leases

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.

General Operations Program 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
Base Budget	0	38,939,947	1,576,605	40,516,552	92.7%	0	38,939,947	1,576,605	40,516,552	94.7%
Statewide PL										
Personal Services	0	128,548	3,976	132,524	0.3%	0	180,473	5,582	186,055	0.4%
Fixed Costs	0	706,033	0	706,033	1.6%	0	267,922	0	267,922	0.6%
Inflation Deflation	0	(3,953)	(591)	(4,544)	(0.0%)	0	(2,673)	(399)	(3,072)	(0.0%)
Total Statewide PL	0	830,628	3,385	834,013	1.9%	0	445,722	5,183	450,905	1.1%
Present Law (PL)	0	70,000	0	70,000	0.2%	0	70,000	0	70,000	0.2%
New Proposals	0	2,278,614	0	2,278,614	5.2%	0	1,724,612	0	1,724,612	4.0%
Total HB 2 Adjustments	0	3,179,242	3,385	3,182,627	7.3%	0	2,240,334	5,183	2,245,517	5.3%
Total Requested Budget	0	42,119,189	1,579,990	43,699,179		0	41,180,281	1,581,788	42,762,069	

Funding

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

Department of Transportation, 01-General Operations Program 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%	
02129 LOCAL GOVT FUEL TAX	0	0	0	84,185,286	84,185,286	46.8%	
02303 Tribal Motor Fuels Tax Acct	0	0	0	12,262,202	12,262,202	6.8%	
02422 Highways Special Revenue	83,299,470	0	0	0	83,299,470	46.3%	
State Special Total	\$83,299,470	\$0	\$0	\$96,447,488	\$179,746,958	98.3%	
03407 Highway Trust - Sp Rev	3,161,778	0	0	0	3,161,778	100.0%	
Federal Special Total	\$3,161,778	\$0	\$0	\$0	\$3,161,778	1.7%	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%	
Total All Funds	\$86,461,248	\$0	\$0	\$96,447,488	\$182,908,736		

HB 2 Appropriations

The General Operations Program has HB 2 appropriation authority in the amount of \$86.5 million for the 2027 biennium. This is comprised of 98.3% state special revenue and 1.7% federal special revenue. The General Operations Program is primarily funded from HSSRA (02422) and federal highway trust special revenue. HSSRA receives revenue from motor fuel taxes, gross vehicle weight permit fees, and reimbursements for indirect costs associated with the federal-aid highway program via a Federal Highways Administration (FHWA) approved indirect cost plan. Federal funding is available for assistance for disadvantaged businesses, on-the-job training programs, fuel tax evasion prevention efforts, and direct administrative expenses associated with the federal-aid highway program.

Statutory Appropriations

The General Operations Program is responsible for the distribution of \$96.4 million in statutory appropriations. Most of this, \$84.2 million, are the distributions of fuel taxes to cities, towns, counties, and consolidated city-county governments. The remaining \$12.3 million is distributed through the tribal motor fuels accounts as a function of the revenue sharing agreements between the tribes and the state. For more information on the local government distributions, see the statutory appropriations section of the MDT summary.

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	186.30	186.30	185.30	185.30
Personal Services	18,024,337	19,188,633	19,860,857	19,874,995	19,928,524
Operating Expenses	13,891,325	15,760,147	20,830,695	21,427,184	20,990,545
Debt Service	0	0	0	2,397,000	1,843,000
Total Expenditures	\$31,915,662	\$34,948,780	\$40,691,552	\$43,699,179	\$42,762,069
State/Other Special Rev. Funds	31,250,693	33,411,499	39,114,947	42,119,189	41,180,281
Federal Spec. Rev. Funds	664,969	1,537,281	1,576,605	1,579,990	1,581,788
Total Funds	\$31,915,662	\$34,948,780	\$40,691,552	\$43,699,179	\$42,762,069
Total Ongoing	\$31,740,924	\$34,773,780	\$40,516,552	\$43,699,179	\$42,762,069
Total OTO	\$174,738	\$175,000	\$175,000	\$0	\$0

Program Description

The General Operations Program provides overall policy direction and management to the agency, administers motor fuel taxes, and provides administrative support services for the department, including leadership and administration, accounting and budgeting, civil rights and equal opportunity, legal services, public affairs, information technology, human resources and occupational safety, compliance review, and goods and services procurement.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The General Operations Program expended a total of 91.5% of its FY 2024 HB 2 appropriation of \$34.9 million. The personal services budget of \$19.2 million was 93.9% expended, and operating expenses of \$15.7 million were 88.6% expended. Funding for the General Operations Program included 95.6% state special funds and 4.4% federal funds.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The FY 2025 appropriation of \$40.7 million is 16.4% above the FY 2024 appropriation of \$34.9 million. Personal services are 9.6% greater due to career ladder changes, promotions, and increases in the pay plan. Operating costs in FY 2025 are 32.2% higher, this is due to the reintroduction of the Risk Management and Tort Defense (RMTD) adjustment from last session.

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	128,548	3,976	132,524	0.00	0	180,473	5,582	186,055
DP 2 - Fixed Costs	0.00	0	706,033	0	706,033	0.00	0	267,922	0	267,922
DP 3 - Inflation Deflation	0.00	0	(3,953)	(591)	(4,544)	0.00	0	(2,673)	(399)	(3,072)
DP 105 - Employee Safety Program	0.00	0	70,000	0	70,000	0.00	0	70,000	0	70,000
Grand Total All Present Law Adjustments	0.00	\$0	\$900,628	\$3,385	\$904,013	0.00	\$0	\$515,722	\$5,183	\$520,905

***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 Transportation General Operations Program FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 244,459
Management Changes	\$ (320,320)
Budget modifications	\$ 208,385
Total	\$ 132,524

Legislative changes in the General Operations Program include a decrease in longevity offset by increased benefits. Management changes include an increase in vacancy savings offset by increases to the pay plan, career ladder changes, promotion adjustments and retention pay. Vacant positions were filled at higher rates. A budget modification moved two positions and associated pay and benefits from the Highways and Engineering Program.

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: other services, supplies and materials, communications, in-state motor pool and motor pool leased vehicles, and repair and maintenance.

DP 105 - Employee Safety Program -

The executive requests an increase in state special revenue appropriation for FY 2026 and FY 2027 due to contracted increases for MDT employee safety activities.

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 101 - ITSD Security Consolidation										
(1.00)	0	(118,386)	0	(118,386)		(1.00)	0	(118,388)	0	(118,388)
DP 108 - Financial Software Maintenance and Hosting Fees										
0.00	0	2,397,000	0	2,397,000		0.00	0	1,843,000	0	1,843,000
Total	(1.00)	\$0	\$2,278,614	\$0	\$2,278,614	(1.00)	\$0	\$1,724,612	\$0	\$1,724,612

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

DP 101 - ITSD Security Consolidation -

The executive requests a reduction of 1.00 PB from General Operations Program (GOP) as part of security consolidation efforts across the Executive Branch. Page R-5 of HB 2 from the 68th Legislature directed the State Information Technology Services Division work with the Office of Budget and Program Planning to identify and reduce 8.00 PB across state agencies as part of the information technology security consolidation project. One PB from GOP was identified and is being removed with this change package. The package requests a reduction of \$236,774 in total funds for the biennium, from state special revenue.

DP 108 - Financial Software Maintenance and Hosting Fees -

The executive requests an increase in state special revenue appropriation for FY 2026 and FY 2027 for ongoing hosting and maintenance costs for the department's financial cost accounting system. Implementation of the system is expected to be complete in the fall of 2025.

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	858.72	873.72	873.72	15.00	0.9%
State/Other Special Rev. Funds	109,990,657	130,713,514	133,452,876	44,185,076	20.1%
Federal Spec. Rev. Funds	583,526,616	632,470,936	649,861,008	115,278,712	9.9%
Total Funds	693,517,273	763,184,450	783,313,884	159,463,788	11.5%
Personal Services	85,762,272	88,900,001	89,101,808	6,477,265	3.8%
Operating Expenses	589,043,979	644,652,532	664,580,159	131,144,733	11.1%
Equipment & Intangible Assets	2,665,262	3,586,157	3,586,157	1,841,790	34.6%
Capital Outlay	12,956,865	12,956,865	12,956,865		0.0%
Grants	2,208,753	12,208,753	12,208,753	20,000,000	452.7%
Debt Service	880,142	880,142	880,142		0.0%
Total Expenditures	693,517,273	763,184,450	783,313,884	159,463,788	11.5%
Total Ongoing	693,517,273	762,163,555	782,292,989	157,421,998	11.3%
Total One-Time-Only		1,020,895	1,020,895	2,041,790	0.0%

Program Highlights

Highways and Engineering Major Budget Highlights
<p>The Highway and Engineering program's 2027 biennium appropriations are approximately \$159.5 million or 11.5% higher than the FY 2025 base budget. Significant changes include:</p> <ul style="list-style-type: none"> • Statewide present law (SWPL) increases totaling \$3.2 million for the biennium. 45.0% state special, 55.0% federal special. These include: <ul style="list-style-type: none"> ◦ DP 1 - Personal Services: \$3.3 million ◦ DP 3 - Inflation/deflation: (\$10,598) • Present law increases totaling \$132.9 million for the biennium including: <ul style="list-style-type: none"> ◦ An increase of \$53.7 million in FY 2026 and \$73.7 million in FY 2027 for anticipated increases to formula-based federal funding for contractor payments and associated match needs. 13.4% state special, 86.6% federal ◦ A one-time-only increase of \$1.0 million state special revenue in each fiscal year for repair and replacement of construction equipment ◦ An increase of \$1.8 million in each fiscal year for increased equipment rental costs, this consists of approximately \$1.7 million state special funds and \$630,000 federal special funds • New proposals totaling \$23.3 million and 15.00 PB for the biennium <ul style="list-style-type: none"> ◦ A new proposal for \$10.0 million per year for repair and maintenance of off-system bridges, contingent upon passage of legislation ◦ New proposals for a total of 15.00 PB and a total of \$1.7 million consisting of 60% federal funding and 40% state special funding for the following functions <ul style="list-style-type: none"> ▪ Bridge Infrastructure Resources, 10.00 PB ▪ Alternative contracting Engineers, 2.00 PB ▪ Asset Management Liaison, 1.00 PB ▪ Hydraulic Culvert Engineer, 1.00 PB ▪ Computer Aided Drafting and Design (CADD) Specialist, 1.00 PB
Legislative Action Items
<ul style="list-style-type: none"> • The governor's budget includes an appropriation of \$10.0 million per year contingent upon passage and approval of LCXXXX

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.

Highways and Engineering 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
Base Budget	0	109,990,657	583,526,616	693,517,273	90.9%	0	109,990,657	583,526,616	693,517,273	88.5%
Statewide PL										
Personal Services	0	686,113	838,583	1,524,696	0.2%	0	776,931	949,582	1,726,513	0.2%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	(2,909)	(3,415)	(6,324)	(0.0%)	0	(1,966)	(2,308)	(4,274)	(0.0%)
Total Statewide PL	0	683,204	835,168	1,518,372	0.2%	0	774,965	947,274	1,722,239	0.2%
Present Law (PL)	0	9,344,806	47,092,366	56,437,172	7.4%	0	12,029,240	64,408,609	76,437,849	9.8%
New Proposals	0	10,694,847	1,016,786	11,711,633	1.5%	0	10,658,014	978,509	11,636,523	1.5%
Total HB 2 Adjustments	0	20,722,857	48,944,320	69,667,177	9.1%	0	23,462,219	66,334,392	89,796,611	11.5%
Total Requested Budget	0	130,713,514	632,470,936	763,184,450		0	133,452,876	649,861,008	783,313,884	

Funding

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

Department of Transportation, 02-Highways and Engineering 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%	
02179 Local Bridge Projects	20,000,000	0	0	0	20,000,000	5.7%	
02253 Local Road and Bridge Account	0	0	0	58,091,969	58,091,969	16.5%	
02349 Highway Non-Restricted Account	290,012	0	0	0	290,012	0.1%	
02422 Highways Special Revenue	241,834,588	2,041,790	0	0	243,876,378	69.2%	
02435 SAFER Account	0	0	0	30,000,000	30,000,000	8.5%	
02437 LTAP	0	0	0	300,000	300,000	0.1%	
State Special Total	\$262,124,600	\$2,041,790	\$0	\$88,391,969	\$352,558,359	21.6%	
03407 Highway Trust - Sp Rev	1,282,331,944	0	0	0	1,282,331,944	100.0%	
Federal Special Total	\$1,282,331,944	\$0	\$0	\$0	\$1,282,331,944	78.4%	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%	
Total All Funds	\$1,544,456,544	\$2,041,790	\$0	\$88,391,969	\$1,634,890,303		

HB 2 Appropriations

Costs eligible for reimbursement under the federal-aid construction program are funded with the restricted highway state special revenue account (HSSRA) and federal special revenue funds distributed by the U.S. Department of Transportation and apportioned to Montana. Construction design, construction, and construction management costs, as well as indirect administrative costs for construction activities, are generally eligible for federal reimbursement. The state match requirement is based on a sliding scale match, which is currently 86.6% federal with a 13.4% state match for most direct construction related costs. The primary sources of revenues in the restricted state special revenue accounts are highway-user fees derived from motor fuel taxes and gross vehicle weight fees. The executive request includes a one-time appropriation totaling \$2.0 million for the biennium to repair and replace construction equipment. The Local Bridge Projects account appropriation is contingent on passage and approval of LCXXXX.

Statutory Appropriations

Statutory appropriations include the LTAP program, distributions from the SAFER fund and the local roads and bridges account.

The SAFER fund is a result of HB 267 (2023 session) and allows up to \$15.0 million per fiscal year to be used as match for discretionary grants and August redistribution until the fund is exhausted.

The local roads and bridges account allows for a state matching source for projects on off-system bridges, secondary and urban highway system routes, and discretionary grants awarded to local governments until the account is fully expended.

The amount of \$300,000 is to be distributed for the purposes and functions of the Montana Local Technical Assistance Transportation Program (LTAP) at Montana State University.

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	858.72	858.72	873.72	873.72
Personal Services	80,124,027	82,250,687	85,762,272	88,900,001	89,101,808
Operating Expenses	536,891,448	547,653,881	589,043,979	644,652,532	664,580,159
Equipment & Intangible Assets	1,702,356	2,665,262	2,665,262	3,586,157	3,586,157
Capital Outlay	18,677,576	18,756,865	12,956,865	12,956,865	12,956,865
Grants	1,125,821	3,408,753	2,208,753	12,208,753	12,208,753
Debt Service	877,447	880,248	880,142	880,142	880,142
Total Expenditures	\$639,398,675	\$655,615,696	\$693,517,273	\$763,184,450	\$783,313,884
State/Other Special Rev. Funds	118,232,892	121,895,855	109,990,657	130,713,514	133,452,876
Federal Spec. Rev. Funds	521,165,783	533,719,841	583,526,616	632,470,936	649,861,008
Total Funds	\$639,398,675	\$655,615,696	\$693,517,273	\$763,184,450	\$783,313,884
Total Ongoing	\$635,878,675	\$652,095,696	\$693,517,273	\$762,163,555	\$782,292,989
Total OTO	\$3,520,000	\$3,520,000	\$0	\$1,020,895	\$1,020,895

Program Description

The Construction Program is responsible for construction project planning and development from the time a project is included in the long-range work plan through the actual construction of the project. Program responsibilities include such tasks as project designs, right-of-way acquisitions, issuing contract bids, awarding contracts, and administering construction contracts. Contract administration is responsible for the documentation, inspection, and testing of highway construction projects from the time the contract is awarded to a private contractor until the project is completed and the work is approved. The program also provides traffic improvement and educational programs to promote public safety, health, and welfare.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Construction program expended a total of 97.5% of its FY 2024 appropriation of \$655.6 million. The personal services budget of \$82.3 million was 97.4% expended, and operating expenses of \$547.7 million were 98.0% expended. Funding for the construction program included 18.6% state special funds and 81.4% federal funds. This is similar to the federal to state match rate for eligible projects of approximately 87.0% federal funds to 13.0% state funds.

while the state special portion decreased by 9.7%. Personal services were 4.3% greater due to pay plan increases, career ladder adjustments, promotions, retention pay, and filling positions at higher rates. Operating costs in FY 2025 are 7.5% higher due mostly to construction inflation. In FY 2025 operating costs are funded with a larger portion of federal funding and less state special funding. In FY 2024 79.4% of operating costs were federal, compared with 91.3% 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	0	686,113	838,583	1,524,696	0.00	0	776,931	949,582	1,726,513
DP 3 - Inflation Deflation	0.00	0	(2,909)	(3,415)	(6,324)	0.00	0	(1,966)	(2,308)	(4,274)
DP 4 - Equipment Rental	0.00	0	1,122,149	629,732	1,751,881	0.00	0	1,122,583	629,975	1,752,558
DP 205 - Construction Equipment Repair and Replacement (OTO)	0.00	0	1,020,895	0	1,020,895	0.00	0	1,020,895	0	1,020,895
DP 214 - Contractor Payments	0.00	0	7,201,762	46,462,634	53,664,396	0.00	0	9,885,762	63,778,634	73,664,396
Grand Total All Present Law Adjustments	0.00	\$0	\$10,028,010	\$47,927,534	\$57,955,544	0.00	\$0	\$12,804,205	\$65,355,883	\$78,160,088

**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 Transportation	
Highways and Engineering Program	
FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 1,166,127
Management Changes	\$ 566,954
Budget modifications	\$ (208,385)
Total	\$ 1,524,696

The Highways and Engineering Program had legislative changes including increased benefits and longevity, Management changes in the program included career ladder increases, promotion adjustments, retention pay and pay plan increases. Additionally, vacant positions were filled at higher rates of pay. Budget modifications reflect the transfer of positions to General Operations.

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: other services, supplies and materials, communications, in-state motor pool and motor pool leased vehicles, and repair and maintenance.

DP 4 - Equipment Rental -

The executive requests an increase to state and federal special revenue in FY 2026 and FY 2027 due to an increase in equipment rental usage and associated rate changes from the agency's Equipment Program.

DP 205 - Construction Equipment Repair and Replacement (OTO) -

The executive requests a one-time-only (OTO) increase in state special revenue for FY 2026 and FY 2027 to repair and replace construction equipment.

DP 214 - Contractor Payments -

The executive requests an increase in state and federal special revenue appropriation authority in FY 2026 and FY 2027 based on a preliminary estimate for the anticipated increase in the Federal Highway Administration (FHWA) formula-based funding programs.

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 208 - Bridge Infrastructure Resources	10.00	0	334,549	780,615	1,115,164	10.00	0	321,646	750,508	1,072,154
DP 209 - Alternative Contracting Engineers	2.00	0	62,227	186,680	248,907	2.00	0	60,077	180,230	240,307
DP 210 - Asset Management Liaison	1.00	0	103,909	25,977	129,886	1.00	0	100,469	25,117	125,586
DP 211 - Hydraulic Culvert Engineer	1.00	0	94,054	23,514	117,568	1.00	0	90,614	22,654	113,268
DP 213 - CADD Specialist	1.00	0	100,108	0	100,108	1.00	0	85,208	0	85,208
DP 220 - Off System Bridges	0.00	0	10,000,000	0	10,000,000	0.00	0	10,000,000	0	10,000,000
Total	15.00	\$0	\$10,694,847	\$1,016,786	\$11,711,633	15.00	\$0	\$10,658,014	\$978,509	\$11,636,523

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

DP 208 - Bridge Infrastructure Resources -

The executive requests 10.00 PB to develop a bridge replacement and rehabilitation project list and aid implementation of a five-year plan to address aging bridges.

DP 209 - Alternative Contracting Engineers -

The executive requests an increase of 2.00 PB for an increase in use of alternative contracting programs.

DP 210 - Asset Management Liaison -

The executive requests 1.00 PB to implement a comprehensive asset management program to monitor transportation assets beyond pavement and bridges, including: culverts, light poles, MDT facilities, weigh scales, airports, bridges, and pavement.

DP 211 - Hydraulic Culvert Engineer -

The executive requests 1.00 PB for a hydraulic culvert engineer to assist in the development and operation of a statewide culvert asset inventory program.

DP 213 - CADD Specialist -

The executive requests an increase of 1.00 PB for a Computer Aided Drafting & Design (CADD) specialist to carry out on-going software training for the CADD software system in order to decrease the use of contracted training services.

DP 220 - Off System Bridges -

The executive requests \$10,000,000 per year of state special appropriation authority for repair and maintenance on Montana's off-system bridges. Funding is related to the luxury vehicle tax and is contingent on passage of legislation.

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	741.55	747.55	747.55	6.00	0.4%
State/Other Special Rev. Funds	162,539,395	177,492,895	177,418,873	29,832,978	9.2%
Federal Spec. Rev. Funds	11,497,888	15,137,789	13,560,407	5,702,420	24.8%
Total Funds	174,037,283	192,630,684	190,979,280	35,535,398	10.2%
Personal Services	68,074,806	68,860,130	69,019,746	1,730,264	1.3%
Operating Expenses	105,592,269	121,600,346	121,589,326	32,005,134	15.2%
Equipment & Intangible Assets	370,208	370,208	370,208		0.0%
Capital Outlay		1,800,000		1,800,000	0.0%
Total Expenditures	174,037,283	192,630,684	190,979,280	35,535,398	10.2%
Total Ongoing	174,037,283	190,720,968	190,874,364	33,520,766	9.6%
Total One-Time-Only		1,909,716	104,916	2,014,632	0.0%

Program Highlights

Maintenance Program Major Budget Highlights	
<p>The Maintenance Program's 2027 biennium appropriations are approximately \$35.5 million or 10.2% higher than the FY 2025 base budget.</p> <ul style="list-style-type: none"> Statewide present law adjustments total \$401,403 for the biennium, 99.5% state special, 0.5% federal special revenue <ul style="list-style-type: none"> DP 1, personal services: \$402,754 DP 3, inflation/deflation: \$(1,351) Present law adjustments total \$31.0 million for the biennium <ul style="list-style-type: none"> DP 4, Equipment Rental: \$22.4 million, 100.0% state special revenue - due to increases in costs and usage DP 305, Epoxy Projects: \$3.5 million, 13.4% state special, 86.4% federal - due to increases in the federal program DP 306, Winter Maintenance Materials: \$4.5 million, 100.0% state special - due to cost increases for sand and de-icing materials The remaining present law decision packages (DP)s support road infrastructure repair and the replacement of aging deicer tanks New proposals total \$4.1 million for the biennium: <ul style="list-style-type: none"> DP 308, Bridge Preservation, Maintenance and Response Team, increase of 6.00 FTE and \$1.3 million, 13.4% state special, 86.6% federal DP 309, Permanent Variable Message Signs (OTO), one-time-only increase of \$2.0 million for installation of 6 signs at key locations, 22.6% state special, 77.4% federal DP 310, Contracted Underground Locates \$812,000, 100.0% state special 	

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.

Maintenance Program 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
Base Budget	0	162,539,395	11,497,888	174,037,283	90.3%	0	162,539,395	11,497,888	174,037,283	91.1%
Statewide PL										
Personal Services	0	120,961	608	121,569	0.1%	0	279,779	1,406	281,185	0.1%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	(806)	0	(806)	(0.0%)	0	(545)	0	(545)	(0.0%)
Total Statewide PL	0	120,155	608	120,763	0.1%	0	279,234	1,406	280,640	0.1%
Present Law (PL)	0	13,996,061	1,525,966	15,522,027	8.1%	0	14,000,380	1,525,966	15,526,346	8.1%
New Proposals	0	837,284	2,113,327	2,950,611	1.5%	0	599,864	535,147	1,135,011	0.6%
Total HB 2 Adjustments	0	14,953,500	3,639,901	18,593,401	9.7%	0	14,879,478	2,062,519	16,941,997	8.9%
Total Requested Budget	0	177,492,895	15,137,789	192,630,684		0	177,418,873	13,560,407	190,979,280	

Funding

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

Department of Transportation, 03-Maintenance Program 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%	
02044 Antilittering Signs	0	0	0	4,642	4,642	0.0%	
02121 Shared-Use Path	0	0	0	122,114	122,114	0.0%	
02349 Highway Non-Restricted Account	15,663,688	0	0	0	15,663,688	4.4%	
02422 Highways Special Revenue	338,791,888	456,192	0	0	339,248,080	95.6%	
State Special Total	\$354,455,576	\$456,192	\$0	\$126,756	\$355,038,524	92.5%	
03407 Highway Trust - Sp Rev	27,139,756	1,558,440	0	0	28,698,196	100.0%	
Federal Special Total	\$27,139,756	\$1,558,440	\$0	\$0	\$28,698,196	7.5%	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%	
Total All Funds	\$381,595,332	\$2,014,632	\$0	\$126,756	\$383,736,720		

HB 2 Appropriations

The state special revenue funding of the maintenance program is derived from highway state special revenue accounts. The funding proposal includes state special support from HSSRA (02422). Federal special revenue also funds qualifying highway maintenance activities determined by the Federal Highway Administration.

Statutory Appropriations

The Maintenance Program has statutory appropriations that allow expenditures for shared-use paths and anti-littering signs. The funding for these appropriations is derived from an opt-in vehicle license fee.

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	741.55	741.55	747.55	747.55
Personal Services	62,623,970	64,929,016	68,074,806	68,860,130	69,019,746
Operating Expenses	99,143,096	107,730,373	105,592,269	121,600,346	121,589,326
Equipment & Intangible Assets	562,262	860,208	370,208	370,208	370,208
Capital Outlay	0	630,000	0	1,800,000	0
Total Expenditures	\$162,329,328	\$174,149,597	\$174,037,283	\$192,630,684	\$190,979,280
State/Other Special Rev. Funds	151,520,401	162,456,143	162,539,395	177,492,895	177,418,873
Federal Spec. Rev. Funds	10,808,927	11,693,454	11,497,888	15,137,789	13,560,407
Total Funds	\$162,329,328	\$174,149,597	\$174,037,283	\$192,630,684	\$190,979,280
Total Ongoing	\$162,329,328	\$174,149,597	\$174,037,283	\$190,720,968	\$190,874,364
Total OTO	\$0	\$0	\$0	\$1,909,716	\$104,916

Program Description

The Maintenance Program is responsible for the upkeep, repair, and preservation of over 25,000 lane miles of roadways. The Maintenance Program's responsibilities encompass a wide range of activities, including but not limited to snow and ice control, both reactive and preventive pavement preservations, pavement marking, road striping, sign maintenance, roadside vegetation management, and traveler information services. Additionally, the Maintenance Program coordinates disaster and emergency response for the department, manages the long-range building and state funded construction programs, oversees the land mobile radio communications program, and ensures quality control across for all maintenance activities, while addressing any other necessary roadway and roadside repairs and maintenance.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Maintenance Program expended a total of 95.2% of its FY 2024 appropriation of \$174.1 million. The personal services budget of \$64.9 million was 96.4% expended, and operating expenses of \$107.7 million were 95.4% expended. Funding for the Maintenance Program included 93.3% state special funds and 6.7% federal funds. The Maintenance Program houses the 100% state funded construction program which fulfills a requirement to receive a higher federal share for construction activities on eligible highways.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The FY 2025 appropriation of \$174.1 million is within 0.1% of the FY 2024 appropriation. The proportion of state and federal funding does not materially change in FY 2025. Personal services were 4.8% greater. Operating costs in FY 2023 are 2.0% lower.

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.bsp;

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	120,961	608	121,569	0.00	0	279,779	1,406	281,185
DP 3 - Inflation Deflation	0.00	0	(806)	0	(806)	0.00	0	(545)	0	(545)
DP 4 - Equipment Rental	0.00	0	11,179,534	0	11,179,534	0.00	0	11,183,853	0	11,183,853
DP 305 - Epoxy Projects	0.00	0	236,527	1,525,966	1,762,493	0.00	0	236,527	1,525,966	1,762,493
DP 306 - Winter Maintenance Materials	0.00	0	2,250,000	0	2,250,000	0.00	0	2,250,000	0	2,250,000
DP 307 - Infrastructure Repairs	0.00	0	200,000	0	200,000	0.00	0	200,000	0	200,000
DP 313 - Chemical Deicer Storage Tanks	0.00	0	130,000	0	130,000	0.00	0	130,000	0	130,000
Grand Total All Present Law Adjustments	0.00	\$0	\$14,116,216	\$1,526,574	\$15,642,790	0.00	\$0	\$14,279,614	\$1,527,372	\$15,806,986

*"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 Transportation Maintenance Program FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 772,835
Management Changes	\$ (651,266)
Budget modifications	\$ -
Total	\$ 121,569

In the Maintenance Program legislative changes are increases associated with the pay plan and are offset by a decrease in longevity, while management changes to the Maintenance Program include increases for career ladder, promotion adjustment and training assignments, offset by an increase in vacancy savings. Reductions in longevity are a result of longer term employees leaving the agency.

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: other services, supplies and materials, communications, in-state motor pool and motor pool leased vehicles, and repair and maintenance.

DP 4 - Equipment Rental -

The executive requests an increase to state and federal special revenue in FY 2026 and FY 2027 due to an increase in equipment rental usage and associated rate changes from the agency's Equipment Program.

DP 305 - Epoxy Projects -

The executive requests additional authority to align state appropriations with the increase in the FHWA federal-aid program.

DP 306 - Winter Maintenance Materials -

The executive requests an increase in state special revenue due to increased costs of winter road maintenance materials.

DP 307 - Infrastructure Repairs -

The executive requests an increase in state special revenue due to increased costs of repairing damaged infrastructure such as guardrail and signs.

DP 313 - Chemical Deicer Storage Tanks -

The executive requests an increase in state special revenue for replacement of chemical deicer storage tanks.

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 308 - Bridge Preservation, Maintenance, and Repair Response Team										
6.00	0	86,008	554,887	640,895		6.00	0	82,948	535,147	618,095
DP 309 - Permanent Variable Message Signs (OTO)										
0.00	0	351,276	1,558,440	1,909,716		0.00	0	104,916	0	104,916
DP 310 - Contracted Underground Locates										
0.00	0	400,000	0	400,000		0.00	0	412,000	0	412,000
Total	6.00	\$0	\$837,284	\$2,113,327	\$2,950,611	6.00	\$0	\$599,864	\$535,147	\$1,135,011

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

DP 308 - Bridge Preservation, Maintenance, and Repair Response Team -

The executive requests 6.00 PB for bridge maintenance and inspections.

DP 309 - Permanent Variable Message Signs (OTO) -

The executive requests state special and federal special appropriation authority for the installation and maintenance of 6 permanent Variable Message Signs (VMS) at key locations.

DP 310 - Contracted Underground Locates -

The executive requests state special revenue appropriation authority to contract the locating of MDT underground utilities.

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	124.44	124.44	124.44	0.00	0.0%
State/Other Special Rev. Funds	10,568,925	10,786,656	10,812,264	461,070	2.2%
Federal Spec. Rev. Funds	5,097,007	5,225,615	5,233,466	265,067	2.6%
Total Funds	15,665,932	16,012,271	16,045,730	726,137	2.3%
Personal Services	10,488,865	10,578,949	10,612,176	213,395	1.0%
Operating Expenses	4,336,385	4,592,640	4,592,872	512,742	5.9%
Equipment & Intangible Assets	581,716	581,716	581,716		0.0%
Transfers	145,530	145,530	145,530		0.0%
Debt Service	113,436	113,436	113,436		0.0%
Total Expenditures	15,665,932	16,012,271	16,045,730	726,137	2.3%
Total Ongoing	15,665,932	16,012,271	16,045,730	726,137	2.3%
Total One-Time-Only					0.0%

Program Highlights

Motor Carrier Services Major Budget Highlights
<p>The Motor Carrier Service's (MCS) 2027 biennium appropriations are approximately \$726,000 or 2.3% higher than the FY 2025 base budget. Significant changes include:</p> <ul style="list-style-type: none"> Statewide present law adjustments total \$212,708 for the biennium 23.6% federal, 76.4% state special <ul style="list-style-type: none"> DP 1, Personal services: \$213,395 for the biennium DP 3, Inflation/deflation: \$(687) for the biennium Present law adjustments: \$513,429 for the biennium <ul style="list-style-type: none"> DP 4, Equipment rental: 41.9% federal, 58.1% state special

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.

Motor Carrier Services 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
Base Budget	0	10,568,925	5,097,007	15,665,932	97.8%	0	10,568,925	5,097,007	15,665,932	97.6%
Statewide PL										
Personal Services	0	68,914	21,170	90,084	0.6%	0	94,332	28,979	123,311	0.8%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	(410)	0	(410)	(0.0%)	0	(277)	0	(277)	(0.0%)
Total Statewide PL	0	68,504	21,170	89,674	0.6%	0	94,055	28,979	123,034	0.8%
Present Law (PL)	0	149,227	107,438	256,665	1.6%	0	149,284	107,480	256,764	1.6%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	0	217,731	128,608	346,339	2.2%	0	243,339	136,459	379,798	2.4%
Total Requested Budget	0	10,786,656	5,225,615	16,012,271		0	10,812,264	5,233,466	16,045,730	

Funding

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

Department of Transportation, 22-Motor Carrier Services 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%	
02294 Unified Carrier Registration	3,026,797	0	0	0	3,026,797	14.0%	
02349 Highway Non-Restricted Account	190,056	0	0	0	190,056	0.9%	
02422 Highways Special Revenue	18,382,067	0	0	0	18,382,067	85.1%	
State Special Total	\$21,598,920	\$0	\$0	\$0	\$21,598,920	67.4%	
03292 MCS Federal Grants	10,002,926	0	0	0	10,002,926	95.6%	
03407 Highway Trust - Sp Rev	456,155	0	0	0	456,155	4.4%	
Federal Special Total	\$10,459,081	\$0	\$0	\$0	\$10,459,081	32.6%	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%	
Total All Funds	\$32,058,001	\$0	\$0	\$0	\$32,058,001		

HB 2 Appropriations

MCS is funded by the highway state special revenue accounts and federal special revenue. Two-thirds of the funding for the program is state special revenue, primarily the constitutionally restricted highway state special revenue account (HSSRA). Other state special revenues supporting program activities include unified carrier registration fees and the highway non-restricted account. Federal funds make up the remaining third and are derived from federal grant programs and distributions from the federal highway trust.

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	124.44	124.44	124.44	124.44
Personal Services	10,062,155	10,081,626	10,488,865	10,578,949	10,612,176
Operating Expenses	2,406,726	3,547,757	4,336,385	4,592,640	4,592,872
Equipment & Intangible Assets	704,318	1,225,916	581,716	581,716	581,716
Transfers	129,645	139,691	145,530	145,530	145,530
Debt Service	113,436	113,436	113,436	113,436	113,436
Total Expenditures	\$13,416,280	\$15,108,426	\$15,665,932	\$16,012,271	\$16,045,730
State/Other Special Rev. Funds	9,386,817	10,139,358	10,568,925	10,786,656	10,812,264
Federal Spec. Rev. Funds	4,029,463	4,969,068	5,097,007	5,225,615	5,233,466
Total Funds	\$13,416,280	\$15,108,426	\$15,665,932	\$16,012,271	\$16,045,730
Total Ongoing	\$13,416,280	\$15,108,426	\$15,665,932	\$16,012,271	\$16,045,730
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Motor Carrier Services (MCS) Program has the responsibility for commercial motor carrier safety, infrastructure protection, dyed fuel regulation, and trucking industry credentials. The MCS Commercial Vehicle Operations (CVO) Bureau registers interstate fleet vehicles, issues licenses and oversize/overweight permits, and collects and distributes fees and taxes. Additionally, the CVO Bureau ensures compliance with multiple federal commercial vehicle programs, as well as submits and provides oversight for various grant programs. The MCS Enforcement Bureau operates weigh stations and mobile enforcement statewide. MCS Officers inspect commercial vehicles for compliance with state and federal safety, registration, fuel, and size/weight laws. The Motor Carrier Safety Assistance Program (MCSAP) conducts commercial motor carrier safety compliance reviews and safety audits to ensure commercial vehicles, drivers, and motor carriers are compliant with state safety laws and federal regulations.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Motor Carrier Services Program expended a total of 90.0% or \$13.4 million of its \$15.1 million appropriation authority. The personal services budget was 99.8% expended at \$10.1 million, and operating expenses were 67.8% expended at \$2.4 million. Equipment and intangible assets were 72.8% expended. Equipment and intangible assets in this program are often covered by federal grants. Transfers were 92.8% expended. Transfers in this program are mainly for costs of the state law enforcement academy. The Motor Carrier Services Program is funded with roughly two-thirds state special funds and one-third federal funds.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The FY 2025 appropriation is 3.7% greater than the FY 2024 appropriation. Personal services 4.0% greater in FY 2025, while operating expenses are 22.2% greater. This is mostly due to growth of the federal program and an increase of funds needed to match it. The equipment and intangibles asset appropriation is 55% lower than the FY 2024 appropriation due to fewer planned purchases.

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	68,914	21,170	90,084	0.00	0	94,332	28,979	123,311
DP 3 - Inflation Deflation	0.00	0	(410)	0	(410)	0.00	0	(277)	0	(277)
DP 4 - Equipment Rental	0.00	0	149,227	107,438	256,665	0.00	0	149,284	107,480	256,764
Grand Total All Present Law Adjustments	0.00	\$0	\$217,731	\$128,608	\$346,339	0.00	\$0	\$243,339	\$136,459	\$379,798

**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 Transportation	
Motor Carrier Services Program	
FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 206,364
Management Changes	\$ (116,280)
Budget modifications	\$ -
Total	\$ 90,084

The Motor Carrier Services Program had legislative increases related to pay plan and benefits and management changes including increases from career ladder changes and promotion adjustments offset by an increase in vacancy savings.

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: other services, supplies and materials, communications, in-state motor pool and motor pool leased vehicles, and repair and maintenance.

DP 4 - Equipment Rental -

The executive requests an increase to state and federal special revenue appropriation in FY 2026 and FY 2027 for equipment rental usage and associated rate changes from the agency's Equipment 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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	9.00	9.00	9.00	0.00	0.0%
State/Other Special Rev. Funds	2,005,328	2,108,538	2,114,784	212,666	5.3%
Federal Spec. Rev. Funds	1,385,965	1,388,812	1,388,880	5,762	0.2%
Total Funds	3,391,293	3,497,350	3,503,664	218,428	3.2%
Personal Services	905,237	1,019,113	1,021,838	230,477	12.7%
Operating Expenses	2,452,256	2,444,437	2,448,026	(12,049)	(0.2%)
Grants	20,000	20,000	20,000		0.0%
Transfers	13,800	13,800	13,800		0.0%
Total Expenditures	3,391,293	3,497,350	3,503,664	218,428	3.2%
Total Ongoing	3,391,293	3,497,350	3,503,664	218,428	3.2%
Total One-Time-Only					0.0%

Program Highlights

Aeronautics Program Major Budget Highlights	
<p>The Aeronautics Program's 2027 biennium appropriations are approximately \$218,000 or 3.2% higher than the FY 2025 base budget. Significant changes include:</p> <ul style="list-style-type: none"> Statewide present law increase totaling \$218,428 for the biennium, 2.6% federal, 97.4% state special <ul style="list-style-type: none"> DP 1 - Personal services: \$230,477 for the biennium DP 2 - Fixed costs: (\$11,994) for the biennium DP 3 - Inflation/Deflation (\$55) for the biennium 	

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.

Aeronautics Program 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
Base Budget	0	2,005,328	1,385,965	3,391,293	97.0%	0	2,005,328	1,385,965	3,391,293	96.8%
Statewide PL										
Personal Services	0	111,029	2,847	113,876	3.3%	0	113,686	2,915	116,601	3.3%
Fixed Costs	0	(7,786)	0	(7,786)	(0.2%)	0	(4,208)	0	(4,208)	(0.1%)
Inflation Deflation	0	(33)	0	(33)	(0.0%)	0	(22)	0	(22)	(0.0%)
Total Statewide PL	0	103,210	2,847	106,057	3.0%	0	109,456	2,915	112,371	3.2%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	0	103,210	2,847	106,057	3.0%	0	109,456	2,915	112,371	3.2%
Total Requested Budget	0	2,108,538	1,388,812	3,497,350		0	2,114,784	1,388,880	3,503,664	

Funding

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

Department of Transportation, 40-Aeronautics Program 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%
02286 Aeronautical Loan Account	700,000	0	0	0	700,000	7.0%
02287 Aeronautical Grant Account	0	0	0	5,799,882	5,799,882	57.9%
02827 Aeronautics Division	3,523,322	0	0	0	3,523,322	35.2%
State Special Total	\$4,223,322	\$0	\$0	\$5,799,882	\$10,023,204	72.4%
03060 Aeronautics Division	2,777,692	0	0	0	2,777,692	100.0%
Federal Special Total	\$2,777,692	\$0	\$0	\$0	\$2,777,692	20.1%
06007 Yellowstone Airport	0	0	1,044,828	0	1,044,828	100.0%
Proprietary Total	\$0	\$0	\$1,044,828	\$0	\$1,044,828	7.5%
Total All Funds	\$7,001,014	\$0	\$1,044,828	\$5,799,882	\$13,845,724	

HB 2 Appropriations

The Aeronautics program is funded with state and federal special revenues. State special revenue funds are derived primarily from state aviation fuel taxes and aircraft registration fees. Federal special revenue comes from Federal Aviation Administration grants.

Statutory Appropriations

The statutorily appropriated Aeronautical Grant Account receives most of its funding from 90% of a 4.5 cent per gallon tax on aviation fuel, and provides funding for grants to Montana communities for aviation related projects.

Non-Budgeted Proprietary Funds

The Yellowstone Airport enterprise program, is supported by proprietary funding and is not budgeted in HB 2.

Yellowstone Airport – 06007*Program Description*

The Yellowstone Airport located two miles north of the Town of West Yellowstone, Montana provides the closest private and commercial air service to Yellowstone National Park, as well as service for a multitude of other recreational opportunities in the surrounding greater Yellowstone area. The airport is closed during the winter months, conducting limited snow removal in fringe seasons. The airport is typically open for six months each year with seasonal commercial air service provided by SkyWest Air Lines dba Delta Connection and SkyWest Air Lines dba United Express from early-May to mid-October. The airport accomplishes its mission with facilities to accommodate all sized aircraft and operations ranging from large four engine commercial service jets to small single engine aircraft.

Airside facilities at the airport include an 8,400' runway and taxiway, as well as large parking apron and hangar areas for all types of aircraft operations. The runway is equipped with a precision approach instrument landing system (ILS) and a GPS approach accommodating air traffic even during inclement weather conditions. The airport also supports and maintains an Automated Weather Observing System (AWOS) which reports directly to the National Weather Service (NWS) and broadcasts locally to air traffic over a VHF transmission. Other airport facilities include a commercial terminal building with tenants that include a restaurant, rental car agencies, Transportation Security Administration (TSA) offices, airline offices, and airport administration and operations. Also located on the field are several outbuildings and other facilities housing bulk fuel storage, a fixed based operator (FBO), an air ambulance base, and Airport Rescue Fire Fighting (ARFF) services. The US Forest Service operates an inter-agency fire control center with direct through-the-fence access to the airfield. A wildlife fence surrounds the entire airport property.

Revenues and Expenses

Fees for leases and other business services are both market and recovery based. Additional operating expenses are planned in the 2027 biennium to keep the airport in compliance with FAA mandates and advisory circulars.

The Yellowstone Airport is an enterprise proprietary fund. There is one airport manager who works full time, year-round. The airport also has two other employees, an airport operation chief and an airport fire fighter/maintenance specialist who are employed seasonally.

2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 54010	Agency Name: Department of Transportation			Program Name: Aeronautics Program			
	Fund 06007	Fund Name Yellowstone Airport					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A		83,820	52,877	67,229	652,207	612,207	612,207
Other Operating Revenue		532,034	592,458	500,496	-	-	-
Total Operating Revenues		615,854	645,335	567,725	652,207	612,207	612,207
Expenses:							
Personal Services		(12,342)	26,931	83,603	256,300	255,668	255,873
Other Operating Expenses		514,705	532,271	640,983	268,318	266,502	266,785
Expense B		(90,750)	90,750	-	-	-	-
Expense C		(1,567,428)	-	398,260	-	-	-
Total Operating Expenses		(1,155,815)	649,952	1,122,846	524,618	522,170	522,658
Operating Income (Loss)		1,771,669	(4,617)	(555,121)	127,589	90,037	89,549
Nonoperating Revenues:							
Other Revenue A		1,015	24,939	136,351	-	-	-
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)		1,015	24,939	136,351	-	-	-
Income (Loss) Before Contributions and Transfers		1,772,684	20,322	(418,770)	127,589	90,037	89,549
Capital Contributions							
Change in Net Position		23,764 1,796,448	90,750 111,072	31,390,198 30,971,428	- 127,589	- 90,037	- 89,549
Beginning Net Position - July 1		10,557,635	12,354,083	12,465,155	43,436,583	43,564,172	43,654,209
Change in Net Position		1,796,448	111,072	30,971,428	127,589	90,037	89,549
Ending Net Position - June 30		12,354,083	12,465,155	43,436,583	43,564,172	43,654,209	43,743,758
Net Position (Fund Balance) Analysis							

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	9.00	9.00	9.00	9.00
Personal Services	855,575	863,085	905,237	1,019,113	1,021,838
Operating Expenses	837,814	2,364,989	2,452,256	2,444,437	2,448,026
Equipment & Intangible Assets	10,550	95,550	0	0	0
Capital Outlay	43,633	43,633	0	0	0
Grants	14,700	20,000	20,000	20,000	20,000
Transfers	8,545	13,800	13,800	13,800	13,800
Total Expenditures	\$1,770,817	\$3,401,057	\$3,391,293	\$3,497,350	\$3,503,664
State/Other Special Rev. Funds	1,672,702	2,020,517	2,005,328	2,108,538	2,114,784
Federal Spec. Rev. Funds	98,115	1,380,540	1,385,965	1,388,812	1,388,880
Total Funds	\$1,770,817	\$3,401,057	\$3,391,293	\$3,497,350	\$3,503,664
Total Ongoing	\$1,770,817	\$3,316,057	\$3,391,293	\$3,497,350	\$3,503,664
Total OTO	\$0	\$85,000	\$0	\$0	\$0

Program Description

The Aeronautics Program: 1) facilitates the operation and infrastructure of airports and airways, both public and private, throughout Montana; 2) provides mechanisms for funding airport and aviation related projects throughout the state; 3) registers aircraft and pilots in accordance with Montana laws and regulations; 4) fosters, promotes, and supervises aviation and aviation safety through educational efforts and programs; and 5) coordinates and supervises aerial search and rescue operations.

The program administers a loan and grant program to airport sponsors to fund airport improvement projects. The Aeronautics Board approves loan and grant requests.

The program serves as a liaison between the State of Montana and various other entities including the U.S. Department of Transportation, the Federal Aviation Administration (FAA), US Forest Service, other federal and state entities, and commercial airlines in order to assure the retention and continuation of airline service to Montana's rural communities and to support general aviation operations.

The program is also responsible for operation of the commercial service airport just north of West Yellowstone, MT and for 13 other state-owned or operated airports.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Aeronautics Program expended 53.1% of its FY 2024 appropriation. Lower spending, particularly in the first year of the biennium is not unusual due to inconsistencies in FAA grant funding. The personal services appropriation of \$863,085 was 99.1% expended. The operating expense budget was 35.4% expended. Most of the unspent authority was federal due to the continuance of COVID-related funding offsetting spending. The aeronautics program is funded with 59.4% state special funds and 40.6% federal funds.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The FY 2025 appropriation is 0.3% lower than the FY 2024 appropriation.

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	111,029	2,847	113,876		0.00	0	113,686	2,915	116,601
DP 2 - Fixed Costs										
0.00	0	(7,786)	0	(7,786)		0.00	0	(4,208)	0	(4,208)
DP 3 - Inflation Deflation										
0.00	0	(33)	0	(33)		0.00	0	(22)	0	(22)
Grand Total All Present Law Adjustments										
0.00	\$0	\$103,210	\$2,847	\$106,057		0.00	\$0	\$109,456	\$2,915	\$112,371

**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 Transportation	
Aeronautics Program	
FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 31,103
Management Changes	\$ 82,773
Budget modifications	\$ -
Total	\$ 113,876

Legislative changes include increases in benefits and longevity, management increases are primarily due to previously vacant positions being filled at higher rates.

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: other services, supplies and materials, communications, in-state motor pool and motor pool leased vehicles, and repair and maintenance.

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 FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
PB	99.76	105.76	105.76	6.00	3.0%
State/Other Special Rev. Funds	12,084,308	17,179,273	15,818,858	8,829,515	36.5%
Federal Spec. Rev. Funds	39,710,570	59,305,000	51,091,049	30,974,909	39.0%
Total Funds	51,794,878	76,484,273	66,909,907	39,804,424	38.4%
Personal Services	10,402,638	11,181,890	11,214,904	1,591,518	7.6%
Operating Expenses	9,527,299	13,205,356	13,161,915	7,312,673	38.4%
Equipment & Intangible Assets	550,000	550,000	550,000		0.0%
Grants	28,502,015	47,984,101	38,420,162	29,400,233	51.6%
Transfers	2,812,926	3,562,926	3,562,926	1,500,000	26.7%
Total Expenditures	51,794,878	76,484,273	66,909,907	39,804,424	38.4%
Total Ongoing	51,794,878	76,484,273	66,909,907	39,804,424	38.4%
Total One-Time-Only					0.0%

Program Highlights

Rail, Transit, and Planning Major Budget Highlights

The Rail, Transit & Planning's 2027 biennium appropriations are approximately \$38.6 million or 37.2% higher than the FY 2025 base budget. Significant changes include:

- Statewide present law adjustments totaling \$377,785 for the biennium, 31.2% state special revenue, 68.8% federal
 - DP 1 - Personal services: \$380,448
 - DP 3 - Inflation/deflation: (\$2,663)
- Present law adjustments totaling \$38.2 million for the biennium
 - DP 4 - Equipment rental: \$167,963, 69.0% state special, 31.0% federal - for increases in equipment rental rates and usage
 - DP 5005- Federal Transit Administration (FTA) Funding: \$28.5 million, 26.6% state special, 73.4% federal - for increases in federal funding and associated match
 - DP 5006 - National Highway Traffic Safety Administration (NHTSA) program funding: \$9.2 million for the biennium, 95.7% federal, 4.3% state special - for an increase in funding and associated match
 - DP 5009 - Blackfoot Post Yard Assessment: \$300,000, 100.0% state special revenue - for assessment and field work at the Blackfoot Post Yard complex
- New Proposals totaling \$1.2 million, 25% state special, 75% federal
 - DP 5010 - New Federal Program Requirements:
 - 6.00 PB for delivery and reporting requirements of new federal programs

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.

Rail, Transit, and Planning 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
Base Budget	0	12,084,308	39,710,570	51,794,878	67.7%	0	12,084,308	39,710,570	51,794,878	77.4%
Statewide PL										
Personal Services	0	53,852	119,865	173,717	0.2%	0	64,086	142,645	206,731	0.3%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	(1,589)	(1,589)	(0.0%)	0	0	(1,074)	(1,074)	(0.0%)
Total Statewide PL	0	53,852	118,276	172,128	0.2%	0	64,086	141,571	205,657	0.3%
Present Law (PL)	0	4,883,279	19,002,653	23,885,932	31.2%	0	3,518,330	10,782,507	14,300,837	21.4%
New Proposals	0	157,834	473,501	631,335	0.8%	0	152,134	456,401	608,535	0.9%
Total HB 2 Adjustments	0	5,094,965	19,594,430	24,689,395	32.3%	0	3,734,550	11,380,479	15,115,029	22.6%
Total Requested Budget	0	17,179,273	59,305,000	76,484,273		0	15,818,858	51,091,049	66,909,907	

Funding

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

Department of Transportation, 50-Rail, Transit, and Planning 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%
02121 Shared-Use Path	0	0	0	30,530	30,530	0.1%
02282 FTA Local Match	7,844,207	0	0	0	7,844,207	23.7%
02349 Highway Non-Restricted Account	2,552,766	0	0	0	2,552,766	7.7%
02422 Highways Special Revenue	13,610,908	0	0	0	13,610,908	41.2%
02436 County DUI Prevention Programs	990,250	0	0	0	990,250	3.0%
02795 TransADE Special Revenue	8,000,000	0	0	0	8,000,000	24.2%
State Special Total	\$32,998,131	\$0	\$0	\$30,530	\$33,028,661	23.0%
03147 FTA Grants	52,325,008	0	0	0	52,325,008	47.4%
03407 Highway Trust - Sp Rev	37,209,147	0	0	0	37,209,147	33.7%
03828 Traffic Safety	20,529,788	0	0	0	20,529,788	18.6%
03970 FTA - CARES Act II	332,106	0	0	0	332,106	0.3%
Federal Special Total	\$110,396,049	\$0	\$0	\$0	\$110,396,049	77.0%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$143,394,180	\$0	\$0	\$30,530	\$143,424,710	

HB 2 Appropriations

The Rail, Transit, and Planning (RTP) Program is funded with a combination of state and federal special revenue funds. Highway state special revenue from both the restricted and non-restricted account support the overall administrative and operational costs of the program. Other funding includes:

- Federal Transit Authority (FTA) local match funds provided from local transit providers to match their FTA grants
- TransADE special revenue, which in large part provides funding for transit services that serve the elderly and disabled (and can be also used to match federal transit funds)
- County DUI prevention funds, for providing assistance to county DUI task force activities
- Federal highway trust fund (03407), which provides for costs of highway program administration, activities, and projects

Statutory Appropriations

The RTP Program also has a statutory appropriation that allows expenditures for shared-use paths. The funding for this appropriation is derived from an opt-in vehicle license fee for the maintenance and construction of shared use paths.

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	99.76	99.76	105.76	105.76
Personal Services	9,566,902	10,007,524	10,402,638	11,181,890	11,214,904
Operating Expenses	6,066,338	9,401,849	9,527,299	13,205,356	13,161,915
Equipment & Intangible Assets	77,460	458,240	550,000	550,000	550,000
Grants	23,910,464	25,292,065	28,502,015	47,984,101	38,420,162
Transfers	2,551,229	3,037,926	2,812,926	3,562,926	3,562,926
Debt Service	138,550	274,650	0	0	0
Total Expenditures	\$42,310,943	\$48,472,254	\$51,794,878	\$76,484,273	\$66,909,907
State/Other Special Rev. Funds	10,628,816	12,210,534	12,084,308	17,179,273	15,818,858
Federal Spec. Rev. Funds	31,682,127	36,261,720	39,710,570	59,305,000	51,091,049
Total Funds	\$42,310,943	\$48,472,254	\$51,794,878	\$76,484,273	\$66,909,907
Total Ongoing	\$42,310,943	\$48,472,254	\$51,794,878	\$76,484,273	\$66,909,907
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Rail, Transit, and Planning Program provides: 1) a continuous statewide multimodal transportation planning process used to allocate highway program resources to ensure highway system performance goals are maintained and federal-aid highway and transit grant eligibility is maintained within the federal surface transportation programs; 2) an inventory of transportation infrastructure for the allocation of state fuel taxes to local governments; 3) support for the state's comprehensive statewide highway safety plan including technical analysis, performance tracking, and coordination with multiple administrative agencies and jurisdictions; 4) the point of contact for MDT for major developers seeking access onto the state's highway system; 5) mapping functions to aid in the publication of the state tourist map and geo-spatial infrastructure inventories; 6) transportation planning and programming assistance to metropolitan and urban areas; 7) administration and implementation of behavioral safety programs that help reduce traffic deaths, injuries, and property losses resulting from traffic crashes; 8) administration and implementation of environmental services that assure environmental compliance with all applicable laws, rules, regulations, policies, orders, and agreements; and 9) responses to legislative or regulatory actions necessitating representation before courts, congressional hearings, the US Department of Transportation, the Surface Transportation Board, and others.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Rail, Transit and Planning program expended a total of 87.6% of its \$48.5 million in FY 2024 appropriation authority. Personal services of \$10.0 million was 95.6% expended. Operating expenses were 64.7% expended. Grants in the amount of \$25.3 million were 95.1% expended. The program gives out grants for transit and safety related projects. The Rail, Transit and Planning division is funded with 25.2% state special funds and 74.8% federal funds.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The FY 2025 appropriation is 6.9% greater than the FY 2024 appropriation. While the state special funds appropriation of \$12.2 million decreases 1.0% from 2024, the federal appropriation increases 9.5% from \$36.3 to \$39.7 million.

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	53,852	119,865	173,717	0.00	0	64,086	142,645	206,731
DP 3 - Inflation Deflation	0.00	0	0	(1,589)	(1,589)	0.00	0	0	(1,074)	(1,074)
DP 4 - Equipment Rental	0.00	0	57,946	26,020	83,966	0.00	0	57,968	26,029	83,997
DP 5005 - Federal Transit Administration Funding	0.00	0	4,475,333	14,576,633	19,051,966	0.00	0	3,110,362	6,356,478	9,466,840
DP 5006 - NHTSA Program Funding	0.00	0	200,000	4,400,000	4,600,000	0.00	0	200,000	4,400,000	4,600,000
DP 5009 - Blackfoot Post Yard Assessment	0.00	0	150,000	0	150,000	0.00	0	150,000	0	150,000
Grand Total All Present Law Adjustments	0.00	\$0	\$4,937,131	\$19,120,929	\$24,058,060	0.00	\$0	\$3,582,416	\$10,924,078	\$14,506,494

***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 Transportation	
Rail, Transit and Planning Program	
FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 149,614
Management Changes	\$ 24,103
Budget modifications	\$ -
Total	\$ 173,717

The Rail, Transit and Planning Program had legislative increases in longevity and benefits as well as management decision related increases such as career ladder changes and promotion adjustments.

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: other services, supplies and materials, communications, in-state motor pool and motor pool leased vehicles, and repair and maintenance.

DP 4 - Equipment Rental -

The executive requests an increase to state and federal special revenue appropriation in FY 2026 and FY 2027 due to an increase in equipment rental usage and associated rate changes from the agency's Equipment Program.

DP 5005 - Federal Transit Administration Funding -

This request is for an increase in state and federal revenue for FY 2026 and FY 2027 for the administration of pass-through transit grant funding to local governments and providers of public transportation. The funding coming to Montana is a 30% increase with gradual increases each additional year.

DP 5006 - NHTSA Program Funding -

This request is for an increase in state and federal special revenue to aid in implementation and management of MDT's National Highway Traffic Safety Administration (NHTSA) program which includes initiatives related to impaired driving, occupant protection, motorcycle safety, and bicycle and pedestrian safety.

DP 5009 - Blackfoot Post Yard Assessment -

This request is for an increase in state special revenue to complete a risk assessment, additional field work and site characterization, and interim cleanup of smaller items at the Blackfoot Post Yard complex.

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 5010 - New Federal Program Requirements										
	6.00	0	157,834	473,501	631,335	6.00	0	152,134	456,401	608,535
Total	6.00	\$0	\$157,834	\$473,501	\$631,335	6.00	\$0	\$152,134	\$456,401	\$608,535

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

DP 5010 - New Federal Program Requirements -

The executive requests 6.00 PB to deliver federal programs such as National Electric Vehicle Infrastructure (NEVI), and Carbon Reduction and Promoting Resilient Operation for Transformative, Efficient, and Cost-Saving Transportation (PROTECT).

DEPARTMENT OF LIVESTOCK

Section C

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----Agencies-----

Dept. of Fish, Wildlife, & Parks
Dept. of Environmental Quality
Dept. of Transportation

Dept. of Livestock
Dept. of Natural Resources & Conservation
Dept. of Agriculture

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

House

Representative Jerry Schillinger (Chair)
Representative Eric Albus
Representative Debo Powers

Senate

Senator Mike Cuffe (Vice Chair)
Senator Kenneth Bogner
Senator Jane Ellis

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

Rob Miller
Alice Hecht
Barb Wagner

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	137.87	145.87	145.87	8.00	2.9%
General Fund	4,217,138	5,182,868	4,988,795	1,737,387	20.6%
State/Other Special Rev. Funds	10,036,493	11,090,391	10,249,060	1,266,465	6.3%
Federal Spec. Rev. Funds	2,427,305	2,293,665	2,296,494	(264,451)	(5.4%)
Total Funds	16,680,936	18,566,924	17,534,349	2,739,401	8.2%
Personal Services	11,496,736	12,043,181	12,070,917	1,120,626	4.9%
Operating Expenses	4,626,514	4,927,609	4,905,746	580,327	6.3%
Equipment & Intangible Assets	65,205	593,605	65,205	528,400	405.2%
Capital Outlay		510,048		510,048	0.0%
Benefits & Claims	150,000	150,000	150,000		0.0%
Transfers	342,481	342,481	342,481		0.0%
Total Expenditures	16,680,936	18,566,924	17,534,349	2,739,401	8.2%
Total Ongoing	16,680,936	17,503,476	17,534,349	1,675,953	5.0%
Total One-Time-Only		1,063,448		1,063,448	0.0%

Agency Highlights

**Department of Livestock
Major Budget Highlights**

The executive proposes an increase of 8.2% or \$2.7 million in total appropriations above base funding. In addition to statewide present law adjustments of \$298,900, the executive proposes:

- Laboratory equipment, one-time-only: \$1.1 million
- Meat inspection staff 8.00 PB: \$1.2 million
- Animal Health software maintenance: \$150,000
- Funding Shifts:
 - Milk inspection fees shifted from State Special Revenue to the General Fund: \$300,000
 - Emergency Preparedness Veterinarian from federal special revenue to state special revenue: \$221,700

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 Livestock 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
Base Budget	4,217,138	10,036,493	2,427,305	16,680,936	89.8%	4,217,138	10,036,493	2,427,305	16,680,936	95.1%
Statewide PL										
Personal Services	(12,593)	73,950	(24,526)	36,831	0.2%	(6,288)	93,605	(22,751)	64,566	0.4%
Fixed Costs	19,879	91,729	7,208	118,816	0.6%	18,120	90,328	6,491	114,939	0.7%
Inflation Deflation	(5,490)	(10,683)	(5,468)	(21,641)	(0.1%)	(3,710)	(7,220)	(3,697)	(14,627)	(0.1%)
Total Statewide PL	1,796	154,996	(22,786)	134,006	0.7%	8,122	176,713	(19,957)	164,878	0.9%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	963,934	898,902	(110,854)	1,751,982	9.4%	763,535	35,854	(110,854)	688,535	3.9%
Total HB 2 Adjustments	965,730	1,053,898	(133,640)	1,885,988	10.2%	771,657	212,567	(130,811)	853,413	4.9%
Total Requested Budget	5,182,868	11,090,391	2,293,665	18,566,924		4,988,795	10,249,060	2,296,494	17,534,349	

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 (DP 1) has been broken down into three categories, as follows:

- Legislatively approved changes – This category includes adjustments explicitly approved by the legislature, such as expected changes to annualize personal services costs included in the FY 2025 statewide pay plan adjustments, changes to benefit rates, increases in pay approved by the legislature, longevity adjustments required by statute, and changes in rates for workers' compensation and unemployment insurance
- Management decisions – 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 transfers to move personal funding to or from other 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.

Department of Livestock DP 1 Personal Services State Wide Present Law Adjustments FY 2026				
<u>Division</u>	<u>Legislative Changes</u>	<u>Management Decisions</u>	<u>Budget Modifications</u>	<u>DP 1 Total</u>
Centralized Services	\$6,477	\$116,294		\$0 \$122,771
Animal Health	(69,020)	47,974		- (\$21,046)
Brands Enforcement	(146,400)	81,505		- (\$64,895)
DP 1 - Personal Services	(\$208,943)	\$245,773		\$0 \$36,830

The Department of Livestock has 137.87 Positions Budgeted (PB). Personal services accounted for 68.6% of the total executive request. The Department's 137.87 PB are distributed across three divisions:

- Centralized Services Division: 17.00 PB
- Animal Health Division: 66.26 PB
- Brands Enforcement Division: 54.61 PB

The executive proposes statewide present law adjustments for personal services increasing spending authority by about \$36,800 in fiscal year 2026 and \$64,600 in fiscal year 2027. The difference of \$27,800 between these two years is primarily due to an increase in longevity pay in FY 2027, which accounts for an additional \$24,600 in FY 2027 compared to FY 2026. Other increases between the years include a rise in social security contributions, retirement costs, and other benefits, totaling \$4,600 in the second year of the biennium. Adjustments for vacancy savings account for the remaining difference.

Legislative adjustments for FY 2026 are negative. These reductions were offset by management decisions increasing compensation for promotions and retention incentives.

The executive proposal includes of a 5.0% vacancy savings rate for each year of the biennium. This measure is expected to result in savings of \$594,900 in FY 2026 and \$596,385 in FY 2027. Vacancy savings are typically achieved by leaving positions unfilled or through natural attrition.

Present Law Adjustments

The executive proposes statewide present law adjustments totaling \$299,900.

New Proposals

As proposed by the executive, new proposals totaling \$2.4 million would increase general fund by \$1.7 million and state special revenue by \$934,800 above base funding. Federal revenues decrease by \$221,700. About \$1.1 million is proposed as one-time-only.

The executive proposes to increase staffing by 8.00 PB. To support these new positions general fund would be increased by \$1.0 million in personal services and \$207,800 in operations expense. These new positions would work in the meat and poultry inspection program. The expansion is intended to meet increased demand for inspection due to the growth in the Cooperative Interstate Shipping program. The Montana Cooperative Interstate Shipping (CIS) program is an agreement between the U.S. Department of Agriculture's Food Safety and Inspection Service (FSIS) and the State of Montana that allows selected state-inspected meat and poultry processors to ship their products across state lines. coverage in eastern Montana.

The executive proposes to increase state special authority by \$150,000 to fund the annual maintenance contract for Animal Health Software Application. The proposal would replace an anticipated loss of federal funding, and development and maintenance costs for new software.

One-time-only proposals of \$863,000 in state special revenue provide for new lab facility furnishings, equipment, and moving expenses, and \$200,400 in general fund to replace milk laboratory instruments.

Funding

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

Total Department of Livestock 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
01100 General Fund	9,971,263	200,400			10,171,663	24.4%
02426 Lvstk Per Capita	11,544,449	863,048			12,407,497	29.8%
02425 Inspection and Control	7,089,093				7,089,093	17.0%
02117 Predatory Animal SSR				1,150,000	1,150,000	2.8%
02262 Egg Shielded Grading Program	760,450				760,450	1.8%
02124 LLB Restricted Special Revenue				600,000	600,000	1.4%
Other State Special Revenue	1,082,411			420,000	1,502,411	3.6%
State Special Revenue Total	20,476,403	863,048	-	2,170,000	23,509,451	56.4%
03209 Meat/Poultry Inspection Sp Rev	2,946,432				2,946,432	7.1%
03427 AH FEDERAL UMBRELLA	1,564,365				1,564,365	3.8%
03673 Small Federal Grants	43,458				43,458	0.1%
03032 Animal Health Sp. Rev	35,904				35,904	0.1%
Federal Special Revenue Total	4,590,159	-	-	-	4,590,159	11.0%
06026 MT Veterinary Diagnostic Lab			3,409,795		3,409,795	8.2%
Proprietary Fund Total	-	-	3,409,795	-	3,409,795	8.2%
Total of All Funds	35,037,825	1,063,448	3,409,795	2,170,000	41,681,068	
Percent of All Sources of Authority	84.1%	2.6%	8.2%	5.2%		

State special revenue funds comprise 59.1% of the HB 2 budget proposal and 56.4% of all funding sources. These funds are primarily generated through fees assessed on livestock, licenses, permits, and charges for market and local inspections. Two state special revenue funds, the Livestock Per Capita and Inspection and Control, make up 91.4% of the state special revenue authority in the HB 2 budget, representing 45.9% of total funds.

The Milk Control Bureau and the Milk Control Board receive funding from fees charged to producers, distributors, and producer-distributors. Meanwhile, general fund allocations support the activities of the Livestock Loss Board.

Statutory appropriations, which do not require re-authorization by the legislature, allow the division to expend state special revenue that is statutorily appropriated to the agency for livestock loss prevention and livestock loss compensation.

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	137.87	137.87	145.87	145.87
Personal Services	10,347,292	10,852,677	11,496,736	12,043,181	12,070,917
Operating Expenses	3,617,187	4,648,497	4,626,514	4,927,609	4,905,746
Equipment & Intangible Assets	428,983	502,156	65,205	593,605	65,205
Capital Outlay	0	0	0	510,048	0
Benefits & Claims	150,000	150,000	150,000	150,000	150,000
Transfers	370,462	378,231	342,481	342,481	342,481
Total Expenditures	\$14,913,924	\$16,531,561	\$16,680,936	\$18,566,924	\$17,534,349
General Fund	3,624,619	4,082,713	4,217,138	5,182,868	4,988,795
State/Other Special Rev. Funds	9,194,442	10,092,264	10,036,493	11,090,391	10,249,060
Federal Spec. Rev. Funds	2,094,863	2,356,584	2,427,305	2,293,665	2,296,494
Total Funds	\$14,913,924	\$16,531,561	\$16,680,936	\$18,566,924	\$17,534,349
Total Ongoing	\$14,550,829	\$16,064,610	\$16,680,936	\$17,503,476	\$17,534,349
Total OTO	\$363,095	\$466,951	\$0	\$1,063,448	\$0

Agency Description

The Department of Livestock is responsible for controlling and eradicating animal diseases; preventing the transmission of animal diseases to humans; protecting the livestock industry from theft and predatory animals; meat, milk, and egg inspection; and regulating the milk industry relative to producer pricing. The department, which is provided for in 2-15-3101, MCA, consists of the Board of Livestock and its appointed Executive Officer, the Milk Control Board, the Livestock Loss Board. The department is organized into three divisions: Animal Health & Food Safety, Centralized Services and Brands Enforcement. The Board of Livestock, which is the statutory head of the Department of Livestock, consists of seven members appointed by the Governor and confirmed by the Senate to serve six-year terms.

FY 2024 Appropriations Compared to FY 2024 expenditures.

In FY 2024, the Department of Livestock spent 90.2% of its \$16.5 million HB 2 budget.

The Department of Livestock has appropriated a total of \$10.9 million for personal services, of which \$10.3 million, or 95.3%, was spent in FY 2024. Unexpended personal service totaled \$505,400, of which 79.2% was in the Animal Health Division, primarily supporting inspection programs for meat, poultry, and dairy. The Brands Enforcement and the Centralized Services Divisions combined expended 98.1% of their personal service budget.

Operations was appropriated at \$4.6 million of which 77.8% or \$3.6 million was expended. Of the \$1.0 million in unexpended authority for operations, 44.1% or \$313,800 was budgeted for Brucellosis Designated Surveillance Areas (DSA).

FY 2024 Appropriations Compared to FY 2025 Appropriations

Total appropriations in FY 2025 increased by 1.0% or \$149,400 when compared to FY 2024 appropriations. Appropriations for personal services increased by 5.9% or \$644,100 due to the legislative pay plan and management decisions related to promotion and retention. Increases for personal services were funded primarily with state special revenue, \$394,400, federal special revenue, \$203,000, and general fund, \$46,700.

State special revenue appropriations for equipment purchases declined by \$359,000 from FY 2024 to FY 2025 for laboratory equipment and veterinarian trucks that were budgeted as one-time-only in the first year of the biennium. Operating expenditures were budgeted \$61,000 lower in the second due primarily to audit fees budgeted only in the first year of the biennium. Appropriations for transfers were \$35,800 lower in FY 2025. Operating expenditures were budgeted \$61,000 lower in the second due primarily to audit fees budgeted only in the first year of the biennium. Appropriations for transfers were \$35,800 lower in FY 2025.

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 executive and legislative branches to be the point from which any changes would be recorded for the 2027 biennium budgeting process.

Department of Livestock				
Comparison of the FY 2025 Legislative Budget to the FY 2025 Base Budget				
Division	Legislative Budget	Excutive Modifications	Base Budget	Percent Change
<u>Centralized Services Division</u>				
61000 Personal Services	1,543,878	-	1,543,878	0.0%
62000 Operating Expenses	826,608	-	826,608	0.0%
67000 Benefits & Claims	150,000	-	150,000	0.0%
68000 Transfers-out	102,481	-	102,481	0.0%
Centralized Services Division Total	2,622,967	-	2,622,967	0.0%
<u>Animal Health Division</u>				
61000 Personal Services	5,655,613	-	5,655,613	0.0%
62000 Operating Expenses	2,946,998	57,000	3,003,998	1.9%
63000 Equipment & Intangible Assets	65,205	-	65,205	0.0%
68000 Transfers-out	297,000	(57,000)	240,000	-19.2%
Animal Health division Total	8,964,816	-	8,964,816	0.0%
<u>Brands Enforcement Division</u>				
61000 Personal Services	4,297,245	-	4,297,245	0.0%
62000 Operating Expenses	795,908	-	795,908	0.0%
	5,093,153	-	5,093,153	0.0%
Agency Total	16,680,936	-	16,680,936	0.0%

The agency moved \$57,000 from operating expense to transfers. There was no net change in the HB 2 budget.

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	17.00	17.00	17.00	0.00	0.0%
General Fund	302,589	303,920	303,635	2,377	0.4%
State/Other Special Rev. Funds	2,320,378	2,477,789	2,484,182	321,215	6.9%
Total Funds	2,622,967	2,781,709	2,787,817	323,592	6.2%
Personal Services	1,543,878	1,666,649	1,669,781	248,674	8.1%
Operating Expenses	826,608	862,579	865,555	74,918	4.5%
Benefits & Claims	150,000	150,000	150,000		0.0%
Transfers	102,481	102,481	102,481		0.0%
Total Expenditures	2,622,967	2,781,709	2,787,817	323,592	6.2%
Total Ongoing	2,622,967	2,781,709	2,787,817	323,592	6.2%
Total One-Time-Only					0.0%

Program Highlights

Centralized Services Division Major Budget Highlights

The executive proposes an increase of 0.4% or \$323,600 above base funding due entirely to statewide present law adjustments.

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.

Centralized 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
Base Budget	302,589	2,320,378	0	2,622,967	94.3%	302,589	2,320,378	0	2,622,967	94.1%
Statewide PL										
Personal Services	544	122,227	0	122,771	4.4%	544	125,359	0	125,903	4.5%
Fixed Costs	787	35,200	0	35,987	1.3%	502	38,456	0	38,958	1.4%
Inflation Deflation	0	(16)	0	(16)	(0.0%)	0	(11)	0	(11)	(0.0%)
Total Statewide PL	1,331	157,411	0	158,742	5.7%	1,046	163,804	0	164,850	5.9%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	1,331	157,411	0	158,742	5.7%	1,046	163,804	0	164,850	5.9%
Total Requested Budget	303,920	2,477,789	0	2,781,709		303,635	2,484,182	0	2,787,817	

Funding

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

Department of Livestock, 01-Centralized 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	607,555	0	0	0	607,555	7.9%
02117 Predatory Animal SSR	0	0	0	1,150,000	1,150,000	16.2%
02124 LLB Restricted Special Revenue	0	0	0	600,000	600,000	8.4%
02125 Livestock Loss Reduction	0	0	0	200,000	200,000	2.8%
02136 Wolf Mitigation Donation Fund	0	0	0	200,000	200,000	2.8%
02426 Lvstk Per Capita	4,480,272	0	0	0	4,480,272	63.0%
02817 Milk Control Bureau	481,699	0	0	0	481,699	6.8%
State Special Total	\$4,961,971	\$0	\$0	\$2,150,000	\$7,111,971	92.1%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$5,569,526	\$0	\$0	\$2,150,000	\$7,719,526	

The Centralized Services Division's (CSD) primary funding comes from state special revenue, and the primary source is the livestock per-capita fund. This fund is generated by fees assessed on each head of livestock in the state. For the Milk Control Bureau and the Milk Control Board, funding is derived from fees charged to producers, distributors, and producer-distributors. The Livestock Loss Board's activities are supported by the general fund. Certain state special revenue is statutorily appropriated to the agency, meaning it doesn't require re-authorization by the legislature. The use these statutory funds for two main purposes: livestock loss prevention and livestock loss compensation.

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	17.00	17.00	17.00	17.00
Personal Services	1,489,241	1,505,657	1,543,878	1,666,649	1,669,781
Operating Expenses	532,982	763,102	826,608	862,579	865,555
Benefits & Claims	150,000	150,000	150,000	150,000	150,000
Transfers	162,117	162,481	102,481	102,481	102,481
Total Expenditures	\$2,334,340	\$2,581,240	\$2,622,967	\$2,781,709	\$2,787,817
General Fund	281,312	300,009	302,589	303,920	303,635
State/Other Special Rev. Funds	2,053,028	2,281,231	2,320,378	2,477,789	2,484,182
Total Funds	\$2,334,340	\$2,581,240	\$2,622,967	\$2,781,709	\$2,787,817
Total Ongoing	\$2,334,340	\$2,581,240	\$2,622,967	\$2,781,709	\$2,787,817
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Centralized Services Division manages administrative functions for the department, such as budgeting, accounting, payroll, personnel, IT, and general services. The Milk Control Program and Livestock Loss Board (LLB) are administratively attached to the department. The LLB provides compensation and prevention funding for livestock predation losses caused by wolves, grizzlies, and mountain lions. The Board of Milk Control oversees milk producer pricing and fair-trade practices for dairy products in Montana. The Predator Control Program falls under the administration of the Board of Livestock and the executive officer.

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	544	122,227	0	122,771	0.00	544	125,359	0	125,903
DP 2 - Fixed Costs									
0.00	787	35,200	0	35,987	0.00	502	38,456	0	38,958
DP 3 - Inflation Deflation									
0.00	0	(16)	0	(16)	0.00	0	(11)	0	(11)
Grand Total All Present Law Adjustments									
0.00	\$1,331	\$157,411	\$0	\$158,742	0.00	\$1,046	\$163,804	\$0	\$164,850

*"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

Centralized Services Division	
FY 2026 Statewide Present Law Adjustment for Personal Services	
	<u>FY 2026</u>
Legislative Changes	\$6,478
Management Changes	116,293
Budget Modifications	-
Total	\$122,771

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: warrant writer, motor pool, 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.

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 FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
PB	66.26	74.26	74.26	8.00	6.0%
General Fund	3,914,549	4,878,948	4,685,160	1,735,010	22.2%
State/Other Special Rev. Funds	2,622,962	3,568,404	2,708,149	1,030,629	19.6%
Federal Spec. Rev. Funds	2,427,305	2,293,665	2,296,494	(264,451)	(5.4%)
Total Funds	8,964,816	10,741,017	9,689,803	2,501,188	13.9%
Personal Services	5,655,613	6,144,182	6,156,593	989,549	8.7%
Operating Expenses	3,003,998	3,253,182	3,228,005	473,191	7.9%
Equipment & Intangible Assets	65,205	593,605	65,205	528,400	405.2%
Capital Outlay		510,048		510,048	0.0%
Transfers	240,000	240,000	240,000		0.0%
Total Expenditures	8,964,816	10,741,017	9,689,803	2,501,188	13.9%
Total Ongoing	8,964,816	9,677,569	9,689,803	1,437,740	8.0%
Total One-Time-Only		1,063,448		1,063,448	0.0%

Program Highlights

**Animal Health Division
Major Budget Highlights**

The executive proposes an increase of 13.9% or \$2.5 million above base funding. In addition to statewide present law adjustments of \$60,700, the executive includes new proposals totaling \$2.4 million including:

- Meat inspection staff 8.00 PB: \$1.2 million
- Furnishing and equipment for the new Veterinarian Laboratory, one-time-only: \$863,000
- Replacement of laboratory equipment at the State Milk Laboratory: \$200,400
- Software maintenance contract: \$150,000
- Funding shifts:
 - Veterinarian emergency preparedness from federal to special state special revenue: \$227,700
 - Milk Inspection from state special revenue to general fund: \$300,000

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.

Animal Health 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
Base Budget	3,914,549	2,622,962	2,427,305	8,964,816	83.5%	3,914,549	2,622,962	2,427,305	8,964,816	92.5%
Statewide PL										
Personal Services	(13,137)	16,618	(24,526)	(21,045)	(0.2%)	(6,832)	20,948	(22,751)	(8,635)	(0.1%)
Fixed Costs	19,092	30,919	7,208	57,219	0.5%	17,618	29,059	6,491	53,168	0.5%
Inflation Deflation	(5,490)	(997)	(5,468)	(11,955)	(0.1%)	(3,710)	(674)	(3,697)	(8,081)	(0.1%)
Total Statewide PL	465	46,540	(22,786)	24,219	0.2%	7,076	49,333	(19,957)	36,452	0.4%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	963,934	898,902	(110,854)	1,751,982	16.3%	763,535	35,854	(110,854)	688,535	7.1%
Total HB 2 Adjustments	964,399	945,442	(133,640)	1,776,201	16.5%	770,611	85,187	(130,811)	724,987	7.5%
Total Requested Budget	4,878,948	3,568,404	2,293,665	10,741,017		4,685,160	2,708,149	2,296,494	9,689,803	

Funding

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

Department of Livestock, 04-Animal Health 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	9,363,708	200,400	0	0	9,564,108	40.1%
02262 Egg Shielded Grading Program	760,450	0	0	0	760,450	12.1%
02426 Lvstk Per Capita	4,052,343	863,048	0	0	4,915,391	78.1%
02427 Animal Health	63,590	0	0	0	63,590	1.0%
02701 Milk and Egg Inspection	537,122	0	0	0	537,122	8.5%
02980 INDEMNITY SPECIAL REVENUE	0	0	0	20,000	20,000	0.3%
State Special Total	\$5,413,505	\$863,048	\$0	\$20,000	\$6,296,553	26.4%
03032 Animal Health Sp. Rev	35,904	0	0	0	35,904	0.8%
03209 Meat/Poultry Inspection Sp Rev	2,946,432	0	0	0	2,946,432	64.2%
03427 AH FEDERAL UMBRELLA	1,564,365	0	0	0	1,564,365	34.1%
03673 Small Federal Grants	43,458	0	0	0	43,458	0.9%
Federal Special Total	\$4,590,159	\$0	\$0	\$0	\$4,590,159	19.2%
06026 MT Veterinary Diagnostic Lab	0	0	3,409,795	0	3,409,795	100.0%
Proprietary Total	\$0	\$0	\$3,409,795	\$0	\$3,409,795	14.3%
Total All Funds	\$19,367,372	\$1,063,448	\$3,409,795	\$20,000	\$23,860,615	

General fund supports 46.8% of the HB 2 appropriations and 40.1% of total funding in the Animal Health Division. General fund primarily supports personal services and operations for the diagnostic laboratory, animal health programs, meat and poultry inspection, and information technology. State special revenues support 30.7% of the HB 2 appropriations and 26.4% of total authority. State special revenue is generated from per head livestock tax and fees charged for milk and egg inspection. State special revenues are matched with federal funds for meat and poultry inspection and animal health. Non-budgeted proprietary funds are generated from fees for service at the Montana Veterinary Diagnostic Laboratory.

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	66.26	66.26	74.26	74.26
Personal Services	4,869,731	5,270,127	5,655,613	6,144,182	6,156,593
Operating Expenses	2,382,495	3,094,194	3,003,998	3,253,182	3,228,005
Equipment & Intangible Assets	306,951	352,156	65,205	593,605	65,205
Capital Outlay	0	0	0	510,048	0
Transfers	208,345	215,750	240,000	240,000	240,000
Total Expenditures	\$7,767,522	\$8,932,227	\$8,964,816	\$10,741,017	\$9,689,803
General Fund	3,343,307	3,782,704	3,914,549	4,878,948	4,685,160
State/Other Special Rev. Funds	2,329,352	2,792,939	2,622,962	3,568,404	2,708,149
Federal Spec. Rev. Funds	2,094,863	2,356,584	2,427,305	2,293,665	2,296,494
Total Funds	\$7,767,522	\$8,932,227	\$8,964,816	\$10,741,017	\$9,689,803
Total Ongoing	\$7,530,571	\$8,645,276	\$8,964,816	\$9,677,569	\$9,689,803
Total OTO	\$236,951	\$286,951	\$0	\$1,063,448	\$0

Program Description

The Animal Health & Food Safety Division protects livestock health, prevents animal-to-human disease transmission, and ensures safe animal products. It collaborates with state and federal agencies to monitor, test, and quarantine animals. The division enforces animal health laws, operates a veterinary diagnostic laboratory, and conducts state inspections for meat, poultry, and dairy products.

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	(13,137)	16,618	(24,526)	(21,045)		0.00	(6,832)	20,948	(22,751)	(8,635)
DP 2 - Fixed Costs										
0.00	19,092	30,919	7,208	57,219		0.00	17,618	29,059	6,491	53,168
DP 3 - Inflation Deflation										
0.00	(5,490)	(997)	(5,468)	(11,955)		0.00	(3,710)	(674)	(3,697)	(8,081)
Grand Total All Present Law Adjustments										
0.00	\$465	\$46,540	(\$22,786)	\$24,219		0.00	\$7,076	\$49,333	(\$19,957)	\$36,452

*"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

Animal Health Division	
FY 2026 Statewide Present Law Adjustment for Personal Services	
	FY 2026
Legislative Changes	(\$65,262)
Management Changes	44,217
Budget Modifications	-
Total	(\$21,045)

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: warrant writer, motor pool, 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 40 - Milk Inspection Fee Shift										
0.00	150,000	(150,000)	0	0	0.00	150,000	(150,000)	0	0	
DP 42 - New Construction Laboratory Expenses (BIEN/OTO)										
0.00	0	863,048	0	863,048	0.00	0	0	0	0	
DP 43 - Meat Inspection Additional Staff										
8.00	613,534	0	0	613,534	8.00	613,535	0	0	613,535	
DP 44 - State Milk Laboratory Instruments (BIEN/OTO)										
0.00	200,400	0	0	200,400	0.00	0	0	0	0	
DP 45 - Animal Health Application Maintenance										
0.00	0	75,000	0	75,000	0.00	0	75,000	0	75,000	
DP 47 - Laboratory Operations Augment										
0.00	0	0	0	0	0.00	0	0	0	0	
DP 48 - Emergency Preparedness Veterinarian Funding Shift										
0.00	0	110,854	(110,854)	0	0.00	0	110,854	(110,854)	0	
Total	8.00	\$963,934	\$898,902	(\$110,854)	\$1,751,982	8.00	\$763,535	\$35,854	(\$110,854)	\$688,535

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

DP 40 - Milk Inspection Fee Shift -

The executive proposes a shift of \$150,000 in each year of the biennium from the Milk and Egg Inspection state special revenue to the general fund. Taxes and fees for milk and egg inspection have declined at an annual rate of 3.2% since FY 2013. This decision package does not change the overall budget.

DP 42 - New Construction Laboratory Expenses (BIEN/OTO) -

The executive proposes a one-time-only appropriation of state special revenue for furnishings and equipment for the new veterinarian laboratory. This appropriation would also fund moving expense and construction.

DP 43 - Meat Inspection Additional Staff -

The executive proposes an increase in general fund to support 5.00 PB(Positions Budgeted) for meat & poultry inspectors, 1.00 PB meat inspection supervisor, 1.00 PB compliance investigator, and 1.00 PB relief meat inspector. These positions would support the growth in the Cooperative Interstate Shipping (CIS) program.

DP 44 - State Milk Laboratory Instruments (BIEN/OTO) -

The executive proposes a one-time-only appropriation of general fund to replace two grade A milk laboratory instruments that are at the end of their effective operational lifespan.

DP 45 - Animal Health Application Maintenance -

The executive proposes an increase in state special revenue to fund the annual maintenance contract for the Animal Health software application.

DP 47 - Laboratory Operations Augment -

The executive proposes an increase for Animal Health Laboratory operations.

DP 48 - Emergency Preparedness Veterinarian Funding Shift -

The executive proposes a shift of about \$110,900 in each year of the biennium from federal to state special revenues that support 1.00 PB veterinarian focused on large scale disease outbreak.

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	54.61	54.61	54.61	0.00	0.0%
State/Other Special Rev. Funds	5,093,153	5,044,198	5,056,729	(85,379)	(0.8%)
Total Funds	5,093,153	5,044,198	5,056,729	(85,379)	(0.8%)
Personal Services	4,297,245	4,232,350	4,244,543	(117,597)	(1.4%)
Operating Expenses	795,908	811,848	812,186	32,218	2.0%
Total Expenditures	5,093,153	5,044,198	5,056,729	(85,379)	(0.8%)
Total Ongoing	5,093,153	5,044,198	5,056,729	(85,379)	(0.8%)
Total One-Time-Only					0.0%

Program Highlights

Brands Enforcement Division Major Budget Highlights

The executive proposes decrease of 0.8% or \$85,400 compared to base funding due entirely to statewide present law adjustments.

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.

Brands Enforcement 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
Base Budget	0	5,093,153	0	5,093,153	101.0%	0	5,093,153	0	5,093,153	100.7%
Statewide PL										
Personal Services	0	(64,895)	0	(64,895)	(1.3%)	0	(52,702)	0	(52,702)	(1.0%)
Fixed Costs	0	25,610	0	25,610	0.5%	0	22,813	0	22,813	0.5%
Inflation Deflation	0	(9,670)	0	(9,670)	(0.2%)	0	(6,535)	0	(6,535)	(0.1%)
Total Statewide PL	0	(48,955)	0	(48,955)	(1.0%)	0	(36,424)	0	(36,424)	(0.7%)
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	0	(48,955)	0	(48,955)	(1.0%)	0	(36,424)	0	(36,424)	(0.7%)
Total Requested Budget	0	5,044,198	0	5,044,198		0	5,056,729	0	5,056,729	

Funding

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

Department of Livestock, 06-Brands Enforcement 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%
02425 Inspection and Control	7,089,093	0	0	0	7,089,093	70.2%
02426 Lvstk Per Capita	3,011,834	0	0	0	3,011,834	29.8%
State Special Total	\$10,100,927	\$0	\$0	\$0	\$10,100,927	100.0%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$10,100,927	\$0	\$0	\$0	\$10,100,927	

The program is funded with revenue generated from fees charged for brand recording and market and local inspections as well as fees charged to stockowners on each head of livestock commonly referred to as per-capita fees.

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	54.61	54.61	54.61	54.61
Personal Services	3,988,320	4,076,893	4,297,245	4,232,350	4,244,543
Operating Expenses	701,710	791,201	795,908	811,848	812,186
Equipment & Intangible Assets	122,032	150,000	0	0	0
Total Expenditures	\$4,812,062	\$5,018,094	\$5,093,153	\$5,044,198	\$5,056,729
State/Other Special Rev. Funds	4,812,062	5,018,094	5,093,153	5,044,198	5,056,729
Total Funds	\$4,812,062	\$5,018,094	\$5,093,153	\$5,044,198	\$5,056,729
Total Ongoing	\$4,685,918	\$4,838,094	\$5,093,153	\$5,044,198	\$5,056,729
Total OTO	\$126,144	\$180,000	\$0	\$0	\$0

Program Description

The Brands Enforcement Division provides the livestock industry with professional law enforcement and investigative work in tracking livestock ownership and in the deterrence and/or resolution of related criminal activities. It conducts, collects, documents, audits, and evaluates compliance on brand inspections and permits for Montana livestock. It also maintains the official record of Montana brands and security interest filings of branded livestock, and licenses livestock markets and dealers.

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	(64,895)	0	(64,895)		0.00	0	(52,702)	0	(52,702)
DP 2 - Fixed Costs										
0.00	0	25,610	0	25,610		0.00	0	22,813	0	22,813
DP 3 - Inflation Deflation										
0.00	0	(9,670)	0	(9,670)		0.00	0	(6,535)	0	(6,535)
Grand Total All Present Law Adjustments										
0.00	\$0	(\$48,955)	\$0	(\$48,955)		0.00	\$0	(\$36,424)	\$0	(\$36,424)

**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

Brands Enforcement Division	
FY 2026 Statewide Present Law Adjustment for Personal Services	
	<u>FY 2026</u>
Legislative Changes	(\$168,050)
Management Changes	103,155
Budget Modifications	-
Total	(\$64,895)

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: warrant writer, motor pool, 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.

DEPARTMENT OF NATURAL RESOURCES & CONSERVATION

Section C

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----Agencies-----

Dept. of Fish, Wildlife, & Parks
Dept. of Environmental Quality
Dept. of Transportation

Dept. of Livestock
Dept. of Natural Resources & Conservation
Dept. of Agriculture

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

House

Representative Jerry Schillinger (Chair)
Representative Eric Albus
Representative Debo Powers

Senate

Senator Mike Cuffe (Vice Chair)
Senator Kenneth Bogner
Senator Jane Ellis

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

Rob Miller
Alice Hecht
Barb Wagner

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 FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
PB	553.61	559.61	559.61	6.00	0.5%
General Fund	38,780,567	43,119,653	43,254,305	8,812,824	11.4%
State/Other Special Rev. Funds	53,411,735	55,577,312	55,558,858	4,312,700	4.0%
Federal Spec. Rev. Funds	2,122,933	2,122,933	2,122,933		0.0%
Total Funds	94,315,235	100,819,898	100,936,096	13,125,524	7.0%
Personal Services	52,128,274	53,493,660	53,619,630	2,856,742	2.7%
Operating Expenses	29,243,632	33,749,423	33,780,376	9,042,535	15.5%
Equipment & Intangible Assets	1,436,516	1,678,666	1,586,516	392,150	13.6%
Local Assistance	3,058,090	3,058,090	3,058,090		0.0%
Grants	4,060,714	4,060,714	4,060,714		0.0%
Benefits & Claims	400,000	400,000	400,000		0.0%
Transfers	1,724,243	2,047,326	2,035,064	633,904	18.4%
Debt Service	2,263,766	2,332,019	2,395,706	200,193	4.4%
Total Expenditures	94,315,235	100,819,898	100,936,096	13,125,524	7.0%
Total Ongoing	94,315,235	99,721,847	99,930,196	11,021,573	5.8%
Total One-Time-Only	7,548,376	1,098,051	1,005,900	(12,992,801)	(86.1%)

Agency Highlights

**Department of Natural Resources and Conservation
Major Budget Highlights**

The executive proposes an increase of 7.0% or \$13.1 million above base funding. In addition to statewide present law adjustment of \$4.1 million, the executive proposes:

- Additional 6.00 PB (Budgeted Positions) in the Director's Office, Forestry Trust Lands Division, and Water Resources Division: \$1.4 million
- One-time-only appropriation for 8.00 temporary positions in the Water Resources and Conservation and Resource Development Divisions: \$1.7 million
- Stream gage network: \$1.9 million
- Water storage projects: \$1.0 million
- Water rights data base: \$800,000
- Trust lands management system maintenance: \$800,000
- Air operations fixed cost transfer: \$633,900
- Forestry Trust Lands Division equipment purchases, one-time-only: \$300,000
- Operation, maintenance, and rent: \$215,900
- Data base for water measurement: \$100,000
- Bridge replacement: \$92,200
- Other proposals: \$81,300

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 Natural Resources and Conservation 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
Base Budget	38,780,567	53,411,735	2,122,933	94,315,235	93.5%	38,780,567	53,411,735	2,122,933	94,315,235	93.4%
Statewide PL										
Personal Services	291,855	420,466	0	712,321	0.7%	361,298	477,136	0	838,434	0.8%
Fixed Costs	918,716	390,636	0	1,309,352	1.3%	925,798	367,957	0	1,293,755	1.3%
Inflation Deflation	(14,852)	(8,281)	0	(23,133)	(0.0%)	(10,033)	(5,598)	0	(15,631)	(0.0%)
Total Statewide PL	1,195,719	802,821	0	1,998,540	2.0%	1,277,063	839,495	0	2,116,558	2.1%
Present Law (PL)	1,245,391	105,599	0	1,350,990	1.3%	1,301,595	146,420	0	1,448,015	1.4%
New Proposals	1,897,976	1,257,157	0	3,155,133	3.1%	1,895,080	1,161,208	0	3,056,288	3.0%
Total HB 2 Adjustments	4,339,086	2,165,577	0	6,504,663	6.5%	4,473,738	2,147,123	0	6,620,861	6.6%
Total Requested Budget	43,119,653	55,577,312	2,122,933	100,819,898		43,254,305	55,558,858	2,122,933	100,936,096	

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 (DP 1) has been broken down into three categories, as follows:

- Legislatively approved changes – This category includes adjustments explicitly approved by the legislature, such as expected changes to annualize personal services costs included in the FY 2025 statewide pay plan adjustments, changes to benefit rates, increases in pay approved by the legislature, longevity adjustments required by statute, and changes in rates for workers' compensation and unemployment insurance.
- Management decisions – 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 transfers to move personal funding to or from other 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.

Department of Natural Resources and Conservation Statewide Present Law Adjustments FY 2026				
<u>Division</u>	<u>Legislative Changes</u>	<u>Management Decisions</u>	<u>Budget Modifications</u>	<u>DP 1 Total</u>
Director's Office	\$132,249	(\$525,771)	\$0	(\$393,522)
Oil and Gas Conservation	14,179	(39,222)	-	(25,043)
Conservation and Resource Development	568,607	(369,496)	(150,000)	49,111
Water Resource Division	475,731	57,897	-	533,628
Forestry and Trust Lands	394,720	153,427	-	548,147
DP 1 - Personal Services	\$1,585,486	(\$723,165)	(\$150,000)	\$712,321

Present Law Adjustments

As proposed by the executive, present law adjustments totaling \$2.8 million would increase general fund by \$2.5 million and state special revenue by \$252,000 above base spending.

The executive proposes increasing general fund and state special revenue by \$800,000 to maintain and develop the Montana water rights data base. The water rights database is a centralized system managed by the department to record and track water rights in the state.

Under the executive proposal the Trust Lands Management System (TLMS) general fund appropriation would increase by \$800,000 to contract for maintenance and upkeep. The TLMS is used to manage trust lands and K-12 revenue distribution.

The executive requests an increase in general fund support for the departments air operations program. The Air Operations program is a firefighting aviation unit that operates helicopters for wildfire suppression and forest management. The current transfer has been about \$3.3 million per biennium over the last three biennia. The executive proposes increasing this amount by 19.0% or \$633,900 per biennium.

The executive budget proposal includes a present law adjustment of \$312,600 for the state's stream gage network. The Montana stream gage system is a network of devices that measure water levels in rivers and streams across the state. The gages provide real-time data on water height, which is used for water management, water rights decision-making, flood warnings, and drought monitoring.

Facilities operations, maintenance, and rent increases total \$215,900. Increases for overtime and per diem total \$36,600.

New Proposals

As proposed by the executive the budget includes \$6.2 million in new proposals, of which \$3.8 million is general fund and \$2.4 million is state special revenue. Of the total, \$2.1 million is proposed as one-time-only.

New proposals include 6.00 PB and at a cost of \$1.4 million. These new positions include hydrologists, planners, engineers, software developers, and real estate professionals.

The executive proposes \$1.6 million in new ongoing general fund support for Montana's stream gage network. This funding would maintain the 76 new stream gages approved by the 2023 legislature's one-time appropriation and enable the installation and maintenance of 24 additional gages. New water storage projects and water measurement data base would receive \$1.1 million under the proposed budget.

The executive proposes a one-time-only increase of \$1.7 million to support 8.00 modified positions. The positions would work on dam safety, water infrastructure projects, and support the grant and loan projects.

Other one-time-only authority totaling \$392,200 is for bridge replacement and other equipment.

Funding

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

Total Department of Natural Resources and Conservation 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
01100 General Fund	85,202,157	1,171,801			86,373,958	39.5%
02938 TLMD Trust Administration	36,889,724	392,150			37,281,874	17.0%
02039 Fire Protection Assessments	10,209,133				10,209,133	4.7%
02048 Conservation District Acct	9,522,706				9,522,706	4.4%
02470 State Project Hydro Earnings	8,466,220				8,466,220	3.9%
02431 Water Adjudication	6,956,224				6,956,224	3.2%
Other State Special Revenue	38,160,013	540,000		2,376,138	41,076,151	18.8%
State Special Revenue Total	110,204,020	932,150	-	2,376,138	113,512,308	51.9%
03500 GNA FEDERAL SPECIAL REVENUE				6,380,883	6,380,883	2.9%
03053 CONSOLIDATED GRANT-FY27	1,096,988				1,096,988	0.5%
03110 CONSOLIDATED GRANT-FY26	1,096,988				1,096,988	0.5%
03094 FEMA Federal Grants	541,978				541,978	0.2%
03595 DW24 SRF Grant	341,018				341,018	0.2%
Other Federal Special Revenue	1,168,894				1,168,894	0.5%
Federal Special Revenue Total	4,245,866	-	-	6,380,883	10,626,749	4.9%
06538 Air Operations Internal Svc.			6,426,478		6,426,478	2.9%
06003 State Nursery Enterprise Fund			1,941,902		1,941,902	0.9%
Proprietary Fund Total	-	-	8,368,380	-	8,368,380	3.8%
Total of All Funds	199,652,043	2,103,951	8,368,380	8,757,021	218,881,395	
Percent of All Sources of Authority	91.2%	1.0%	3.8%	4.0%		

Department of Natural Resources and Conservation is primarily funded with general fund and state special revenue. State special revenue makes up 55.1% of the HB 2 budget and 51.9% of total funding as proposed by the executive. General fund supports 42.8% of HB 2 and 39.5% of total funds. Nonbudgeted proprietary funds are supported with revenue from the state nursery and charges for air operations.

DNRC has multiple statutory appropriations, including:

The oil and gas production damage mitigation state special revenue fund (82-11-161, MCA) is statutorily appropriated and under the authority of the Board of Oil and Gas. It receives up to \$650,000 from the Resource Indemnity Trust interest each biennium, over the last five biennium interest received from the indemnity trust has averaged about \$340,200 per biennium.

The fund is used for the reclamation of drill sites and production areas associated with oil and natural gas production. Over the past five fiscal years, DNRC has expended an average of \$212,000 per fiscal year.

The Morrill trust land administration state special revenue fund (77-1-108, MCA) receives an \$80,000 transfer each biennium from the general fund for the purposes of administering the Morrill Trust lands. Over the past five fiscal years DNRC has expended an average of \$23,800 per fiscal year. Over the last ten years, the ending fund balance has grown at a rate of about 21.3% per year. The ending fund balance in FY 2024 was \$174,400.

The wildfire suppression state special revenue fund (76-13-150, MCA) pays for the state share of wildfire suppression. The fund receives revenue from the Governor's unspent emergency general fund appropriation and general fund transfer capped at 6.0% of the general revenue appropriations in the second year of each biennium. General fund transfers occur only if general fund ending balance exceeds general revenue appropriations in the second year of the biennium by 8.3%. Historically, the 10-year inflation adjusted average for state wildfire costs was \$30.0 million. Up to \$30.0 million per biennium is statutorily appropriated for fuel reduction, fire suppression equipment for county cooperatives, and other forest management programs.

The Sage Grouse Stewardship state special revenue account (87-5-906, MCA) is used to maintain, enhance, restore, expand, of benefit sage grouse habitat and populations. For FY 2018 through FY 2021 the fund receives a transfer of \$2.0 million from the general fund. Starting in FY 2022 revenue is from compensatory mitigation as established in 76-22-111, MCA and donations.

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	553.61	553.61	559.61	559.61
Personal Services	49,519,680	49,987,524	52,852,274	53,493,660	53,619,630
Operating Expenses	22,628,333	29,389,295	33,018,008	33,749,423	33,780,376
Equipment & Intangible Assets	1,624,705	1,867,716	1,486,516	1,678,666	1,586,516
Local Assistance	2,236,125	3,058,090	3,058,090	3,058,090	3,058,090
Grants	3,178,507	4,791,884	7,060,714	4,060,714	4,060,714
Benefits & Claims	275,300	675,300	400,000	400,000	400,000
Transfers	1,698,436	1,747,173	1,724,243	2,047,326	2,035,064
Debt Service	2,036,691	2,263,766	2,263,766	2,332,019	2,395,706
Total Expenditures	\$83,197,777	\$93,780,748	\$101,863,611	\$100,819,898	\$100,936,096
General Fund	37,866,186	39,027,921	40,349,020	43,119,653	43,254,305
State/Other Special Rev. Funds	43,617,990	52,646,498	59,391,658	55,577,312	55,558,858
Federal Spec. Rev. Funds	1,713,601	2,106,329	2,122,933	2,122,933	2,122,933
Total Funds	\$83,197,777	\$93,780,748	\$101,863,611	\$100,819,898	\$100,936,096
Total Ongoing	\$80,442,905	\$86,650,227	\$94,315,235	\$99,721,847	\$99,930,196
Total OTO	\$2,754,872	\$7,130,521	\$7,548,376	\$1,098,051	\$1,005,900

Agency Description

The Department of Natural Resources and Conservation manages state trust land, protects natural resources from wildfire, promotes stewardship of water, soil, forest, and rangeland resources, assists conservation districts, provides conservation education, and supports the Board of Oil and Gas Conservation and other commissions and advisory councils. The department has 553.61 PB (Positions Budgeted) in five divisions:

- Centralized Services Division (61.75 PB)
- Oil and Gas Conservation Division (19.50 PB)
- Conservation and Resources Development Division (30.17 PB)
- Water Resource Division (149.26 PB)
- Forestry and Trust Land Division (292.93 PB)

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Department of Natural Resources and Conservation (DNRC) utilized 88.7% of its \$93.8 million modified HB 2 budget for fiscal year 2024.

Personal services expenditures reached 99.1% of the \$50.0 million budgeted for personal services.

Combined, the agency expended \$7.0 million or 72.4% of its FY 2024 authority on equipment, local assistance, and grants. Equipment purchases in FY 2024 focused primarily on stream gages, good neighbor authority initiatives, and fire suppression equipment. Local assistance funds were directed towards rangeland improvement loans and conservation programs targeting non-point-source pollution. The agency expended \$3.2 million in grants for conservation districts and county fire cooperative programs.

The \$10.6 million in unexpended authority is summarized below:

- Operating Expenses: \$6.8 million
- Grants: \$1.6 million
- Personal Services: \$467,800
- Local Assistance: \$822,000
- Benefits & Claims: \$400,000
- Equipment and Intangible Assets: \$240,000
- Debt Service: \$227,100
- Transfers: \$47,700

Unexpended operating expenditures were primarily budgeted for trust lands management, water, irrigation, and dam safety projects. Unexpended local assistance was budgeted for range land improvement loans and loans to mitigate non-point source groundwater pollution. For benefits and claims, the agency has authority totaling \$400,000 for drinking water loan forgiveness. The agency can fund this program from federal sources outside of HB 2 and, as a result, has not expended against this authority for several biennia. The agency expended 90.0% or \$2.3 million of its budgeted authority to service debt.

FY 2024 Appropriations Compared to FY 2025 Appropriations

Total appropriations increased by 8.6% or \$8.1 million between FY 2024 and FY 2025. The largest increase was for operating expenditures, which totaled \$3.6 million. Increases in authority for operations were primarily due to water projects, contract harvest activities, the director's office, trust lands administration, and Broadwater Hydropower Plant repair and maintenance. Personal services saw a rise of 5.7% or \$2.9 million. Additionally, grants for conservation districts increased by \$2.3 million in FY 2025 compared to FY 2024. However, authority for IT projects and audits experienced a decrease of \$200,000 in FY 2025 compared to FY 2024.

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 executive and legislative branches to be the point from which any changes would be recorded for the 2027 biennium budgeting process.

Department of Natural Resources and Conservation Comparison of the FY 2025 Legislative Budget to the FY 2025 Base Budget				
Program	<u>Legislative Budget</u>	<u>Executive Modifications</u>	<u>Base Budget</u>	<u>Percent Change</u>
<u>Directors Office</u>				
Personal Services	\$6,579,447	600,000	\$7,179,447	9.1%
Operating Expenses	\$3,287,344	(600,000)	\$2,687,344	
Equipment & Intangible Assets	62,554	-	62,554	0.0%
Transfers	500	-	500	0.0%
Debt Service	484,129	-	484,129	0.0%
Total	10,413,974	-	10,413,974	0.0%
<u>Oil & Gas Conservation Div</u>				
Personal Services	1,812,418	-	1,812,418	0.0%
Operating Expenses	549,728	-	549,728	0.0%
Equipment & Intangible Assets	90,000	-	90,000	0.0%
Debt Service	18,491	-	18,491	0.0%
Total	2,470,637	-	2,470,637	0.0%
<u>Conservation & Resource Dev Div</u>				
Personal Services	3,026,128	-	3,026,128	0.0%
Operating Expenses	3,299,728	-	3,299,728	0.0%
Equipment & Intangible Assets	43,743	-	43,743	0.0%
Local Assistance	3,058,090	-	3,058,090	0.0%
Grants	3,640,249	-	3,640,249	0.0%
Benefits & Claims	400,000	-	400,000	0.0%
Debt Service	238,781	-	238,781	0.0%
Total	13,706,719	-	13,706,719	0.0%
<u>Water Resources Division</u>				
Personal Services	14,018,184	-	14,018,184	0.0%
Operating Expenses	10,994,300	-	10,994,300	0.0%
Equipment & Intangible Assets	183,499	-	183,499	0.0%
Transfers	41,591	-	41,591	0.0%
Debt Service	889,113	-	889,113	-
Total	26,126,687	-	26,126,687	0.0%
<u>Forestry & Trust Lands</u>				
Personal Services	26,092,096	-	26,092,096	0.0%
Operating Expenses	11,785,532	(73,000)	11,712,532	-0.6%
Equipment & Intangible Assets	1,056,720	-	1,056,720	0.0%
Grants	347,465	73,000	420,465	21.0%
Transfers	1,682,152	-	1,682,152	0.0%
Debt Service	633,252	-	633,252	0.0%
Total	41,597,217	-	41,597,217	0.0%
Agency Total	94,315,234	-	94,315,234	0.0%

The department moved \$673,000 in authority for operation expenditures to personal services and grants to match authority with agency needs.

HB 2 Language -

During the 2027 biennium, the Department of Natural Resources and Conservation is authorized to decrease federal special revenue in the water pollution control and/or drinking water revolving fund loan programs and increase state special revenue by a like amount within administration accounts when the amount of federal EPA CAP grant funds allocated for administration of the grant have been expended or federal funds and bond proceeds will be used for other program purposes as authorized in law providing for the distribution of funds."

"During the 2027 biennium, up to \$600,000 from the loan loss reserve account of the private loan program established in 85-1-603 is appropriated to the Department of Natural Resources and Conservation for the purchase of prior liens on property held as loan security as provided in 85-1-615."

57060 - Department Of Natural Resources And Conservation 21-Centralized Services Division

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	61.75	63.75	63.75	2.00	1.6%
General Fund	5,444,907	6,305,576	6,288,576	1,704,338	15.7%
State/Other Special Rev. Funds	4,969,068	5,321,161	5,315,123	698,148	7.0%
Total Funds	10,413,975	11,626,737	11,603,699	2,402,486	11.5%
Personal Services	7,179,448	7,049,620	7,067,024	(242,252)	(1.7%)
Operating Expenses	2,687,344	4,029,934	3,957,327	2,612,573	48.6%
Equipment & Intangible Assets	62,554	62,554	62,554		0.0%
Transfers	500	500	500		0.0%
Debt Service	484,129	484,129	516,294	32,165	3.3%
Total Expenditures	10,413,975	11,626,737	11,603,699	2,402,486	11.5%
Total Ongoing	10,413,975	11,626,737	11,603,699	2,402,486	11.5%
Total One-Time-Only	900,000			(1,800,000)	(100.0%)

Program Highlights

Centralized Services Division Major Budget Highlights

The executive proposes an increase of 11.5% or \$2.4 million above base funding. In addition to statewide present law adjustments of \$1.0 million the proposals include:

- Trust lands management system maintenance: \$800,000
- IT development, 2.00 PB (Position Budgeted): \$552,200
- Helena DNRC Headquarters lease increase: \$32,200

57060 - Department Of Natural Resources And Conservation 21-Centralized Services Division

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.

Centralized 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
Base Budget	5,444,907	4,969,068	0	10,413,975	89.6%	5,444,907	4,969,068	0	10,413,975	89.7%
Statewide PL										
Personal Services	(221,617)	(171,905)	0	(393,522)	(3.4%)	(211,734)	(164,241)	0	(375,975)	(3.2%)
Fixed Costs	525,445	402,258	0	927,703	8.0%	483,322	376,737	0	860,059	7.4%
Inflation Deflation	(67)	(46)	0	(113)	(0.0%)	(43)	(33)	0	(76)	(0.0%)
Total Statewide PL	303,761	230,307	0	534,068	4.6%	271,545	212,463	0	484,008	4.2%
Present Law (PL)	400,000	0	0	400,000	3.4%	418,110	14,055	0	432,165	3.7%
New Proposals	156,908	121,786	0	278,694	2.4%	154,014	119,537	0	273,551	2.4%
Total HB 2 Adjustments	860,669	352,093	0	1,212,762	10.4%	843,669	346,055	0	1,189,724	10.3%
Total Requested Budget	6,305,576	5,321,161	0	11,626,737		6,288,576	5,315,123	0	11,603,699	

Funding

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

Department of Natural Resources and Conservation, 21-Centralized 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	12,594,152	0	0	0	12,594,152	54.2%	
02039 Fire Protection Assessments	1,039,497	0	0	0	1,039,497	9.8%	
02048 Conservation District Acct	71,028	0	0	0	71,028	0.7%	
02052 Rangeland Improvement Loans	82,089	0	0	0	82,089	0.8%	
02073 Forestry - Slash Disposal	21,765	0	0	0	21,765	0.2%	
02145 Broadwater O & M	113,221	0	0	0	113,221	1.1%	
02223 Wastewater SRF Special Admin	154,526	0	0	0	154,526	1.5%	
02284 Aquatic Invasive Species	59,427	0	0	0	59,427	0.6%	
02429 Weather Modification	2	0	0	0	2	0.0%	
02430 Water Right Appropriation	407,665	0	0	0	407,665	3.8%	
02431 Water Adjudication	1,179,887	0	0	0	1,179,887	11.1%	
02432 Oil & Gas ERA	499,517	0	0	0	499,517	4.7%	
02491 Drinking Water Spec Admin Cost	153,975	0	0	0	153,975	1.4%	
02492 DO INDIRECTS	2,634,836	0	0	0	2,634,836	24.8%	
02576 Natural Resources Operations	725,863	0	0	0	725,863	6.8%	
02825 Water Well Contractors	30,161	0	0	0	30,161	0.3%	
02938 TLMD Trust Administration	3,462,825	0	0	0	3,462,825	32.6%	
State Special Total	\$10,636,284	\$0	\$0	\$0	\$10,636,284	45.8%	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%	
Total All Funds	\$23,230,436	\$0	\$0	\$0	\$23,230,436		

The Director's Office is funded with general fund and state special revenue generated from timber sales, taxes on oil and gas, fire protection taxes, and other taxes and fees. State special revenue is used to cover the costs of administration and various services provided to other programs in the department.

57060 - Department Of Natural Resources And Conservation 21-Centralized Services 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	61.75	61.75	63.75	63.75
Personal Services	7,053,460	6,854,799	7,779,448	7,049,620	7,067,024
Operating Expenses	1,972,503	2,608,903	2,987,344	4,029,934	3,957,327
Equipment & Intangible Assets	0	62,554	62,554	62,554	62,554
Transfers	0	500	500	500	500
Debt Service	484,050	484,129	484,129	484,129	516,294
Total Expenditures	\$9,510,013	\$10,010,885	\$11,313,975	\$11,626,737	\$11,603,699
General Fund	5,085,589	5,279,877	5,569,907	6,305,576	6,288,576
State/Other Special Rev. Funds	4,424,424	4,731,008	5,744,068	5,321,161	5,315,123
Total Funds	\$9,510,013	\$10,010,885	\$11,313,975	\$11,626,737	\$11,603,699
Total Ongoing	\$8,870,337	\$9,110,885	\$10,413,975	\$11,626,737	\$11,603,699
Total OTO	\$639,676	\$900,000	\$900,000	\$0	\$0

Program Description

The Centralized Services Division is comprised of the Director's Office, Legal Services Office, Financial Services Office, Office of Information Technology, Human Resources Office, Office of Strategic Communication, and Office of Administrative Hearings. The director is responsible for the administration of all the functions vested by law in the department and for establishing policy to be followed by the department. In addition, the work units in the Centralized Services provide legal, human resources, financial, information technology, records management, administrative hearings, safety, and communication services to the director and the divisions within the agency.

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	(221,617)	(171,905)	0	(393,522)		0.00	(211,734)	(164,241)	0	(375,975)
DP 2 - Fixed Costs										
0.00	525,445	402,258	0	927,703		0.00	483,322	376,737	0	860,059
DP 3 - Inflation Deflation										
0.00	(67)	(46)	0	(113)		0.00	(43)	(33)	0	(76)
DP 21002 - DO Helena Rent Increase										
0.00	0	0	0	0		0.00	18,110	14,055	0	32,165
DP 21003 - DO TLMS Maintenance Contracted Services										
0.00	400,000	0	0	400,000		0.00	400,000	0	0	400,000
Grand Total All Present Law Adjustments										
0.00	\$703,761	\$230,307	\$0	\$934,068		0.00	\$689,655	\$226,518	\$0	\$916,173

**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:

57060 - Department Of Natural Resources And Conservation 21-Centralized Services Division

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

Director's Office	
FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$132,249
Management Changes	(525,771)
Budget Modifications	-
Total	(393,522)

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 21002 - DO Helena Rent Increase -

The executive proposes increasing general fund and state special revenue for the lease agreement of the Department of Natural Resources and Conservation Helena headquarters building. The executive proposes increasing general fund and state special revenue for the lease agreement of the Helena headquarters building.

DP 21003 - DO TLMS Maintenance Contracted Services -

The executive proposes an increase in general fund to contract for maintenance of the Trust Lands Management System (TLMS). The TLMS manages state trust lands and school revenue distribution.

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 21004 - DO ServiceNow Developers	2.00	156,908	121,786	0	278,694	2.00	154,014	119,537	0	273,551
Total	2.00	\$156,908	\$121,786	\$0	\$278,694	2.00	\$154,014	\$119,537	\$0	\$273,551

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

DP 21004 - DO ServiceNow Developers -

The executive proposes an increase in general fund and state special revenue to support an additional 2.00 PB as software developers. The new positions would work to build ServiceNow applications, aligning with state IT guidance.

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	19.50	19.50	19.50	0.00	0.0%
State/Other Special Rev. Funds	2,362,758	2,340,397	2,344,310	(40,809)	(0.9%)
Federal Spec. Rev. Funds	107,879	107,879	107,879		0.0%
Total Funds	2,470,637	2,448,276	2,452,189	(40,809)	(0.8%)
Personal Services	1,812,418	1,794,603	1,797,000	(33,233)	(0.9%)
Operating Expenses	549,728	545,182	546,698	(7,576)	(0.7%)
Equipment & Intangible Assets	90,000	90,000	90,000		0.0%
Debt Service	18,491	18,491	18,491		0.0%
Total Expenditures	2,470,637	2,448,276	2,452,189	(40,809)	(0.8%)
Total Ongoing	2,470,637	2,448,276	2,452,189	(40,809)	(0.8%)
Total One-Time-Only					0.0%

Program Highlights

Oil and Gas Conservation Division Major Budget Highlights	
<p>The executive proposes decrease of 0.8% or \$40,800 below base funding. The executive proposes:</p> <ul style="list-style-type: none"> • Board of Oil and Gas per diem and overtime: \$14,500 • Statewide present law reductions for personal services and fixed costs: \$55,300 	

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.

Oil & Gas Conservation Div 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
Base Budget	0	2,362,758	107,879	2,470,637	100.9%	0	2,362,758	107,879	2,470,637	100.8%
Statewide PL										
Personal Services	0	(25,043)	0	(25,043)	(1.0%)	0	(22,646)	0	(22,646)	(0.9%)
Fixed Costs	0	(4,546)	0	(4,546)	(0.2%)	0	(3,030)	0	(3,030)	(0.1%)
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	0	(29,589)	0	(29,589)	(1.2%)	0	(25,676)	0	(25,676)	(1.0%)
Present Law (PL)	0	7,228	0	7,228	0.3%	0	7,228	0	7,228	0.3%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	0	(22,361)	0	(22,361)	(0.9%)	0	(18,448)	0	(18,448)	(0.8%)
Total Requested Budget	0	2,340,397	107,879	2,448,276		0	2,344,310	107,879	2,452,189	

Funding

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

Department of Natural Resources and Conservation, 22-Oil & Gas Conservation Div 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%
02010 Oil & Gas Damage Mitigation	0	0	0	406,828	406,828	8.0%
02432 Oil & Gas ERA	4,684,707	0	0	0	4,684,707	92.0%
State Special Total	\$4,684,707	\$0	\$0	\$406,828	\$5,091,535	95.9%
03356 Oil & Gas Federal	215,758	0	0	0	215,758	100.0%
Federal Special Total	\$215,758	\$0	\$0	\$0	\$215,758	4.1%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$4,900,465	\$0	\$0	\$406,828	\$5,307,293	

The division is funded through taxes levied on oil and gas production and fees paid by operators of class II injection wells. Statutory funds are appropriated for oil and gas damage mitigation.

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	19.50	19.50	19.50	19.50
Personal Services	1,283,114	1,723,415	1,812,418	1,794,603	1,797,000
Operating Expenses	276,270	531,589	549,728	545,182	546,698
Equipment & Intangible Assets	0	90,000	90,000	90,000	90,000
Debt Service	18,491	18,491	18,491	18,491	18,491
Total Expenditures	\$1,577,875	\$2,363,495	\$2,470,637	\$2,448,276	\$2,452,189
State/Other Special Rev. Funds	1,577,875	2,255,616	2,362,758	2,340,397	2,344,310
Federal Spec. Rev. Funds	0	107,879	107,879	107,879	107,879
Total Funds	\$1,577,875	\$2,363,495	\$2,470,637	\$2,448,276	\$2,452,189
Total Ongoing	\$1,577,875	\$2,363,495	\$2,470,637	\$2,448,276	\$2,452,189
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Oil and Gas Conservation Division oversees Montana's oil and gas conservation laws, promoting resource conservation and preventing waste through exploration and production regulation. It issues drilling permits, implements protective measures for land and underground strata, classifies wells, establishes spacing units and pooling orders, and inspects operations. The division investigates complaints, conducts engineering studies, determines incremental production for tax incentives, manages the underground injection control program, plugs orphan wells, and maintains comprehensive well data and production records.

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	(25,043)	0	(25,043)	0.00	0	(22,646)	0	(22,646)
DP 2 - Fixed Costs									
0.00	0	(4,546)	0	(4,546)	0.00	0	(3,030)	0	(3,030)
DP 22001 - BOGC Per Diem & Overtime Adjustment									
0.00	0	7,228	0	7,228	0.00	0	7,228	0	7,228
Grand Total All Present Law Adjustments									
0.00	\$0	(\$22,361)	\$0	(\$22,361)	0.00	\$0	(\$18,448)	\$0	(\$18,448)

***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

Oil and Gas Conservation Division	
FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$14,179
Management Changes	(39,222)
Budget Modifications	-
Total	(25,043)

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 22001 - BOGC Per Diem & Overtime Adjustment -

The executive proposes increasing state special revenue for overtime for field inspectors and per diem for members of the Board of Oil and Gas Conservation.

57060 - Department Of Natural Resources And Conservation23-Conservation & Resource Dev Div

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 FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
PB	30.17	30.17	30.17	0.00	0.0%
General Fund	2,058,375	2,257,746	2,268,845	409,841	10.0%
State/Other Special Rev. Funds	11,355,004	11,706,367	11,714,045	710,404	3.1%
Federal Spec. Rev. Funds	293,340	293,340	293,340		0.0%
Total Funds	13,706,719	14,257,453	14,276,230	1,120,245	4.1%
Personal Services	3,026,128	3,075,239	3,083,458	106,441	1.8%
Operating Expenses	3,299,728	3,801,351	3,799,399	1,001,294	15.2%
Equipment & Intangible Assets	43,743	43,743	43,743		0.0%
Local Assistance	3,058,090	3,058,090	3,058,090		0.0%
Grants	3,640,249	3,640,249	3,640,249		0.0%
Benefits & Claims	400,000	400,000	400,000		0.0%
Debt Service	238,781	238,781	251,291	12,510	2.6%
Total Expenditures	13,706,719	14,257,453	14,276,230	1,120,245	4.1%
Total Ongoing	13,706,719	13,897,453	13,916,230	400,245	1.5%
Total One-Time-Only	3,291,923	360,000	360,000	(5,863,846)	(89.1%)

Program Highlights

Conservation and Resource Development Division Major Budget Highlights

The executive proposes an increase of 4.1% or \$1.1 million above base funding. In addition to statewide present law adjustments of \$387,700, proposals include:

- Conservation and Resource Development rent increase: \$12,500
- One-time-only funding for 4.00 temporary positions: \$720,000

57060 - Department Of Natural Resources And Conservation23-Conservation & Resource Dev Div

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.

Conservation & Resource Dev Div 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
Base Budget	2,058,375	11,355,004	293,340	13,706,719	96.1%	2,058,375	11,355,004	293,340	13,706,719	96.0%
Statewide PL										
Personal Services	40,175	8,936	0	49,111	0.3%	43,680	13,650	0	57,330	0.4%
Fixed Costs	69,196	72,427	0	141,623	1.0%	69,534	70,137	0	139,671	1.0%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	109,371	81,363	0	190,734	1.3%	113,214	83,787	0	197,001	1.4%
Present Law (PL)	0	0	0	0	0.0%	7,256	5,254	0	12,510	0.1%
New Proposals	90,000	270,000	0	360,000	2.5%	90,000	270,000	0	360,000	2.5%
Total HB 2 Adjustments	199,371	351,363	0	550,734	3.9%	210,470	359,041	0	569,511	4.0%
Total Requested Budget	2,257,746	11,706,367	293,340	14,257,453		2,268,845	11,714,045	293,340	14,276,230	

Funding

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

Department of Natural Resources and Conservation, 23-Conservation & Resource Dev Div Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	4,346,591	180,000	0	0	4,526,591	14.8%
02015 MT Coal Endowment Reg Wtr Sys	2,192,170	0	0	0	2,192,170	8.6%
02048 Conservation District Acct	9,451,678	0	0	0	9,451,678	37.2%
02052 Rangeland Improvement Loans	162,412	0	0	0	162,412	0.6%
02223 Wastewater SRF Special Admin	30,000	0	0	0	30,000	0.1%
02284 Aquatic Invasive Species	1,542,209	0	0	0	1,542,209	6.1%
02316 SRF Bonds State Administration	66,680	0	0	0	66,680	0.3%
02318 Sage Grouse Stewardship	0	0	0	1,969,310	1,969,310	7.8%
02432 Oil & Gas ERA	1,599,332	0	0	0	1,599,332	6.3%
02433 Grazing District Fees	60,000	0	0	0	60,000	0.2%
02490 Drinking Water Investment	800,000	0	0	0	800,000	3.2%
02576 Natural Resources Operations	909,751	540,000	0	0	1,449,751	5.7%
02694 Coal Bed Methane Protection	100,000	0	0	0	100,000	0.4%
02971 RDB PROCEEDS	5,966,180	0	0	0	5,966,180	23.5%
State Special Total	\$22,880,412	\$540,000	\$0	\$1,969,310	\$25,389,722	83.2%
03013 WPC24 SRF Grant	245,662	0	0	0	245,662	41.9%
03595 DW24 SRF Grant	341,018	0	0	0	341,018	58.1%
Federal Special Total	\$586,680	\$0	\$0	\$0	\$586,680	1.9%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$27,813,683	\$720,000	\$0	\$1,969,310	\$30,502,993	

The Conservation Resource and Development Division is funded primarily with state special revenue. State special revenue is used to fund the Conservation Districts Bureau, Resources Development Bureau, and sage grouse conservation programs. Sources of revenue include interest and earnings from the resource indemnity trust, resource indemnity tax distributions, bond proceeds, fees assessed on hydroelectric facilities, and production taxes on oil and gas. Statutory appropriations for sage grouse habitat are funded by mitigation fees from land developers and donations.

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	30.17	30.17	30.17	30.17
Personal Services	3,252,306	2,809,974	3,026,128	3,075,239	3,083,458
Operating Expenses	2,629,694	3,341,566	3,591,651	3,801,351	3,799,399
Equipment & Intangible Assets	0	43,743	43,743	43,743	43,743
Local Assistance	2,236,125	3,058,090	3,058,090	3,058,090	3,058,090
Grants	2,741,017	4,371,419	6,640,249	3,640,249	3,640,249
Benefits & Claims	275,300	675,300	400,000	400,000	400,000
Transfers	12,641	18,830	0	0	0
Debt Service	241,533	238,781	238,781	238,781	251,291
Total Expenditures	\$11,388,616	\$14,557,703	\$16,998,642	\$14,257,453	\$14,276,230
General Fund	1,998,838	2,043,059	2,133,375	2,257,746	2,268,845
State/Other Special Rev. Funds	9,096,438	12,221,304	14,571,927	11,706,367	11,714,045
Federal Spec. Rev. Funds	293,340	293,340	293,340	293,340	293,340
Total Funds	\$11,388,616	\$14,557,703	\$16,998,642	\$14,257,453	\$14,276,230
Total Ongoing	\$10,440,939	\$12,015,780	\$13,706,719	\$13,897,453	\$13,916,230
Total OTO	\$947,677	\$2,541,923	\$3,291,923	\$360,000	\$360,000

Program Description

The Conservation and Resource Development Division (CARDD) provides technical, administrative, and financial assistance to Montana's 58 conservation districts (CDs) and assists CDs as they administer the Natural Streambed and Land Preservation Act. The division co-administers the State Revolving Fund loan programs with DEQ and provides coal severance tax loans to governmental entities, and private loans. Grant programs administered by the division include the Reclamation and Development, Renewable Resource, and Conservation District grant programs. Administratively attached to the division are:

- Western Montana Conservation Commission
- Montana Invasive Species Council
- Rangeland Resource Committee
- Grass Conservation Commission

The division also provides provide staff for the Montana Sage Grouse Oversight Team, which is administratively attached to the Governor's office.

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	40,175	8,936	0	49,111	0.00	43,680	13,650	0	57,330
DP 2 - Fixed Costs	0.00	69,196	72,427	0	141,623	0.00	69,534	70,137	0	139,671
DP 23006 - CARDD Helena Rent Increase	0.00	0	0	0	0	0.00	7,256	5,254	0	12,510
Grand Total All Present Law Adjustments	0.00	\$109,371	\$81,363	\$0	\$190,734	0.00	\$120,470	\$89,041	\$0	\$209,511

*"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

Conservation and Resource Development Division	
FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$568,607
Management Changes	(369,496)
Budget Modifications	(150,000)
Total	49,111

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 23006 - CARDD Helena Rent Increase -

The executive proposes increasing general fund and state special revenue for the lease agreement of the Conservation and Resource Development Division Helena headquarters building.

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 23001 - Resource Development Technical Support (OTO)										
0.00	0	180,000	0	180,000		0.00	0	180,000	0	180,000
DP 23004 - CARDD Infrastructure Staffing (BIEN/OTO)										
0.00	90,000	90,000	0	180,000		0.00	90,000	90,000	0	180,000
Total	0.00	\$90,000	\$270,000	\$0	\$360,000	0.00	\$90,000	\$270,000	\$0	\$360,000

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

DP 23001 - Resource Development Technical Support (OTO) -

The executive proposes a one-time-only increase in state special revenue for 2.00 temporary positions. One position to support irrigation districts in managing state and federal funds, and another to ensure compliance with federal subaward programs and state grant monitoring requirements.

DP 23004 - CARDD Infrastructure Staffing (BIEN/OTO) -

The executive proposes to increase general fund and state special revenue, one-time-only, to fund 2.00 temporary positions for the Renewable Resource Grant and Loan program to manage increased grant funding from HB 6 (Renewable Resource Grants) and the American Rescue Plan Act (ARPA).

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	149.26	152.26	152.26	3.00	1.0%
General Fund	14,423,582	17,102,356	17,186,367	5,441,559	18.9%
State/Other Special Rev. Funds	11,410,826	12,152,818	12,161,305	1,492,471	6.5%
Federal Spec. Rev. Funds	292,279	292,279	292,279		0.0%
Total Funds	26,126,687	29,547,453	29,639,951	6,934,030	13.3%
Personal Services	14,018,184	14,832,084	14,867,399	1,663,115	5.9%
Operating Expenses	10,994,300	13,601,166	13,658,349	5,270,915	24.0%
Equipment & Intangible Assets	183,499	183,499	183,499		0.0%
Transfers	41,591	41,591	41,591		0.0%
Debt Service	889,113	889,113	889,113		0.0%
Total Expenditures	26,126,687	29,547,453	29,639,951	6,934,030	13.3%
Total Ongoing	26,126,687	29,051,552	29,144,051	5,942,229	11.4%
Total One-Time-Only	2,731,453	495,901	495,900	(4,471,105)	(81.8%)

Program Highlights

Water Resources Division Major Budget Highlights

The executive proposes an increase of 13.3% or \$6.9 million above base funding. In addition to statewide present law adjustments of \$1.5 million, proposals include:

- Stream gage programs: \$1.9 million
- Water storage projects: \$1.0 million
- One-time-only funding for 4.00 temporary positions, FERC Audit and Dam Safety: \$991,800
- Water rights data base: \$800,000
- Flood plain permitting 3.00 PB: \$588,400
- Water measurement data base: \$100,000
- Overtime for Broadwater Hydropower Plant operators: \$22,200

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.

Water Resources 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
Base Budget	14,423,582	11,410,826	292,279	26,126,687	88.4%	14,423,582	11,410,826	292,279	26,126,687	88.1%
Statewide PL										
Personal Services	376,083	157,545	0	533,628	1.8%	403,864	165,079	0	568,943	1.9%
Fixed Costs	182,028	11,023	0	193,051	0.7%	194,286	11,765	0	206,051	0.7%
Inflation Deflation	(10,405)	(651)	0	(11,056)	(0.0%)	(7,031)	(440)	0	(7,471)	(0.0%)
Total Statewide PL	547,706	167,917	0	715,623	2.4%	591,119	176,404	0	767,523	2.6%
Present Law (PL)	480,000	67,075	0	547,075	1.9%	520,600	67,075	0	587,675	2.0%
New Proposals	1,651,068	507,000	0	2,158,068	7.3%	1,651,066	507,000	0	2,158,066	7.3%
Total HB 2 Adjustments	2,678,774	741,992	0	3,420,766	11.6%	2,762,785	750,479	0	3,513,264	11.9%
Total Requested Budget	17,102,356	12,152,818	292,279	29,547,453		17,186,367	12,161,305	292,279	29,639,951	

Funding

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

Department of Natural Resources and Conservation, 24-Water Resources 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	33,296,922	991,801	0	0	34,288,723	57.9%	
02145 Broadwater O & M	1,965,868	0	0	0	1,965,868	8.1%	
02147 Broadwater R & R	1,100,000	0	0	0	1,100,000	4.5%	
02216 Water Storage St Sp Rev Acct	1,627,346	0	0	0	1,627,346	6.7%	
02316 SRF Bonds State Administration	1,000,000	0	0	0	1,000,000	4.1%	
02351 Water Project Lands Lease Acct	128,874	0	0	0	128,874	0.5%	
02404 Water Project Loans	616,956	0	0	0	616,956	2.5%	
02430 Water Right Appropriation	3,116,306	0	0	0	3,116,306	12.8%	
02431 Water Adjudication	5,776,337	0	0	0	5,776,337	23.8%	
02470 State Project Hydro Earnings	8,466,220	0	0	0	8,466,220	34.8%	
02576 Natural Resources Operations	262,506	0	0	0	262,506	1.1%	
02825 Water Well Contractors	253,710	0	0	0	253,710	1.0%	
State Special Total	\$24,314,123	\$0	\$0	\$0	\$24,314,123	41.1%	
03034 Yellowstone Groundwater NPS	42,580	0	0	0	42,580	7.3%	
03094 FEMA Federal Grants	541,978	0	0	0	541,978	92.7%	
Federal Special Total	\$584,558	\$0	\$0	\$0	\$584,558	1.0%	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%	
Total All Funds	\$58,195,603	\$991,801	\$0	\$0	\$59,187,404		

The Water Resources Division is predominantly funded with general fund and state special revenue. State special revenue is primarily generated from the sale of electricity at the state-owned Toston dam in Broadwater County. Other revenues are generated from water rights filing fees, water adjudication fees, and transfers from the general fund. The division also receives revenue from taxes on metal mines, oil, and gas production

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	149.26	149.26	152.26	152.26
Personal Services	13,538,424	13,764,957	14,142,184	14,832,084	14,867,399
Operating Expenses	8,646,718	11,915,621	13,551,753	13,601,166	13,658,349
Equipment & Intangible Assets	442,156	614,699	233,499	183,499	183,499
Transfers	0	41,591	41,591	41,591	41,591
Debt Service	678,322	889,113	889,113	889,113	889,113
Total Expenditures	\$23,305,620	\$27,225,981	\$28,858,140	\$29,547,453	\$29,639,951
General Fund	14,943,095	15,719,601	15,792,035	17,102,356	17,186,367
State/Other Special Rev. Funds	8,358,474	11,217,472	12,773,826	12,152,818	12,161,305
Federal Spec. Rev. Funds	4,051	288,908	292,279	292,279	292,279
Total Funds	\$23,305,620	\$27,225,981	\$28,858,140	\$29,547,453	\$29,639,951
Total Ongoing	\$22,187,908	\$24,162,383	\$26,126,687	\$29,051,552	\$29,144,051
Total OTO	\$1,117,712	\$3,063,598	\$2,731,453	\$495,901	\$495,900

Program Description

Montana's Water Resources Division coordinates water uses, development, and protection through eight regional offices and six bureaus. It manages state-owned water infrastructure, develops water policies, administers dam safety and water rights programs, conducts hydrologic research, supports water well contractors, implements water compacts, and maintains centralized water rights records.

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	376,083	157,545	0	533,628		0.00	403,864	165,079	0	568,943
DP 2 - Fixed Costs										
0.00	182,028	11,023	0	193,051		0.00	194,286	11,765	0	206,051
DP 3 - Inflation Deflation										
0.00	(10,405)	(651)	0	(11,056)		0.00	(7,031)	(440)	0	(7,471)
DP 24002 - Audit Rec: WRIS Database Operations										
0.00	344,000	56,000	0	400,000		0.00	344,000	56,000	0	400,000
DP 24008 - Overtime for Broadwater Hydropower Plant Operators										
0.00	0	11,075	0	11,075		0.00	0	11,075	0	11,075
DP 24015 - State Share of USGS Coop Stream Gage Program										
0.00	46,000	0	0	46,000		0.00	72,000	0	0	72,000
DP 24017 - Compact Program Stream Gages										
0.00	90,000	0	0	90,000		0.00	104,600	0	0	104,600
Grand Total All Present Law Adjustments										
0.00	\$1,027,706	\$234,992	\$0	\$1,262,698		0.00	\$1,111,719	\$243,479	\$0	\$1,355,198

***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

Water Resource Division	
FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$475,731
Management Changes	57,897
Budget Modifications	-
Total	\$533,628

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 24002 - Audit Rec: WRIS Database Operations -

The executive propose increase in general fund and state special revenue to support development, operations, and maintenance of the water rights database. The data base is used by the department, the Water Court, and in the future the Board of Engineers of the Confederated Salish and Kootenai Tribes (CSKT).

DP 24008 - Overtime for Broadwater Hydropower Plant Operators -

The executive proposes increasing state special revenue to fund overtime at the State Water Projects Bureau Broadwater hydroelectric plant operations. This proposal would be funded entirely by sales of electricity generated by the plant.

DP 24015 - State Share of USGS Coop Stream Gage Program -

The executive proposes an increase in general fund to maintain its 49-gage network partnership with the United State Geological Survey (USGS. The Water Resources Division partners with the USGS to operate and maintain a network of 49 priority stream gages across Montana through the USGS Cooperative Stream Gage Program.

DP 24017 - Compact Program Stream Gages -

The executive proposes an increase in general fund to cover increased costs for stream gages under a Joint Funding Agreement with USGS and Tribes. Increased cost driven by inflation and the addition of nine gages. This system of gages is used for monitoring compact-related water rights.

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 24004 - Build a Database for Water Measurement Data										
0.00	43,000	7,000	0	50,000		0.00	43,000	7,000	0	50,000
DP 24013 - State Water Project PB related to FERC Audit (OTO)										
0.00	365,901	0	0	365,901		0.00	365,900	0	0	365,900
DP 24014 - Continued Support of the MT Stream Gage Network										
0.00	817,970	0	0	817,970		0.00	817,969	0	0	817,969
DP 24016 - SWP Safety and Reliability of State Projects (OTO)										
0.00	130,000	0	0	130,000		0.00	130,000	0	0	130,000
DP 24018 - WRD PB to Support MDT Bridge Projects										
3.00	294,197	0	0	294,197		3.00	294,197	0	0	294,197
DP 24020 - Water Storage Project Investments										
0.00	0	500,000	0	500,000		0.00	0	500,000	0	500,000
Total	3.00	\$1,651,068	\$507,000	\$0	\$2,158,068	3.00	\$1,651,066	\$507,000	\$0	\$2,158,066

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

DP 24004 - Build a Database for Water Measurement Data -

The executive proposes increasing general fund and state special revenue to create a geospatial database integrating water measurement data with the water rights database, improving public access and water management efficiency.

DP 24013 - State Water Project PB related to FERC Audit (OTO -

The executive proposes one-time-only increase in general fund to support 3.00 temporary positions, a dam safety engineer, professional engineer, and an engineering analyst to address the Federal Energy Regulatory Commission dam safety program audit recommendations for the Broadwater Power Project.

DP 24014 - Continued Support of the MT Stream Gage Network -

The executive proposes increasing general fund authority for the Water Science Bureau's State Stream Gage Program, continuing the one-time-only funding approved by the 2023 Legislature for 76 sites and adding funding for 24 new sites.

DP 24016 - SWP Safety and Reliability of State Projects (OTO) -

The executive proposes a one-time-only increase in general fund to support 1.00 temporary position to address dam safety, infrastructure reliability, and rehabilitation projects for the state's dams, canals, and hydropower facility. This position was approved as one-time-only by the 2023 Legislature.

DP 24018 - WRD PB to Support MDT Bridge Projects -

The executive proposes an addition 3.00 PB. The new positions include a hydrologist, planner, and engineering intern to support the floodplain permitting program to support increased number of Montana Department of Transportation bridge projects. The new positions would be funded with general fund.

DP 24020 - Water Storage Project Investments -

The executive proposes increasing state special revenue to fund existing and new water storage projects throughout the state. This request is contingent on the passage of legislation proposed in the executive budget that redistributes certain marijuana tax revenue.

**LFD
COMMENT**

Decision Package Contingent on Legislation. The Legislative Finance Committee recommends subcommittees to refrain from approving contingent decision packages until the associated bill has been passed.

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	292.93	293.93	293.93	1.00	0.2%
General Fund	16,853,703	17,453,975	17,510,517	1,257,086	3.7%
State/Other Special Rev. Funds	23,314,079	24,056,569	24,024,075	1,452,486	3.1%
Federal Spec. Rev. Funds	1,429,435	1,429,435	1,429,435		0.0%
Total Funds	41,597,217	42,939,979	42,964,027	2,709,572	3.3%
Personal Services	26,092,096	26,742,114	26,804,749	1,362,671	2.6%
Operating Expenses	11,712,532	11,771,790	11,818,603	165,329	0.7%
Equipment & Intangible Assets	1,056,720	1,298,870	1,206,720	392,150	18.6%
Grants	420,465	420,465	420,465		0.0%
Transfers	1,682,152	2,005,235	1,992,973	633,904	18.8%
Debt Service	633,252	701,505	720,517	155,518	12.3%
Total Expenditures	41,597,217	42,939,979	42,964,027	2,709,572	3.3%
Total Ongoing	41,597,217	42,697,829	42,814,027	2,317,422	2.8%
Total One-Time-Only	625,000	242,150	150,000	(857,850)	(68.6%)

Program Highlights

Forestry and Trust Lands Division Major Budget Highlights

The executive proposes an increase of 3.3% or \$2.7 million above base funding. In addition to statewide present law adjustments of \$1.3 million, proposals include:

- Air operations fixed costs: \$633,900
- Operation, maintenance, lease expenses: \$171,200
- Equipment one-time-only: \$300,000
- Real property agent, 1.00 PB: \$230,900
- Bridge replacement one-time-only: \$92,100

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.

Forestry and Trust Lands 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
Base Budget	16,853,703	23,314,079	1,429,435	41,597,217	96.9%	16,853,703	23,314,079	1,429,435	41,597,217	96.8%
Statewide PL										
Personal Services	97,214	450,933	0	548,147	1.3%	125,488	485,294	0	610,782	1.4%
Fixed Costs	142,047	(90,526)	0	51,521	0.1%	178,656	(87,652)	0	91,004	0.2%
Inflation Deflation	(4,380)	(7,584)	0	(11,964)	(0.0%)	(2,959)	(5,125)	0	(8,084)	(0.0%)
Total Statewide PL	234,881	352,823	0	587,704	1.4%	301,185	392,517	0	693,702	1.6%
Present Law (PL)	365,391	31,296	0	396,687	0.9%	355,629	52,808	0	408,437	1.0%
New Proposals	0	358,371	0	358,371	0.8%	0	264,671	0	264,671	0.6%
Total HB 2 Adjustments	600,272	742,490	0	1,342,762	3.1%	656,814	709,996	0	1,366,810	3.2%
Total Requested Budget	17,453,975	24,056,569	1,429,435	42,939,979		17,510,517	24,024,075	1,429,435	42,964,027	

Funding

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

Department of Natural Resources and Conservation, 35-Forestry and Trust Lands Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	34,964,492	0	0	0	34,964,492	34.7%
02031 LAND BANKING PRVT CLOSNG COSTS	578,964	0	0	0	578,964	1.2%
02039 Fire Protection Assessments	9,169,636	0	0	0	9,169,636	19.1%
02073 Forestry - Slash Disposal	127,539	0	0	0	127,539	0.3%
02449 Forest Resources-Forest Improv	3,060,404	0	0	0	3,060,404	6.4%
02576 Natural Resources Operations	200,694	0	0	0	200,694	0.4%
02623 Contract Timber Harvesting	1,000,000	0	0	0	1,000,000	2.1%
02681 Historic Right-of-Way Acct	17,298	0	0	0	17,298	0.0%
02912 TLMD Land Exchange Admin	107,060	0	0	0	107,060	0.2%
02938 TLMD Trust Administration	33,426,899	392,150	0	0	33,819,049	70.3%
State Special Total	\$47,688,494	\$392,150	\$0	\$0	\$48,080,644	47.8%
03053 CONSOLIDATED GRANT-FY27	1,096,988	0	0	0	1,096,988	11.9%
03055 NON-CONSOLIDATED GRANT-FY27	332,447	0	0	0	332,447	3.6%
03084 NON-CONSOLIDATED GRANT-FY26	332,447	0	0	0	332,447	3.6%
03110 CONSOLIDATED GRANT-FY26	1,096,988	0	0	0	1,096,988	11.9%
03500 GNA FEDERAL SPECIAL REVENUE	0	0	0	6,380,883	6,380,883	69.1%
Federal Special Total	\$2,858,870	\$0	\$0	\$6,380,883	\$9,239,753	9.2%
06003 State Nursery Enterprise Fund	0	0	1,941,902	0	1,941,902	23.2%
06538 Air Operations Internal Svc.	0	0	6,426,478	0	6,426,478	76.8%
Proprietary Total	\$0	\$0	\$8,368,380	\$0	\$8,368,380	8.3%
Total All Funds	\$85,511,856	\$392,150	\$8,368,380	\$6,380,883	\$100,653,269	

The general fund supports administration and fixed costs and accounts for 34.7% of total funds. State special revenue accounts 47.8% of total funding. The Management Division (TLMD) administration fund revenue is the primary portion of state special funding accounting for 70.5% of all state special revenue and 33.6% of total funding. Additional revenue streams include fire protection taxes, timber sales, forest resources fees, and various other Trust Lands revenue sources. Federal reimbursement for forestry management carried out by the state on federal lands is allocated through statutory appropriations. Proprietary revenues are generated from two main sources: the sale of state nursery products and fees charged to other agencies for aircraft services.

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	292.93	292.93	293.93	293.93
Personal Services	24,392,376	24,834,379	26,092,096	26,742,114	26,804,749
Operating Expenses	9,103,148	10,991,616	12,337,532	11,771,790	11,818,603
Equipment & Intangible Assets	1,182,549	1,056,720	1,056,720	1,298,870	1,206,720
Grants	437,490	420,465	420,465	420,465	420,465
Transfers	1,685,795	1,686,252	1,682,152	2,005,235	1,992,973
Debt Service	614,295	633,252	633,252	701,505	720,517
Total Expenditures	\$37,415,653	\$39,622,684	\$42,222,217	\$42,939,979	\$42,964,027
General Fund	15,838,664	15,985,384	16,853,703	17,453,975	17,510,517
State/Other Special Rev. Funds	20,160,779	22,221,098	23,939,079	24,056,569	24,024,075
Federal Spec. Rev. Funds	1,416,210	1,416,202	1,429,435	1,429,435	1,429,435
Total Funds	\$37,415,653	\$39,622,684	\$42,222,217	\$42,939,979	\$42,964,027
Total Ongoing	\$37,365,846	\$38,997,684	\$41,597,217	\$42,697,829	\$42,814,027
Total OTO	\$49,807	\$625,000	\$625,000	\$242,150	\$150,000

Program Description

Forestry Program protects against wildfires, regulates forest practices, assists private landowners, implements cross-boundary projects, manages federal lands, and grows seedlings. It includes Fire Protection, Forestry Assistance, and Good Neighbor initiatives. Trust Lands Program manages state timber, surface, and mineral resources for schools and institutions, covering Forest Management, Real Estate, Minerals, Agriculture and Grazing, and Recreational Use and Public Access.

Montana's Trust Lands Program manages 5.2 million surface acres and 6.2 million mineral acres for schools and institutions. It oversees forest management, real estate, minerals, agriculture and grazing, and recreational use.

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	97,214	450,933	0	548,147	0.00	125,488	485,294	0	610,782
DP 2 - Fixed Costs	0.00	142,047	(90,526)	0	51,521	0.00	178,656	(87,652)	0	91,004
DP 3 - Inflation Deflation	0.00	(4,380)	(7,584)	0	(11,964)	0.00	(2,959)	(5,125)	0	(8,084)
DP 35002 - FTLTD Operating & Maintenance	0.00	42,308	31,296	0	73,604	0.00	44,808	52,808	0	97,616
DP 35006 - Air Ops Fixed Costs Transfer	0.00	323,083	0	0	323,083	0.00	310,821	0	0	310,821
Grand Total All Present Law Adjustments	0.00	\$600,272	\$384,119	\$0	\$984,391	0.00	\$656,814	\$445,325	\$0	\$1,102,139

***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

Forestry and Trust Lands Division	
FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$394,720
Management Changes	153,427
Budget Modifications	-
Total	548,147

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 35002 - FTLTD Operating & Maintenance -

The executive proposes an increase in general fund and state special revenue for operations, maintenance, and lease expense for the Department of Natural Resources & Conservation Helena headquarters building and area offices throughout the state.

DP 35006 - Air Ops Fixed Costs Transfer -

The executive proposes an increase in general fund authority for the Air Operations Proprietary program. This proposal would increase transfer authority to proprietary funds.

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 35001 - Real Estate Management PB - Real Property Agent										
1.00	0	116,221	0	116,221		1.00	0	114,671	0	114,671
DP 35003 - Capital Assets/Equipment (OTO)										
0.00	0	150,000	0	150,000		0.00	0	150,000	0	150,000
DP 35004 - Modular Steel Bridge (OTO)										
0.00	0	92,150	0	92,150		0.00	0	0	0	0
Total	1.00	\$0	\$358,371	\$0	\$358,371	1.00	\$0	\$264,671	\$0	\$264,671

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

DP 35001 - Real Estate Management PB - Real Property Agent -

The executive proposes an additional 1.00 PB funded with state special revenue. The new position would manage increasing commercial, renewable energy, and communications site leasing on trust lands.

DP 35003 - Capital Assets/Equipment (OTO) -

The executive proposes a one-time-only increase in state special revenue for equipment.

DP 35004 - Modular Steel Bridge (OTO) -

The executive proposes a one-time-only increase in state special revenue for bridge replacement on public lands.

DEPARTMENT OF AGRICULTURE

Section C

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----Agencies-----

Dept. of Fish, Wildlife, & Parks
Dept. of Environmental Quality
Dept. of Transportation

Dept. of Livestock
Dept. of Natural Resources & Conservation
Dept. of Agriculture

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

House

Representative Jerry Schillinger (Chair)
Representative Eric Albus
Representative Debo Powers

Senate

Senator Mike Cuffe (Vice Chair)
Senator Kenneth Bogner
Senator Jane Ellis

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

Rob Miller
Alice Hecht
Barb Wagner

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	119.56	119.56	119.56	0.00	0.0%
General Fund	1,219,145	1,138,166	1,095,991	(204,133)	(8.4%)
State/Other Special Rev. Funds	18,414,266	18,984,188	19,388,120	1,543,776	4.2%
Federal Spec. Rev. Funds	1,654,350	1,820,538	1,863,332	375,170	11.3%
Proprietary Funds	496,487	636,547	639,958	283,531	28.6%
Total Funds	21,784,248	22,579,439	22,987,401	1,998,344	4.6%
Personal Services	10,585,843	10,541,897	10,566,890	(62,899)	(0.3%)
Operating Expenses	5,549,403	6,088,540	5,910,509	900,243	8.1%
Equipment & Intangible Assets	338,889	338,889	899,889	561,000	82.8%
Grants	5,042,856	5,342,856	5,342,856	600,000	5.9%
Transfers	189,757	189,757	189,757		0.0%
Debt Service	77,500	77,500	77,500		0.0%
Total Expenditures	21,784,248	22,579,439	22,987,401	1,998,344	4.6%
Total Ongoing	21,784,248	22,272,939	22,301,401	1,005,844	2.3%
Total One-Time-Only	375,000	306,500	686,000	242,500	32.3%

Agency Highlights

Department of Agriculture Major Budget Highlights

The executive proposes a 4.6% or \$2.0 million in total appropriations above base funding. In addition to statewide present law adjustments of \$85,800 the executive proposes:

- Equipment purchases for analytical laboratory and pesticide program, one-time-only: \$811,000
- Increase grant authority for noxious weeds programs: \$600,000
- Increase operating authority for seed and pesticide groundwater programs: \$300,000
- Produce inspection operations, one-time-only: \$132,500
- Customer Relationship Management (CRM) grant system maintenance: \$69,000.

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 Agriculture 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
Base Budget	1,219,145	18,414,266	1,654,350	21,784,248	96.5%	1,219,145	18,414,266	1,654,350	21,784,248	94.8%
Statewide PL										
Personal Services	(200,365)	(151,279)	166,718	(43,946)	(0.2%)	(194,743)	(136,757)	168,027	(18,953)	(0.1%)
Fixed Costs	60,424	14,059	(530)	73,033	0.3%	61,615	16,453	(645)	76,374	0.3%
Inflation Deflation	(38)	(358)	0	(396)	(0.0%)	(26)	(242)	0	(268)	(0.0%)
Total Statewide PL	(139,979)	(137,578)	166,188	28,691	0.1%	(133,154)	(120,546)	167,382	57,153	0.2%
Present Law (PL)	10,000	450,000	0	460,000	2.0%	10,000	450,000	0	460,000	2.0%
New Proposals	49,000	257,500	0	306,500	1.4%	0	644,400	41,600	686,000	3.0%
Total HB 2 Adjustments	(80,979)	569,922	166,188	795,191	3.5%	(123,154)	973,854	167,382	1,203,153	5.2%
Total Requested Budget	1,138,166	18,984,188	1,820,538	22,579,439		1,095,991	19,388,120	1,821,732	22,987,401	

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 (DP 1) has been broken down into three categories, as follows:

- Legislatively approved changes – This category includes adjustments explicitly approved by the legislature, such as expected changes to annualize personal services costs included in the FY 2025 statewide pay plan adjustments, changes to benefit rates, increases in pay approved by the legislature, longevity adjustments required by statute, and changes in rates for workers' compensation and unemployment insurance
- Management decisions – 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 transfers to move personal funding to or from other 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.

Department of Agriculture DP 1 Personal Services Statewide Present Law Adjustments FY 2026				
<u>Division</u>	<u>Legislative Changes</u>	<u>Management Decisions</u>	<u>Budget Modifications</u>	<u>DP 1 Total</u>
Central Management	71,117	(\$117,714)	\$105,000	\$58,403
Agricultural Sciences	98,226	(70,642)	(100,000)	(\$72,416)
Agricultural Development	39,691	100,376	(170,000)	(\$29,933)
DP 1 - Personal Services	\$209,034	(\$87,980)	(\$165,000)	(\$43,946)

The Department of Agriculture has 137.87 positions budgeted (PB). Personal services accounts for 68.6% of the total executive request. The Department's 137.87 PB are distributed across three divisions:

- Central Management Division: 19.00 PB
- Agricultural Sciences Division: 61.79 PB
- Agricultural Developmental Division: 38.77 PB

Statewide present law adjustments for FY 2026 are negative, primarily due to budget modifications that shifted operating expenses to personal services in FY 2025. Increases due to management decisions included increases for promotions, retention incentives, changes to exempt status, and vacancy savings.

The executive proposes statewide present law adjustments for personal services that reduce expenditures by \$43,946 in FY 2026 and \$18,953 in FY 2027. The difference between these two fiscal years is largely attributed to a \$22,400 increase in personal service expenditures for longevity in FY 2027 compared to FY 2026. Additionally, social security and retirement costs are projected to rise by \$3,400 in the second year of the biennium.

The executive proposal includes a 5.0% vacancy savings rate for each year of the biennium. This measure is expected to result in savings of \$553,900 in FY 2026 and \$555,200 in FY 2027. Vacancy savings are typically achieved by leaving positions unfilled or through natural attrition.

Present Law Adjustments

As proposed by the executive, present law adjustments total \$920,000. State special revenue supports 97.8% or \$900,000 of the total increase, and general fund supports \$20,000.

Under the executive proposal, the pesticide groundwater program state special revenue authority is increased by \$200,000 to fund an increasing number of projects undertaken in recent years. Authority for the Noxious Weed Program increases by \$600,000 from the noxious weed administration state special revenue account for the biennium, allowing the department to award more grants when funds are available.

The executive proposes an increase in state special revenue authority totaling \$100,000 for the biennium in the seed program to offset rising operating costs experienced in recent years. Additionally, the executive proposes an ongoing general fund allocation of \$20,000 for the biennium to maintain a customer relationship management system.

Statewide present law adjustments total \$85,900 and are funded primarily with federal special revenue and proprietary funds.

New proposals

As proposed by the executive, new proposals total \$992,500, all one-time-only. State special revenue funds 90.9% or \$901,900 of the new proposals. General fund supports 4.9% or \$49,000, and federal sources support 4.2% or \$41,600.

The proposed budget includes \$561,000 in state and federal special revenue to replace three pieces of equipment at the Bozeman Analytical Laboratory. This new equipment is to be used in the department's pesticide enforcement, groundwater monitoring, fertilizer regulations, and feed regulations programs.

State special revenue totaling \$87,500 is appropriated to digitize the paper-based produce inspection process and \$250,000 for the biennium for stationary granulator stations for the pesticide container recycling program to be used in the safe disposal of containers.

The organic inspection program will receive a state special revenue appropriation of \$45,000 to fund increased operations. The executive budget includes a proposal for a general fund appropriation of \$49,000 to develop and implement a customer relationship management system.

Funding

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

Total Department of Agriculture 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
01100 General Fund	2,185,157	49,000	8,218	3,206,244	5,448,619	9.5%
02040 Wheat & Barley Research & Mktg	9,388,109				9,388,109	16.4%
02205 Pulse Crop Research&Marketing	58,258			6,122,406	6,180,664	10.8%
02068 Noxious Weed Admin Account	4,783,432				4,783,432	8.4%
02193 Pesticide Account	3,732,998	209,200			3,942,198	6.9%
02453 Grain Services	3,579,898				3,579,898	6.3%
Other State Special Revenue	15,927,713	692,700		552,174	17,172,587	30.0%
State Special Revenue Total	37,470,408	901,900	-	6,674,580	45,046,888	78.7%
03118 Agriculture ASD Federal	2,529,628	41,600			2,571,228	4.5%
03225 Agriculture ADD Federal	591,486				591,486	1.0%
03120 Agriculture CMD Federal	521,156				521,156	0.9%
Federal Special Revenue Total	3,642,270	41,600	-	-	3,683,870	6.4%
06052 Hail Insurance	1,276,505			1,640,000	2,916,505	5.1%
06016 Beginning Farm Loans			116,400		116,400	0.2%
Proprietary Fund Total	1,276,505	-	116,400	1,640,000	3,032,905	5.3%
Total of All Funds	44,574,340	992,500	124,618	11,520,824	57,212,282	
Percent of All Sources of Authority	77.9%	1.7%	0.2%	20.1%		

The predominant funding source for the Department of Agriculture is state special revenue, which supports 78.7% of the total authority. Other funding sources are the general fund, federal special revenue, and proprietary funds.

Major state special revenue funds in HB 2 include:

- Wheat and barley research and marketing account - The Wheat and Barley Research and Marketing state special revenue account is primarily used to support and promote the state's wheat and barley industry through various initiatives such as research, market development, industry development, education, outreach, and the operation of the Montana Wheat and Barley Committee.
- Noxious weed administration account - Noxious weed administration account is used primarily to grant funds to local counties, cities, and tribal governments for the control of noxious weeds. The funding source comes from interest earned on the noxious weed trust fund and transfers from the general fund. The fund also receives a portion of the gasoline tax.
- Pesticide account – The pesticide account is used to administer pesticide-related activities, including equipment and facility costs, as well as expenses related to inspecting, investigating, and analyzing pesticide products, applicators, dealers, and facilities. The primary source of revenue comes from license and permit fees, and charges for service.
- Grain Services Account – Supports grain quality inspections and grading activities. Revenues in the fund are from fees charged for service.

General fund appropriations total 9.5% or \$5.4 million of all funds, of which 58.9% or \$3.2 million is statutorily appropriated, primarily to growth through agriculture programs.

The HB 2 general fund appropriation supports personal services, operating expenses, and grants. Proprietary non-budgeted funds support the administration of the hail insurance program, and the remaining proprietary funding is statutorily appropriated hail insurance benefits and claims. Other state special statutory appropriations support agriculture development and marketing programs. State special revenue is specific revenue from state sources legally restricted to expenditures for specific purposes. Balances in state special revenue funds may only be used for their specific purpose.

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	119.56	119.56	119.56	119.56
Personal Services	8,496,859	10,248,520	10,685,843	10,541,897	10,566,890
Operating Expenses	3,662,504	5,725,947	5,824,403	6,088,540	5,910,509
Equipment & Intangible Assets	317,349	524,889	338,889	338,889	899,889
Grants	5,189,332	5,048,979	5,042,856	5,342,856	5,342,856
Transfers	129,196	198,634	189,757	189,757	189,757
Debt Service	77,672	77,500	77,500	77,500	77,500
Total Expenditures	\$17,872,912	\$21,824,469	\$22,159,248	\$22,579,439	\$22,987,401
General Fund	1,392,949	1,568,310	1,594,145	1,138,166	1,095,991
State/Other Special Rev. Funds	14,950,003	18,117,214	18,414,266	18,984,188	19,388,120
Federal Spec. Rev. Funds	1,105,195	1,620,629	1,654,350	1,820,538	1,863,332
Proprietary Funds	424,765	518,316	496,487	636,547	639,958
Total Funds	\$17,872,912	\$21,824,469	\$22,159,248	\$22,579,439	\$22,987,401
Total Ongoing	\$17,262,865	\$21,213,469	\$21,784,248	\$22,272,939	\$22,301,401
Total OTO	\$610,047	\$611,000	\$375,000	\$306,500	\$686,000

Agency Description

The Montana Department of Agriculture, established by the state constitution, promotes and supports agriculture through public-private partnerships, regulatory oversight, and various programs. It collects statistics, supports farmers' organizations, sets product standards, develops marketing systems, and enforces agricultural laws. The department is organized into three divisions: Agricultural Development, Agricultural Sciences, and Central Services.

FY 2024 Appropriations Compared to FY 2024 expenditures.

In FY 2024, the Department of Agriculture spent 81.9% of its \$21.8 million HB 2 budget.

The department expended 82.9% or \$8.5 million of the \$10.2 million budgeted for personal services in FY 2024 leaving \$1.7 million unexpended. Overall, the department utilized 81.9% of the hours budgeted. Utilization rates reflect the portion of total hours allocated versus used, and vary by division, with Agricultural Development Division at 69.9% (\$906,900 unexpended), Agricultural Sciences at 88.9% (\$483,000 unexpended), Central Management at 83.8% (\$361,700 unexpended).

In FY 2024 operating expenses were 64% expended leaving \$2.1 million of the \$5.7 million budget for operations unexpended, with \$1.0 million of this amount in the Agricultural Development Division, \$972,100 in the Agricultural Sciences Division, and \$75,000 in the Central Management Division.

Appropriations for FY 2025 increased by \$334,800 or 1.5% compared to FY 2024. Ongoing expenditures increased by \$570,800 while one-time-only appropriations decreased by \$236,000. Authority for personal services increased by 4.3% or \$437,300. Authority for equipment decreased by \$236,000, with one-time-only authority for laboratory equipment and the hail insurance program being budgeted only in the first year. Other expenditure categories increased by \$133,500. Increases were funded primarily with state special revenues.

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 executive and legislative branches to be the point from which any changes would be recorded for the 2027 biennium budgeting process.

Department of Agriculture				
Comparison of the FY 2025 Legislative Budget to the FY 2025 Base Budget				
Division	Legislative Budget	Executive Modifications	Base Budget	Percent Change
<u>Central Management Division</u>				
Personal Services	2,057,246	(5,000)	2,052,246	-0.2%
Operating Expenses	371,805	13,000	384,805	3.5%
Transfers		5,000	5,000	100.0%
Central Management Division Total	2,429,051	13,000	2,442,051	0.5%
<u>Agricultural Sciences Division</u>				
Personal Services	5,679,301		5,679,301	0.0%
Operating Expenses	2,746,837	(72,397)	2,674,440	-2.6%
Equipment & Intangible Assets	259,012		259,012	0.0%
Grants	2,258,285	70,397	2,328,682	3.1%
Transfers	25,000	15,000	40,000	60.0%
Debt Service	35,500		35,500	0.0%
Agricultural Sciences Division Total	11,003,935	13,000	11,016,935	0.1%
<u>Agricultural Development Div</u>				
Personal Services	2,854,296		2,854,296	0.0%
Operating Expenses	2,518,948	(31,000)	2,487,948	-1.2%
Equipment & Intangible Assets	79,877		79,877	0.0%
Grants	2,714,174		2,714,174	0.0%
Transfers	139,757	5,000	144,757	3.6%
Debt Service	42,000		42,000	0.0%
Agricultural Development Div Total	8,349,052	(26,000)	8,323,052	-0.3%
Agency Total	21,782,038	-	21,782,038	0.0%

The agency transferred \$26,000 from the agricultural development division to the central management and sciences divisions. These transfers also moved \$90,400 in operating expenses, and \$5,000 in personal services expenses to grants and transfers.

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	19.00	19.00	19.00	0.00	0.0%
General Fund	307,235	426,311	432,847	244,688	39.8%
State/Other Special Rev. Funds	1,716,277	1,716,277	1,716,277		0.0%
Federal Spec. Rev. Funds	260,578	260,578	260,578		0.0%
Proprietary Funds	157,961	157,961	157,961		0.0%
Total Funds	2,442,051	2,561,127	2,567,663	244,688	5.0%
Personal Services	2,052,246	2,110,649	2,115,840	121,997	3.0%
Operating Expenses	384,805	445,478	446,823	122,691	15.9%
Transfers	5,000	5,000	5,000		0.0%
Total Expenditures	2,442,051	2,561,127	2,567,663	244,688	5.0%
Total Ongoing	2,442,051	2,561,127	2,567,663	244,688	5.0%
Total One-Time-Only					0.0%

Program Highlights

Central Management Division Major Budget Highlights

The executive proposes a 5.0% or \$244,700 in total appropriations above base funding. The proposed increases are due entirely to statewide present law adjustments.

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.

Central Management 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
Base Budget	307,235	1,716,277	260,578	2,442,051	95.4%	307,235	1,716,277	260,578	2,442,051	95.1%
Statewide PL										
Personal Services	58,403	0	0	58,403	2.3%	63,594	0	0	63,594	2.5%
Fixed Costs	60,673	0	0	60,673	2.4%	62,018	0	0	62,018	2.4%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	119,076	0	0	119,076	4.6%	125,612	0	0	125,612	4.9%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	119,076	0	0	119,076	4.6%	125,612	0	0	125,612	4.9%
Total Requested Budget	426,311	1,716,277	260,578	2,561,127		432,847	1,716,277	260,578	2,567,663	

Funding

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

Department of Agriculture, 15-Central Management 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	859,158	0	0	36,400	895,558	17.3%
02238 CSD Admin Indirect Costs	3,432,554	0	0	0	3,432,554	100.0%
State Special Total	\$3,432,554	\$0	\$0	\$0	\$3,432,554	66.5%
03120 Agriculture CMD Federal	521,156	0	0	0	521,156	100.0%
Federal Special Total	\$521,156	\$0	\$0	\$0	\$521,156	10.1%
06052 Hail Insurance	315,922	0	0	0	315,922	100.0%
Proprietary Total	\$315,922	\$0	\$0	\$0	\$315,922	6.1%
Total All Funds	\$5,128,790	\$0	\$0	\$36,400	\$5,165,190	

The Central Management Division is primarily funded by state special revenue generated from licenses, permits, and user fees. These funds are used to administer programs that promote Montana agriculture. General funds and federal revenue support personal services and associated operating expenses. Proprietary revenue is generated through premiums charged to participants in the Hail Insurance Program, which supports personal services for the program's staff. Statutory appropriations, mainly from the general fund, provide administrative support for agricultural research and marketing programs.

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	19.00	19.00	19.00	19.00
Personal Services	1,579,742	1,941,475	2,052,246	2,110,649	2,115,840
Operating Expenses	342,871	417,912	384,805	445,478	446,823
Transfers	15,000	15,000	5,000	5,000	5,000
Total Expenditures	\$1,937,613	\$2,374,387	\$2,442,051	\$2,561,127	\$2,567,663
General Fund	299,033	299,036	307,235	426,311	432,847
State/Other Special Rev. Funds	1,235,559	1,665,769	1,716,277	1,716,277	1,716,277
Federal Spec. Rev. Funds	259,113	259,112	260,578	260,578	260,578
Proprietary Funds	143,908	150,470	157,961	157,961	157,961
Total Funds	\$1,937,613	\$2,374,387	\$2,442,051	\$2,561,127	\$2,567,663
Total Ongoing	\$1,937,613	\$2,374,387	\$2,442,051	\$2,561,127	\$2,567,663
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Central Services Division provides business support to the department, covering areas such as finance, human resources, information technology, public information, legal matters, and administrative functions. This division also includes the Director's Office, which is responsible for providing overall guidance and developing policies for the department. Additionally, the office coordinates efforts with the agricultural industry and collaborates with other government branches.

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	58,403	0	0	58,403	0.00	63,594	0	0	63,594
DP 2 - Fixed Costs										
	0.00	60,673	0	0	60,673	0.00	62,018	0	0	62,018
Grand Total All Present Law Adjustments										
	0.00	\$119,076	\$0	\$0	\$119,076	0.00	\$125,612	\$0	\$0	\$125,612

*"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

Central Management Division	
FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	71,117
Management Changes	(117,714)
Budget Modifications	105,000
Total	58,403

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: warrant writer, motor pool, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	61.79	61.79	61.79	0.00	0.0%
General Fund	401,812	397,858	398,079	(7,687)	(1.0%)
State/Other Special Rev. Funds	9,517,094	9,993,121	10,395,188	1,354,121	7.1%
Federal Spec. Rev. Funds	1,098,029	1,264,217	1,307,011	375,170	17.1%
Total Funds	11,016,935	11,655,196	12,100,278	1,721,604	7.8%
Personal Services	5,679,301	5,606,885	5,621,675	(130,042)	(1.1%)
Operating Expenses	2,674,440	3,085,117	2,954,409	690,646	12.9%
Equipment & Intangible Assets	259,012	259,012	820,012	561,000	108.3%
Grants	2,328,682	2,628,682	2,628,682	600,000	12.9%
Transfers	40,000	40,000	40,000		0.0%
Debt Service	35,500	35,500	35,500		0.0%
Total Expenditures	11,016,935	11,655,196	12,100,278	1,721,604	7.8%
Total Ongoing	11,016,935	11,397,696	11,414,278	778,104	3.5%
Total One-Time-Only	125,000	257,500	686,000	693,500	277.4%

Program Highlights

Agricultural Sciences Division Major Budget Highlights

The executive proposes a 7.8% or \$1.7 million in total appropriations above base funding. In addition to a reduction due to statewide present law adjustments of \$121,900, the executive proposes:

- One-time-only equipment purchases, operations, and IT costs - \$943,500
- Increase grant authority for noxious weeds programs - \$600,000
- Increase operating authority for pesticide groundwater programs - \$200,000
- Increase in authority for seed programs - \$100,000

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.

Agricultural Sciences 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
Base Budget	401,812	9,517,094	1,098,029	11,016,935	94.5%	401,812	9,517,094	1,098,029	11,016,935	91.0%
Statewide PL										
Personal Services	(5,160)	(233,974)	166,718	(72,416)	(0.6%)	(4,985)	(220,668)	168,027	(57,626)	(0.5%)
Fixed Costs	1,206	2,501	(530)	3,177	0.0%	1,252	4,362	(645)	4,969	0.0%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	(3,954)	(231,473)	166,188	(69,239)	(0.6%)	(3,733)	(216,306)	167,382	(52,657)	(0.4%)
Present Law (PL)	0	450,000	0	450,000	3.9%	0	450,000	0	450,000	3.7%
New Proposals	0	257,500	0	257,500	2.2%	0	644,400	41,600	686,000	5.7%
Total HB 2 Adjustments	(3,954)	476,027	166,188	638,261	5.5%	(3,733)	878,094	167,382	1,083,343	9.0%
Total Requested Budget	397,858	9,993,121	1,264,217	11,655,196		398,079	10,395,188	1,265,411	12,100,278	

Funding

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

Department of Agriculture, 30-Agricultural Sciences 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	795,937	0	0	0	795,937	3.3%
02068 Noxious Weed Admin Account	4,783,432	0	0	0	4,783,432	23.3%
02071 Anhydrous Ammonia Account	26,374	0	0	0	26,374	0.1%
02072 Manuals & Training Account	122,662	0	0	0	122,662	0.6%
02093 Alfalfa Leaf Cutting Bee	21,700	0	0	0	21,700	0.1%
02192 Pesticide Groundwater Account	2,525,008	459,200	0	0	2,984,208	14.6%
02193 Pesticide Account	3,732,998	209,200	0	0	3,942,198	19.2%
02198 Fert. Groundwater Account	100,981	0	0	0	100,981	0.5%
02264 Organic Certification	1,219,200	45,000	0	0	1,264,200	6.2%
02265 FSI Produce	707,964	0	0	0	707,964	3.5%
02266 Commodity Dealer/Warehouse	247,585	0	0	108,000	355,585	1.7%
02267 Nursery Account	342,161	0	0	0	342,161	1.7%
02268 Produce Account	1,039,973	87,500	0	0	1,127,473	5.5%
02269 Seed Account	406,850	0	0	0	406,850	2.0%
02272 Plant Export Certification	398,279	0	0	0	398,279	1.9%
02341 Weed Seed Free Forage Account	267,248	0	0	0	267,248	1.3%
02452 Commercial Fertilizer	953,515	58,000	0	0	1,011,515	4.9%
02454 Commercial Feed	1,658,933	43,000	0	0	1,701,933	8.3%
02465 Industrial Hemp	477,659	0	0	0	477,659	2.3%
02782 Reverted Weed Grant Fund	132,000	0	0	0	132,000	0.6%
02792 Apiary Account	321,887	0	0	0	321,887	1.6%
State Special Total	\$19,486,409	\$901,900	\$0	\$108,000	\$20,496,309	85.9%
03118 Agriculture ASD Federal	2,529,628	41,600	0	0	2,571,228	100.0%
Federal Special Total	\$2,529,628	\$41,600	\$0	\$0	\$2,571,228	10.8%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$22,811,974	\$943,500	\$0	\$108,000	\$23,863,474	

The Agricultural Sciences Division is primarily funded by state special revenue, which accounts for 85.9% of its total funding. This revenue is mainly derived from fees assessed for regulatory activities, product registration, technical services, and interest earned on the weed trust fund. The division also receives federal revenue from the U.S. Department of Agriculture, Federal Drug Administration (FDA), and the Environmental Protection Agency (EPA). These federal funds are utilized for noxious weed mitigation and to support portions of the Bovine Spongiform Encephalopathy (BSE), commonly known as "mad cow disease", feed sampling program. A small portion of the division's funding comes from the general fund, which supports inspection and testing for prohibited materials in feed related to BSE and noxious weed control grants. Additionally, statutory appropriations are funded by the liquidation of grain, and the fees collected are used for the correction of storage deficiencies.

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	61.79	61.79	61.79	61.79
Personal Services	5,022,949	5,505,993	5,779,301	5,606,885	5,621,675
Operating Expenses	1,663,155	2,635,259	2,699,440	3,085,117	2,954,409
Equipment & Intangible Assets	264,612	445,012	259,012	259,012	820,012
Grants	1,973,668	2,334,805	2,328,682	2,628,682	2,628,682
Transfers	38,877	38,877	40,000	40,000	40,000
Debt Service	35,827	35,500	35,500	35,500	35,500
Total Expenditures	\$8,999,088	\$10,995,446	\$11,141,935	\$11,655,196	\$12,100,278
General Fund	345,679	520,984	526,812	397,858	398,079
State/Other Special Rev. Funds	7,821,124	9,397,231	9,517,094	9,993,121	10,395,188
Federal Spec. Rev. Funds	832,285	1,077,231	1,098,029	1,264,217	1,307,011
Total Funds	\$8,999,088	\$10,995,446	\$11,141,935	\$11,655,196	\$12,100,278
Total Ongoing	\$8,689,042	\$10,684,446	\$11,016,935	\$11,397,696	\$11,414,278
Total OTO	\$310,046	\$311,000	\$125,000	\$257,500	\$686,000

Program Description

The Agricultural Sciences Division (ASD) oversees and coordinates a wide range of agricultural activities and programs. These include pesticide and pest management, analytical laboratory services, noxious weed management, and an agricultural chemical groundwater program. The division also manages programs related to seed, feed, and fertilizer, as well as organic certification, nursery operations, and apiary regulation. Additionally, ASD is responsible for commodity programs, invasive species control, produce safety, hemp cultivation, and export certification.

In addition to the specific programs listed above, ASD administers agricultural initiatives that encompass the production, manufacturing, certification, and marketing of commodities exported from or distributed within the state. The division extends its support to two advisory bodies: the Montana Noxious Weed Management Advisory Council and the Montana Organic Commodity Advisory Council.

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	(5,160)	(233,974)	166,718	(72,416)	0.00	(4,985)	(220,668)	168,027	(57,626)
DP 2 - Fixed Costs	0.00	1,206	2,501	(530)	3,177	0.00	1,252	4,362	(645)	4,969
DP 30002 - Pesticide Groundwater Authority Increase	0.00	0	100,000	0	100,000	0.00	0	100,000	0	100,000
DP 30005 - Noxious Weed Grant Authority Increase	0.00	0	300,000	0	300,000	0.00	0	300,000	0	300,000
DP 30006 - Seed Program Authority Increase	0.00	0	50,000	0	50,000	0.00	0	50,000	0	50,000
Grand Total All Present Law Adjustments	0.00	(\$3,954)	\$218,527	\$166,188	\$380,761	0.00	(\$3,733)	\$233,694	\$167,382	\$397,343

***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

Agricultural Sciences Division	
FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	98,226
Management Changes	(70,642)
Budget Modifications	(100,000)
Total	(72,416)

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: warrant writer, motor pool, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 30002 - Pesticide Groundwater Authority Increase -

The executive proposes increasing state special revenue for the operation of the pesticide groundwater program. The proposal is funded primarily from groundwater pesticide registration fees.

DP 30005 - Noxious Weed Grant Authority Increase -

The executive proposes an increase in state special revenue grant authority for the noxious weed program. This increase is from the state special revenue account for noxious weed administration, which receives funding through transfers from both the noxious weed trust fund and the general fund. funded with revenue generated from seed licenses and assessment fees.

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 30001 - Analytical Lab Equipment (OTO)	0.00	0	0	0		0.00	0	519,400	41,600	561,000
DP 30003 - Produce Digital Inspections (OTO)	0.00	0	87,500	87,500		0.00	0	0	0	0
DP 30004 - Organic Program System (OTO)	0.00	0	45,000	45,000		0.00	0	0	0	0
DP 30009 - Stationary Granulator Locations (OTO)	0.00	0	125,000	125,000		0.00	0	125,000	0	125,000
Total	0.00	\$0	\$257,500	\$0	\$257,500	0.00	\$0	\$644,400	\$41,600	\$686,000

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

DP 30001 - Analytical Lab Equipment (OTO) -

The executive proposes a one-time-only increase in state and federal special revenue to fund the replacement of equipment at the Bozeman Analytical Laboratory. This new equipment will support the department's programs in pesticide enforcement, groundwater monitoring, fertilizer regulations, and feed regulations.

DP 30003 - Produce Digital Inspections (OTO) -

The executive proposes a one-time increase in state special revenue to transition the produce inspection process from paper to digital. This proposal would be primarily funded by revenue generated from produce assessment fees.

DP 30004 - Organic Program System (OTO) -

The executive proposes a one-time-only increase in state special revenue to support the operations of the organic inspection program. This program ensures compliance with organic regulations, allowing products to be sold, labeled, and represented as organic. The proposal will be funded from licensing and permit fees for organic certification.

DP 30009 - Stationary Granulator Locations (OTO) -

The executive proposes a one-time-only increase in state special revenue to set up granulator stations. Granulators are used in the pesticide container recycling program. This proposal would be funded primarily with groundwater pesticide registration fees.

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	38.77	38.77	38.77	0.00	0.0%
General Fund	510,098	313,997	265,065	(441,134)	(43.2%)
State/Other Special Rev. Funds	7,180,895	7,274,790	7,276,655	189,655	1.3%
Federal Spec. Rev. Funds	295,743	295,743	295,743		0.0%
Proprietary Funds	338,526	478,586	481,997	283,531	41.9%
Total Funds	8,325,262	8,363,116	8,319,460	32,052	0.2%
Personal Services	2,854,296	2,824,363	2,829,375	(54,854)	(1.0%)
Operating Expenses	2,490,158	2,557,945	2,509,277	86,906	1.7%
Equipment & Intangible Assets	79,877	79,877	79,877		0.0%
Grants	2,714,174	2,714,174	2,714,174		0.0%
Transfers	144,757	144,757	144,757		0.0%
Debt Service	42,000	42,000	42,000		0.0%
Total Expenditures	8,325,262	8,363,116	8,319,460	32,052	0.2%
Total Ongoing	8,325,262	8,314,116	8,319,460	(16,948)	(0.1%)
Total One-Time-Only	250,000	49,000		(451,000)	(90.2%)

Program Highlights

Agricultural Development Division Major Budget Highlights

The executive proposes an increase of 0.2%, or \$32,100, in total appropriations above the base funding. This includes a reduction of \$36,900 due to statewide present law adjustments.

In addition to statewide present law adjustments, the executive proposes a one-time-only general fund appropriation of \$49,000 to develop a new Customer Relations Management (CRM) system and ongoing general fund support of \$20,000 for the operation of the CRM system.

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.

Agricultural Development 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
Base Budget	510,098	7,180,895	295,743	8,325,262	99.5%	510,098	7,180,895	295,743	8,325,262	100.1%
Statewide PL										
Personal Services	(253,608)	82,695	0	(29,933)	(0.4%)	(253,352)	83,911	0	(24,921)	(0.3%)
Fixed Costs	(1,455)	11,558	0	9,183	0.1%	(1,655)	12,091	0	9,387	0.1%
Inflation Deflation	(38)	(358)	0	(396)	(0.0%)	(26)	(242)	0	(268)	(0.0%)
Total Statewide PL	(255,101)	93,895	0	(21,146)	(0.3%)	(255,033)	95,760	0	(15,802)	(0.2%)
Present Law (PL)	10,000	0	0	10,000	0.1%	10,000	0	0	10,000	0.1%
New Proposals	49,000	0	0	49,000	0.6%	0	0	0	0	0.0%
Total HB 2 Adjustments	(196,101)	93,895	0	37,854	0.5%	(245,033)	95,760	0	(5,802)	(0.1%)
Total Requested Budget	313,997	7,274,790	295,743	8,363,116		265,065	7,276,655	295,743	8,319,460	

Funding

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

Department of Agriculture, 50-Agricultural Development 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	530,062	49,000	8,218	3,169,844	3,757,124	13.3%
02040 Wheat & Barley Research & Mktg	9,388,109	0	0	0	9,388,109	44.5%
02062 Growth Through Agriculture	1,311,638	0	0	0	1,311,638	6.2%
02066 Agriculture In MT Schools Act.	90,890	0	0	0	90,890	0.4%
02132 GTA Seed Capital Account	0	0	0	140,000	140,000	0.7%
02205 Pulse Crop Research&Marketing	58,258	0	0	6,122,406	6,180,664	29.3%
02453 Grain Services	3,579,898	0	0	0	3,579,898	17.0%
02461 Alfalfa Seed Assessment	75,988	0	0	0	75,988	0.4%
02465 Industrial Hemp	34,068	0	0	0	34,068	0.2%
02466 Misc Ag Donations	12,596	0	0	0	12,596	0.1%
02793 Potato Research & Marketing	0	0	0	304,174	304,174	1.4%
State Special Total	\$14,551,445	\$0	\$0	\$6,566,580	\$21,118,025	74.9%
03225 Agriculture ADD Federal	591,486	0	0	0	591,486	100.0%
Federal Special Total	\$591,486	\$0	\$0	\$0	\$591,486	2.1%
06016 Beginning Farm Loans	0	0	116,400	0	116,400	4.3%
06052 Hail Insurance	960,583	0	0	1,640,000	2,600,583	95.7%
Proprietary Total	\$960,583	\$0	\$116,400	\$1,640,000	\$2,716,983	9.6%
Total All Funds	\$16,633,576	\$49,000	\$124,618	\$11,376,424	\$28,183,618	

The Agricultural Development Division's funding is primarily derived from state special revenue, which constitutes 74.9% of its total funding. General fund contributes 13.3%, proprietary funds account 9.6%, and federal funding makes up 2.1% of the division's budget.

The main source of state special revenue is the wheat and barley research and marketing account, supported by levies on each bushel of wheat and barley produced in Montana. Additional revenue streams include grain testing fees and alfalfa seed assessments. Levies on the net revenue of pulse crops produced in the state are statutorily appropriated to the pulse crop research and marketing fund.

The general fund authority support division administration through personal services and associated operating expenses.

Federal special revenue, obtained from federal grants, is used to develop agriculture markets, fund marketing projects, and cover related operating costs.

Proprietary funding is used for beginning farm loans. Statutory appropriations support growth through agriculture seed programs, hail insurance, research, and marketing for agricultural products.

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	38.77	38.77	38.77	38.77
Personal Services	1,894,168	2,801,052	2,854,296	2,824,363	2,829,375
Operating Expenses	1,656,478	2,672,776	2,740,158	2,557,945	2,509,277
Equipment & Intangible Assets	52,737	79,877	79,877	79,877	79,877
Grants	3,215,664	2,714,174	2,714,174	2,714,174	2,714,174
Transfers	75,319	144,757	144,757	144,757	144,757
Debt Service	41,845	42,000	42,000	42,000	42,000
Total Expenditures	\$6,936,211	\$8,454,636	\$8,575,262	\$8,363,116	\$8,319,460
General Fund	748,237	748,290	760,098	313,997	265,065
State/Other Special Rev. Funds	5,893,320	7,054,214	7,180,895	7,274,790	7,276,655
Federal Spec. Rev. Funds	13,797	284,286	295,743	295,743	295,743
Proprietary Funds	280,857	367,846	338,526	478,586	481,997
Total Funds	\$6,936,211	\$8,454,636	\$8,575,262	\$8,363,116	\$8,319,460
Total Ongoing	\$6,636,210	\$8,154,636	\$8,325,262	\$8,314,116	\$8,319,460
Total OTO	\$300,001	\$300,000	\$250,000	\$49,000	\$0

Program Description

The Agricultural Development Division (ADD) supports Montana's agricultural industry through various services and programs. It manages the Growth Through Agriculture program, oversees wheat and barley research and marketing initiatives, and coordinates pulse crop research and marketing efforts. The division is responsible for awarding and managing various agricultural loans, including those for beginning farmers and ranchers. ADD provides services such as hail insurance, grain grading and inspection, and promotes agricultural literacy through curriculum development.

The division fosters marketing and trade initiatives by facilitating both domestic and international opportunities by organizing inbound and outbound trade missions. The division offers support to producers through farm and ranch stress assistance programs, mediation services, and administration of agricultural commodity research and market development initiatives. ADD also provides administrative support to several key agricultural committees and boards, including the Alfalfa Seed Committee, Montana Wheat and Barley Board, Montana Pulse Crop Committee, Agriculture Development Council, Board of Hail Insurance, and an advisory potato committee.

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	(253,608)	82,695	0	(29,933)		0.00	(253,352)	83,911	0	(24,921)
DP 2 - Fixed Costs										
0.00	(1,455)	11,558	0	9,183		0.00	(1,655)	12,091	0	9,387
DP 3 - Inflation Deflation										
0.00	(38)	(358)	0	(396)		0.00	(26)	(242)	0	(268)
DP 50008 - Ag Development CRM System Maintenance										
0.00	10,000	0	0	10,000		0.00	10,000	0	0	10,000
Grand Total All Present Law Adjustments										
0.00	(\$245,101)	\$93,895	\$0	(\$11,146)		0.00	(\$245,033)	\$95,760	\$0	(\$5,802)

**"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

Agricultural Development Division	
FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	39,691
Management Changes	100,376
Budget Modifications	(170,000)
Total	(29,933)

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: warrant writer, motor pool, 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 50008 - Ag Development CRM System Maintenance -

The executive proposes increasing general fund authority to support ongoing maintenance customer relationship management system.

This proposal is related to DP 50007 - Agriculture Development CRM System.

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 50007 - Ag Development CRM System (OTO)	0.00	49,000	0	0	49,000	0.00	0	0	0	0
Total	0.00	\$49,000	\$0	\$0	\$49,000	0.00	\$0	\$0	\$0	\$0

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

DP 50007 - Ag Development CRM System (OTO) -

The executive proposes a one-time-only increase in general fund allocation to support the implementation of a Customer Relationship Management (CRM) system. This system would assist in marketing grants and enable the analysis and tracking of data related to customer interactions.

This decision package is related to DP 50008 - Ag Development CRM System Maintenance.

JUDICIAL BRANCH

Section D

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----Agencies-----

Judicial Branch
Dept. of Justice
Public Service Commission

Office of Public Defender
Dept. of Corrections

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

House

Representative Fiona Nave (Chair)
Representative Thedis Crowe
Representative Donavon Hawk
Representative Anthony Nicastrò

Senate

Senator Shelley Vance (Vice Chair)
Senator Tom McGillvray
Senator Shane Morìgeau

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

Walker Hopkins
Barb Wagner

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	470.39	479.89	486.89	16.50	1.8%
General Fund	59,204,945	64,557,161	65,701,077	11,848,348	10.0%
State/Other Special Rev. Funds	3,909,014	3,522,980	3,186,594	(1,108,454)	(14.2%)
Federal Spec. Rev. Funds	378,273	378,800	378,800	1,054	0.1%
Total Funds	63,492,232	68,458,941	69,266,471	10,740,948	8.5%
Personal Services	46,431,930	48,379,945	49,197,731	4,713,816	5.1%
Operating Expenses	10,232,683	12,444,756	12,476,907	4,456,297	21.8%
Equipment & Intangible Assets	183,116	291,699	183,116	108,583	29.6%
Grants	100,000	715,000	715,000	1,230,000	615.0%
Benefits & Claims	6,160,196	6,228,321	6,228,321	136,250	1.1%
Debt Service	384,307	399,220	465,396	96,002	12.5%
Total Expenditures	63,492,232	68,458,941	69,266,471	10,740,948	8.5%
Total Ongoing	63,492,232	68,058,941	69,266,471	10,340,948	8.1%
Total One-Time-Only	1,143,971	400,000		(1,887,942)	(82.5%)

Agency Highlights

Judicial Branch Major Budget Highlights
<p>The 2027 biennium HB 2 request for the Judicial Branch is \$10.7 million or 8.5% higher than FY 2025 base budget appropriations. Significant changes include:</p> <ul style="list-style-type: none"> • \$3.9 million in statewide present law adjustments to personal services and fixed costs • \$2.5 million for three new judge positions and accompanying staff for a total of 6.00 PB in FY 2026 and 12.00 PB in FY 2027 • \$1.7 million to continue the pre-trial diversion program in 8 counties • \$1.5 million to support contract increases for software programs

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.

Judicial Branch 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
Base Budget	59,204,945	3,909,014	378,273	63,492,232	92.7%	59,204,945	3,909,014	378,273	63,492,232	91.7%
Statewide PL										
Personal Services	928,549	74,689	527	1,003,765	1.5%	999,548	80,086	527	1,080,161	1.6%
Fixed Costs	947,656	(1,450)	0	946,206	1.4%	878,138	(1,450)	0	876,688	1.3%
Inflation Deflation	(5,116)	0	0	(5,116)	(0.0%)	(3,459)	0	0	(3,459)	(0.0%)
Total Statewide PL	1,871,089	73,239	527	1,944,855	2.8%	1,874,227	78,636	527	1,953,390	2.8%
Present Law (PL)	612,691	50,000	0	662,691	1.0%	930,691	50,000	0	980,691	1.4%
New Proposals	2,868,436	(509,273)	0	2,359,163	3.4%	3,691,214	(851,056)	0	2,840,158	4.1%
Total HB 2 Adjustments	5,352,216	(386,034)	527	4,966,709	7.3%	6,496,132	(722,420)	527	5,774,239	8.3%
Total Requested Budget	64,557,161	3,522,980	378,800	68,458,941		65,701,077	3,186,594	378,800	69,266,471	

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.

Judicial Branch FY 2026 Statewide Present Law Adjustment for Personal Services - DP1				
Program	Legislative Changes	Management Decisions	Budget Modifications	Total DP1
01 Supreme Court Operations	\$164,180	\$210,686	(\$50,920)	\$323,946
03 Law Library	2,940	6,978	-	9,918
04 District Court Operations	265,969	354,525	-	620,494
05 Water Court	11,732	79,516	-	91,248
06 Clerk of Court	(20,121)	(21,720)	-	(41,841)
Total	\$424,700	\$629,985	(\$50,920)	\$1,003,765

Statewide present law adjustments to personal services total \$1.0 million in FY 2026 and nearly \$1.1 million in FY 2027. Increases are primarily the result of legislatively outlined pay changes for judges and judicial employees, rehiring vacant positions at different rates than when the position became vacant, changes in the number of overall vacant positions, pay adjustments for recruitment and retention, and other pay adjustments for employees.

Additionally, the branch is requesting 10.00 additional PB in FY 2026 and 17.00 in FY 2027. The majority of these positions relate to new judges and staff in Yellowstone County and are staggered so that some of these staff will start in FY 2026 and some in FY 2027. Total personal service authority for all requested staff is \$2.6 million for the biennium.

Funding

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

Total Judicial Branch 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
01100 General Fund	130,258,238				130,258,238	94.2%
02431 Water Adjudication	3,430,865	400,000			3,830,865	2.8%
02562 Crt Appointed Special Advocate	1,327,898				1,327,898	1.0%
02961 State Grants to Drug Courts	573,030				573,030	0.4%
02373 Treatment Court Support Acct	491,890				491,890	0.4%
02536 Legal Assistance	258,774				258,774	0.2%
Other State Special Revenue	227,117				227,117	0.2%
State Special Revenue Total	6,309,574	400,000	-	-	6,709,574	4.9%
03240 Court Assessment Program	757,600				757,600	0.5%
Federal Special Revenue Total	757,600	-	-	-	757,600	0.5%
06019 Lexis Proprietary Account			570,522		570,522	0.4%
Proprietary Fund Total	-	-	570,522	-	570,522	0.4%
Total of All Funds	137,325,412	400,000	570,522	-	138,295,934	
Percent of All Sources of Authority	99.3%	0.3%	0.4%	0.0%		

The Judicial Branch is primarily supported by general fund in HB 2 at 94.2%. State special revenue authority supports specific functions, the largest of which is the Water Court with the water adjudication fund supporting over half of the funding for this court. Other sources of state special revenue include fines, fees, assessments for training events, and statutory authority from the youth court intervention and prevention account which receives revenue from the transfer of unexpended general fund juvenile placement funds. This statutory authority is not appropriated in HB 2.

Additionally, the branch receives a small amount of federal funding for grants supporting specific projects such as the Court Improvement Program. Some state special revenue will be described in more detail in different program sections below.

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	470.39	470.39	479.89	486.89
Personal Services	41,566,986	44,732,958	46,708,177	48,379,945	49,197,731
Operating Expenses	8,626,282	10,427,671	10,485,407	12,444,756	12,476,907
Equipment & Intangible Assets	245,841	250,141	183,116	291,699	183,116
Grants	642,616	715,000	715,000	715,000	715,000
Benefits & Claims	949,970	1,440,268	6,160,196	6,228,321	6,228,321
Transfers	4,389,895	4,389,895	0	0	0
Debt Service	384,887	384,889	384,307	399,220	465,396
Total Expenditures	\$56,806,477	\$62,340,822	\$64,636,203	\$68,458,941	\$69,266,471
General Fund	53,669,958	58,476,684	60,348,916	64,557,161	65,701,077
State/Other Special Rev. Funds	2,994,157	3,484,840	3,909,014	3,522,980	3,186,594
Federal Spec. Rev. Funds	142,362	379,298	378,273	378,800	378,800
Total Funds	\$56,806,477	\$62,340,822	\$64,636,203	\$68,458,941	\$69,266,471
Total Ongoing	\$55,811,169	\$61,096,998	\$63,492,232	\$68,058,941	\$69,266,471
Total OTO	\$995,308	\$1,243,824	\$1,143,971	\$400,000	\$0

Agency Description

The Judicial Branch's (branch) mission is to provide an independent, accessible, responsive, impartial and timely forum to resolve disputes; to preserve the rule of law; and to protect the rights and liberties guaranteed by the Constitutions of the United States and Montana.

Article III, Section I, and Article VII of the Montana Constitution authorizes the Judicial Branch. There are five programs within the branch: 1) Supreme Court Operations; 2) Law Library; 3) District Court Operations; 4) Water Court Supervision; and 5) Clerk of the Supreme Court.

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

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

In FY 2024, the Judicial Branch expended \$56.8 million or approximately 91.3% of its modified, ongoing HB 2 budget. Overall, this is slightly lower than the previous five-year average of 94.2%. Personal services were 95.1% expended, and operating expenses were 89.4% expended comprising the largest unexpended balances. Within operating expenses, there were two restricted line-item appropriations from the 2023 Session that provided for extending family mediation practices and for correctional program checklist evaluations. Authority of \$325,000 was 30.2% expended. These two line-items were provided biennially and can be spent in FY 2025 as well.

Additionally, within the Court Improvement Program, total authority of \$340,000 was 30.4% expended at the end of the fiscal year. In FY 2024, unexpended balances from HB 2 and other bill authority totaled approximately \$5.5 million of which 87.0% was general fund.

FY 2024 Appropriations Compared to FY 2025 Appropriations

When compared to FY 2024 appropriations, amounts in FY 2025 reflect an increase of \$2.3 million or 3.6%. These increases are almost entirely seen within personal service authority. FY 2025 contains additional HB 13 pay plan authority of \$1.6 million and an additional 3.00 PB for three additional drug courts that transitioned from federal grant funding to the state's dollar. Five courts transitioned in FY 2024 with three additional courts in FY 2025. The extra authority for these staff over FY 2024 totaled just over \$250,000.

Shifts between benefits & claims and transfers are due to statute which requires that remaining appropriation authority not utilized for juvenile placements be transferred to the youth court intervention and prevention state special revenue fund. In FY 2024, \$4.4 million was moved from benefits and claims to transfers. The amount of the transfer for FY 2025 will be determined in June 2025 and is not reflected in the preceding table.

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.

Judicial Branch				
Comparison of the FY 2025 Legislative Budget to the FY 2025 Base Budget				
	Legislative Budget	Executive Modifications	Base Budget	% Change
01 SUPREME COURT OPERATIONS				
61000 Personal Services	9,722,985	(8,899)	9,714,086	-0.1%
62000 Operating Expenses	6,791,390	(213,563)	6,577,827	-3.1%
63000 Equipment & Intangible Assets	8,885		8,885	0.0%
66000 Grants	100,000		100,000	0.0%
67000 Benefits & Claims	6,294,225	(169,029)	6,125,196	-2.7%
69000 Debt Service		176,707	176,707	100.0%
Total	22,917,485	(214,784)	22,702,701	-0.9%
03 LAW LIBRARY				0.0%
61000 Personal Services	509,356		509,356	0.0%
62000 Operating Expenses	382,409		382,409	0.0%
63000 Equipment & Intangible Assets	88,221		88,221	0.0%
Total	979,986		979,986	0.0%
04 DISTRICT COURT OPERATIONS				0.0%
61000 Personal Services	33,102,743	59,819	33,162,562	0.2%
62000 Operating Expenses	2,978,282	154,965	3,133,247	5.2%
63000 Equipment & Intangible Assets	77,723		77,723	0.0%
67000 Benefits & Claims	35,000		35,000	0.0%
Total	36,193,748	214,784	36,408,532	0.6%
05 WATER COURT				0.0%
61000 Personal Services	2,437,155		2,437,155	0.0%
62000 Operating Expenses	302,164	(207,600)	94,564	-68.7%
63000 Equipment & Intangible Assets	8,287		8,287	0.0%
69000 Debt Service		207,600	207,600	100.0%
Total	2,747,606	-	2,747,606	0.0%
06 CLERK OF COURT				0.0%
61000 Personal Services	608,771		608,771	0.0%
62000 Operating Expenses	44,636		44,636	0.0%
Total	653,407		653,407	0.0%
Agency Total	63,492,232	-	63,492,232	0.0%

The Judicial Branch made a few modifications during the 2025 interim that affected the structure of the FY 2025 base budget for the 2027 biennium. More significant modifications performed are as follows:

- 1.00 PB and authority to cover higher jury trial costs was moved from Supreme Court Operations to District Court Operations
- A change was made within the Water Court to record lease expenses as debt services
- Other small changes to tie out account balances at fiscal-year-end (FYE)

Montana Drug Treatment Courts

There are currently over 40 drug treatment courts in the State of Montana that act as specialized court dockets, or portions of judges' calendars of cases, that generally target nonviolent offenders with substance-abuse problems. These programs provide offenders with intensive court supervision, mandatory drug testing, substance-abuse treatment, and other social services as an alternative to adjudication or incarceration.

The Judicial Branch monitors performance of state drug treatment courts and reports on several indicators of performance, including program completion rates, graduation rates, length of stay, retention rate, recidivism, and employment status from admission to discharge. The branch defines recidivism to mean a return to criminal activity by someone who has already been adjudicated guilty, delinquent, or has an open child abuse and neglect case. Montana tracks recidivism or re-offense rates using convictions for a three-year period following admission to the drug court. Reports prepared by the branch on drug court statistics and recidivism performance measures can be found at <https://courts.mt.gov/Courts/Treatment/About/reports> with a new report coming early in 2025.

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	102.00	104.50	105.50	3.50	1.7%
General Fund	20,795,552	24,483,670	24,998,454	7,891,020	19.0%
State/Other Special Rev. Funds	1,528,876	684,718	684,559	(1,688,475)	(55.2%)
Federal Spec. Rev. Funds	378,273	378,800	378,800	1,054	0.1%
Total Funds	22,702,701	25,547,188	26,061,813	6,203,599	13.7%
Personal Services	9,714,086	10,263,206	10,319,653	1,154,687	5.9%
Operating Expenses	6,577,827	8,180,554	8,631,935	3,656,835	27.8%
Equipment & Intangible Assets	8,885	8,885	8,885		0.0%
Grants	100,000	715,000	715,000	1,230,000	615.0%
Benefits & Claims	6,125,196	6,193,321	6,193,321	136,250	1.1%
Debt Service	176,707	186,222	193,019	25,827	7.3%
Total Expenditures	22,702,701	25,547,188	26,061,813	6,203,599	13.7%
Total Ongoing	22,702,701	25,547,188	26,061,813	6,203,599	13.7%
Total One-Time-Only	1,143,971			(2,287,942)	(100.0%)

Program Highlights

Supreme Court Operations Major Budget Highlights

The 2027 biennium HB 2 request for the Supreme Court Operations is \$6.2 million or 13.7% greater than the FY 2025 base budget. Significant changes include:

- \$2.5 million in statewide present law adjustments (primarily general fund) to personal services and fixed costs with fixed costs accounting for \$1.8 million of the increase
- \$1.7 million general fund to continue the pre-trial diversion program being utilized in 8 counties
- Almost \$1.5 million to support contract increases for software programs

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.

Supreme Court Operations 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
Base Budget	20,795,552	1,528,876	378,273	22,702,701	88.9%	20,795,552	1,528,876	378,273	22,702,701	87.1%
Statewide PL										
Personal Services	302,774	20,645	527	323,946	1.3%	316,522	21,648	527	338,697	1.3%
Fixed Costs	947,656	(132)	0	947,524	3.7%	878,138	(132)	0	878,006	3.4%
Inflation Deflation	(272)	0	0	(272)	(0.0%)	(184)	0	0	(184)	(0.0%)
Total Statewide PL	1,250,158	20,513	527	1,271,198	5.0%	1,194,476	21,516	527	1,216,519	4.7%
Present Law (PL)	612,691	50,000	0	662,691	2.6%	930,691	50,000	0	980,691	3.8%
New Proposals	1,825,269	(914,671)	0	910,598	3.6%	2,077,735	(915,833)	0	1,161,902	4.5%
Total HB 2 Adjustments	3,688,118	(844,158)	527	2,844,487	11.1%	4,202,902	(844,317)	527	3,359,112	12.9%
Total Requested Budget	24,483,670	684,718	378,800	25,547,188		24,998,454	684,559	378,800	26,061,813	

Funding

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

Judicial Branch, 01-Supreme Court Operations Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	49,482,124	0	0	0	49,482,124	95.9%
02140 Consumer Education Settlement	(193,123)	0	0	0	(193,123)	(14.1%)
02151 YthCrt Intervention?evention	115,954	0	0	0	115,954	8.5%
02373 Treatment Court Support Acct	491,890	0	0	0	491,890	35.9%
02399 Judicial Education Conferences	122,752	0	0	0	122,752	9.0%
02536 Legal Assistance	258,774	0	0	0	258,774	18.9%
02961 State Grants to Drug Courts	573,030	0	0	0	573,030	41.8%
State Special Total	\$1,369,277	\$0	\$0	\$0	\$1,369,277	2.7%
03240 Court Assessment Program	757,600	0	0	0	757,600	100.0%
Federal Special Total	\$757,600	\$0	\$0	\$0	\$757,600	1.5%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$51,609,001	\$0	\$0	\$0	\$51,609,001	

Within HB2, general fund supports 95.9% of requested authority within the program. State special revenue supports administration of juvenile delinquency intervention prevention funds, training for judges from conference fees, legal assistance for indigent victims of domestic violence from court filing fees primarily from dissolution of marriage filings, and grants to drug courts from drug court fees charged to participants. Federal funding for grants supporting specific projects such as the Court Assessment Program.

Juvenile Placement Funds

The following figure outlines the appropriated budget for juvenile placement (JDP) funds for FY 2024 – FY 2027.

Judicial Branch Juvenile Placement Funds				
	Actuals FY 2024	Appropriated FY 2025	Requested FY 2026	Requested FY 2027
Expenditures				
Personal Services	\$144,655	\$210,667	\$227,115	\$227,119
Operating Expenses	8,709	53,899	53,899	53,899
Benefits and Claims	4,265	4,426,648	4,426,648	4,426,648
Transfers	4,389,895	-	-	-
Total	\$4,547,524	\$4,691,214	\$4,707,662	\$4,707,666
Funding				
General Fund	\$4,535,271	\$4,654,461	\$4,670,909	\$4,670,913
State Special Revenue	12,253	36,753	36,753	36,753
Total	\$4,547,524	\$4,691,214	\$4,707,662	\$4,707,666

To establish a funding source for the Judicial Branch to provide alternatives to youth placement and early intervention strategies, any unexpended appropriations for juvenile placement remaining at the end of each fiscal year are transferred to the Youth Court Intervention and Prevention (YCIP) state special revenue fund as required by 41-5-2011, MCA. This fund receives:

- Unexpended funding from the judicial districts' annual allocations of juvenile placement funds
- Unexpended funding from the cost containment pool created from juvenile placement funds

By statute, the YCIP may be used by District Court Operations to:

- Establish or expand community prevention and intervention programs and services for youth
- Provide alternative funding methods for out-of-home placements
- Provide matching funds for federal money for intervention and prevention programs that provide services to youth

The process for this funding is as follows:

1. The legislature appropriates general fund as requested by the Judicial Branch
2. At the end of the fiscal year, the unused general fund is transferred to the YCIP
3. This is now statutorily appropriated state special funding to be used by District Court Operations for the next two fiscal years
4. Any unused authority after two years is transferred back to the general fund

The amount transferred to the Youth Court Intervention and Prevention account at the end of each fiscal year is about \$4.4 million. This account has been holding steady with a fund balance of just over \$9.0 million. It is projected to stay around this amount by the end of the 2027 biennium. Given revenues come from unspent general fund and are made available for two years, the ending fund balance is following expected trends.

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	102.00	102.00	104.50	105.50
Personal Services	8,680,454	9,345,324	9,990,333	10,263,206	10,319,653
Operating Expenses	5,537,444	6,860,680	6,830,551	8,180,554	8,631,935
Equipment & Intangible Assets	19,190	19,190	8,885	8,885	8,885
Grants	642,616	715,000	715,000	715,000	715,000
Benefits & Claims	932,436	1,405,268	6,125,196	6,193,321	6,193,321
Transfers	4,389,895	4,389,895	0	0	0
Debt Service	177,287	177,289	176,707	186,222	193,019
Total Expenditures	\$20,379,322	\$22,912,646	\$23,846,672	\$25,547,188	\$26,061,813
General Fund	19,506,494	21,372,209	21,939,523	24,483,670	24,998,454
State/Other Special Rev. Funds	730,466	1,161,139	1,528,876	684,718	684,559
Federal Spec. Rev. Funds	142,362	379,298	378,273	378,800	378,800
Total Funds	\$20,379,322	\$22,912,646	\$23,846,672	\$25,547,188	\$26,061,813
Total Ongoing	\$19,384,014	\$21,668,822	\$22,702,701	\$25,547,188	\$26,061,813
Total OTO	\$995,308	\$1,243,824	\$1,143,971	\$0	\$0

Program Description

The Supreme Court has appellate jurisdiction for the State of Montana. The court has original jurisdiction to issue, hear, and determine writs of habeas corpus and other writs provided by law. It also has general supervisory control over all other courts in the state. The Supreme Court is charged with establishing rules governing appellate procedure, the practice and procedure for all other courts, and admission to the bar and conduct of its members.

Within the Supreme Court Operations Program, the Office of Court Administrator provides centralized services to the Judicial Branch including information technology, budget and finance, payroll and human resource management, policy and technical support for the Youth Courts, judicial education, and services provided through the federal Court Improvement Program related to child abuse and neglect cases. The Boards and Commissions sub-program provides staff and other support to constitutionally and statutorily required commissions attached to the Montana Supreme Court, specifically the Judicial Standards Commission, the Sentence Review Board, and the Commission on Courts of Limited Jurisdiction. The sub-program also supports activities of the Commission on Practice. Other specialized commissions and task forces - not required by the Constitution and statute but created by the Supreme Court to address specific issues - receive minimal financial assistance with travel expenses and supplies.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Supreme Court Operations expended approximately 88.9% of its modified HB 2 modified budget in FY 2024. Personal services were 92.9% expended, operating expenses were expended at 80.7%, and benefits and claims were 66.4% expended. Within operating expenses, a few line-item appropriations provided by the 2023 Legislature described in the agency section above were under expended. Within benefits and claims, unexpended balances primarily relate to parole for youth in which \$200,000 was not expended. Overall spending of 88.9% was slightly lower than the average spending for the five previous fiscal years of 92.5%.

FY 2024 Appropriations Compared to FY 2025 Appropriations

When compared to appropriations in FY 2024, amounts in FY 2025 reflect an increase of about \$934,000 or 3.9%. This difference is almost entirely seen in personal services caused by the additional HB 13 pay plan funding. As described earlier, shifts between benefits and claims and transfers are due to statute which requires that remaining appropriation authority not utilized for juvenile placements be transferred to the youth court intervention and prevention state special revenue fund which happens at FYE.

Program Personal Services

Total personal services requests in the Supreme Court Operations for the 2027 biennium are nearly \$20.6 million which is \$1.2 million or 5.9% greater than FY 2025 base personal services. This increase is due to requests for 2.50 new PB to continue the Pretrial Diversion Program totaling about \$450,000 and due to statewide present law adjustments in personal services totaling \$663,000. These adjustments include elected official and judicial pay increases, promotion and retention pay adjustments for employees, and rehiring vacant positions at different rates than when the position became vacant.

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	302,774	20,645	527	323,946	0.00	316,522	21,648	527	338,697
DP 2 - Fixed Costs	0.00	947,656	(132)	0	947,524	0.00	878,138	(132)	0	878,006
DP 3 - Inflation Deflation	0.00	(272)	0	0	(272)	0.00	(184)	0	0	(184)
DP 101 - IT Maintenance Contract Increases	0.00	578,176	0	0	578,176	0.00	889,379	0	0	889,379
DP 105 - Judicial Standards Contracted Services Support	0.00	25,000	0	0	25,000	0.00	25,000	0	0	25,000
DP 106 - OCA Park Ave rent increase	0.00	9,515	0	0	9,515	0.00	16,312	0	0	16,312
DP 107 - Drug Courts Additional Fees Authority	0.00	0	50,000	0	50,000	0.00	0	50,000	0	50,000
Grand Total All Present Law Adjustments	0.00	\$1,862,849	\$70,513	\$527	\$1,933,889	0.00	\$2,125,167	\$71,516	\$527	\$2,197,210

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

DP 1 - Personal Services -

The branch 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

Judicial Branch	
Supreme Court Operations	
FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$164,180
Management Decisions	210,686
Budget Modifications	(50,920)
Total	\$323,946

DP 2 - Fixed Costs -

The branch 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 branch 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 101 - IT Maintenance Contract Increases -

The branch requests general fund authority for a maintenance and support contract increases for the key software programs supporting the state's appellate, district, and limited courts, including FullCourt, C-Trak, e-filing, and a jury management system.

DP 105 - Judicial Standards Contracted Services Support -

The branch requests general fund for the constitutionally mandated Judicial Standards Commission.

DP 106 - OCA Park Ave rent increase -

The branch requests additional general fund to cover the increase in lease payments for office space.

DP 107 - Drug Courts Additional Fees Authority -

The branch requests state special revenue to allow drug treatment courts the ability to pay for drug court related expenditures with participant fees.

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 102 - Drug Court Funding Switch	0.00	952,171	(914,671)	0	37,500	0.00	953,333	(915,833)	0	37,500
DP 103 - Make Pretrial Program Permanent	2.50	873,098	0	0	873,098	2.50	873,247	0	0	873,247
DP 104 - Family Law Mediation Continuing	0.00	0	0	0	0	1.00	251,155	0	0	251,155
Total	2.50	\$1,825,269	(\$914,671)	\$0	\$910,598	3.50	\$2,077,735	(\$915,833)	\$0	\$1,161,902

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

DP 102 - Drug Court Funding Switch -

This branch requests general fund to offset authority for drug courts from state special revenue accounts.

**LFD
COMMENT**

The 2023 Legislature provided authority for eight total drug courts that were transitioning from federal funding but provided this authority from the Consumer Education Settlement state special revenue account which receives revenues from civil fines, settlement proceeds, and funds awarded in judgments. This fund is housed within the Department of Justice, and the branch is requesting this authority be moved to the general fund. The small increase associated with the fund switch pertains to the annualization of services for the three courts that received a partial year of funding in FY 2025 (12th Adult Treatment Court in Hill County, the 21st Adult Treatment Court in Ravalli County, and the 13th Indian Child Welfare Act Family Treatment Court in Billings).

DP 103 - Make Pretrial Program Permanent -

The branch requests 2.50 additional PB and general fund to continue the pilot Pre-trial Diversion Program currently being implemented in eight Montana counties.

**LFD
COMMENT**

The pilot pre-trial diversion project in Montana began through funding and resources from the 2017 Session. The program began with five pilot counties but has since increased to eight. Authority was originally provided as one-time-only and has been continued to be provided as one-time-only each legislative session since. This requests seeks to establish the funding for this program within the agency's base budget. Current programs are located in Yellowstone, Missoula, Butte Silver-Bow, Lewis and Clark, Lake, Big Horn, Broadwater, and Valley counties.

DP 104 - Family Law Mediation Continuing -

The branch requests 1.00 additional PB and general fund to for family law mediation.

**LFD
COMMENT**

The 2023 Legislature provided the branch with \$300,000 in authority to continue and expand on the Family Law Mediation program that originated through ARPA funds. The Judicial Branch estimates that ARPA funding will continue to be used for these services during FY 2026 and the first six months of FY 2027. This request seeks funding for the last part of FY 2027 when ARPA authority expires and would result in this funding being permanent in the agency's base.

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	6.75	6.75	6.75	0.00	0.0%
General Fund	979,986	989,880	989,919	19,827	1.0%
Total Funds	979,986	989,880	989,919	19,827	1.0%
Personal Services	509,356	519,274	519,305	19,867	2.0%
Operating Expenses	382,409	382,385	382,393	(40)	(0.0%)
Equipment & Intangible Assets	88,221	88,221	88,221		0.0%
Total Expenditures	979,986	989,880	989,919	19,827	1.0%
Total Ongoing	979,986	989,880	989,919	19,827	1.0%
Total One-Time-Only					0.0%

Program Highlights

Law Library Major Budget Highlights	
The 2027 biennium HB 2 request for the Law Library is an increase of nearly \$20,000 or 2.0% when compared to FY 2025 base appropriations. This increase is entirely attributable to statewide present law adjustments to personal services.	

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.

Law Library 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
Base Budget	979,986	0	0	979,986	99.0%	979,986	0	0	979,986	99.0%
Statewide PL										
Personal Services	9,918	0	0	9,918	1.0%	9,949	0	0	9,949	1.0%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	(24)	0	0	(24)	(0.0%)	(16)	0	0	(16)	(0.0%)
Total Statewide PL	9,894	0	0	9,894	1.0%	9,933	0	0	9,933	1.0%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	9,894	0	0	9,894	1.0%	9,933	0	0	9,933	1.0%
Total Requested Budget	989,880	0	0	989,880		989,919	0	0	989,919	

Funding

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

Judicial Branch, 03-Law Library Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	1,979,799	0	0	0	1,979,799	77.6%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
06019 Lexis Proprietary Account	0	0	570,522	0	570,522	100.0%
Proprietary Total	\$0	\$0	\$570,522	\$0	\$570,522	22.4%
Total All Funds	\$1,979,799	\$0	\$570,522	\$0	\$2,550,321	

HB 2 funding for the Law Library comes entirely from general fund. The Law Library also operates an enterprise type proprietary funded program for which the legislature does not approve rates. For further information, refer to the Proprietary Rate narrative for the Law Library located here: <https://archive.legmt.gov/content/Publications/fiscal/2027-Biennium/Budget-and-Revenue/Budget-Analysis/Section-D/Section-D-Non-Budgeted-Proprietary-27Bi.pdf>

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	6.75	6.75	6.75	6.75
Personal Services	386,373	480,592	509,356	519,274	519,305
Operating Expenses	323,330	351,704	382,409	382,385	382,393
Equipment & Intangible Assets	119,036	119,041	88,221	88,221	88,221
Total Expenditures	\$828,739	\$951,337	\$979,986	\$989,880	\$989,919
General Fund	828,739	951,337	979,986	989,880	989,919
Total Funds	\$828,739	\$951,337	\$979,986	\$989,880	\$989,919
Total Ongoing	\$828,739	\$951,337	\$979,986	\$989,880	\$989,919
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The State Law Library of Montana (22-1-501, MCA, et seq) provides access to the legal information consistent with the present and anticipated needs, responsibilities, and concerns of Montana's courts, legislature, state officers and employees, members of the bar of the Supreme Court of Montana, and members of the general public. The library selects, acquires, and maintains resources consistent with this mission.

Library staff provide extensive training in legal research methods and access to the Montana court system. The library's website (<http://www.lawlibrary.mt.gov>) has been designed to help Montana's citizens find the statutes, court cases and rules, legal forms, and explanation of the laws they need. About 75.0% percent of the people the Law Library assists are nonlawyers who cannot afford attorneys.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Law Library expended 87.1% of its HB 2 modified budget in FY 2024. Personal services were 80.4% expended, operating expenses were 91.9% expended, and equipment and intangible assets were fully expended. Lower expenditures in personal services are primarily due to position vacancies experienced during the interim.

FY 2024 Appropriations Compared to FY 2025 Appropriations

When compared to FY 2024 appropriations, amounts in FY 2025 are almost \$29,000 or 3.0% higher. Within personal services, this authority relates to additional HB 13 pay plan funding. Differences in operating expenses are the result of an operating change performed in FY 2024 but not in FY 2025 which moved \$31,000 worth of authority to equipment accounts.

Program Personal Services

Total personal services requests in the Law Library for the 2027 biennium are a little over \$1.0 million which is \$20,000 or 2.0% greater than FY 2025 base personal services. This increase is found entirely within statewide present law adjustments to personal services and are the result of increases to position benefits, promotion and retention pay adjustments for employees, and rehiring positions at lower rates than when they became vacant.

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	9,918	0	0	9,918	0.00	9,949	0	0	9,949
DP 3 - Inflation Deflation	0.00	(24)	0	0	(24)	0.00	(16)	0	0	(16)
Grand Total All Present Law Adjustments	0.00	\$9,894	\$0	\$0	\$9,894	0.00	\$9,933	\$0	\$0	\$9,933

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

DP 1 - Personal Services -

The branch 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

Judicial Branch Law Library FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$2,940
Management Decisions	6,978
Budget Modifications	-
Total	\$9,918

DP 3 - Inflation Deflation -

The branch 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.

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	332.39	339.39	345.39	13.00	2.0%
General Fund	35,653,739	37,312,596	37,937,376	3,942,494	5.5%
State/Other Special Rev. Funds	754,793	754,716	754,716	(154)	(0.0%)
Total Funds	36,408,532	38,067,312	38,692,092	3,942,340	5.4%
Personal Services	33,162,562	34,502,132	35,254,738	3,431,746	5.2%
Operating Expenses	3,133,247	3,343,874	3,324,631	402,011	6.4%
Equipment & Intangible Assets	77,723	186,306	77,723	108,583	69.9%
Benefits & Claims	35,000	35,000	35,000		0.0%
Total Expenditures	36,408,532	38,067,312	38,692,092	3,942,340	5.4%
Total Ongoing	36,408,532	38,067,312	38,692,092	3,942,340	5.4%
Total One-Time-Only					0.0%

Program Highlights

District Court Operations Major Budget Highlights
<p>The 2027 biennium HB 2 request for the District Court Operations is nearly \$4.0 million or 5.4% higher than FY 2025 base appropriations. Significant changes include:</p> <ul style="list-style-type: none"> • \$2.5 million for three new judge positions and accompanying staff for a total of 6.00 PB in FY 2026 and 12.00 PB in FY 2027 • \$1.3 million for statewide present law adjustments to personal services

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.

District Court Operations 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
Base Budget	35,653,739	754,793	0	36,408,532	95.6%	35,653,739	754,793	0	36,408,532	94.1%
Statewide PL										
Personal Services	620,494	0	0	620,494	1.6%	673,406	0	0	673,406	1.7%
Fixed Costs	0	(77)	0	(77)	(0.0%)	0	(77)	0	(77)	(0.0%)
Inflation Deflation	(4,804)	0	0	(4,804)	(0.0%)	(3,248)	0	0	(3,248)	(0.0%)
Total Statewide PL	615,690	(77)	0	615,613	1.6%	670,158	(77)	0	670,081	1.7%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	1,043,167	0	0	1,043,167	2.7%	1,613,479	0	0	1,613,479	4.2%
Total HB 2 Adjustments	1,658,857	(77)	0	1,658,780	4.4%	2,283,637	(77)	0	2,283,560	5.9%
Total Requested Budget	37,312,596	754,716	0	38,067,312		37,937,376	754,716	0	38,692,092	

Funding

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

Judicial Branch, 04-District Court Operations Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	75,249,972	0	0	0	75,249,972	98.0%
02141 Fines & Fees Fund	181,534	0	0	0	181,534	12.0%
02562 Crt Appointed Special Advocate	1,327,898	0	0	0	1,327,898	88.0%
State Special Total	\$1,509,432	\$0	\$0	\$0	\$1,509,432	2.0%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$76,759,404	\$0	\$0	\$0	\$76,759,404	

The majority of funding for District Court Operations comes from the general fund. State special revenues supporting the program comes from court-imposed fines and fees.

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	332.39	332.39	339.39	345.39
Personal Services	29,713,931	31,981,669	33,162,562	34,502,132	35,254,738
Operating Expenses	2,644,566	3,072,482	3,133,247	3,343,874	3,324,631
Equipment & Intangible Assets	107,615	107,615	77,723	186,306	77,723
Benefits & Claims	17,534	35,000	35,000	35,000	35,000
Total Expenditures	\$32,483,646	\$35,196,766	\$36,408,532	\$38,067,312	\$38,692,092
General Fund	31,785,215	34,442,620	35,653,739	37,312,596	37,937,376
State/Other Special Rev. Funds	698,431	754,146	754,793	754,716	754,716
Total Funds	\$32,483,646	\$35,196,766	\$36,408,532	\$38,067,312	\$38,692,092
Total Ongoing	\$32,483,646	\$35,196,766	\$36,408,532	\$38,067,312	\$38,692,092
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The District Courts have original jurisdiction in all felony criminal cases, most civil matters and other cases in law, and in equity. These courts may issue all writs appropriate to their jurisdiction and hear appeals from Courts of Limited Jurisdiction pursuant to statutory parameters. The District Courts are also the state's Youth Courts, responsible for managing juvenile probation functions. There are 51 District Court judges in 22 judicial districts serving all 56 counties. The 2001 Legislature mandated state funding of District Court expenses, including salaries and operating expenses for judges and their employees.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The District Court Operations expended 92.3% of its modified HB 2 budget in FY 2024. Personal services were 92.9% expended, while operating expenses were 86.1% expended. Unspent authority in District Court Operations mostly occurred in personal services where vacancies were higher than expected during the biennium.

FY 2024 Appropriations Compared to FY 2025 Appropriations

Appropriations in FY 2025 reflect an increase of 3.4% or \$1.2 million when compared to FY 2024 amounts. The majority of this difference is seen in personal services and is the result of the additional HB 13 pay plan funding that was provided for FY 2025.

Program Personal Services

Total requested personal services for the 2027 biennium within District Court Operations is \$69.8 million which reflects an increase of \$3.4 million or 5.2% when compared to FY 2025 base personal services. This increase is the result of requests for new PB and in statewide present law adjustments to personal services.

The branch is requesting 7.00 new PB in FY 2026 and 13.00 PB in FY 2027. The largest portion relates to a request for three new judge positions and accompanying staff for the 2027 biennium. These starting times for these judge positions and staff are January of 2026. Therefore, each position is requested as a 0.50 PB for FY 2026. This results in 6.-00 PB in the first year and 12.00 PB in the second year.

Increases related to statewide present law adjustments are primarily the result of legislatively outlined pay changes or judges and judicial employees, promotion and retention adjustments for employees, rehiring vacant positions at different rates, and changes in the number of overall vacant positions.

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	620,494	0	0	620,494	0.00	673,406	0	0	673,406
DP 2 - Fixed Costs	0.00	0	(77)	0	(77)	0.00	0	(77)	0	(77)
DP 3 - Inflation Deflation	0.00	(4,804)	0	0	(4,804)	0.00	(3,248)	0	0	(3,248)
Grand Total All Present Law Adjustments	0.00	\$615,690	(\$77)	\$0	\$615,613	0.00	\$670,158	(\$77)	\$0	\$670,081

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

DP 1 - Personal Services -

The branch 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

Judicial Branch	
District Court Operations	
FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$265,969
Management Decisions	354,525
Budget Modifications	-
Total	\$620,494

DP 2 - Fixed Costs -

The branch 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 branch 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 401 - New Judges & Staff in the 13th Judicial District										
6.00	956,105	0	0	956,105	12.00	1,529,155	0	0	1,529,155	
DP 402 - Floating Law Clerk										
1.00	87,062	0	0	87,062	1.00	84,324	0	0	84,324	
Total	7.00	\$1,043,167	\$0	\$0	\$1,043,167	13.00	\$1,613,479	\$0	\$0	\$1,613,479

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

DP 401 - New Judges & Staff in the 13th Judicial District -

The branch requests three additional judge positions and accompanying staff positions for the 2027 biennium.

**LFD
COMMENT**

Three additional positions accompany a judge .The new judge positions and all staff are scheduled to start in January of 2026. Therefore, all twelve positions comprise 0.50 PB each in FY 2026 and a full 1.00 PB in FY 2027.

DP 402 - Floating Law Clerk -

The branch requests 1.00 additional floating law clerk position within the 4th Judicial District (Missoula County).

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	23.75	23.75	23.75	0.00	0.0%
General Fund	1,122,261	1,159,465	1,161,359	76,302	3.4%
State/Other Special Rev. Funds	1,625,345	2,083,546	1,747,319	580,175	17.8%
Total Funds	2,747,606	3,243,011	2,908,678	656,477	11.9%
Personal Services	2,437,155	2,528,403	2,534,691	188,784	3.9%
Operating Expenses	94,564	493,323	93,323	397,518	210.2%
Equipment & Intangible Assets	8,287	8,287	8,287		0.0%
Debt Service	207,600	212,998	272,377	70,175	16.9%
Total Expenditures	2,747,606	3,243,011	2,908,678	656,477	11.9%
Total Ongoing	2,747,606	2,843,011	2,908,678	256,477	4.7%
Total One-Time-Only		400,000		400,000	0.0%

Program Highlights

Water Court Major Budget Highlights
<p>The 2027 biennium HB 2 request for the Water Court is just over \$650,000 or 11.9% greater than FY 2025 base budget appropriations. Significant changes include:</p> <ul style="list-style-type: none"> • \$400,000 in one-time-only state special revenue to cover costs of digitizing of case filings. • Almost \$189,000 (\$76,000 general fund and \$112,000 state special revenue) for statewide present law adjustments to personal services

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.

	Water Court 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
Base Budget	1,122,261	1,625,345	0	2,747,606	84.7%	1,122,261	1,625,345	0	2,747,606	94.5%
Statewide PL										
Personal Services	37,204	54,044	0	91,248	2.8%	39,098	58,438	0	97,536	3.4%
Fixed Costs	0	(1,241)	0	(1,241)	(0.0%)	0	(1,241)	0	(1,241)	(0.0%)
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	37,204	52,803	0	90,007	2.8%	39,098	57,197	0	96,295	3.3%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	405,398	0	405,398	12.5%	0	64,777	0	64,777	2.2%
Total HB 2 Adjustments	37,204	458,201	0	495,405	15.3%	39,098	121,974	0	161,072	5.5%
Total Requested Budget	1,159,465	2,083,546	0	3,243,011		1,161,359	1,747,319	0	2,908,678	

Funding

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

Funds	Judicial Branch, 05-Water Court Funding by Source of Authority					
	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	2,320,824	0	0	0	2,320,824	37.7%
02431 Water Adjudication	3,430,865	400,000	0	0	3,830,865	100.0%
State Special Total	\$3,430,865	\$400,000	\$0	\$0	\$3,830,865	62.3%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$5,751,689	\$400,000	\$0	\$0	\$6,151,689	

General fund provides a little over a third of the funding for Water Court Supervision. The remaining funding is from the water adjudication account established within the state special revenue account created in 17-2-102, MCA. However, if amounts appropriated by the legislature to fund the Water Court Program exceed the available and unencumbered fund balance within the water adjudication account, statute requires that general fund be transferred into the account at the beginning of each fiscal year to fully fund legislative appropriations to the program.

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	23.75	23.75	23.75	23.75
Personal Services	2,233,468	2,338,106	2,437,155	2,528,403	2,534,691
Operating Expenses	98,244	98,243	94,564	493,323	93,323
Equipment & Intangible Assets	0	4,295	8,287	8,287	8,287
Debt Service	207,600	207,600	207,600	212,998	272,377
Total Expenditures	\$2,539,312	\$2,648,244	\$2,747,606	\$3,243,011	\$2,908,678
General Fund	974,052	1,078,689	1,122,261	1,159,465	1,161,359
State/Other Special Rev. Funds	1,565,260	1,569,555	1,625,345	2,083,546	1,747,319
Total Funds	\$2,539,312	\$2,648,244	\$2,747,606	\$3,243,011	\$2,908,678
Total Ongoing	\$2,539,312	\$2,648,244	\$2,747,606	\$2,843,011	\$2,908,678
Total OTO	\$0	\$0	\$0	\$400,000	\$0

Program Description

The Water Court Supervision Program, located in Bozeman, adjudicates claims of existing water rights in Montana pursuant to Title 3, Chapter 7 and Title 85, Chapter 2, MCA.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The division expended 95.9% of its modified HB2 budget in FY 2024. Personal services were 95.5% expended, and operating expenses were fully expended.

FY 2024 Appropriations Compared to FY 2025 Appropriations

When compared to FY 2024, appropriations in FY 2025 increased by approximately \$100,000 or 3.8%. This increase is seen in personal service and is the result of additional HB 13 pay plan funding in FY 2025.

Program Personal Services

Total personal services requests in the Water Court for the 2027 biennium are almost \$5.1 million which is \$189,000 or 3.9% greater than FY 2025 base personal services. This increase is found entirely within statewide present law adjustments to personal services and are the result of increases to position retirement and longevity in addition to career ladder pay adjustments and lower overall position vacancies at the time of the snapshot compared to the previous biennium.

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	37,204	54,044	0	91,248		0.00	39,098	58,438	0	97,536
DP 2 - Fixed Costs										
0.00	0	(1,241)	0	(1,241)		0.00	0	(1,241)	0	(1,241)
Grand Total All Present Law Adjustments										
0.00	\$37,204	\$52,803	\$0	\$90,007		0.00	\$39,098	\$57,197	\$0	\$96,295

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

DP 1 - Personal Services -

The branch 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

Judicial Branch Water Court FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$11,732
Management Decisions	79,516
Budget Modifications	-
Total	\$91,248

DP 2 - Fixed Costs -

The branch 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.

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 501 - Water Court Rent Increase	0.00	0	5,398	0	5,398	0.00	0	64,777	0	64,777
DP 502 - Water Court Digitization (Bien, OTO)	0.00	0	400,000	0	400,000	0.00	0	0	0	0
Total	0.00	\$0	\$405,398	\$0	\$405,398	0.00	\$0	\$64,777	\$0	\$64,777

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

DP 501 - Water Court Rent Increase -

The branch requests additional revenue from the water adjudication state special revenue account to cover an increase in rent payments.

**LFD
COMMENT**

The current lease for the Water Court expires in May of 2026. The FY 2026 amount reflects one month at the higher renewal rate, the FY 2027 request reflects 12 months at the higher renewal rate.

DP 502 - Water Court Digitization (Bien, OTO) -

The branch requests one-time only biennial state special revenue from the water adjudication account to cover costs related to the digitization of case filings.

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	5.50	5.50	5.50	0.00	0.0%
General Fund	653,407	611,550	613,969	(81,295)	(6.2%)
Total Funds	653,407	611,550	613,969	(81,295)	(6.2%)
Personal Services	608,771	566,930	569,344	(81,268)	(6.7%)
Operating Expenses	44,636	44,620	44,625	(27)	(0.0%)
Total Expenditures	653,407	611,550	613,969	(81,295)	(6.2%)
Total Ongoing	653,407	611,550	613,969	(81,295)	(6.2%)
Total One-Time-Only					0.0%

Program Highlights

Clerk of Court Major Budget Highlights
The 2027 biennium HB 2 request for the Clerk of Court is \$81,000 or 6.2% less than FY 2025 base budget appropriations. This reduction is attributed to statewide present law reductions to personal services and overall inflation/deflation.

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.

Clerk of Court 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
Base Budget	653,407	0	0	653,407	106.8%	653,407	0	0	653,407	106.4%
Statewide PL										
Personal Services	(41,841)	0	0	(41,841)	(6.8%)	(39,427)	0	0	(39,427)	(6.4%)
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	(16)	0	0	(16)	(0.0%)	(11)	0	0	(11)	(0.0%)
Total Statewide PL	(41,857)	0	0	(41,857)	(6.8%)	(39,438)	0	0	(39,438)	(6.4%)
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	(41,857)	0	0	(41,857)	(6.8%)	(39,438)	0	0	(39,438)	(6.4%)
Total Requested Budget	611,550	0	0	611,550		613,969	0	0	613,969	

Funding

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

Judicial Branch, 06-Clerk of Court Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	1,225,519	0	0	0	1,225,519	100.0%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$1,225,519	\$0	\$0	\$0	\$1,225,519	

The Clerk of Court Program is funded entirely from the general fund.

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	5.50	5.50	5.50	5.50
Personal Services	552,760	587,267	608,771	566,930	569,344
Operating Expenses	22,698	44,562	44,636	44,620	44,625
Total Expenditures	\$575,458	\$631,829	\$653,407	\$611,550	\$613,969
General Fund	575,458	631,829	653,407	611,550	613,969
Total Funds	\$575,458	\$631,829	\$653,407	\$611,550	\$613,969
Total Ongoing	\$575,458	\$631,829	\$653,407	\$611,550	\$613,969
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Office of Clerk of the Supreme Court Program, pursuant to Title 3, Chapter 2, part 4, conducts the business of the court, and serves as the liaison between the public, attorneys, and the Supreme Court. By statutory authority, the clerk controls the docket and filings, manages the appellate process, and is the custodian of all legal records for the public and the court. Additionally, the clerk administers appellate mediation, maintains the official roll of Montana attorneys, and is responsible for licensing Montana's attorneys.

FY 2024 Appropriations Compared to FY 2024 Actual Expenditures

The Clerk of Court expended 91.1% of its modified HB 2 budget in FY 2024. Personal services were 94.1% expended, while operating expenses were expended at 50.9%. Overall, operating expenses comprise small portions of the overall budget.

FY 2024 Appropriations Compared to FY 2025 Appropriations

When compared to FY 2024 amounts, appropriations in FY 2025 are about \$22,000 higher. For all intents and purposes, appropriations levels and structures are practically identical between the two years.

Program Personal Services

Total personal services requested for the 2027 biennium are just over \$1.1 million which reflects a decrease of \$81,000 or 6.7% when compared to FY 2025 base personal services. This decrease is entirely attributable to statewide present law adjustments. These adjustments are comprised of reductions in position benefits such as retirement and longevity in addition to the branch rehiring vacant positions at lower rates than when the positions became vacant.

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	(41,841)	0	0	(41,841)	0.00	(39,427)	0	0	(39,427)
DP 3 - Inflation Deflation	0.00	(16)	0	0	(16)	0.00	(11)	0	0	(11)
Grand Total All Present Law Adjustments	0.00	(\$41,857)	\$0	\$0	(\$41,857)	0.00	(\$39,438)	\$0	\$0	(\$39,438)

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

DP 1 - Personal Services -

The branch 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

Judicial Branch Clerk of Court FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	(\$20,121)
Management Decisions	(21,720)
Budget Modifications	-
Total	(\$41,841)

DP 3 - Inflation Deflation -

The branch 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.

DEPARTMENT OF JUSTICE

Section D

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----Agencies-----

Judicial Branch
Dept. of Justice
Public Service Commission

Office of Public Defender
Dept. of Corrections

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

House

Representative Fiona Nave (Chair)
Representative Thedis Crowe
Representative Donavon Hawk
Representative Anthony Nicastrò

Senate

Senator Shelley Vance (Vice Chair)
Senator Tom McGillvray
Senator Shane Morìgeau

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

Walker Hopkins
Barb Wagner

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 FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
PB	845.15	849.85	849.85	4.70	0.3%
General Fund	47,633,697	49,783,380	49,741,709	4,257,695	4.5%
State/Other Special Rev. Funds	86,754,933	107,094,841	96,428,745	30,013,720	17.3%
Federal Spec. Rev. Funds	15,562,601	15,562,600	15,562,600	(2)	0.0%
Proprietary Funds	2,132,897	2,132,897	2,132,897		0.0%
Total Funds	152,084,128	174,573,718	163,865,951	34,271,413	11.3%
Personal Services	82,550,106	89,138,279	89,330,646	13,368,713	8.1%
Operating Expenses	45,319,539	47,465,249	47,334,461	4,160,632	4.6%
Equipment & Intangible Assets	3,527,244	3,927,244	3,927,244	800,000	11.3%
Local Assistance	25,001	225,001	225,001	400,000	800.0%
Grants	11,333,930	13,333,930	13,333,930	4,000,000	17.6%
Benefits & Claims	1,210,269	1,710,269	1,710,269	1,000,000	41.3%
Transfers	3,389,698	3,389,698	3,389,698		0.0%
Debt Service	4,728,341	15,384,048	4,614,702	10,542,068	111.5%
Total Expenditures	152,084,128	174,573,718	163,865,951	34,271,413	11.3%
Total Ongoing	152,084,128	163,179,372	163,240,951	22,252,067	7.3%
Total One-Time-Only	4,017,533	11,394,346	625,000	3,984,280	49.6%

Agency Highlights

Department of Justice Major Budget Highlights
<p>The 2027 biennium request for the Department of Justice is nearly \$34.3 million or 11.3% greater than FY 2025 base appropriations. Significant changes include:</p> <ul style="list-style-type: none"> • \$10.8 million in one-time-only state special revenue to pay off statewide radio loans • \$7.2 million state special revenue to implement a pay increase for highway patrol troopers of 14.0% based on the salary survey conducted by the Department of Administration as required by statute • \$4.0 million general fund to cover supplemental contributions of 10.18% for the Highway Patrol Officers' Retirement System (HPORS) based on statutory requirements • \$4.0 million in state special revenue to continue additional victim services provided as one-time-only by the 2023 Legislature • \$2.0 million general fund for the costs of litigation related to state laws

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 Justice 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
Base Budget	47,633,697	86,754,933	15,562,601	152,084,128	87.1%	47,633,697	86,754,933	15,562,601	152,084,128	92.8%
Statewide PL										
Personal Services	932,545	(394,958)	0	537,587	0.3%	1,021,710	(291,756)	0	729,954	0.4%
Fixed Costs	95,926	(27,285)	0	68,641	0.0%	(39,911)	(27,285)	0	(67,196)	(0.0%)
Inflation Deflation	(15,432)	(146)	(1)	(15,579)	(0.0%)	(10,431)	(98)	(1)	(10,530)	(0.0%)
Total Statewide PL	1,013,039	(422,389)	(1)	590,649	0.3%	971,368	(319,139)	(1)	652,228	0.4%
Present Law (PL)	0	620,539	0	620,539	0.4%	0	620,539	0	620,539	0.4%
New Proposals	1,136,644	20,141,758	0	21,278,402	12.2%	1,136,644	9,372,412	0	10,509,056	6.4%
Total HB 2 Adjustments	2,149,683	20,339,908	(1)	22,489,590	12.9%	2,108,012	9,673,812	(1)	11,781,823	7.2%
Total Requested Budget	49,783,380	107,094,841	15,562,600	174,573,718		49,741,709	96,428,745	15,562,600	163,865,951	

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.

Department of Justice				
FY 2026 Statewide Present Law Adjustment for Personal Services - DP1				
Program	Legislative Changes	Management Decisions	Budget Modifications	Total DP1
01 Legal Services Division	\$81,113	(\$121,794)	\$0	(\$40,681)
03 Montana Highway Patrol	808,871	(1,212,226)	-	(403,355)
05 Division of Criminal Investigation	(74,692)	(190,944)	472,945	207,309
07 Gambling Control Division	(28,406)	(81,720)	-	(110,126)
08 Forensic Sciences Division	61,537	(20,293)	-	41,244
09 Motor Vehicle Division	210,732	969,663	-	1,180,395
10 Central Services Division	79,157	25,602	-	104,759
19 POST Council	7,767	12,882	(131,761)	(111,112)
20 Montana Law Enforcement Academy	29,534	107,196	(424,110)	(287,380)
21 Board of Crime Control	5,312	(48,778)	-	(43,466)
Total	\$1,180,925	(\$560,412)	(\$82,926)	\$537,587

These numbers are calculated by looking at the PB that were filled at the snapshot and whether all personal service authority for these positions was utilized. If not, negative management changes are the result.

Other management changes are primarily comprised of the following:

- Pay adjustments to employees regarding career ladder, performance, and promotion-based adjustments
- Rehiring vacant positions at slightly higher or lower rates than when the position became vacant

Legislative changes primarily comprise of increased position retirement and social security benefits in addition to longevity.

Changes related to budget modifications occur when changes performed move more (or less) personal service funding than what is utilized for the positions that are moved or if no PB are moved at all, this funding comes back to the program it originated from when the snapshot occurs. Additionally, when operating expenses are transferred to personal services and are used to pay modified PB, that funding is lost during the snapshot process.

Funding

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

Total Department of Justice 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
01100 General Fund	98,525,089	1,000,000		8,741,443	108,266,532	28.3%
02464 MHP Highway State Special	71,048,034				71,048,034	18.6%
02799 Motor Vehicle Administration	32,867,248				32,867,248	8.6%
02014 Highway Patrol Pay & Retention	30,645,844				30,645,844	8.0%
02997 911 Distribution				19,499,532	19,499,532	5.1%
02690 Public Service Radio	7,546,486	10,769,346			18,315,832	4.8%
Other State Special Revenue	50,396,628	250,000		11,446,962	62,093,590	16.3%
State Special Revenue Total	192,504,240	11,019,346	-	30,946,494	234,470,080	61.4%
03192 Crime Victim Assistance	14,870,334				14,870,334	3.9%
03343 Criminal History record Improv	4,200,000				4,200,000	1.1%
03344 Violence Against Women Act	2,048,576				2,048,576	0.5%
03188 Justice Assistance Grant	1,885,608				1,885,608	0.5%
03800 Medicaid Fraud	1,384,564				1,384,564	0.4%
Other Federal Special Revenue	6,736,118			250,000	6,986,118	1.8%
Federal Special Revenue Total	31,125,200	-	-	250,000	31,375,200	8.2%
06500 Agency Legal Services	13,930		3,560,896		3,574,826	0.9%
06005 Liquor Division	3,143,448				3,143,448	0.8%
06083 61-3-118 MVD E-Commerce	1,108,416				1,108,416	0.3%
Proprietary Fund Total	4,265,794	-	3,560,896	-	7,826,690	2.0%
Total of All Funds	326,420,323	12,019,346	3,560,896	39,937,937	381,938,502	
Percent of All Sources of Authority	85.5%	3.1%	0.9%	10.5%		

Within HB 2, general fund supports all divisions at varying levels except for the Gambling Control Division and the POST and accounts for 30.2% of total agency funding.

The 2025 biennium proposal is funded primarily with state special revenue at 61.5%. State special revenue from the consumer protection settlement proceeds supports consumer protection activities, gambling license fees support the Gambling Control Division, and motor vehicle fees support the Motor Vehicle Division. The Montana Highway Patrol (MHP) HB 2 budget is 60.2% funded with state special revenue. Federal funding is the primary funding source for the Montana Board of Crime Control in the HB 2 budget. The MBCC budget is funded primarily with federal special revenues in the 2025 biennium and accounts for 91.2% of the total federal funding proposed for the agency.

State special revenue funds additional statutory appropriations and is principally used for grants and distributions for the 9-1-1 system and the 911 Next Gen project. Federal special revenues fund a small portion of the statutory appropriations for the support of state and local law enforcement programs.

Additional details on some of these state special revenues are provided in different program sections below.

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	845.15	845.15	849.85	849.85
Personal Services	81,150,348	80,643,610	82,664,839	89,138,279	89,330,646
Operating Expenses	36,297,636	42,196,262	46,822,339	47,465,249	47,334,461
Equipment & Intangible Assets	8,207,278	8,638,930	3,927,244	3,927,244	3,927,244
Local Assistance	25,691	25,001	25,001	225,001	225,001
Grants	9,076,286	12,547,859	13,333,930	13,333,930	13,333,930
Benefits & Claims	741,669	1,253,095	1,210,269	1,710,269	1,710,269
Transfers	1,013,262	3,160,445	3,389,698	3,389,698	3,389,698
Debt Service	4,758,566	4,967,093	4,728,341	15,384,048	4,614,702
Total Expenditures	\$141,270,736	\$153,432,295	\$156,101,661	\$174,573,718	\$163,865,951
General Fund	50,115,270	52,186,300	51,251,230	49,783,380	49,741,709
State/Other Special Rev. Funds	80,787,013	84,232,357	87,154,933	107,094,841	96,428,745
Federal Spec. Rev. Funds	8,474,431	14,956,780	15,562,601	15,562,600	15,562,600
Proprietary Funds	1,894,022	2,056,858	2,132,897	2,132,897	2,132,897
Total Funds	\$141,270,736	\$153,432,295	\$156,101,661	\$174,573,718	\$163,865,951
Total Ongoing	\$136,691,268	\$147,325,155	\$152,084,128	\$163,179,372	\$163,240,951
Total OTO	\$4,579,468	\$6,107,140	\$4,017,533	\$11,394,346	\$625,000

Agency Description

The Department of Justice (DOJ), under the direction of the Attorney General, is responsible for statewide legal services and counsel, law enforcement and public safety. The duties of the department are:

- Provide legal representation for the state and its political subdivisions in criminal appeals
- Provide legal services and counsel for the state, county and municipal agencies, and their officials
- Enforce Montana traffic laws and register all motor vehicles
- Enforce state fire safety codes and regulations
- Assist local law enforcement agencies in bringing offenders to justice
- Manage a statewide system of death investigations and provide scientific analyses of specimens submitted by law enforcement officials, coroners and state agencies
- Maintain and disseminate criminal justice information to authorized state, local, and other entities
- Provide uniform regulation of all gambling activities in the state of Montana
- Enforce consumer protection laws and regulations relating to unfair and deceptive business practices, and assist Montana consumers in making sound decisions by providing public outreach
- Provide statewide leadership on issues related to victims of crime and administer the crime victim compensation program for the benefit of innocent victims

Please refer to the agency profile at [Department of Justice - Montana Legislature](#) for additional information about the agency's organization structure, historical expenditures, goals and objectives, and recent studies and audits.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Department of Justice expended 92.3% of its \$152.6 million HB 2 modified budget in FY 2024. Overall, this is slightly lower than the average of the previous five fiscal years of 96.3%. Personal services and operating expenses were the bulk of HB 2 appropriations in FY 2024 at 52.8% and 27.5%, respectively. Corresponding expenditures through FY 2024 were more weighted towards personal services at 57.6%, and operating expenses accounted for an additional 25.7%. Total personal services for FY 2024 were over expended by approximately \$520,000 or 1.6%. Operating expenses were expended at 86.1%.

The budget for the Board of Crime Control (BOCC) was 64.2% expended. Due to the large amount of federal funding in the program, this relates to the process for, and timing of, administering grants, which tends to lag behind typical expenditures.

The majority of authority for transfers and grants sits within the BOCC, reflecting low expenditures within these account categories as a result. This can be seen in expenditures of 71.7% for grant authority and 32.0% for transfer authority through FYE.

Operating expenses reflect the largest unexpended account category in FY 2024, and the largest unexpended balances can be found primarily within four separate divisions. Operating expenses within the Montana Highway Patrol and Motor Vehicle Divisions are currently expended at 71.5% and 57.9% respectively, and are in part, due to a number of line-item appropriations related to maintenance costs for the MERLIN system and camera systems that were not fully expended. These appropriations total \$3.3 million with \$500,000 in expenses and are described in more detail within the line-item table below. The following table outlines the FY 2024 operating expense budget and expenditures for these four divisions:

Figure: DOJ FY 2024 Operating Expenses

Program	FY 2024 Budget	FY 2024 Expenses	Remaining Authority
03 Montana Highway Patrol	\$11,101,830	\$9,858,810	\$1,243,020
08 Forensic Sciences	1,854,624	1,332,902	521,722
09 Motor Vehicle Division	11,832,060	9,200,601	2,631,459
21 Board of Crime Control	1,150,816	473,457	677,359
Total	\$25,939,330	\$20,865,770	\$5,073,560

FY 2024 Appropriations Compared to FY 2025 Appropriations

FY 2025 appropriations are \$156.1 million, which is nearly \$2.7 million or 1.7% greater than FY 2024 appropriations. Increases can be seen primarily within both personal services and operating expenses. Within personal services, additional HB 2 pay plan funding of nearly \$2.9 million drives the increase.

Within operating expenses, increases from FY 2024 to FY 2025 are not a result of additional authority but rather from budget modifications made during FY 2024. The department performed many modifications which moved approximately \$4.1 million in operating expense authority to other accounts such as equipment and personal services, explaining lower amounts in FY 2024. These changes were not made to FY 2025 appropriations.

The changes described above also help explain the decrease seen in equipment authority from FY 2024 to FY 2025. Additionally, the department had one-time-only funding in FY 2024 totaling \$2.0 million for server replacements.

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 Justice Comparison of the FY 2025 Legislative Budget to the FY 2025 Base Budget				
	Legislative Budget	Executive Modifications	Base Budget	% Change
01 LEGAL SERVICES DIVISION				
61000 Personal Services	7,365,985	48,436	7,414,421	0.7%
62000 Operating Expenses	2,747,313	(392,499)	2,354,814	-14.3%
68000 Transfers	9,000		9,000	0.0%
69000 Debt Service	7,012	189,210	196,222	2698.4%
Total	10,129,310	(154,853)	9,974,457	-1.5%
03 MONTANA HIGHWAY PATROL				
61000 Personal Services	34,323,474	(79,857)	34,243,617	-0.2%
62000 Operating Expenses	13,415,866	(1,277,762)	12,138,104	-9.5%
63000 Equipment & Intangible Assets	3,665,165	(747,170)	2,917,995	-20.4%
69000 Debt Service	1,477,262	1,498,570	2,975,832	101.4%
Total	52,881,767	(606,219)	52,275,549	-1.1%
04 INA - INFORMATION TECHNOLOGY SYSTEM				
61000 Personal Services	4,353,840	(4,353,840)	-	-100.0%
62000 Operating Expenses	2,051,484	(2,051,484)	-	-100.0%
63000 Equipment & Intangible Assets	36,820	(36,820)	-	-100.0%
Total	6,442,144	(6,442,144)	-	-100.0%
05 DIV OF CRIMINAL INVESTIGATION				
61000 Personal Services	13,538,342	(1,916,984)	11,621,358	-14.2%
62000 Operating Expenses	7,100,285	(2,225,614)	4,874,671	-31.3%
63000 Equipment & Intangible Assets	123,452		123,452	0.0%
66000 Grants	161,950		161,950	0.0%
67000 Benefits & Claims	773,181	37,088	810,269	4.8%
68000 Transfers	42,257	(11,295)	30,962	-26.7%
69000 Debt Service		507,990	507,990	100.0%
Total	21,739,467	(3,608,815)	18,130,652	-16.6%
07 GAMBLING CONTROL DIVISION				
61000 Personal Services	3,930,337	(130,897)	3,799,440	-3.3%
62000 Operating Expenses	840,409	(186,531)	653,878	-22.2%
63000 Equipment & Intangible Assets	82,860		82,860	0.0%
69000 Debt Service	1,950	125,380	127,330	6429.7%
Total	4,855,556	(192,048)	4,663,508	-4.0%
08 FORENSIC SERVICES DIVISION				
61000 Personal Services	5,467,585		5,467,585	0.0%
62000 Operating Expenses	2,708,422	(82,565)	2,625,857	-3.0%
63000 Equipment & Intangible Assets	226,000		226,000	0.0%
69000 Debt Service	316,287		316,287	0.0%
Total	8,718,294	(82,565)	8,635,729	-0.9%

Department of Justice Comparison of the FY 2025 Legislative Budget to the FY 2025 Base Budget				
	Legislative Budget	Executive Modifications	Base Budget	% Change
09 MOTOR VEHICLE DIVISION				
61000 Personal Services	9,644,203		9,644,203	0.0%
62000 Operating Expenses	16,686,631	(2,943,161)	13,743,470	-17.6%
63000 Equipment & Intangible Assets	164,028		164,028	0.0%
65000 Local Assistance	25,000		25,000	0.0%
68000 Transfers	204,062	204,062	408,124	100.0%
69000 Debt Service		327,100	327,100	100.0%
Total	26,723,924	(2,411,999)	24,311,925	-9.0%
10 CENTRAL SERVICES DIVISION				
61000 Personal Services	2,137,193	4,469,839	6,607,032	209.1%
62000 Operating Expenses	1,047,464	5,763,851	6,811,315	547.5%
65000 Local Assistance	1		1	0.0%
67000 Benefits & Claims	400,000		400,000	0.0%
69000 Debt Service		149,350	149,350	100.0%
Total	3,584,658	10,383,040	13,967,698	288.9%
19 POST COUNCIL				
61000 Personal Services		400,480	400,480	100.0%
62000 Operating Expenses		183,063	183,063	100.0%
68000 Transfers		42,000	42,000	100.0%
Total		625,543	625,543	100.0%
20 MT LAW ENFORCEMENT ACADEMY				0.0%
61000 Personal Services		1,595,975	1,595,975	100.0%
62000 Operating Expenses		754,560	754,560	100.0%
68000 Transfers		11,295	11,295	100.0%
69000 Debt Service		128,230	128,230	100.0%
Total		2,490,060	2,490,060	100.0%
21 BOARD OF CRIME CONTROL				
61000 Personal Services	1,755,995	-	1,755,995	0.0%
62000 Operating Expenses	1,179,807	-	1,179,807	0.0%
63000 Equipment & Intangible Assets	12,909		12,909	0.0%
66000 Grants	11,171,980	-	11,171,980	0.0%
68000 Transfers	2,888,317	-	2,888,317	0.0%
Total	17,009,008	-	17,009,008	0.0%
Agency Total	152,084,128	(0)	152,084,128	0.0%

Three different reorganizations were performed in the 2025 interim by the Department of Justice that moved functionality and corresponding appropriations within the agency.

First, the IT Systems Division (Program 04) was reorganized to be combined with the Central Services Division (CSD). All functionality from both programs is now included in the CSD (Program 10). This change reflects the decrease and corresponding increase in authority between the two programs in the table above.

The next two reorganizations took entities previously housed within the Division of Criminal Investigation and broke these out into separate programs. These two new programs represent the Montana Law Enforcement Academy (MLEA) and the Public Safety Officer Standards and Training (POST) Council. These reorganizations are reflected in the table above.

There were many smaller modifications done throughout the interim which moved authority between expenditure categories or between programs in order to either cover shortfalls or tie out expenditure accounts by FYE. Within the Motor Vehicle Division, approximately \$3.0 million was transferred out of operating expenses with \$2.4 million being transferred to the Central Service Division to consolidate all IT costs. Within the Montana Highway Patrol, operating expenses were decreased to accurately record lease as debt service (seen in a corresponding increase).

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 FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
PB	60.00	61.00	61.00	1.00	0.8%
General Fund	8,579,466	9,544,497	9,543,390	1,928,955	11.2%
State/Other Special Rev. Funds	1,165,506	1,165,506	1,165,506		0.0%
Federal Spec. Rev. Funds	229,485	229,485	229,485		0.0%
Total Funds	9,974,457	10,939,488	10,938,381	1,928,955	9.7%
Personal Services	7,414,421	7,504,517	7,501,993	177,668	1.2%
Operating Expenses	2,354,814	2,729,749	2,731,166	751,287	16.0%
Benefits & Claims		500,000	500,000	1,000,000	0.0%
Transfers	9,000	9,000	9,000		0.0%
Debt Service	196,222	196,222	196,222		0.0%
Total Expenditures	9,974,457	10,939,488	10,938,381	1,928,955	9.7%
Total Ongoing	9,974,457	10,439,488	10,438,381	928,955	4.7%
Total One-Time-Only	1,617,533	500,000	500,000	(2,235,066)	(69.1%)

Program Highlights

Legal Services Division Major Budget Highlights
<p>The 2027 biennium HB 2 request for the Legal Services Division is \$1.9 million or 9.7% greater than FY 2025 base appropriations. Significant proposals in addition to small reductions in statewide present law adjustments include:</p> <ul style="list-style-type: none"> • \$2.0 million general fund for the costs of litigation related to state laws • \$1.0 million general fund for new claims with the Natural Resource Damages Program • Just over \$260,000 for 1.00 additional attorney position in the Prosecution Services Bureau

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.

Legal 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
Base Budget	8,579,466	1,165,506	229,485	9,974,457	91.2%	8,579,466	1,165,506	229,485	9,974,457	91.2%
Statewide PL										
Personal Services	(40,681)	0	0	(40,681)	(0.4%)	(43,205)	0	0	(43,205)	(0.4%)
Fixed Costs	(620,691)	0	0	(620,691)	(5.7%)	(620,691)	0	0	(620,691)	(5.7%)
Inflation Deflation	(4,374)	0	0	(4,374)	(0.0%)	(2,957)	0	0	(2,957)	(0.0%)
Total Statewide PL	(665,746)	0	0	(665,746)	(6.1%)	(666,853)	0	0	(666,853)	(6.1%)
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	1,630,777	0	0	1,630,777	14.9%	1,630,777	0	0	1,630,777	14.9%
Total HB 2 Adjustments	965,031	0	0	965,031	8.8%	963,924	0	0	963,924	8.8%
Total Requested Budget	9,544,497	1,165,506	229,485	10,939,488		9,543,390	1,165,506	229,485	10,938,381	

Funding

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

Department of Justice, 01-Legal 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	18,087,887	1,000,000	0	14,120	19,102,007	86.5%
02140 Consumer Education Settlement	1,705,668	0	0	0	1,705,668	67.4%
02937 DOJ Misc SSR MOUs	625,344	0	0	0	625,344	24.7%
02957 DOJ Tobacco Litigation fund	0	0	0	200,000	200,000	7.9%
State Special Total	\$2,331,012	\$0	\$0	\$200,000	\$2,531,012	11.5%
03187 BCC Grants To Dept. Of Justice	2	0	0	0	2	0.0%
03801 Dept Of Justice-Misc Grants	458,968	0	0	0	458,968	100.0%
Federal Special Total	\$458,970	\$0	\$0	\$0	\$458,970	2.1%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$20,877,869	\$1,000,000	\$0	\$214,120	\$22,091,989	

General fund accounts for 84.1% of the Legal Services Division's (LSD) HB 2 budget. The cost of major litigation is entirely supported by general fund. Each of the various functions within LSD has a unique funding source. Attorneys are supported by general fund, state special revenue from consumer education settlement funds, and other state special revenues generated from agreements with other state agencies. The prosecution of hunting violations is funded by the Department of Fish, Wildlife, and Parks and for workers' compensation violations, funded by the Montana State Fund, upon occurrence.

The Consumer Education and Settlement Account projected fund balance is outlined below.

Consumer Education and Settlement Account (02140) 2027 Biennium Fund Balance Projection				
	Actual FY 2024	Appropriated FY 2025	Proposed FY 2026	Proposed FY 2027
Beginning Fund Balance	\$10,053,538	\$11,730,868	\$12,040,469	\$13,498,432
Revenues	4,906,243	3,021,750	3,021,750	3,021,750
Expenditures				
Personal Services	1,129,100	1,637,443	1,077,944	1,077,785
Operating Expenses	518,040	676,103	316,820	316,820
Equipment	0	1,773	0	0
Grants	0	100,000	100,000	100,000
Benefits and Claims	7,919	225,600	0	0
Transfers out	2,106,702	9,000	9,000	9,000
Debt Service	47,050	62,230	60,023	60,023
Total Expenditures	3,808,811	2,712,149	1,563,786	1,563,627
Prior Period Adjustments	579,898	0	0	0
Ending Fund Balance	\$11,730,868	12,040,469	13,498,432	14,956,555

As seen in the table above, the fund balance in the account is projected to increase to nearly \$15.0 million by the end of the 2027 biennium. Requested expenditures are reduced for the 2027 biennium when compared to current structures. The 2023 Legislature approved funding requests for drug court funding from this state special revenue. There is a request to transition these costs to the general fund in the Judicial Branch.

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	60.00	60.00	61.00	61.00
Personal Services	7,094,737	7,365,777	7,529,154	7,504,517	7,501,993
Operating Expenses	2,997,091	3,409,380	3,857,614	2,729,749	2,731,166
Benefits & Claims	0	0	0	500,000	500,000
Transfers	0	9,000	9,000	9,000	9,000
Debt Service	5,387	113,842	196,222	196,222	196,222
Total Expenditures	\$10,097,215	\$10,897,999	\$11,591,990	\$10,939,488	\$10,938,381
General Fund	8,882,114	9,656,802	10,196,999	9,544,497	9,543,390
State/Other Special Rev. Funds	1,014,494	1,015,448	1,165,506	1,165,506	1,165,506
Federal Spec. Rev. Funds	200,607	225,749	229,485	229,485	229,485
Total Funds	\$10,097,215	\$10,897,999	\$11,591,990	\$10,939,488	\$10,938,381
Total Ongoing	\$9,196,261	\$9,280,859	\$9,974,457	\$10,439,488	\$10,438,381
Total OTO	\$900,954	\$1,617,140	\$1,617,533	\$500,000	\$500,000

Program Description

The State Attorney's Office (LSD) serves many functions. These are to provide:

- Legal research and analysis for the Attorney General
- Legal counsel for state government officials, bureaus, and boards
- Legal assistance to local governments and Indian tribes
- Legal assistance, training, and support for county prosecutors

The Prosecution Services Bureau assists local county attorneys by providing training and assisting in the prosecution of complex criminal cases, particularly homicide cases. The bureau prosecutes cases where the county attorney has a conflict of interest, as well as drug, workers' compensation, and Medicaid fraud cases. The bureau also investigates complaints against county attorneys.

The Appellate Services Bureau handles appeals of criminal matters, including death penalty cases, and represents the state in federal court when constitutional challenges are made to a criminal conviction.

The Civil Services Bureau defends the state in constitutional challenges and coordinates appeals of civil cases that involve the state. This bureau also provides legal assistance to state and local governments on matters involving Indian jurisdiction and federal reserved water rights.

The Child Protection Unit handles child abuse and neglect cases around Montana. The unit has offices in Bozeman, Billings, Great Falls, and Miles City and focuses on resolving the legal status of children who have been in foster care for more than 15 out of the most recent 22 months.

The Office of Consumer Protection (OCP) responds to consumer complaints and enforces Montana's consumer protection laws and regulations relating to unfair and deceptive business practices.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

In FY 2024, the Legal Service Division expended 93.1% of its modified HB 2 budget. Personal services comprised 68.5% of FY 2024 authority and were 96.3% expended. Operating expenses comprised most of the remaining authority and were 89.1% expended. Unexpended balances are seen primarily within operating expenses. The division was provided \$1.0 million in one-time-only general fund for state litigation. Of this authority, just over \$436,000 was spent.

FY 2024 Appropriations Compared to FY 2025 Appropriations

When compared to FY 2024 appropriations, amounts in FY 2025 reflect an increase of nearly \$700,000 or 6.3%. Additional authority in FY 2025 can be seen in additional personal service funding from the HB 13 pay plan of the 2023 Session, and additional operating expense authority is the result of the division moving operating expense authority out of the division at FYE 2024 to tie out expenses. These changes have not occurred in FY 2025.

Program Personal Services

Personal services requested for the 2027 biennium total \$15.0 million which reflects an overall increase of \$178,000 or 1.2% when compared to FY 2025 base appropriations. This increase is due to the request for 1.00 additional attorney position that is partially offset by a reduction within statewide present law adjustments to personal services. This reduction is the result of the agency not fully utilizing HB 2 and HB 13 personal service authority and rehiring vacant positions at slightly lower rates than when the position became vacant during the interim. Offsetting legislative increases primarily relate to additional social security and retirement benefits for employees.

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	(40,681)	0	0	(40,681)		0.00	(43,205)	0	0	(43,205)
DP 2 - Fixed Costs										
0.00	(620,691)	0	0	(620,691)		0.00	(620,691)	0	0	(620,691)
DP 3 - Inflation Deflation										
0.00	(4,374)	0	0	(4,374)		0.00	(2,957)	0	0	(2,957)
Grand Total All Present Law Adjustments										
0.00	(\$665,746)	\$0	\$0	(\$665,746)		0.00	(\$666,853)	\$0	\$0	(\$666,853)

**"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 Justice	
Legal Services Division	
FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$81,113
Management Decisions	(121,794)
Budget Modifications	-
Total	<u>(\$40,681)</u>

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 101 - NRDP New Claims Authority (RST, BIEN, OTO)										
0.00	500,000	0	0	500,000		0.00	500,000	0	0	500,000
DP 102 - Litigation Funding - (RST, BIEN)										
0.00	1,000,000	0	0	1,000,000		0.00	1,000,000	0	0	1,000,000
DP 103 - PSB Attorney										
1.00	130,777	0	0	130,777		1.00	130,777	0	0	130,777
Total	1.00	\$1,630,777	\$0	\$0	\$1,630,777	1.00	\$1,630,777	\$0	\$0	\$1,630,777

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

DP 101 - NRDP New Claims Authority (RST, BIEN, OTO) -

The executive requests one-time-only general fund for the Natural Resource Damage Program (NDRP) to use in determining and quantifying the level of injured natural resources and the actions/costs needed to return injured resources to baseline conditions at sites where natural resource damage claims are being made by NRDP.

DP 102 - Litigation Funding - (RST, BIEN) -

The executive requests restricted and biennial general fund to provide for resources such as experts, outside counsel, and increased costs in courts nationwide. Additionally, the appropriation will also provide funding to pay for litigation expenses such as discovery costs, technical support, trial preparation, and in some cases, attorney fees and costs.

**LFD
COMMENT**

The 2023 Legislature provided the department with \$1.0 million each year of the 2025 biennium but provided this authority as one-time-only. In FY 2024, approximately \$437,000 was expended leaving almost \$1.6 million in biennial authority. This requests seeks to continue that funding.

DP 103 - PSB Attorney -

The executive requests 1.00 additional attorney position and associated general fund within the Prosecution Services Bureau.

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	320.09	320.09	320.09	0.00	0.0%
General Fund	2,032,394	4,032,394	4,032,394	4,000,000	98.4%
State/Other Special Rev. Funds	50,243,154	63,909,388	53,228,188	16,651,268	16.6%
Total Funds	52,275,548	67,941,782	57,260,582	20,651,268	19.8%
Personal Services	34,243,617	39,443,541	39,531,641	10,487,948	15.3%
Operating Expenses	12,138,104	11,503,000	11,503,046	(1,270,162)	(5.2%)
Equipment & Intangible Assets	2,917,995	3,317,995	3,317,995	800,000	13.7%
Debt Service	2,975,832	13,677,246	2,907,900	10,633,482	178.7%
Total Expenditures	52,275,548	67,941,782	57,260,582	20,651,268	19.8%
Total Ongoing	52,275,548	57,172,436	57,260,582	9,881,922	9.5%
Total One-Time-Only	400,000	10,769,346		9,969,346	1,246.2%

Program Highlights

Montana Highway Patrol Major Budget Highlights
<p>The 2027 biennium request for the Montana Highway Patrol reflects an increase of \$20.7 million or 19.8% when compared to FY 2025 base appropriations. Significant changes include:</p> <ul style="list-style-type: none"> • \$10.8 million in one-time-only state special revenue to pay off statewide radio loans • \$7.2 million of state special revenue to implement a pay increase for highway patrol troopers of 14.0% based on the salary survey conducted by the Department of Administration as required by statute • \$4.0 million of general fund to cover supplemental contributions of 10.18% for the Highway Patrol Officers' Retirement System (HPORS) based on statutory requirements

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.

Montana Highway Patrol 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
Base Budget	2,032,394	50,243,154	0	52,275,548	76.9%	2,032,394	50,243,154	0	52,275,548	91.3%
Statewide PL										
Personal Services	0	(403,355)	0	(403,355)	(0.6%)	0	(315,255)	0	(315,255)	(0.6%)
Fixed Costs	0	(902,895)	0	(902,895)	(1.3%)	0	(902,895)	0	(902,895)	(1.6%)
Inflation Deflation	0	(141)	0	(141)	(0.0%)	0	(95)	0	(95)	(0.0%)
Total Statewide PL	0	(1,306,391)	0	(1,306,391)	(1.9%)	0	(1,218,245)	0	(1,218,245)	(2.1%)
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	2,000,000	14,972,625	0	16,972,625	25.0%	2,000,000	4,203,279	0	6,203,279	10.8%
Total HB 2 Adjustments	2,000,000	13,666,234	0	15,666,234	23.1%	2,000,000	2,985,034	0	4,985,034	8.7%
Total Requested Budget	4,032,394	63,909,388	0	67,941,782		4,032,394	53,228,188	0	57,260,582	

Funding

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

Department of Justice, 03-Montana Highway Patrol Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	8,064,788	0	0	0	8,064,788	6.4%
02014 Highway Patrol Pay & Retention	30,137,364	0	0	0	30,137,364	25.7%
02372 MHP MISC	0	0	0	2	2	0.0%
02464 MHP Highway State Special	67,993,122	0	0	0	67,993,122	58.0%
02594 Statewide 911 Services Admin	691,258	0	0	0	691,258	0.6%
02690 Public Service Radio	7,546,486	10,769,346	0	0	18,315,832	15.6%
State Special Total	\$106,368,230	\$10,769,346	\$0	\$2	\$117,137,578	93.6%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$114,433,018	\$10,769,346	\$0	\$2	\$125,202,366	

The HB 2 budget for the MHP is supported primarily, 93.6%, with state special revenue. Most of the HB 2 costs are funded by the MHP Highway State Special account established by the 2017 Legislature and with the Highway Patrol Pay & Retention account.

The figure below shows the revenues, expenditures, and fund balances for the MHP Highway State Special Revenue Account. In the 2027 biennium, projections for these primary revenues are taken from the HJ 2 projections and the expenditures consist of the executive 2027 biennium budget proposal.

MPH Highway State Special Revenue Account (02464) 2027 Biennium Fund Balance Projection				
	Actual FY 2024	Appropriated FY 2025	Proposed FY 2026	Proposed FY 2027
Beginning Fund Balance	\$4,354,772	\$4,013,094	\$912,034	\$515,637
Revenues	33,687,864	34,095,000	35,095,000	35,237,794
Expenditures				
Personal Services	22,319,366	23,949,735	23,405,638	23,470,832
Operating Expenses	7,885,679	9,940,428	9,179,862	9,179,908
Equipment & Intangible Assets	3,948,932	2,492,165	2,092,165	2,092,165
Benefits & Claims	0	0	0	0
Debt Service	846,496	813,732	813,732	813,732
Total Expenditures	\$35,000,473	\$37,196,060	\$35,491,397	\$35,556,637
Prior Period Adjustments	970,931	0	0	0
Ending Fund Balance	\$4,013,094	\$912,034	\$515,637	\$196,794

This account is projected to begin the 2027 biennium with a balance of \$4.0 million. The primary revenues in the account are derived from a distribution of gasoline and diesel taxes and are estimated to be \$70.3 million in the biennium. The expenditures under the executive proposal are \$71.1 million. The account is projected to end the 2027 biennium with a negative balance.

**LFD
COMMENT**

As seen in the table above, the level of proposed expenditures exceeds the level of projected revenue as per estimates adopted within HJ2. This negative structural balance over the 2027 biennium results in a negative estimated fund balance of (\$359,000). The amount the executive can spend from this account would be the lesser of the appropriated amount or the actual fund balance. DP 304 discussed below would help offset some authority. The legislature may wish to consider the amount of authority from this account with the department for the 2027 biennium.

The account is projected to end the 2027 biennium with a balance of just under \$200,000.

The next figure looks at the Highway Patrol Pay and Retention state special revenue account. This account receives revenue from licenses and permits generated through registration fees. The account serves the purpose of funding base salaries, operating costs, and salary increases.

Highway Patrol Recruitment & Retention Account (02014)				
2025 Biennium Fund Balance Projection				
	Actual FY 2024	Appropriated FY 2025	Proposed FY 2026	Proposed FY 2027
Beginning Fund Balance	\$7,763,552	\$8,280,362	\$8,759,793	\$7,548,333
Revenues	11,099,462	11,000,000	14,100,000	14,100,000
Expenditures				
Personal Services	9,505,481	9,850,689	13,349,087	13,372,002
Operating Expenses	577,532	669,880	1,562,373	1,562,373
Equipment & Intangible Assets	0	0	400,000	400,000
Transfers-out	500,000	0	0	0
Total Expenditures	\$10,583,013	\$10,520,569	\$15,311,460	\$15,334,375
Prior Period Adjustments	361	0	0	0
Ending Fund Balance	\$8,280,362	\$8,759,793	\$7,548,333	\$6,313,958

Additional revenue in the 2027 biennium is contingent upon the passage of additional legislation. The increase in expenditures relates to a series of decision packages proposed by the executive that are contingent upon the passage of the legislation. The account is projected to end the 2027 biennium with a balance around \$6.3 million.

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	320.09	320.09	320.09	320.09
Personal Services	32,496,269	32,347,037	34,243,617	39,443,541	39,531,641
Operating Expenses	9,858,821	11,101,830	12,138,104	11,503,000	11,503,046
Equipment & Intangible Assets	4,817,326	4,367,995	3,317,995	3,317,995	3,317,995
Benefits & Claims	0	30,000	0	0	0
Debt Service	2,912,365	2,975,832	2,975,832	13,677,246	2,907,900
Total Expenditures	\$50,084,781	\$50,822,694	\$52,675,548	\$67,941,782	\$57,260,582
General Fund	1,941,151	1,941,164	2,032,394	4,032,394	4,032,394
State/Other Special Rev. Funds	48,143,630	48,881,530	50,643,154	63,909,388	53,228,188
Total Funds	\$50,084,781	\$50,822,694	\$52,675,548	\$67,941,782	\$57,260,582
Total Ongoing	\$49,684,781	\$50,422,694	\$52,275,548	\$57,172,436	\$57,260,582
Total OTO	\$400,000	\$400,000	\$400,000	\$10,769,346	\$0

Program Description

The MHP patrols the roadways of Montana enforcing traffic laws and investigating traffic accidents. In addition, MHP provides 24-hour-a-day, seven-day-a-week communication and radio dispatch for the Highway Patrol, Motor Carrier Services, Montana Fish Wildlife and Parks, and Department of Corrections. MHP maintains the statewide radio system, provides assistance and resources to other law enforcement entities, provides protection for the governor, and provides security for the state capitol complex.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The MHP expended 98.5% of the FY 2024 HB 2 modified budget. Personal services were 100.5% expended, and operating expenses were 88.8% expended. Unutilized operating expenses pertain to appropriations of \$700,000 that was provided for camera replacements for officers and patrol cars that were not expended in FY 2024. This authority is biennial in nature and is available for spending in FY 2025.

LFD COMMENT	The 2023 Legislature provided the appropriation above for camera replacements, but this project has been held up in the RFP process. This is intended to be ongoing funding due to the nature of this purchase being a subscription-based model where software and maintenance are billed separate from equipment purchases.
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Equipment and intangible assets were over expended due to increased vehicle maintenance costs and the replacement cycle of law enforcement officer radios.

FY 2024 Appropriations Compared to FY 2025 Appropriations

When compared to appropriations in FY 2024, FY 2025 amounts increase by \$1.8 million or 3.6%. Differences are seen in a few areas. First, personal services increase by approximately \$1.9 million as a result of additional pay plan funding in FY 2025 totaling \$1.2 million and due to a program transfer in FY 2024 which moved \$550,000 in personal services to equipment expenses.

Increases of \$1.0 million in operating expenses are primarily driven again by transfers made at FYE 2024 to tie out expenditures. Operating Expense Authority was moved to equipment. These changes were not done in FY 2025 which explains the reduction in equipment as well.

Program Personal Services

Personal services requested for the 2027 biennium total \$79.0 million which reflect an overall increase of \$10.5 million or 15.3% when compared to FY 2025 base appropriations. This increase is mainly attributed to requests for salary increases and retirement contributions for patrol officers totaling \$11.2 million partially offset by statewide present law reductions to personal services.

These reductions are primarily due to how the snapshot calculates pay plan funding. These numbers are calculated by looking at the PB that were filled at the snapshot and whether they were issued the pay plan. If positions were vacant at the time of the snapshot or became vacant after the snapshot, pay plan authority would not show up in the data for these positions. This provides a negative result in management changes. Other decreases are due to the agency rehiring vacant positions at slightly lower rates than when the position became vacant during the interim. Offsetting legislative increases primarily relate to additional social security and retirement benefits for employees.

The Montana Highway Patrol has experienced large position vacancies within both highway patrol officer and dispatch center positions averaging nearly 45 vacancies during FY 2024. This represented approximately 14.0% of division positions.

LFD COMMENT	The Legislative Finance Committee generally recommends that subcommittees not pass contingent DPs until the corresponding bill has passed. This includes DP 301, 304, 305, and 306 in the table below.
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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	(403,355)	0	(403,355)	0.00	0	(315,255)	0	(315,255)	
DP 2 - Fixed Costs										
0.00	0	(902,895)	0	(902,895)	0.00	0	(902,895)	0	(902,895)	
DP 3 - Inflation Deflation										
0.00	0	(141)	0	(141)	0.00	0	(95)	0	(95)	
Grand Total All Present Law Adjustments										
0.00	\$0	(\$1,306,391)	\$0	(\$1,306,391)	0.00	\$0	(\$1,218,245)	\$0	(\$1,218,245)	

**"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 Justice Montana Highway Patrol FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$808,871
Management Decisions	(1,212,226)
Budget Modifications	-
Total	<u>(\$403,355)</u>

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 301 - MHP Salary Survey	0.00	0	3,603,279	0	3,603,279	0.00	0	3,603,279	0	3,603,279
DP 302 - MHP Statutory Retirement	0.00	2,000,000	0	0	2,000,000	0.00	2,000,000	0	0	2,000,000
DP 304 - MHP Funding Switch	0.00	0	0	0	0	0.00	0	0	0	0
DP 305 - Equipment Expenses	0.00	0	400,000	0	400,000	0.00	0	400,000	0	400,000
DP 306 - In-Car and Body Camera System Expenses	0.00	0	200,000	0	200,000	0.00	0	200,000	0	200,000
DP 307 - Statewide Radio Loan Payoff (OTO)	0.00	0	10,769,346	0	10,769,346	0.00	0	0	0	0
Total	0.00	\$2,000,000	\$14,972,625	\$0	\$16,972,625	0.00	\$2,000,000	\$4,203,279	\$0	\$6,203,279

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

DP 301 - MHP Salary Survey -

The executive requests additional state special revenue to implement a pay increase for troopers of 14.0% based on the salary survey conducted by the Department of Administration as required by 2-18-303(5)(a), MCA. Funding will come from the MHP Pay and Retention Fund and is related to legislation which will dedicate funding from the Luxury Vehicle Tax to the Pay and Retention Fund.

LFD COMMENT

MHP officers are given special dispensation in the broadband pay plan as sited in 21-18-303, MCA. According to the statute, the highway patrol officers base salaries must be established through the broadband pay plan as follows:

- Before January 1 of each odd-numbered year, the department (Administration) shall seek the advice of the MHP and conduct a salary survey to establish the base salary for existing and entry-level highway patrol officers that entails:
- Surveying the average base salary of 8 county sheriffs and the city police departments in the 8 county seats of those counties
- Determining the base salary for existing and entry-level highway patrol officer positions, using the results of the salary survey and the DOJ pay plan guidelines
- Base or biennial salary increases are exclusive of and not in addition to any increases otherwise awarded to other state employees
- To the extent that the plan applies to employees within a collective bargaining unit, the implementation of the plan is negotiated under the provisions of 39-31-305 (Duty to bargain collectively)
- The results of the survey are forwarded to the legislature for approval

DP 302 - MHP Statutory Retirement -

The executive requests additional general fund to pay supplemental contributions of 10.18% for the Highway Patrol Officers' Retirement System (HPORS) based on statutory requirements.

LFD COMMENT

Contributions had previously been funded through general fund appropriated through 16-6-404, MCA. The 2023 Legislature passed HB 569 which eliminated the statutory appropriation for the supplemental contribution for the Highway Patrol Officers' Retirement System (HPORS) of 10.18%, but did not eliminate the statutory requirement for the payment. This change package provides an appropriation for the contribution for the 2027 Biennium. Appropriations for the 2025 Biennium required payments are included in HB 3.

DP 304 - MHP Funding Switch -

The executive requests the movement of nearly \$700,000 each fiscal year in state special revenue authority from the MHP State Special Revenue Fund to the MHP Pay and Retention Fund. Funding is related to legislation which will dedicate funding from the Luxury Vehicle Tax to the Pay and Retention Fund.

DP 305 - Equipment Expenses -

The executive requests additional state special revenue for equipment purchases. Funding will come from the MHP Pay and Retention Fund and is related to legislation which will dedicate funding from the Luxury Vehicle Tax to the Pay and Retention Fund.

**LFD
COMMENT**

The 2023 Legislature provided the MHP with \$800,000 for the 2025 biennium. This funding was provided as one-time-only for the purpose of updating and replacing vehicles and radio equipment. The department has indicated this appropriation has helped, but costs have continued to increase resulting in the request.

DP 306 - In-Car and Body Camera System Expenses -

The executive requests funding to maintain its camera systems. Funding will come from the MHP Pay and Retention Fund and is related to legislation which will dedicate funding from the Luxury Vehicle Tax to the Pay and Retention Fund.

DP 307 - Statewide Radio Loan Payoff (OTO) -

The executive requests one-time-only state special revenue authority to pay off its statewide radio loans.

**LFD
COMMENT**

The 2023 Legislature provided \$18.6 million through a loan to fund the statewide radio program through fiscal 2028. Part of the program's annual budget includes paying off three loans used to expand program coverage. The work the loans are tied to has been completed.

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	125.75	125.75	125.75	0.00	0.0%
General Fund	11,667,002	11,864,592	11,917,997	448,585	1.9%
State/Other Special Rev. Funds	5,342,739	5,189,755	5,194,811	(300,912)	(2.8%)
Federal Spec. Rev. Funds	1,120,911	1,120,910	1,120,910	(2)	(0.0%)
Total Funds	18,130,652	18,175,257	18,233,718	147,671	0.4%
Personal Services	11,621,358	11,828,667	11,885,333	471,284	2.0%
Operating Expenses	4,874,671	4,711,967	4,713,762	(323,613)	(3.3%)
Equipment & Intangible Assets	123,452	123,452	123,452		0.0%
Grants	161,950	161,950	161,950		0.0%
Benefits & Claims	810,269	810,269	810,269		0.0%
Transfers	30,962	30,962	30,962		0.0%
Debt Service	507,990	507,990	507,990		0.0%
Total Expenditures	18,130,652	18,175,257	18,233,718	147,671	0.4%
Total Ongoing	18,130,652	18,175,257	18,233,718	147,671	0.4%
Total One-Time-Only					0.0%

Program Highlights

Division of Criminal Investigation Major Budget Highlights
The 2027 biennium HB 2 budget request for the Division of Criminal Investigation (DCI) is approximately \$148,000 or 0.4% higher than FY 2025 base appropriations. This increase is primarily the result of statewide present law increases to personal services totaling \$471,000 partially offset by statewide present law reductions to fixed costs totaling \$314,000.

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.

Division of Criminal Investigation 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
Base Budget	11,667,002	5,342,739	1,120,911	18,130,652	99.8%	11,667,002	5,342,739	1,120,911	18,130,652	99.4%
Statewide PL										
Personal Services	360,293	(152,984)	0	207,309	1.1%	411,903	(147,928)	0	263,975	1.4%
Fixed Costs	(157,164)	0	0	(157,164)	(0.9%)	(157,164)	0	0	(157,164)	(0.9%)
Inflation Deflation	(5,539)	0	(1)	(5,540)	(0.0%)	(3,744)	0	(1)	(3,745)	(0.0%)
Total Statewide PL	197,590	(152,984)	(1)	44,605	0.2%	250,995	(147,928)	(1)	103,066	0.6%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	197,590	(152,984)	(1)	44,605	0.2%	250,995	(147,928)	(1)	103,066	0.6%
Total Requested Budget	11,864,592	5,189,755	1,120,910	18,175,257		11,917,997	5,194,811	1,120,910	18,233,718	

Funding

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

Department of Justice, 05-Division of Criminal Investigation Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	23,782,589	0	0	0	23,782,589	64.5%
02006 Cigarette Fire Safety Standard	363,958	0	0	0	363,958	3.4%
02014 Highway Patrol Pay & Retention	328,658	0	0	0	328,658	3.0%
02016 Criminal Justice Info Network	2,041,135	0	0	0	2,041,135	18.9%
02106 Crime Victims Compensation-St	0	0	0	441,028	441,028	4.1%
02140 Consumer Education Settlement	1,062,876	0	0	0	1,062,876	9.8%
02396 Looping in Native Communities	5,000	0	0	0	5,000	0.0%
02464 MHP Highway State Special	500,368	0	0	0	500,368	4.6%
02546 MT Law Enforcement Academy	307,050	0	0	0	307,050	2.8%
02797 Criminal Records Info Sys	5,282,297	0	0	0	5,282,297	48.8%
02937 DOJ Misc SSR MOUs	432,224	0	0	0	432,224	4.0%
02958 DCI MMIP	61,000	0	0	0	61,000	0.6%
State Special Total	\$10,384,566	\$0	\$0	\$441,028	\$10,825,594	29.4%
03169 Federal Crime Victims Benefits	864,584	0	0	0	864,584	38.6%
03800 Medicaid Fraud	1,377,236	0	0	0	1,377,236	61.4%
Federal Special Total	\$2,241,820	\$0	\$0	\$0	\$2,241,820	6.1%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$36,408,975	\$0	\$0	\$441,028	\$36,850,003	

The DCI is supported by a combination of general fund and state and federal special revenue. General fund supports criminal investigations, fire prevention and investigation, state matching funds for Medicaid fraud investigators, drug task forces, the computer crime unit, sexual and violent offender registry, Amber Alert, and the child sexual abuse response team. General fund comprises 64.5% of requested funds for the 2027 biennium.

State special corresponds to 29.4% of requested appropriations. The three largest sources of state special revenue supporting DCI are criminal justice information network revenue that supports itself, revenue from criminal justice background checks that are paid in exchange for completion of the background check and from revenue resulting from litigation settlements.

The largest source of federal state special revenue is Medicaid funding that supports investigations of Medicaid fraud. Additionally, the division has some statutory appropriations which include funding for crime victim compensation. This authority is newer to the division following a reorganization transfer from Legal Services Division in FY 2022.

Funding for assistance to crime victims comes from the general fund, state special revenue funds, and federal grants. Small amounts of statutory authority for crime victims' compensation is established in 53-9-113, MCA.

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	125.75	125.75	125.75	125.75
Personal Services	11,122,796	11,330,797	11,621,358	11,828,667	11,885,333
Operating Expenses	4,287,325	4,393,271	4,874,671	4,711,967	4,713,762
Equipment & Intangible Assets	407,789	447,923	123,452	123,452	123,452
Grants	110,000	117,964	161,950	161,950	161,950
Benefits & Claims	741,669	823,095	810,269	810,269	810,269
Transfers	0	5,771	30,962	30,962	30,962
Debt Service	595,433	594,415	507,990	507,990	507,990
Total Expenditures	\$17,265,012	\$17,713,236	\$18,130,652	\$18,175,257	\$18,233,718
General Fund	11,458,574	11,582,449	11,667,002	11,864,592	11,917,997
State/Other Special Rev. Funds	4,880,885	5,017,292	5,342,739	5,189,755	5,194,811
Federal Spec. Rev. Funds	925,553	1,113,495	1,120,911	1,120,910	1,120,910
Total Funds	\$17,265,012	\$17,713,236	\$18,130,652	\$18,175,257	\$18,233,718
Total Ongoing	\$17,265,012	\$17,713,236	\$18,130,652	\$18,175,257	\$18,233,718
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The DCI includes the administration, management, and coordination of criminal investigative services and training performed by the Investigations Bureau, the Narcotics Bureau, the Crime Information Bureau, and the Special Services Bureau.

The Investigations Bureau consists of four sections. The Fire Prevention and Investigation Section is responsible for safeguarding life and property from fire, explosion, and arson through investigation, inspection, and fire code interpretation and enforcement functions. The Major Case Section provides criminal investigative assistance to city, county, state, and federal law enforcement agencies. The Medicaid Fraud Control Section is responsible for investigating any crime that occurs in a health care facility, including theft, drug diversion, sexual assault, and homicide. The section also investigates elder exploitation, elder abuse, and fraud by providers within the Medicaid system. The Montana Analysis and Technical Information Center (MATIC) is a statewide criminal intelligence center and addresses homeland security issues.

The Narcotics Bureau investigates dangerous drug violations and provides investigative assistance to city, county, state, and federal law enforcement agencies as requested. The bureau also investigates organized criminal activity.

The Crime Information Bureau is responsible for the repository of all Montana criminal records, maintains and operates the Criminal Justice Information Network that supports public safety and administers the Amber Alert Program. The bureau also manages the Computer Internet Crime Unit focused on digital forensics support for criminal investigations, online sexual predator cases, and maintains the Sexual and Violent Offender Registry.

The Special Services Bureau supports safety and justice for Montana children and other vulnerable citizens through training, technical support and assistance to Montana professionals who respond to children and other citizens victimized by crime and abuse. The bureau's programs include facilitation of Montana Child Sexual Abuse Response Teams, the Child and Family Ombudsman, Drug Endangered Children awareness training, the Montana Developmental Center facility investigator, the Office of Victim Services and the state Sexual Assault Kit Initiative program.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The DCI expended 97.5% of its FY 2024 modified HB 2 budget. Personal services comprised 64.0% of FY 2024 appropriations and were 98.2% expended. Operating expenses were expended at 97.6% by FYE. All expenditures followed anticipated trends.

FY 2024 Appropriations Compared to FY 2025 Appropriations

When compared to FY 2024 appropriations, FY 2025 amounts reflect an increase of just over \$400,000 or nearly 2.4%. This increase is primarily seen in personal services and operating expenses. Additional personal service funding is the result of pay plan funding for the second year of the biennium.

Operating expense increases are the result of one budget adjustment. This division performed many modifications that had an effect on appropriation structures for both years of the biennium, but only one change was done in FY 2024. This change moved approximately \$673,000 from operating expenses to equipment and personal service categories and was not done in FY 2025.

Program Personal Services

Personal services requested for the 2027 biennium total \$23.7 million, which reflects an overall increase of \$470,000 or 2.0% when compared to FY 2025 base appropriations. This increase is found entirely within statewide present law adjustments to personal services and are primarily the result of budget modifications in addition to negotiated pay changes and career ladder adjustments. When a modification occurs that moves more personal service funding than what is utilized for the positions that are moved or if no PB are moved at all, this funding comes back to the program it originated from when the snapshot occurs.

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	360,293	(152,984)	0	207,309	0.00	411,903	(147,928)	0	263,975
DP 2 - Fixed Costs										
	0.00	(157,164)	0	0	(157,164)	0.00	(157,164)	0	0	(157,164)
DP 3 - Inflation Deflation										
	0.00	(5,539)	0	(1)	(5,540)	0.00	(3,744)	0	(1)	(3,745)
Grand Total All Present Law Adjustments										
	0.00	\$197,590	(\$152,984)	(\$1)	\$44,605	0.00	\$250,995	(\$147,928)	(\$1)	\$103,066

***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 Justice	
Division of Criminal Investigation	
FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	(\$74,692)
Management Decisions	(190,944)
Budget Modifications	472,945
Total	<u>\$207,309</u>

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.

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	39.99	39.99	39.99	0.00	0.0%
State/Other Special Rev. Funds	3,149,538	2,945,412	2,952,850	(400,814)	(6.4%)
Proprietary Funds	1,513,970	1,513,970	1,513,970		0.0%
Total Funds	4,663,508	4,459,382	4,466,820	(400,814)	(4.3%)
Personal Services	3,799,440	3,689,314	3,696,750	(212,816)	(2.8%)
Operating Expenses	653,878	559,878	559,880	(187,998)	(14.4%)
Equipment & Intangible Assets	82,860	82,860	82,860		0.0%
Debt Service	127,330	127,330	127,330		0.0%
Total Expenditures	4,663,508	4,459,382	4,466,820	(400,814)	(4.3%)
Total Ongoing	4,663,508	4,459,382	4,466,820	(400,814)	(4.3%)
Total One-Time-Only					0.0%

Program Highlights

Gambling Control Division Major Budget Highlights

The 2027 biennium HB 2 budget request for the Gambling Control Division reflects a decrease of just over \$400,000 or 4.3% when compared to FY 2025 base appropriations. This decrease is the result of statewide present law adjustments to personal services totaling nearly \$222,000 and in fixed costs totaling \$188,000.

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.

Gambling 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
Base Budget	0	3,149,538	0	4,663,508	104.6%	0	3,149,538	0	4,663,508	104.4%
Statewide PL										
Personal Services	0	(110,126)	0	(110,126)	(2.5%)	0	(102,690)	0	(102,690)	(2.3%)
Fixed Costs	0	(93,995)	0	(93,995)	(2.1%)	0	(93,995)	0	(93,995)	(2.1%)
Inflation Deflation	0	(5)	0	(5)	(0.0%)	0	(3)	0	(3)	(0.0%)
Total Statewide PL	0	(204,126)	0	(204,126)	(4.6%)	0	(196,688)	0	(196,688)	(4.4%)
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	0	(204,126)	0	(204,126)	(4.6%)	0	(196,688)	0	(196,688)	(4.4%)
Total Requested Budget	0	2,945,412	0	4,459,382		0	2,952,850	0	4,466,820	

Funding

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

Department of Justice, 07-Gambling 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%	
02074 Gambling License Fee Account	5,589,486	0	0	3,700,088	9,289,574	96.6%	
02120 Live Game Tax	0	0	0	20,000	20,000	0.2%	
02790 6901-Statewide Tobacco Sttlmnt	308,776	0	0	0	308,776	3.2%	
State Special Total	\$5,898,262	\$0	\$0	\$3,720,088	\$9,618,350	76.1%	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%	
06005 Liquor Division	3,027,940	0	0	0	3,027,940	100.0%	
Proprietary Total	\$3,027,940	\$0	\$0	\$0	\$3,027,940	23.9%	
Total All Funds	\$8,926,202	\$0	\$0	\$3,720,088	\$12,646,290		

Activities in the Gambling Control Division (GCD) are supported primarily by state special revenue generated from gambling licensing fees. Liquor licensing fees (a proprietary fund) support other GCD functions related to liquor licensing. A small amount of funding from the tobacco settlement state special revenue account supports activities related to enforcement of settlement provisions. Statutory appropriations of state special revenue provide for distribution of local government portions of gambling license fees.

The following figure shows the revenues, expenditures, and fund balance for the Gambling License Fee Account. In the 2027 biennium, projections for the primary revenues are taken from the HJ 2 estimates, and the expenditures consist of the executive's 2027 biennium budget proposal.

Gambling License Fee Account (02074)				
Fund Balance Projection				
	Actual FY 2024	Appropriated FY 2025	Proposed FY 2026	Proposed FY 2027
Beginning Fund Balance	\$2,782,066	\$3,449,750	\$3,570,003	\$3,775,396
Revenues	4,773,103	5,058,862	5,058,862	5,058,862
Expenditures				
Personal Services	1,935,580	2,455,532	2,370,406	2,352,842
Operating Expenses	270,705	570,037	570,023	595,025
Equipment & Intangible Assets	61,709	61,996	61,996	61,996
Local Assistance (SA)	1,800,575	1,850,044	1,850,044	1,850,044
Debt Service	136,100	1,000	1,000	1,000
Total Expenditures	\$4,204,669	\$4,938,609	\$4,853,469	\$4,860,907
Prior Period Adjustments	99,250	0	0	0
Ending Fund Balance	\$3,449,750	\$3,570,003	\$3,775,396	\$3,973,351

The Gambling License Fee Account will begin the biennium with a projected fund balance of \$3.4 million. Primary revenues, derived from video gambling machine permit fees, are projected to total \$10.1 million. The account supports a statutory appropriation for the local government share of the permit fees, expected to be \$3.7 million in the 2027 biennium. HB 2 costs support the GCD, the Central Services Division, and IT costs. Under the executive budget proposal, HB 2 costs of \$9.7 million are requested. The account is projected to end the 2027 biennium with a fund balance of approximately \$4.0 million.

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	39.99	39.99	39.99	39.99
Personal Services	3,132,131	3,201,765	3,799,440	3,689,314	3,696,750
Operating Expenses	283,220	329,325	653,878	559,878	559,880
Equipment & Intangible Assets	66,946	82,860	82,860	82,860	82,860
Debt Service	206,168	256,830	127,330	127,330	127,330
Total Expenditures	\$3,688,465	\$3,870,780	\$4,663,508	\$4,459,382	\$4,466,820
State/Other Special Rev. Funds	2,404,764	2,431,213	3,149,538	2,945,412	2,952,850
Proprietary Funds	1,283,701	1,439,567	1,513,970	1,513,970	1,513,970
Total Funds	\$3,688,465	\$3,870,780	\$4,663,508	\$4,459,382	\$4,466,820
Total Ongoing	\$3,688,465	\$3,870,780	\$4,663,508	\$4,459,382	\$4,466,820
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Gambling Control Division (GCD) was established by the 1989 Legislature to regulate the gambling industry in Montana. The Division has criminal justice authority and conducts routine field inspections, audits, and investigations related to gambling activities. In addition to collecting and distributing licensing and permit fees for gambling machines and activities, the division collects the gambling tax assessed on the net proceeds of gambling activities. Furthermore, it conducts investigations related to alcoholic beverage licensing and tobacco enforcement. An appointed Gaming Advisory Council of nine members advises the Attorney General to ensure uniform statewide regulation of gambling activities. The Gambling Control Program is mandated by state law.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

In FY 2024, the GCD expended 95.3% of its modified HB 2 budget. Personal services were 97.8% expended, and operating expenses were 86.0% expended albeit while comprising a very small portion of overall appropriations. Principally, expenditures followed expected patterns.

FY 2024 Appropriations Compared to FY 2025 Appropriations

FY 2025 appropriations increase by approximately \$800,000 over FY 2024 appropriations, reflecting an increase of about 20.0%. This can be seen both in personal services and operating expenses. Personal service increases are the result of additional pay plan funding in FY 2025 and due to modifications made which transferred unutilized personal services to other divisions in FY 2024. The GCD experienced some position vacancies throughout the interim.

Operating expense increases are also the result of program transfers done in FY 2024 that have not occurred in FY 2025. These transfers moved approximately \$285,000 in authority to other divisions.

Program Personal Services

Personal services requested for the 2027 biennium total \$7.4 million which reflect an overall decrease of \$213,000 or 2.8% when compared to FY 2025 base appropriations. This decrease is found entirely within statewide present law adjustments to personal services. Negative management changes are primarily the result of rehiring vacant positions at slightly lower rates. Additionally, statutorily defined benefits and longevity were lower in the 2025 snapshot.

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	(110,126)	0	(110,126)	0.00	0	(102,690)	0	(102,690)
DP 2 - Fixed Costs	0.00	0	(93,995)	0	(93,995)	0.00	0	(93,995)	0	(93,995)
DP 3 - Inflation Deflation	0.00	0	(5)	0	(5)	0.00	0	(3)	0	(3)
Grand Total All Present Law Adjustments	0.00	\$0	(\$204,126)	\$0	(\$204,126)	0.00	\$0	(\$196,688)	\$0	(\$196,688)

***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 Justice Gambling Control Division FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	(\$28,406)
Management Decisions	(81,720)
Budget Modifications	-
Total	<u>(\$110,126)</u>

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.

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	45.80	49.50	49.50	3.70	4.0%
General Fund	6,745,954	6,676,233	6,696,056	(119,619)	(0.9%)
State/Other Special Rev. Funds	1,889,775	1,889,775	1,889,775		0.0%
Total Funds	8,635,729	8,566,008	8,585,831	(119,619)	(0.7%)
Personal Services	5,467,585	5,825,359	5,845,117	735,306	6.7%
Operating Expenses	2,625,857	2,244,069	2,244,134	(763,511)	(14.5%)
Equipment & Intangible Assets	226,000	226,000	226,000		0.0%
Debt Service	316,287	270,580	270,580	(91,414)	(14.5%)
Total Expenditures	8,635,729	8,566,008	8,585,831	(119,619)	(0.7%)
Total Ongoing	8,635,729	8,566,008	8,585,831	(119,619)	(0.7%)
Total One-Time-Only					0.0%

Program Highlights

Forensic Sciences Division Major Budget Highlights
<p>The Forensic Sciences Division's HB 2 request for the 2027 biennium is \$120,000 or 0.7% lower than FY 2025 base appropriations. This reduction is the result of statewide present law decreases for fixed costs totaling \$222,000 partially offset by statewide present law increases to personal services totaling \$102,000 for the biennium.</p>

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.

Forensic Science 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
Base Budget	6,745,954	1,889,775	0	8,635,729	100.8%	6,745,954	1,889,775	0	8,635,729	100.6%
Statewide PL										
Personal Services	41,244	0	0	41,244	0.5%	61,002	0	0	61,002	0.7%
Fixed Costs	(110,764)	0	0	(110,764)	(1.3%)	(110,764)	0	0	(110,764)	(1.3%)
Inflation Deflation	(201)	0	0	(201)	(0.0%)	(136)	0	0	(136)	(0.0%)
Total Statewide PL	(69,721)	0	0	(69,721)	(0.8%)	(49,898)	0	0	(49,898)	(0.6%)
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	(69,721)	0	0	(69,721)	(0.8%)	(49,898)	0	0	(49,898)	(0.6%)
Total Requested Budget	6,676,233	1,889,775	0	8,566,008		6,696,056	1,889,775	0	8,585,831	

Funding

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

Department of Justice, 08-Forensic Science 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	13,372,289	0	0	0	13,372,289	78.0%
02450 FSD Autopsy and Service Fees	2,002,218	0	0	0	2,002,218	53.0%
02464 MHP Highway State Special	884,618	0	0	0	884,618	23.4%
02945 DOJ Blood draw MCA 61-8-402	892,714	0	0	0	892,714	23.6%
State Special Total	\$3,779,550	\$0	\$0	\$0	\$3,779,550	22.0%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$17,151,839	\$0	\$0	\$0	\$17,151,839	

The FSD is funded entirely with general fund and state special revenues. The FSD Autopsy and Service Fees account, authorized by the 2017 Legislature, provides most of the state special revenue in the division while some authority comes from the MHP state special revenue account.

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	45.80	45.80	49.50	49.50
Personal Services	5,757,190	5,233,499	5,467,585	5,825,359	5,845,117
Operating Expenses	1,332,901	1,854,624	2,625,857	2,244,069	2,244,134
Equipment & Intangible Assets	1,241,989	1,246,824	226,000	226,000	226,000
Debt Service	263,370	267,463	316,287	270,580	270,580
Total Expenditures	\$8,595,450	\$8,602,410	\$8,635,729	\$8,566,008	\$8,585,831
General Fund	6,768,314	6,769,150	6,745,954	6,676,233	6,696,056
State/Other Special Rev. Funds	1,827,136	1,833,260	1,889,775	1,889,775	1,889,775
Total Funds	\$8,595,450	\$8,602,410	\$8,635,729	\$8,566,008	\$8,585,831
Total Ongoing	\$8,595,450	\$8,602,410	\$8,635,729	\$8,566,008	\$8,585,831
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Forensic Science Division (FSD), better known as the State Crime Lab, was established in Montana Code in 1977. The division has facilities in both Missoula and Billings. The Missoula facility houses the Medical Examiners, DNA/Serology, Toxicology, Chemical Analysis, Latent Prints, Firearms/ Toolmarks, Quality Assurance, and Evidence sections. The Billings facility contains Medical Examiner, Chemical Analysis, and Evidence sections.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The FSD expended 99.9% of total FY 2024 modified HB 2 budgets. Personal services comprised 60.8% of fiscal year appropriations and were over expended at 110.0%. Operating expenses were expended at 71.9%, and equipment accounts were 99.6% expended. Typically, there would have been a budget change performed at the end of the fiscal year which is generally done to properly tie out account balances, but this change was not made between operating expenses and personal services. Unutilized operating expenses covered personal service spending, and the division stayed within overall appropriation levels.

FY 2024 Appropriations Compared to FY 2025 Appropriations

When compared to FY 2024 appropriations, amounts in FY 2025 are practically identical reflecting an increase of about \$33,000. There is a noticeable difference in the structure of appropriations (seen in operating expenses and equipment accounts). Operating expenses were decreased in FY 2024 due to a few budget modifications which moved authority to equipment accounts to cover equipment purchased within the state crime lab.

Program Personal Services

Total personal services requested for the 2027 biennium are \$11.0 million which is \$102,000 or 0.9% higher than FY 2025 base personal service appropriations. This increase is the result of statewide present law increases to personal services which are primarily driven by increased position benefits such as retirement and social security as well as career ladder and promotion adjustments to employee pay.

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	41,244	0	0	41,244	0.00	61,002	0	0	61,002
DP 2 - Fixed Costs	0.00	(110,764)	0	0	(110,764)	0.00	(110,764)	0	0	(110,764)
DP 3 - Inflation Deflation	0.00	(201)	0	0	(201)	0.00	(136)	0	0	(136)
Grand Total All Present Law Adjustments	0.00	(\$69,721)	\$0	\$0	(\$69,721)	0.00	(\$49,898)	\$0	\$0	(\$49,898)

*"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 Justice Forensic Sciences Division FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$61,537
Management Decisions	(20,293)
Budget Modifications	-
Total	\$41,244

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 801 - Make 3 DNA modified permanent, Reduce Operating Expense										
3.00	0	0	0	0		3.00	0	0	0	0
DP 802 - Adjust Part-Time PB to Full-Time										
0.70	0	0	0	0		0.70	0	0	0	0
Total	3.70	\$0	\$0	\$0		3.70	\$0	\$0	\$0	\$0

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

DP 801 - Make 3 DNA modified permanent, Reduce Operating Expense -

The executive requests 3.00 additional DNA forensic scientist positions.

**LFD
COMMENT**

The department has been utilizing these three PB as modified positions in the 2025 biennium to handle the current DNA evidence caseloads. As these positions have been managed within existing budgets, this request is a net impact of \$0 due to the decision package increasing personal services and decreasing operating expenses by identical amounts.

DP 802 - Adjust Part-Time PB to Full-Time -

The executive requests changing one position from 0.33 PB to 1.00 PB.

**LFD
COMMENT**

As this position has been managed within existing budgets, this request is a net impact of \$0 due to the decision package increasing personal services and decreasing operating expenses by identical amounts.

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	151.05	151.05	151.05	0.00	0.0%
General Fund	7,963,025	5,882,243	5,895,425	(4,148,382)	(26.0%)
State/Other Special Rev. Funds	15,794,692	19,331,191	19,335,729	7,077,536	22.4%
Proprietary Funds	554,208	554,208	554,208		0.0%
Total Funds	24,311,925	25,767,642	25,785,362	2,929,154	6.0%
Personal Services	9,644,203	10,824,598	10,840,919	2,377,111	12.3%
Operating Expenses	13,743,470	13,818,792	13,820,191	152,043	0.6%
Equipment & Intangible Assets	164,028	164,028	164,028		0.0%
Local Assistance	25,000	225,000	225,000	400,000	800.0%
Transfers	408,124	408,124	408,124		0.0%
Debt Service	327,100	327,100	327,100		0.0%
Total Expenditures	24,311,925	25,767,642	25,785,362	2,929,154	6.0%
Total Ongoing	24,311,925	25,767,642	25,785,362	2,929,154	6.0%
Total One-Time-Only					0.0%

Program Highlights

Motor Vehicle Division Major Budget Highlights
<p>The 2027 biennium request for the Motor Vehicle Division is an increase of \$2.9 million or 6.0% higher than FY 2025 base appropriations. Significant changes include:</p> <ul style="list-style-type: none"> Nearly \$2.4 million (\$1.0 million general fund and \$1.4 million in state special revenue) in statewide present law adjustments to personal services partially offset by reductions (primarily in state special revenue) to fixed costs totaling \$1.1 million \$900,000 in state special revenue to cover programming fees for the CARS system \$400,000 state special revenue to support the costs of county partners processing Motor Vehicle Division transactions for Montana residents

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.

Motor Vehicle 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
Base Budget	7,963,025	15,794,692	0	24,311,925	94.4%	7,963,025	15,794,692	0	24,311,925	94.3%
Statewide PL										
Personal Services	510,396	669,999	0	1,180,395	4.6%	522,179	674,537	0	1,196,716	4.6%
Fixed Costs	(92,728)	(448,172)	0	(540,900)	(2.1%)	(92,728)	(448,172)	0	(540,900)	(2.1%)
Inflation Deflation	(4,317)	0	0	(4,317)	(0.0%)	(2,918)	0	0	(2,918)	(0.0%)
Total Statewide PL	413,351	221,827	0	635,178	2.5%	426,533	226,365	0	652,898	2.5%
Present Law (PL)	0	620,539	0	620,539	2.4%	0	620,539	0	620,539	2.4%
New Proposals	(2,494,133)	2,694,133	0	200,000	0.8%	(2,494,133)	2,694,133	0	200,000	0.8%
Total HB 2 Adjustments	(2,080,782)	3,536,499	0	1,455,717	5.6%	(2,067,600)	3,541,037	0	1,473,437	5.7%
Total Requested Budget	5,882,243	19,331,191	0	25,767,642		5,895,425	19,335,729	0	25,785,362	

Funding

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

Department of Justice, 09-Motor Vehicle 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	11,777,668	0	0	0	11,777,668	22.8%
02390 Spec Motorcycle Lic Plates	0	0	0	107,000	107,000	0.3%
02456 61-6-158 MTIVS & MCE	6,541,876	0	0	0	6,541,876	16.9%
02796 MVD Real ID	5,185,456	0	0	0	5,185,456	13.4%
02798 61-3-550 MVD MERLIN HB261	3,010,470	0	0	0	3,010,470	7.8%
02799 Motor Vehicle Administration	23,929,118	0	0	0	23,929,118	61.7%
State Special Total	\$38,666,920	\$0	\$0	\$107,000	\$38,773,920	75.1%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
06083 61-3-118 MVD E-Commerce	1,108,416	0	0	0	1,108,416	100.0%
Proprietary Total	\$1,108,416	\$0	\$0	\$0	\$1,108,416	2.1%
Total All Funds	\$51,553,004	\$0	\$0	\$107,000	\$51,660,004	

Drivers' licensing and vehicle titling and registration functions are supported by the general fund and MVD administrative fee state special revenue account. State special revenues are generated through various taxes and fees related to the owning and operating of motor vehicles. Proprietary funds collected from fees charged for e-government services support online web-based services that may be used by the public.

The following figure shows the revenues, expenditures, and fund balance for the MVD Administration Account. In the 2027 biennium, expenditures consist of the executive 2027 biennium budget proposal.

Motor Vehicle Administration Account (02799)				
2027 Biennium Fund Balance Projection				
	Actual FY 2024	Appropriated FY 2025	Proposed FY 2026	Proposed FY 2027
Beginning Fund Balance	\$4,375,479	\$4,976,826	\$4,441,719	\$2,912,154
Revenues	\$16,538,831	\$14,901,790	\$14,901,790	\$14,901,790
Expenditures				
Personal Services	6,479,375	5,568,410	6,268,409	6,272,946
Operating Expenses	7,674,687	9,427,615	9,722,074	9,722,075
Equipment & Intangible Assets	0	0	0	0
Local Assistance & Other	25,691	25,000	25,000	25,000
Tranfers	1,439,751	204,062	204,062	204,062
Debt Service	318,609	211,810	211,810	211,810
Total Expenditures	\$15,938,113	\$15,436,897	\$16,431,355	\$16,435,893
Prior Period Adjustments	629	0	0	0
Ending Fund Balance	\$4,976,826	\$4,441,719	\$2,912,154	\$1,378,051

The MVD Administration Account will begin the 2027 biennium with a projected fund balance of \$4.4 million. The principal source of revenue is derived from 3.0% fees for MVD administrative costs on various types of vehicle registrations. The account also receives funding from service charges. Total revenues in the account are projected to be \$29.8 million over the biennium. HB 2 costs support the MVD, the Central Services Division, and the Justice Information Services Division costs and under the executive budget proposal are \$32.8 million. The account is projected to have a balance of \$1.4 million at the end of the 2027 biennium.

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	151.05	151.05	151.05	151.05
Personal Services	12,309,924	11,745,523	9,644,203	10,824,598	10,840,919
Operating Expenses	9,200,619	11,832,060	13,743,470	13,818,792	13,820,191
Equipment & Intangible Assets	131,768	131,768	164,028	164,028	164,028
Local Assistance	25,691	25,000	25,000	225,000	225,000
Transfers	204,062	204,062	408,124	408,124	408,124
Debt Service	517,336	509,360	327,100	327,100	327,100
Total Expenditures	\$22,389,400	\$24,447,773	\$24,311,925	\$25,767,642	\$25,785,362
General Fund	7,870,348	7,878,723	7,963,025	5,882,243	5,895,425
State/Other Special Rev. Funds	13,964,844	16,014,842	15,794,692	19,331,191	19,335,729
Proprietary Funds	554,208	554,208	554,208	554,208	554,208
Total Funds	\$22,389,400	\$24,447,773	\$24,311,925	\$25,767,642	\$25,785,362
Total Ongoing	\$22,389,400	\$24,447,773	\$24,311,925	\$25,767,642	\$25,785,362
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Motor Vehicle Division (MVD) under provision of Title 61 and Title 23, MCA and federal statutes (such as the Commercial Motor Vehicle Safety Act of 1986, child support regulations, Anti Car Theft Act of 1992, and Odometer Disclosure Act)) is responsible for:

- Examination and licensure of all drivers
- Verification of identification
- Creation and maintenance of permanent driver and motor vehicle records
- Titling and registration of all vehicles including boats, recreational vehicles, snowmobiles, and ATVs
- Inspection and verification of vehicle identification numbers
- Licensure and compliance control of motor vehicle dealers and manufacturers
- Providing motor voter registration

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The MVD expended 91.6% of its modified HB 2 budget in FY 2024. This was slightly lower than anticipated, and unexpended are found in operating expenses. Total personal services were over-expended at 104.8%.

Operating expenses were 77.8% expended. The MVD received just under \$2.6 million for the costs of software maintenance for the CARS drivers' license and vehicle registration system purchased through FAST Enterprises, and only \$500,000 of this authority was expended in FY 2024.

FY 2024 Appropriations Compared to FY 2025 Appropriations

When compared to FY 2024 appropriation levels, amounts in FY 2025 reflect an overall decrease of \$135,000. While appropriation amounts are nearly identical, there are large differences seen in personal services and operating expenses. In FY 2024 alone, the MVD performed a few modifications which moved \$2.2 million in operating expense authority to personal services to pay a bunch of modified positions who have been working on the CARS project. Even with these changes, personal services budgets were over expended as described above. FY 2025 reflects appropriation structures as they were passed by the 2023 Legislature.

Program Personal Services

Total personal services requested for the 2027 biennium are \$21.7 million which is \$2.4 million or 12.3% higher than FY 2025 base personal service appropriations. This increase is the result of statewide present law increases to personal services which are primarily driven by increased position benefits such as retirement and social security as well as career ladder, promotion adjustments, and market adjustments to employee pay.

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	510,396	669,999	0	1,180,395	0.00	522,179	674,537	0	1,196,716
DP 2 - Fixed Costs	0.00	(92,728)	(448,172)	0	(540,900)	0.00	(92,728)	(448,172)	0	(540,900)
DP 3 - Inflation Deflation	0.00	(4,317)	0	0	(4,317)	0.00	(2,918)	0	0	(2,918)
DP 902 - Postage and Mailing Inflation	0.00	0	170,539	0	170,539	0.00	0	170,539	0	170,539
DP 903 - CARS Maintenance Funding	0.00	0	450,000	0	450,000	0.00	0	450,000	0	450,000
Grand Total All Present Law Adjustments	0.00	\$413,351	\$842,366	\$0	\$1,255,717	0.00	\$426,533	\$846,904	\$0	\$1,273,437

*"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 Justice Motor Vehicle Division FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$210,732
Management Decisions	969,663
Budget Modifications	-
Total	\$1,180,395

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 902 - Postage and Mailing Inflation -

The executive requests additional state special revenue to cover inflation in costs for postage and mailing fees.

DP 903 - CARS Maintenance Funding -

The executive requests additional funding to be used for programming fees, AWS hosting, and any additional maintenance costs associated with the new CARS system.

**LFD
COMMENT**

The 2023 Legislative Session provided almost \$2.6 million for maintenance costs related to CARS. That funding is restricted to maintenance only, and only \$500,000 was expended in FY 2024. Expenditures to date in FY 2025 from that appropriation total \$850,000. This request would add \$450,000 to the original amount each fiscal year totaling \$3.0 million in annual maintenance and programing costs.

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 901 - Support for County Offices	0.00	0	200,000	0	200,000	0.00	0	200,000	0	200,000
DP 904 - MVD Funding Switch	0.00	(2,494,133)	2,494,133	0	0	0.00	(2,494,133)	2,494,133	0	0
Total	0.00	(\$2,494,133)	\$2,694,133	\$0	\$200,000	0.00	(\$2,494,133)	\$2,694,133	\$0	\$200,000

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

DP 901 - Support for County Offices -

The executive requests additional state special revenue to support the costs of county partners processing Motor Vehicle Division transactions for Montana residents. Costs include printing (paper and toner) registrations and receipts for vehicles, recreational vehicles, ATV's, boats, motorcycles, snowmobiles, and trailers.

DP 904 - MVD Funding Switch -

The executive requests a fund switch moving authority from the general fund to the Real ID state special revenue fund.

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	66.48	66.48	66.48	0.00	0.0%
General Fund	8,349,349	9,523,182	9,399,194	2,223,678	13.3%
State/Other Special Rev. Funds	5,549,966	7,019,824	7,019,824	2,939,716	26.5%
Federal Spec. Rev. Funds	3,664	3,664	3,664		0.0%
Proprietary Funds	64,719	64,719	64,719		0.0%
Total Funds	13,967,698	16,611,389	16,487,401	5,163,394	18.5%
Personal Services	6,607,032	6,711,791	6,717,576	215,303	1.6%
Operating Expenses	6,811,315	9,350,247	9,220,474	4,948,091	36.3%
Local Assistance	1	1	1		0.0%
Benefits & Claims	400,000	400,000	400,000		0.0%
Debt Service	149,350	149,350	149,350		0.0%
Total Expenditures	13,967,698	16,611,389	16,487,401	5,163,394	18.5%
Total Ongoing	13,967,698	16,611,389	16,487,401	5,163,394	18.5%
Total One-Time-Only					0.0%

Program Highlights

Central Services Division Major Budget Highlights

The 2027 biennium request for the Central Services Division is nearly \$5.2 million or 18.5% higher than FY 2025 base appropriations. Increases are attributed to statewide present law adjustments to personal services totaling \$215,000 and to fixed costs totaling a little over \$4.9 million (\$2.0 million in general fund and \$2.9 million in state special revenue).

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.

Central 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
Base Budget	8,349,349	5,549,966	3,664	13,967,698	84.1%	8,349,349	5,549,966	3,664	13,967,698	84.7%
Statewide PL										
Personal Services	104,759	0	0	104,759	0.6%	110,544	0	0	110,544	0.7%
Fixed Costs	1,070,086	1,469,858	0	2,539,944	15.3%	939,984	1,469,858	0	2,409,842	14.6%
Inflation Deflation	(1,012)	0	0	(1,012)	(0.0%)	(683)	0	0	(683)	(0.0%)
Total Statewide PL	1,173,833	1,469,858	0	2,643,691	15.9%	1,049,845	1,469,858	0	2,519,703	15.3%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	1,173,833	1,469,858	0	2,643,691	15.9%	1,049,845	1,469,858	0	2,519,703	15.3%
Total Requested Budget	9,523,182	7,019,824	3,664	16,611,389		9,399,194	7,019,824	3,664	16,487,401	

Funding

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

Department of Justice, 10-Central 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	18,922,376	0	0	8,727,323	27,649,699	40.3%	
02014 Highway Patrol Pay & Retention	179,822	0	0	0	179,822	0.4%	
02016 Criminal Justice Info Network	148,544	0	0	0	148,544	0.4%	
02074 Gambling License Fee Account	424,802	0	0	0	424,802	1.0%	
02140 Consumer Education Settlement	551,992	0	0	0	551,992	1.4%	
02143 Drug Forfeitures-State	0	0	0	479,000	479,000	1.2%	
02464 MHP Highway State Special	1,669,926	0	0	0	1,669,926	4.1%	
02546 MT Law Enforcement Academy	44,334	0	0	0	44,334	0.1%	
02590 MT END OF WATCH ACCT	800,000	0	0	0	800,000	2.0%	
02594 Statewide 911 Services Admin	171,886	0	0	0	171,886	0.4%	
02790 6901-Statewide Tobacco Sttlmnt	3,508	0	0	0	3,508	0.0%	
02797 Criminal Records Info Sys	511,798	0	0	0	511,798	1.3%	
02798 61-3-550 MVD MERLIN HB261	592,890	0	0	0	592,890	1.5%	
02799 Motor Vehicle Administration	8,938,130	0	0	0	8,938,130	22.1%	
02937 DOJ Misc SSR MOUs	2,016	0	0	0	2,016	0.0%	
02992 NG 911	0	0	0	4,679,888	4,679,888	11.6%	
02997 911 Distribution	0	0	0	19,499,532	19,499,532	48.1%	
02998 911 Grants	0	0	0	1,819,956	1,819,956	4.5%	
State Special Total	\$14,039,648	\$0	\$0	\$26,478,376	\$40,518,024	59.1%	
03214 DCI Federal Forfeitures	0	0	0	250,000	250,000	97.2%	
03800 Medicaid Fraud	7,328	0	0	0	7,328	2.8%	
Federal Special Total	\$7,328	\$0	\$0	\$250,000	\$257,328	0.4%	
06005 Liquor Division	115,508	0	0	0	115,508	89.2%	
06500 Agency Legal Services	13,930	0	0	0	13,930	10.8%	
Proprietary Total	\$129,438	\$0	\$0	\$0	\$129,438	0.2%	
Total All Funds	\$33,098,790	\$0	\$0	\$35,455,699	\$68,554,489		

The CSD is funded by allocations of department wide costs among the various funding sources. General fund provides roughly 40.0% of the division's requested HB 2 funding. Within the state special revenue funding, the largest source is the MVD administrative fee account, providing 22.1% of the HB 2 state special revenue funding. Additional state special funding comes primarily from the MHP Highway State Special account, Motor Vehicle Division MERLIN funds, and other smaller sources. Proprietary funds from liquor licensing fees provide the remainder of HB 2 funding.

General fund also supports statutory appropriations that provide roughly half of county attorneys' salaries and group benefits contributions. State special revenue statutory appropriations fund 9-1-1 grants and distributions for the operations and maintenance of 9-1-1 call centers across the state. Other state special and federal special revenue statutory appropriations make use of drug forfeiture proceeds for the enforcement of drug laws and for support of state and local law enforcement programs, respectively.

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	66.48	66.48	66.48	66.48
Personal Services	5,980,169	6,021,353	6,607,032	6,711,791	6,717,576
Operating Expenses	6,413,192	6,622,202	6,811,315	9,350,247	9,220,474
Equipment & Intangible Assets	1,512,809	2,320,000	0	0	0
Local Assistance	0	1	1	1	1
Benefits & Claims	0	400,000	400,000	400,000	400,000
Debt Service	258,507	249,350	149,350	149,350	149,350
Total Expenditures	\$14,164,677	\$15,612,906	\$13,967,698	\$16,611,389	\$16,487,401
General Fund	9,180,853	10,212,603	8,349,349	9,523,182	9,399,194
State/Other Special Rev. Funds	4,925,766	5,333,556	5,549,966	7,019,824	7,019,824
Federal Spec. Rev. Funds	1,945	3,664	3,664	3,664	3,664
Proprietary Funds	56,113	63,083	64,719	64,719	64,719
Total Funds	\$14,164,677	\$15,612,906	\$13,967,698	\$16,611,389	\$16,487,401
Total Ongoing	\$12,886,163	\$13,522,906	\$13,967,698	\$16,611,389	\$16,487,401
Total OTO	\$1,278,514	\$2,090,000	\$0	\$0	\$0

Program Description

The Central Services Division (CSD) provides accounting; asset management; budgeting; fiscal management; human resources; internal controls; payroll and benefits; purchasing; training; and assistance with the implementation of policies, rules, and regulations for the Department of Justice. The program also administers payments to counties for a portion of county attorney payroll costs.

CSD also includes the Justice Information Technology Services bureau (JITS). JITS engineers, designs, plans, implements, directs, evaluates, operates, and manages all information technologies systems and services within DOJ.

These systems include the Montana Enhanced Registration Licensing Network (MERLIN) (MVD), driver testing, license/identification production (MVD), IJIS Broker, SmartCop (MHP), CJIN (DCI), Computerized Criminal History (DCI), Automated Biometric Identification System (DCI), Sexual or Violent Offender (SVOR) repository and web site, Laboratory Management Information System (FSD), GENTAX (GCD), and many other technology solutions deployed within the department.

The division provides direct and indirect support for statewide services to federal, state, and local law enforcement agencies in identification of persons, fingerprint processing, and criminal records storage and dissemination. JITS is also responsible for DOJ information security, disaster recovery plan and implementation, and the IT Strategic Plan.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

In FY 2024, the department performed a reorganization that combined the JITS and CSD divisions into one program. After accounting for these modifications, the CSD expended 93.1% of HB 2 appropriations. Personal services were expended at 99.3% and operating expenses were expended at 96.8%. The largest unexpended balance occurs in equipment accounts. The 2023 Legislature provided \$2.0 million in one-time-only biennial funding for server replacements. Approximately \$811,000 of this authority was not expended in FY 2024. It is available for spending in FY 2025 given the biennial nature of the appropriation, should the need arise.

FY 2024 Appropriations Compared to FY 2025 Appropriations

When compared to FY 2024 appropriations, FY 2025 amounts decrease by about \$1.6 million or 10.5%. Personal services increase by approximately \$600,000 due to additional HB 13 pay plan funding for FY 2025. Additionally, the table reflects no authority for equipment accounts in FY 2025 which is a decrease of \$2.3 million compared to FY 2024. The table does not include the unexpended \$811,000 for server replacement discussed above. As this appropriation is biennial, it can continue into FY 2025.

Program Personal Services

Personal services requested for the 2027 biennium total \$13.4 million reflecting an increase of \$215,000 or 1.6% when compared to FY 2025 base personal services. This increase is entirely attributed to statewide present law adjustments to personal services resulting from increased retirement and social security benefits partially offset by the agency rehiring vacant

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	104,759	0	0	104,759	0.00	110,544	0	0	110,544
DP 2 - Fixed Costs	0.00	1,070,086	1,469,858	0	2,539,944	0.00	939,984	1,469,858	0	2,409,842
DP 3 - Inflation Deflation	0.00	(1,012)	0	0	(1,012)	0.00	(683)	0	0	(683)
Grand Total All Present Law Adjustments	0.00	\$1,173,833	\$1,469,858	\$0	\$2,643,691	0.00	\$1,049,845	\$1,469,858	\$0	\$2,519,703

***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 Justice Central Services Division FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$79,157
Management Decisions	25,602
Budget Modifications	-
Total	<u>\$104,759</u>

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.

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	2.99	2.99	2.99	0.00	0.0%
State/Other Special Rev. Funds	625,543	636,785	633,681	19,380	1.5%
Total Funds	625,543	636,785	633,681	19,380	1.5%
Personal Services	400,480	289,368	286,264	(225,328)	(28.1%)
Operating Expenses	183,063	305,417	305,417	244,708	66.8%
Transfers	42,000	42,000	42,000		0.0%
Total Expenditures	625,543	636,785	633,681	19,380	1.5%
Total Ongoing	625,543	511,785	508,681	(230,620)	(18.4%)
Total One-Time-Only		125,000	125,000	250,000	0.0%

Program Highlights

POST Council Major Budget Highlights	
<p>The 2027 biennium HB 2 request for the Public Safety Officers Standards and Training Council (POST) is an increase of just over \$19,000 or 1.5% when compared to FY 2025 base appropriations. This results from a request for \$250,000 one-time-only state special revenue authority to be used for contested case counsel offset by statewide present law reductions to personal services and fixed costs with adjustments to personal services accounting for \$225,000 of the decrease.</p>	

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.

Post Council 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
Base Budget	0	625,543	0	625,543	98.2%	0	625,543	0	625,543	98.7%
Statewide PL										
Personal Services	0	(111,112)	0	(111,112)	(17.4%)	0	(114,216)	0	(114,216)	(18.0%)
Fixed Costs	0	(2,646)	0	(2,646)	(0.4%)	0	(2,646)	0	(2,646)	(0.4%)
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	0	(113,758)	0	(113,758)	(17.9%)	0	(116,862)	0	(116,862)	(18.4%)
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	125,000	0	125,000	19.6%	0	125,000	0	125,000	19.7%
Total HB 2 Adjustments	0	11,242	0	11,242	1.8%	0	8,138	0	8,138	1.3%
Total Requested Budget	0	636,785	0	636,785		0	633,681	0	633,681	

Funding

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

Department of Justice, 19-Post Council 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%
02546 MT Law Enforcement Academy	1,020,466	250,000	0	0	1,270,466	100.0%
State Special Total	\$1,020,466	\$250,000	\$0	\$0	\$1,270,466	100.0%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$1,020,466	\$250,000	\$0	\$0	\$1,270,466	

As outlined in HB 2 language from the 2023 Session, the POST Council is funded entirely from the MLEA state special revenue account which receives revenue from licenses and permits, charges for services like tuition, and from MLEA generated revenues.

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	2.99	2.99	2.99	2.99
Personal Services	376,977	379,800	400,480	289,368	286,264
Operating Expenses	147,517	190,746	183,063	305,417	305,417
Transfers	42,000	42,000	42,000	42,000	42,000
Total Expenditures	\$566,494	\$612,546	\$625,543	\$636,785	\$633,681
State/Other Special Rev. Funds	566,494	612,546	625,543	636,785	633,681
Total Funds	\$566,494	\$612,546	\$625,543	\$636,785	\$633,681
Total Ongoing	\$566,494	\$612,546	\$625,543	\$511,785	\$508,681
Total OTO	\$0	\$0	\$0	\$125,000	\$125,000

Program Description

The Montana POST Council was formed in 2007 under 2-15-2029, MCA, as an independent quasi-judicial board, and is allocated to the Montana Department of Justice for administrative purposes. The POST is responsible for establishing basic and advanced qualification and training standards for employment of Montana's public safety officers, as defined in 44-4-401, MCA. In addition, the council conducts and approves training, provides for the certification and re-certification of public safety officers, and is responsible for the suspension or revocation of certification of public safety officers.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The POST Council expended 92.5% of its modified HB 2 budget in FY 2024. Personal services were 99.3% expended, and operating expenses were 77.3% expended. Operating expenses make up relatively small amounts, and unexpended balances in these categories total \$43,000.

FY 2024 Appropriations Compared to FY 2025 Appropriations

FY 2025 appropriations are \$13,000 higher than FY 2024 amounts. This increase is in personal services and relates to additional HB 13 funding provided for the second year of the 2025 biennium.

Program Personal Services

Total personal services requested for the 2027 biennium are nearly \$576,000. This is a decrease of \$225,000 or 28.1% when compared to FY 2025 base appropriations. This decrease is the result of statewide present law adjustments to personal services driven by budget modifications made during the interim. When moving personal services and corresponding personnel between programs, if the amount transferred is higher than the amount needed to pay salary and benefits for the positions, that excess funding reverts back to the original program at the time of the snapshot. This occurred in the POST Council explaining the decrease due to statewide present law. Additionally, some personal service authority was transferred and used to pay a modified position. This funding goes away at the time of the snapshot.

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	(111,112)	0	(111,112)	0.00	0	(114,216)	0	(114,216)
DP 2 - Fixed Costs	0.00	0	(2,646)	0	(2,646)	0.00	0	(2,646)	0	(2,646)
Grand Total All Present Law Adjustments	0.00	\$0	(\$113,758)	\$0	(\$113,758)	0.00	\$0	(\$116,862)	\$0	(\$116,862)

*"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 Justice POST Council FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$7,767
Management Decisions	12,882
Budget Modifications	(131,761)
Total	(\$111,112)

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.

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 1902 - Contested Case Counsel Funding (RST, BIEN, OTO)										
	0.00	0	125,000	0	125,000	0.00	0	125,000	0	125,000
Total	0.00	\$0	\$125,000	\$0	\$125,000	0.00	\$0	\$125,000	\$0	\$125,000

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

DP 1902 - Contested Case Counsel Funding (RST, BIEN, OTO) -

The executive requests one-time-only state special revenue authority from the MLEA account to be used for contested case counsel.

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 FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
PB	15.00	15.00	15.00	0.00	0.0%
General Fund	150,000	150,000	150,000		0.0%
State/Other Special Rev. Funds	2,340,060	2,353,245	2,354,421	27,546	0.6%
Total Funds	2,490,060	2,503,245	2,504,421	27,546	0.6%
Personal Services	1,595,975	1,308,595	1,309,771	(573,584)	(18.0%)
Operating Expenses	754,560	1,055,125	1,055,125	601,130	39.8%
Transfers	11,295	11,295	11,295		0.0%
Debt Service	128,230	128,230	128,230		0.0%
Total Expenditures	2,490,060	2,503,245	2,504,421	27,546	0.6%
Total Ongoing	2,490,060	2,503,245	2,504,421	27,546	0.6%
Total One-Time-Only					0.0%

Program Highlights

**Montana Law Enforcement Academy
Major Budget Highlights**

The 2027 biennium HB 2 request for the Montana Law Enforcement Academy is an increase of nearly \$28,000 or 0.6% when compared to FY 2025 base appropriations. This is a result of a request for \$700,000 state special revenue to increase maintenance appropriations for the MLEA complex. This request is offset by statewide present law adjustments to personal services and fixed costs totaling \$672,000.

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.

Montana Law Enforcement Academy 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
Base Budget	150,000	2,340,060	0	2,490,060	99.5%	150,000	2,340,060	0	2,490,060	99.4%
Statewide PL										
Personal Services	0	(287,380)	0	(287,380)	(11.5%)	0	(286,204)	0	(286,204)	(11.4%)
Fixed Costs	0	(49,435)	0	(49,435)	(2.0%)	0	(49,435)	0	(49,435)	(2.0%)
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	0	(336,815)	0	(336,815)	(13.5%)	0	(335,639)	0	(335,639)	(13.4%)
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	350,000	0	350,000	14.0%	0	350,000	0	350,000	14.0%
Total HB 2 Adjustments	0	13,185	0	13,185	0.5%	0	14,361	0	14,361	0.6%
Total Requested Budget	150,000	2,353,245	0	2,503,245		150,000	2,354,421	0	2,504,421	

Funding

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

Department of Justice, 20-Montana Law Enforcement Academy Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	300,000	0	0	0	300,000	6.0%
02546 MT Law Enforcement Academy	4,707,666	0	0	0	4,707,666	100.0%
State Special Total	\$4,707,666	\$0	\$0	\$0	\$4,707,666	94.0%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$5,007,666	\$0	\$0	\$0	\$5,007,666	

The MLEA is funded primarily through the MLEA state special revenue account established in 44-10-204, MCA. This fund receives revenue from licenses and permits, charges for services like tuition, and from MLEA generated revenues. The following table shows the projected balance of the fund through the 2027 biennium. Small amounts of authority also come from the general fund.

Montana Law Enforcement Academy Account (02546)				
2027 Biennium Fund Balance Projection				
	Actual FY 2024	Appropriated FY 2025	Proposed FY 2026	Proposed FY 2027
Beginning Fund Balance	\$4,196,040	\$2,835,010	\$3,442,666	\$3,872,370
Revenues	\$3,478,894	\$3,595,426	\$3,595,426	\$3,595,426
Expenditures				
Personal Services	1,680,480	1,996,455	1,751,488	1,749,560
Operating Expenses	1,321,654	809,790	1,232,709	1,232,709
Equipment	28,651	0	0	0
Tranfers	53,295	53,295	53,295	53,295
Debt Service	0	128,230	128,230	128,230
Total Expenditures	\$3,084,080	\$2,987,770	\$3,165,722	\$3,163,794
Prior Period Adjustments	(1,755,844)	0	0	0
Ending Fund Balance	\$2,835,010	\$3,442,666	\$3,872,370	\$4,304,002

Projected revenues exceed proposed expenditures by a slight margin. Revenues estimated in the 2027 biennium are \$7.2 million while proposed expenses are \$6.4 million. The account is projected to end the 2027 biennium with a balance of roughly \$4.3 million.

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	15.00	15.00	15.00	15.00
Personal Services	1,310,353	1,310,363	1,595,975	1,308,595	1,309,771
Operating Expenses	1,301,970	1,302,008	754,560	1,055,125	1,055,125
Equipment & Intangible Assets	28,651	28,651	0	0	0
Transfers	11,295	11,295	11,295	11,295	11,295
Debt Service	0	1	128,230	128,230	128,230
Total Expenditures	\$2,652,269	\$2,652,318	\$2,490,060	\$2,503,245	\$2,504,421
General Fund	150,001	150,000	150,000	150,000	150,000
State/Other Special Rev. Funds	2,502,268	2,502,318	2,340,060	2,353,245	2,354,421
Total Funds	\$2,652,269	\$2,652,318	\$2,490,060	\$2,503,245	\$2,504,421
Total Ongoing	\$2,652,269	\$2,652,318	\$2,490,060	\$2,503,245	\$2,504,421
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Montana Law Enforcement Academy (MLEA) was established in 1959 under 44-10-102, MCA to provide Montana law enforcement officers and other qualified individuals with a means of securing training in the field of law enforcement. The MLEA provides entry level and advanced training to Montana’s state, county, city, and tribal law enforcement agencies. The mission of the MLEA is to serve law enforcement agencies and the communities they represent by providing a positive atmosphere where relevant and realistic training for new and veteran public safety professionals can occur.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

In FY 2024, the MLEA fully expended its modified HB 2 budget.

FY 2024 Appropriations Compared to FY 2025 Appropriations

FY 2025 appropriations are \$160,000 lower than FY 2024 amounts. This reflects a decrease of 6.1%. Additional personal service authority results from the HB 13 pay plan while decreases seen in operating expenses are the result of modifications made in FY 2024. These modifications increased FY 2024 operating expense authority by approximately \$564,000.

Program Personal Services

Total personal services requested for the 2027 biennium are \$2.6 million. This is a decrease of \$574,000 or 18.0% when compared to FY 2025 base appropriations. This decrease is the result of statewide present law adjustments to personal services driven by budget modifications made during the interim. When moving personal services and corresponding personnel between programs, if the amount transferred is higher than the amount needed to pay salary and benefits for the positions, that excess funding resorts back to the original program at the time of the snapshot. This occurred in the MLEA explaining the main portion of the decrease due to statewide present law.

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	(287,380)	0	(287,380)	0.00	0	(286,204)	0	(286,204)
DP 2 - Fixed Costs	0.00	0	(49,435)	0	(49,435)	0.00	0	(49,435)	0	(49,435)
Grand Total All Present Law Adjustments	0.00	\$0	(\$336,815)	\$0	(\$336,815)	0.00	\$0	(\$335,639)	\$0	(\$335,639)

***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 Justice	
MLEA	
FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$29,534
Management Decisions	107,196
Budget Modifications	(424,110)
Total	<u>(\$287,380)</u>

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.

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 2001 - MLEA Authority Increase	0.00	0	350,000	0	350,000	0.00	0	350,000	0	350,000
Total	0.00	\$0	\$350,000	\$0	\$350,000	0.00	\$0	\$350,000	\$0	\$350,000

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

DP 2001 - MLEA Authority Increase -

The executive requests additional state special revenue to provide additional funding to maintain the MLEA complex infrastructure.

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 FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
PB	18.00	18.00	18.00	0.00	0.0%
General Fund	2,146,507	2,110,239	2,107,253	(75,522)	(1.8%)
State/Other Special Rev. Funds	653,960	2,653,960	2,653,960	4,000,000	305.8%
Federal Spec. Rev. Funds	14,208,541	14,208,541	14,208,541		0.0%
Total Funds	17,009,008	18,972,740	18,969,754	3,924,478	11.5%
Personal Services	1,755,995	1,712,529	1,715,282	(84,179)	(2.4%)
Operating Expenses	1,179,807	1,187,005	1,181,266	8,657	0.4%
Equipment & Intangible Assets	12,909	12,909	12,909		0.0%
Grants	11,171,980	13,171,980	13,171,980	4,000,000	17.9%
Transfers	2,888,317	2,888,317	2,888,317		0.0%
Total Expenditures	17,009,008	18,972,740	18,969,754	3,924,478	11.5%
Total Ongoing	17,009,008	18,972,740	18,969,754	3,924,478	11.5%
Total One-Time-Only	2,000,000			(4,000,000)	(100.0%)

Program Highlights

Board of Crime Control Major Budget Highlights
<p>The 2027 biennium request for the Montana Board of Crime Control (MBCC) is \$3.9 million or 11.5% higher than FY 2025 base appropriations. Significant changes include:</p> <ul style="list-style-type: none"> • \$4.0 million in state special revenue to continue additional victim services provided as one-time-only by the 2023 Legislature • A reduction of \$85,000 related to statewide present law adjustments to personal services.

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.

Board of Crime Control 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
Base Budget	2,146,507	653,960	14,208,541	17,009,008	89.6%	2,146,507	653,960	14,208,541	17,009,008	89.7%
Statewide PL										
Personal Services	(43,466)	0	0	(43,466)	(0.2%)	(40,713)	0	0	(40,713)	(0.2%)
Fixed Costs	7,187	0	0	7,187	0.0%	1,452	0	0	1,452	0.0%
Inflation Deflation	11	0	0	11	0.0%	7	0	0	7	0.0%
Total Statewide PL	(36,268)	0	0	(36,268)	(0.2%)	(39,254)	0	0	(39,254)	(0.2%)
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	2,000,000	0	2,000,000	10.5%	0	2,000,000	0	2,000,000	10.5%
Total HB 2 Adjustments	(36,268)	2,000,000	0	1,963,732	10.4%	(39,254)	2,000,000	0	1,960,746	10.3%
Total Requested Budget	2,110,239	2,653,960	14,208,541	18,972,740		2,107,253	2,653,960	14,208,541	18,969,754	

Funding

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

Department of Justice, 21-Board of Crime Control Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	4,217,492	0	0	0	4,217,492	11.1%
02177 VOCA	4,000,000	0	0	0	4,000,000	75.4%
02231 CIT Training - HB701	20,000	0	0	0	20,000	0.4%
02400 Cannabis distribution	600,000	0	0	0	600,000	11.3%
02768 Domestic Violence Intervention	261,168	0	0	0	261,168	4.9%
02868 FVSP State match	126,752	0	0	0	126,752	2.4%
02937 DOJ Misc SSR MOUs	300,000	0	0	0	300,000	5.7%
State Special Total	\$5,307,920	\$0	\$0	\$0	\$5,307,920	14.0%
03008 Juvenile Justice Council	924,654	0	0	0	924,654	3.3%
03081 OVW Sexual Assault Services	728,882	0	0	0	728,882	2.6%
03090 P Coverdell Forensic Science	673,426	0	0	0	673,426	2.4%
03111 Residential Substance Abuse	362,204	0	0	0	362,204	1.3%
03188 Justice Assistance Grant	1,885,608	0	0	0	1,885,608	6.6%
03192 Crime Victim Assistance	14,870,334	0	0	0	14,870,334	52.3%
03200 SORNA CFDA 16.751	124,000	0	0	0	124,000	0.4%
03201 Justice System Enhancements	645,706	0	0	0	645,706	2.3%
03248 Prescription Drug Monitoring	448,820	0	0	0	448,820	1.6%
03343 Criminal History record Improv	4,200,000	0	0	0	4,200,000	14.8%
03344 Violence Against Women Act	2,048,576	0	0	0	2,048,576	7.2%
03832 FVSP Grant	1,184,918	0	0	0	1,184,918	4.2%
03956 Project Safe Neighborhoods	210,448	0	0	0	210,448	0.7%
03962 Enf. Underage Drinking Laws	260	0	0	0	260	0.0%
03963 John R Justice Grant	89,246	0	0	0	89,246	0.3%
03980 Comprehensive Opioid Abuse PGM	20,000	0	0	0	20,000	0.1%
Federal Special Total	\$28,417,082	\$0	\$0	\$0	\$28,417,082	74.9%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$37,942,494	\$0	\$0	\$0	\$37,942,494	

The MBCC is funded primarily with federal special revenue from federal pass-through grants, accounting for 83.7% of the requested budget. General fund primarily supports agency operations, grant compliance and quality assurance activities, and grants to juvenile detention centers. State special revenue for the misdemeanor domestic violence intervention program and for crisis intervention training is administered by this agency. Federal funds administered by the agency come from federal grants, and most of these funds are pass-through funds that go to state and local agencies. The largest use of federal funds is for assistance to victims of crime including violence against women.

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	18.00	18.00	18.00	18.00
Personal Services	1,569,802	1,707,696	1,755,995	1,712,529	1,715,282
Operating Expenses	474,980	1,160,816	1,179,807	1,187,005	1,181,266
Equipment & Intangible Assets	0	12,909	12,909	12,909	12,909
Grants	8,966,286	12,429,895	13,171,980	13,171,980	13,171,980
Transfers	755,905	2,888,317	2,888,317	2,888,317	2,888,317
Total Expenditures	\$11,766,973	\$18,199,633	\$19,009,008	\$18,972,740	\$18,969,754
General Fund	3,863,915	3,995,409	4,146,507	2,110,239	2,107,253
State/Other Special Rev. Funds	556,732	590,352	653,960	2,653,960	2,653,960
Federal Spec. Rev. Funds	7,346,326	13,613,872	14,208,541	14,208,541	14,208,541
Total Funds	\$11,766,973	\$18,199,633	\$19,009,008	\$18,972,740	\$18,969,754
Total Ongoing	\$9,766,973	\$16,199,633	\$17,009,008	\$18,972,740	\$18,969,754
Total OTO	\$2,000,000	\$2,000,000	\$2,000,000	\$0	\$0

Program Description

The Montana Board of Crime Control (MBCC) is the state's designated agency for policy, planning, and program development in the areas of criminal and juvenile justice, victim assistance, resource development, and public safety. MBCC is administratively attached to the Department of Justice, with an 18-member quasi-judicial board appointed by the Governor.

The MBCC provides financial support, technical assistance, and supportive services to state and local criminal justice agencies. The board provides funding to local, regional, and statewide projects with the central goal of making Montana a safer state for all of its citizens. MBCC is the state administering agency for the US Department of Justice programs and the Omnibus Crime Control and Safe Streets Act. MBCC administers federal anti-drug and anti-crime grants, provides funding for juvenile justice programs, and provides assistance to victims of crime. The entity also houses the Statistical Analysis Center that collects and analyzes crime data from Montana law enforcement agencies and reports this data to the FBI Uniform Crime Reporting Program. The division is established in 2-15-2006, MCA.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The FY 2024 modified HB 2 budget for the MBCC was 64.2% expended. Due to the large amount of federal funding in the program, under expending relates to the process for, and timing of, administering grants, which tends to lag behind typical expenditures. Personal service authority was 92.7% expended, and operating expenses were 41.3% expended.

FY 2024 Appropriations Compared to FY 2025 Appropriations

FY 2025 appropriations reflect an increase of nearly \$900,000 when compared to FY 2024. This increase is found primarily within grant authority. The MBCC received additional authority in FY 2025 as a result of transferring the Family Violence Prevention Services Act (FVSPA) grant from the Department of Health and Human Services to the MBCC. This became effective in October of 2024.

Program Personal Services

Personal services requested for the 2027 biennium total \$3.4 million which reflect an overall decrease of \$84,000 or 2.4% when compared to FY 2025 base appropriations. This reduction is found entirely within statewide present law adjustments to personal services and are primarily the result of changes to position benefits such as longevity.

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	(43,466)	0	0	(43,466)	0.00	(40,713)	0	0	(40,713)
DP 2 - Fixed Costs	0.00	7,187	0	0	7,187	0.00	1,452	0	0	1,452
DP 3 - Inflation Deflation	0.00	11	0	0	11	0.00	7	0	0	7
Grand Total All Present Law Adjustments	0.00	(\$36,268)	\$0	\$0	(\$36,268)	0.00	(\$39,254)	\$0	\$0	(\$39,254)

***"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 Justice Board of Crime Control FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$5,312
Management Decisions	(48,778)
Budget Modifications	-
Total	(\$43,466)

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 2102 - Move OTO VOCA funding to permanent.										
0.00	0	2,000,000	0	2,000,000		0.00	0	2,000,000	0	2,000,000
Total	0.00	\$0	\$2,000,000	\$0	\$2,000,000	0.00	\$0	\$2,000,000	\$0	\$2,000,000

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

DP 2102 - Move OTO VOCA funding to permanent. -

The executive requests state special revenue to makeup for reductions in federal VOCA funding for crime victims. This funding source is contingent upon additional legislation which seeks to create a new state special revenue account for this purpose.

LFD COMMENT

The Legislative Finance Committee recommends that subcommittees not pass contingent DPs until the corresponding bill has passed.

LFD COMMENT

The 2023 Legislature provided \$4.0 million in one-time-only general fund to offset reductions seen in federal funding received for victim services. This request looks to continue that funding and is contingent upon additional legislation creating the proposed state special revenue account.

PUBLIC SERVICE COMMISSION

Section D

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----Agencies-----

Judicial Branch
Dept. of Justice
Public Service Commission

Office of Public Defender
Dept. of Corrections

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

House

Representative Fiona Nave (Chair)
Representative Thedis Crowe
Representative Donavon Hawk
Representative Anthony Nicastrò

Senate

Senator Shelley Vance (Vice Chair)
Senator Tom McGillvray
Senator Shane Morìgeau

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

Walker Hopkins
Barb Wagner

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 FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
PB	38.00	40.50	40.50	2.50	3.3%
State/Other Special Rev. Funds	5,302,697	5,948,511	5,693,838	1,036,955	9.8%
Federal Spec. Rev. Funds	273,760	273,760	273,760		0.0%
Total Funds	5,576,457	6,222,271	5,967,598	1,036,955	9.3%
Personal Services	4,231,891	4,551,679	4,557,058	644,955	7.6%
Operating Expenses	1,017,668	1,343,694	1,083,642	392,000	19.3%
Debt Service	326,898	326,898	326,898		0.0%
Total Expenditures	5,576,457	6,222,271	5,967,598	1,036,955	9.3%
Total Ongoing	5,576,457	6,222,271	5,967,598	1,036,955	9.3%
Total One-Time-Only					0.0%

Agency Highlights

Public Service Commission Major Budget Highlights

The 2027 biennium budget request for the Public Service Commission is just over \$1.0 million or 9.3% greater than FY 2025 base appropriations. Significant changes include:

- Almost \$523,000 in statewide present law adjustments to personal services and fixed costs
- \$316,000 state special revenue to support 2.50 new PB including 1.00 accounting technician and 1.50 administrative assistants
- \$200,000 in one-time-only state special for the review of an upcoming and expected integrated resource plan

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.

Public Service Commission 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
Base Budget	0	5,302,697	273,760	5,576,457	89.6%	0	5,302,697	273,760	5,576,457	93.4%
Statewide PL										
Personal Services	0	169,251	0	169,251	2.7%	0	174,629	0	174,629	2.9%
Fixed Costs	0	115,194	0	115,194	1.9%	0	63,484	0	63,484	1.1%
Inflation Deflation	0	(1,109)	0	(1,109)	(0.0%)	0	(750)	0	(750)	(0.0%)
Total Statewide PL	0	283,336	0	283,336	4.6%	0	237,363	0	237,363	4.0%
Present Law (PL)	0	200,000	0	200,000	3.2%	0	0	0	0	0.0%
New Proposals	0	162,478	0	162,478	2.6%	0	153,778	0	153,778	2.6%
Total HB 2 Adjustments	0	645,814	0	645,814	10.4%	0	391,141	0	391,141	6.6%
Total Requested Budget	0	5,948,511	273,760	6,222,271		0	5,693,838	273,760	5,967,598	

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.

Public Service Commission FY 2026 Statewide Present Law Adjustment for Personal Services - DP1				
Program	Legislative Changes	Management Decisions	Budget Modifications	Total DP1
01 Public Service Regulation	154,932	14,319	-	169,251
Total	\$154,932	\$14,319	-	\$169,251

Statewide present law adjustments to personal services are primarily comprised of legislative changes and some smaller management changes. Legislative changes are primarily due to increased retirement and social security benefits, as well as an elected position pay adjustment. Management changes are due to increased pay for adjustments such as retention, market, etc.

Funding

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

Total Public Service Commission 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
02281 Public Service Commission	11,642,349				11,642,349	95.5%
State Special Revenue Total	11,642,349	-	-	-	11,642,349	95.5%
03011 Natural Gas Safety Pgm	547,520				547,520	4.5%
Federal Special Revenue Total	547,520	-	-	-	547,520	4.5%
Proprietary Fund Total	-	-	-	-	-	0.0%
Total of All Funds	12,189,869	-	-	-	12,189,869	
Percent of All Sources of Authority	100.0%	0.0%	0.0%	0.0%		

The PSC is funded with a combination of state and federal special revenue. State special revenue comprises 95.4% of the PSC HB 2 request for the 2027 biennium. The figure below shows the fund balance for the PSC state special revenue account. The revenue in the PSC account is derived from a fee levied on regulated companies.

Public Service Commission Account (02281) 2027 Biennium Fund Balance Projection				
	Actual FY 2024	Appropriated FY 2025	Proposed FY 2026	Proposed FY 2027
Beginning Fund Balance	\$2,914,871	\$3,437,750	\$2,847,580	\$1,836,669
Revenues	6,369,694	4,936,100	4,937,600	4,938,100
Expenditures	5,860,066	5,526,270	5,948,511	5,693,838
Prior Period Adjustments	13,251	0	0	0
Ending Fund Balance	\$3,437,750	\$2,847,580	\$1,836,669	\$1,080,931

The amount of the fee is calculated by the Department of Revenue and is based on the annual level of appropriation, which is adjusted for the ending fund balance. The fee is charged as a percentage of the gross operating revenue from all activities in companies regulated by the PSC for the calendar quarter of operation, as outlined in 69-1-402, MCA.

Proposed expenditures for the 2027 biennium total \$11.6 million. Expected revenues for the biennium total nearly \$9.9 million. The ending fund balance is expected to decrease over the next few fiscal years and is projected to end the 2027 biennium with a balance of approximately \$1.1 million.

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	38.00	38.00	40.50	40.50
Personal Services	3,885,902	4,156,998	4,231,891	4,551,679	4,557,058
Operating Expenses	550,925	1,079,994	1,017,668	1,343,694	1,083,642
Debt Service	285,415	304,376	326,898	326,898	326,898
Total Expenditures	\$4,722,242	\$5,541,368	\$5,576,457	\$6,222,271	\$5,967,598
State/Other Special Rev. Funds	4,576,454	5,267,608	5,302,697	5,948,511	5,693,838
Federal Spec. Rev. Funds	145,788	273,760	273,760	273,760	273,760
Total Funds	\$4,722,242	\$5,541,368	\$5,576,457	\$6,222,271	\$5,967,598
Total Ongoing	\$4,721,996	\$5,461,143	\$5,576,457	\$6,222,271	\$5,967,598
Total OTO	\$246	\$80,225	\$0	\$0	\$0

Agency Description

The Public Service Commission (PSC) is comprised of a 5-member elected Public Service Commission supported by a professional staff that provide expert legal, regulatory, public policy, consumer relations, and operational support.

The mission of the agency is to ensure that ratepayers have continued access to utility services that are affordable, reliable, and sustainable for the long-term. It is the duty of the PSC to supervise and regulate the operations of public utilities, common carriers, railroads, and other regulated industries listed in Title 69 (MCA). Such regulation and supervision is limited by, and shall be in conformance, with Title 69.

Please refer to the agency profile at [Public Service Commission - Montana Legislature](#) for additional information about the agency's organization structure, historical expenditures, goals and objectives, and recent studies and audits.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The PSC expended 85.2% of its modified HB 2 budget in FY 2024. Personal service authority was 93.5% expended, and operating expenses were 51.0% expended. Operating expenses in FY 2024 included \$170,000 for licensing fees for the replacement of the electronic database for docket information (REDDI), which saw about \$144,000 in expenditures. Unexpended personal service authority primarily relates to anticipated retirement payouts totaling just over \$80,000. This authority was not expended but was made biennial and is available in FY 2025.

FY 2024 Appropriations Compared to FY 2025 Appropriations

When compared to FY 2024 appropriations, amounts in FY 2025 increase by just over \$35,000 or 0.6%. Additional personal service authority is attributable to additional HB 13 pay plan funding in FY 2025, and a small decrease in operating expenses is primarily the result of fixed costs adjustments being higher for the first year of the 2027 biennium.

Agency Personal Services

Total personal services requested for the 2027 biennium total \$9.1 million which reflects an increase of 645,000 or 7.6% when compared to the FY 2025 base budget. Increases are related to statewide present law adjustments to personal services for reasons discussed prior. These increases total nearly \$340,000. The additional increase is attributed to requests for 2.50 new PB.

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.

Public Service Commission				
Comparison of the FY 2025 Legislative Budget to the FY 2025 Base Budget				
	Legislative Budget	Executive Modifications	Base Budget	% Change
01 PUBLIC SERVICE REGULATION PROG				
61000 Personal Services	4,231,891		4,231,891	0.0%
62000 Operating Expenses	1,017,668		1,017,668	0.0%
69000 Debt Service	326,898		326,898	0.0%
Total	5,576,457		5,576,457	0.0%
Agency Total	5,576,457		5,576,457	0.0%

As seen in the table above, the executive did not make modifications to the legislative budget from the 2023 Session.

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	169,251	0	169,251		0.00	0	174,629	0	174,629
DP 2 - Fixed Costs										
0.00	0	115,194	0	115,194		0.00	0	63,484	0	63,484
DP 3 - Inflation Deflation										
0.00	0	(1,109)	0	(1,109)		0.00	0	(750)	0	(750)
DP 4 - IRP Contract (OTO)										
0.00	0	200,000	0	200,000		0.00	0	0	0	0
Grand Total All Present Law Adjustments										
0.00	\$0	\$483,336	\$0	\$483,336		0.00	\$0	\$237,363	\$0	\$237,363

*"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

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: warrant writer, motor pool, 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 4 - IRP Contract (OTO) -

The executive requests one-time-only state special revenue for consulting services in connection with the review of an expected integrated resource plan (IRP) expected to be submitted sometime in FY 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 100 - 1.00 PB Accounting Technician 2	1.00	0	60,174	0	60,174	1.00	0	57,275	0	57,275
DP 200 - 1.00 PB Administrative Assistant 3	1.00	0	67,518	0	67,518	1.00	0	64,617	0	64,617
DP 300 - 0.50 PB Administrative Assistant 1	0.50	0	34,786	0	34,786	0.50	0	31,886	0	31,886
Total	2.50	\$0	\$162,478	\$0	\$162,478	2.50	\$0	\$153,778	\$0	\$153,778

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

DP 100 - 1.00 PB Accounting Technician 2 -

The executive requests 1.00 PB for an additional accounting technician to support accounts payable, accounts receivable, payroll, travel, and fiscal year end functions.

DP 200 - 1.00 PB Administrative Assistant 3 -

The executive requests 1.00 PB for an additional administrative assistant position to cover document processing for the entire agency such as research, formulating responses, and entry into a database which is currently being performed by a paralegal position.

DP 300 - 0.50 PB Administrative Assistant 1 -

The executive requests an additional 0.50 PB for an administrative assistant position to assist with the increased public comments received.

OFFICE OF PUBLIC DEFENDER

Section D

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----Agencies-----

Judicial Branch
Dept. of Justice
Public Service Commission

Office of Public Defender
Dept. of Corrections

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

House

Representative Fiona Nave (Chair)
Representative Thedis Crowe
Representative Donavon Hawk
Representative Anthony Nicastrò

Senate

Senator Shelley Vance (Vice Chair)
Senator Tom McGillvray
Senator Shane Morìgeau

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

Walker Hopkins
Barb Wagner

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 FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
PB	310.44	343.50	351.50	41.06	6.6%
General Fund	48,317,060	64,356,568	65,748,059	33,470,507	34.6%
Total Funds	48,317,060	64,356,568	65,748,059	33,470,507	34.6%
Personal Services	34,558,672	39,228,249	40,462,811	10,573,716	15.3%
Operating Expenses	13,758,388	24,859,866	25,075,456	22,418,546	81.5%
Equipment & Intangible Assets		186,000	42,000	228,000	0.0%
Debt Service		82,453	167,792	250,245	0.0%
Total Expenditures	48,317,060	64,356,568	65,748,059	33,470,507	34.6%
Total Ongoing	48,317,060	63,909,968	65,441,859	32,717,707	33.9%
Total One-Time-Only	1,050,000	446,600	306,200	(1,347,200)	(64.2%)

Agency Highlights

Office of Public Defender Major Budget Highlights

The 2027 biennium request for the Office of Public Defender is \$33.5 million or 34.6% higher than FY 2025 base appropriations. Significant changes include:

- \$13.1 million general fund including \$12.5 million to cover the department's upcoming FY 2025 supplemental request and \$600,000 to fund OTO contracted attorney costs provided for the 2025 biennium
- \$8.6 million for 33.06 new PB in FY 2026 and 41.06 new PB in FY 2027
- \$6.2 million general fund to increase the contracted attorney pay rate from \$71.00 to \$90.00 per hour
- \$1.5 million to continue OTO funding in Yellowstone County
- \$980,000 in statewide present law adjustments to personal services and fixed costs

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.

Office of State Public Defender 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
Base Budget	48,317,060	0	0	48,317,060	75.1%	48,317,060	0	0	48,317,060	73.5%
Statewide PL										
Personal Services	183,118	0	0	183,118	0.3%	333,932	0	0	333,932	0.5%
Fixed Costs	226,516	0	0	226,516	0.4%	237,988	0	0	237,988	0.4%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	409,634	0	0	409,634	0.6%	571,920	0	0	571,920	0.9%
Present Law (PL)	15,429,874	0	0	15,429,874	24.0%	16,659,079	0	0	16,659,079	25.3%
New Proposals	200,000	0	0	200,000	0.3%	200,000	0	0	200,000	0.3%
Total HB 2 Adjustments	16,039,508	0	0	16,039,508	24.9%	17,430,999	0	0	17,430,999	26.5%
Total Requested Budget	64,356,568	0	0	64,356,568		65,748,059	0	0	65,748,059	

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.

Office of Public Defender FY 2026 Statewide Present Law Adjustment for Personal Services - DP1				
Program	Legislative Changes	Management Decisions	Budget Modifications	Total DP1
01 Public Defender Division	\$149,553	\$50,558	\$36,088	\$236,199
02 Appellate Defender Division	12,845	(31,551)	-	(18,706)
03 Conflict Defender Division	21,719	(129,525)	(3,558)	(111,363)
04 Central Services Division	59,431	57,943	(40,386)	76,988
Total	\$243,549	(\$52,575)	(\$7,856)	\$183,118

Personal services requested for the 2027 biennium are \$79.7 million which is an increase of \$10.6 million or 15.3% when compared to base appropriations. Nearly all this increase is attributed to requests for new positions for the 2027 biennium, which equal 33.06 PB in FY 2026 and 41.06 PB in FY 2027. As seen in the table above, a small portion of this increase can be attributed to statewide present law adjustments to personal services.

This increase primarily results from career ladder pay changes and adjustments to market rates and through additional legislative changes such as retirement and social security benefits. In some instances, negative management changes can be attributed to not fully utilizing all personal service appropriations.

Present Law Adjustments

In addition to statewide present law adjustments to personal services, inflation/deflation, and fixed costs, an additional request that is common to all programs in the Office of Public Defender (OPD) is a request for 22.06 additional PB. The OPD utilized these as modified positions and is asking they be made permanent. However, the OPD is requesting full personal service appropriations for these positions without reducing any existing resources. This would free up resources currently used to pay these positions for other functions. The executive has expressed their ability to hire these positions during the interim was due to its exemption from vacancy savings. These positions are as follows:

- Public Defender Division – 13.00 PB
 - 10.00 public defenders
 - 2.00 legal support staff
 - 1.00 office manager
- Appellate Defender Division – 1.00 PB legal support staff
- Conflict Defender Division – 3.00 PB public defenders
- Central Services Division – 5.06 PB
 - 1.00 bureau chief
 - 1.00 contracts program officer
 - 1.00 program planner
 - 2.00 public defenders

New Proposals

The executive is requesting one item that is common among all divisions in the OPD. This request looks to consolidate all funding for contracted attorneys and other operations into one area of the agency (Central Services Division). This request nets to zero dollars at the agency level but moves approximately \$22.5 million from the Public Defender, Appellate Defender, and Conflict Defender Division to the Central Services Division.

Funding

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

Total Office of State Public Defender 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
01100 General Fund	129,351,827	752,800			130,104,627	100.0%
State Special Revenue Total	-	-	-	-	-	0.0%
Federal Special Revenue Total	-	-	-	-	-	0.0%
Proprietary Fund Total	-	-	-	-	-	0.0%
Total of All Funds	129,351,827	752,800	-	-	130,104,627	
Percent of All Sources of Authority	99.4%	0.6%	0.0%	0.0%		

The OPD budget is funded exclusively with general fund and does not contain any non-budgeted proprietary programs or statutory appropriations.

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	310.44	310.44	343.50	351.50
Personal Services	32,366,522	33,720,311	35,308,672	39,228,249	40,462,811
Operating Expenses	16,925,321	17,024,901	14,008,388	24,859,866	25,075,456
Equipment & Intangible Assets	50,000	50,000	50,000	186,000	42,000
Debt Service	2,097,158	2,178,493	0	82,453	167,792
Total Expenditures	\$51,439,001	\$52,973,705	\$49,367,060	\$64,356,568	\$65,748,059
General Fund	51,439,001	52,973,705	49,367,060	64,356,568	65,748,059
Total Funds	\$51,439,001	\$52,973,705	\$49,367,060	\$64,356,568	\$65,748,059
Total Ongoing	\$49,867,600	\$51,323,705	\$48,317,060	\$63,909,968	\$65,441,859
Total OTO	\$1,571,401	\$1,650,000	\$1,050,000	\$446,600	\$306,200

Agency Description

The mission of the statewide public defender system is to provide effective professional legal services with equal access to quality client-centered representation. Please refer to the agency profile at [Office of Public Defender - Montana Legislature](#) for additional information about the agency’s organization structure, historical expenditures, and goals and objectives.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

In FY 2024, the OPD expended approximately \$51.4 million or 97.1% of its modified HB 2 budget. During FY 2024, the budget was increased due to the agency transferring \$5.3 million in operating expense authority from FY 2025 to cover shortfalls in paying contracted attorneys. More on this topic will be discussed within the Agency Discussion section of this report.

After accounting for modifications, the HB 2 budget for personal services totaled \$33.7 million and was expended at 96.0%, while operating expenses totaled \$17.0 million and were expended at 99.4%. Due to the OPD being biennially appropriated for the 2025 biennium, unexpended balanced of \$1.5 million can be continued into FY 2025 to help cover the deficit resulting from the original fiscal transfer. Had the fiscal transfer of authority not been performed, the OPD would have over expended total FY 2024 appropriations by 7.7%.

FY 2024 Appropriations Compared to FY 2025 Appropriations

When compared to FY 2024, appropriations in FY 2025 reflect a decrease of nearly \$3.6 million or approximately 6.8%. This is primarily the result of the fiscal transfer moving \$5.3 million to FY 2024 to cover contracted attorney shortfalls. This transfer effectively increased FY 2024 above FY 2025 levels.

The structure of appropriations between the two years changes as well. Personal services increase by \$1.6 million in FY 2025 as a result of an additional 4.0% for the pay plan, and operating expenses reflect a decrease of \$3.0 million as a result of the fiscal transfer of authority. Additionally, debt service authority is normally not budgeted, but rather, the department transferred authority to debt service during the fiscal year to record lease expenses per guidance from the Department of Administration.

LFD COMMENT	The Legislature may wish to establish debt service authority for the biennium eliminating the need to perform a budget modification during the interim.
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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.

Office of Public Defender				
Comparison of the FY 2025 Legislative Budget to the FY 2025 Base Budget				
	Legislative Budget	Executive Modifications	Base Budget	% Change
01 PUBLIC DEFENDER DIVISION				
61000 Personal Services	26,486,137	(1,304,087)	25,182,050	-4.9%
62000 Operating Expenses	3,887,268		3,887,268	0.0%
Total	30,373,405	(1,304,087)	29,069,318	-4.3%
02 APPELLATE DEFENDER DIVISION				0.0%
61000 Personal Services	2,045,749	257,115	2,302,864	12.6%
62000 Operating Expenses	769,778		769,778	0.0%
Total	2,815,527	257,115	3,072,642	9.1%
03 CONFLICT DEFENDER DIVISION				0.0%
61000 Personal Services	3,472,136	120,372	3,592,508	3.5%
62000 Operating Expenses	6,701,118		6,701,118	0.0%
Total	10,173,254	120,372	10,293,626	1.2%
04 CENTRAL SERVICES DIVISION				0.0%
61000 Personal Services	2,554,650	926,600	3,481,250	36.3%
62000 Operating Expenses	2,400,223		2,400,223	0.0%
Total	4,954,873	926,600	5,881,473	18.7%
Agency Total	48,317,059	-	48,317,059	0.0%

The base budget in the 2027 biennium for the OPD is \$48.3 million. From the budget approved by the 2023 Legislature, the executive performed two program transfers which moved 12.00 total PB and associated personal service funding between different divisions in the agency. All these positions were transferred out of the Public Defender Division with the following distribution being made to other programs:

- The Appellate Defender Division received 2.00 PB
- The Conflict Defender Division received 1.00 PB
- The Central Services Division received 9.00 PB primarily due to the centralization of eligibility and contracting

Attorney Caseloads

Over the last few biennia, the OPD faced difficulties with backlogs in assigned cases. This began to show as the court system worked to clear their Covid related backlogs. This was aggravated by excessive vacancies in attorney positions in the OPD which reached 17.5% at its highest point. During the 2023 interim, the OPD worked with the executive to develop a new public defender pay scale. This initiative, along with new hiring and retention practices, has resulted in much lower position vacancies during the 2025 biennium.

The OPD received 8.00 additional attorney positions for the 2025 biennium and was able to fully staff these. While vacancies have fallen, the OPD still estimates a shortfall in terms of the number of PB that are needed to cover all newly received cases and cases that have been open for an extended period of time. Their current estimate sits at 45.00 PB. This shortfall is estimated by keeping the contracted attorney levels constant and viewing the resulting number of case hours and how many attorneys would be needed to cover these case hours.

Workload in the OPD, based on its ethical case management standards, considers 125 new case hours per month to an attorney as standard. The amount of matter weight hours (both newly assigned and existing cases) that could not be assigned to an in-house attorney based on these standards or assigned to the contracted market, are what drive this estimated shortfall. The OPD has received additional PB over the last few biennia, and has been able to fill these positions, but increasing caseloads and issues with assigning cases in the private attorney market drive requests for additional PB.

The contracted private attorney market has increased over the last few fiscal years. Currently, the state utilizes a pay rate to contracted attorneys of \$71.00 an hour. This rate was established in May of 2020, but was based off FY 2019 analyses. The private market for contracted attorneys increased substantially during Covid and has continued to rise since. These increases are the primary driver of the agency's upcoming supplemental request.

HB 2 Language -

All appropriations in the Office of State Public Defender are biennial.

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	229.00	242.00	242.00	13.00	2.8%
General Fund	29,069,317	27,748,354	27,902,519	(2,487,761)	(4.3%)
Total Funds	29,069,317	27,748,354	27,902,519	(2,487,761)	(4.3%)
Personal Services	25,182,050	27,598,354	27,752,519	4,986,773	9.9%
Operating Expenses	3,887,267	150,000	150,000	(7,474,534)	(96.1%)
Total Expenditures	29,069,317	27,748,354	27,902,519	(2,487,761)	(4.3%)
Total Ongoing	29,069,317	27,748,354	27,902,519	(2,487,761)	(4.3%)
Total One-Time-Only	925,000			(1,850,000)	(100.0%)

Program Highlights

Public Defender Division Major Budget Highlights

The Public Defender Division's 2027 biennium budget request is 4.3% or \$2.5 million lower than the FY 2025 base. Significant differences include:

- \$2.9 million additional general fund for 13.00 PB to meet a need they have been covering through other budget resources
- \$1.5 million to continue OTO funding in Yellowstone County
- Nearly \$600,000 for statewide present law adjustments to personal services
- A decrease of \$7.4 million due to the consolidation of all contracted attorney costs under the Central Services Division

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.

Public Defender 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
Base Budget	29,069,317	0	0	29,069,317	104.8%	29,069,317	0	0	29,069,317	104.2%
Statewide PL										
Personal Services	236,198	0	0	236,198	0.9%	346,849	0	0	346,849	1.2%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	236,198	0	0	236,198	0.9%	346,849	0	0	346,849	1.2%
Present Law (PL)	2,180,106	0	0	2,180,106	7.9%	2,223,620	0	0	2,223,620	8.0%
New Proposals	(3,737,267)	0	0	(3,737,267)	(13.5%)	(3,737,267)	0	0	(3,737,267)	(13.4%)
Total HB 2 Adjustments	(1,320,963)	0	0	(1,320,963)	(4.8%)	(1,166,798)	0	0	(1,166,798)	(4.2%)
Total Requested Budget	27,748,354	0	0	27,748,354		27,902,519	0	0	27,902,519	

Funding

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

Office of State Public Defender, 01-Public Defender 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	55,650,873	0	0	0	55,650,873	100.0%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$55,650,873	\$0	\$0	\$0	\$55,650,873	

The Public Defender Division is funded exclusively with general fund.

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	229.00	229.00	242.00	242.00
Personal Services	24,444,335	25,093,230	25,932,050	27,598,354	27,752,519
Operating Expenses	6,205,028	6,181,261	4,062,267	150,000	150,000
Debt Service	1,480,587	1,496,857	0	0	0
Total Expenditures	\$32,129,950	\$32,771,348	\$29,994,317	\$27,748,354	\$27,902,519
General Fund	32,129,950	32,771,348	29,994,317	27,748,354	27,902,519
Total Funds	\$32,129,950	\$32,771,348	\$29,994,317	\$27,748,354	\$27,902,519
Total Ongoing	\$30,904,950	\$31,546,348	\$29,069,317	\$27,748,354	\$27,902,519
Total OTO	\$1,225,000	\$1,225,000	\$925,000	\$0	\$0

Program Description

The Public Defender Division oversees services to qualifying clients by providing effective assistance of counsel to indigent criminal defendants and other persons in certain civil cases who are entitled by law to assistance of counsel.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Public Defender Division expended 98.0% of its \$32.7 million HB 2 modified budget in FY 2024. Personal services were 97.4% expended and operating expenses were 100.4% expended. The division's FY 2024 budget was increased by nearly \$2.3 million through a fiscal transfer of FY 2025 authority. This funding was allocated to operating expenses to cover shortfalls in paying contracted attorneys. Without the transfer of authority, the division's budget would have been 105.4% expended.

Unexpended HB 2 authority of \$550,000 will carry into FY 2025 as the OPD is biennially appropriated. In addition to the HB 2 budget, the Public Defender Division also received and expended \$300,000 in authority provided through HB 16. This authority was split between personal services and operating expenses.

FY 2024 Appropriations Compared to FY 2025 Appropriations

Appropriations of \$30.0 million in FY 2025 reflect a decrease of approximately \$2.8 million or 8.5% when compared to FY 2024 appropriations. When disregarding the fiscal transfer which is included in both years of the table below to provide for direct comparisons to the FY 2025 base budget, the FY 2025 appropriation would have been only \$0.5 million lower than FY 2024. Personal services increases are a result of additional HB 13 pay plan authority. Additionally, debt service authority has not been budgeted and is normally established through an operating plan change during the interim to record lease expenses. This change generally moves operating expense authority to debt services.

Program Personal Services

Personal services requested for the 2027 biennium in the Public Defender Division are nearly \$55.4 million or \$5.0 million higher than the 2025 biennium. This reflects an increase of 9.9%. This is mainly attributed to requests for 13.00 PB for additional support staff and attorney positions costing \$2.9 million, a request for \$1.5 million personal services to continue one-time-only appropriations in Yellowstone County, and increases in statewide present statewide adjustments to personal services totaling \$580,000.

These adjustments in statewide present law are mainly caused by career ladder and market pay increases provided to employees by agency management. Additionally, some increases relate to position benefits for retirement and social security.

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	236,198	0	0	236,198	0.00	346,849	0	0	346,849
DP 101 - Sustain Exst Pub Def Svcs - PDD Current Modifieds									
13.00	1,430,106	0	0	1,430,106	13.00	1,473,620	0	0	1,473,620
DP 601 - Sustain Exst Pub Def Svcs - YC Funding Shift									
0.00	750,000	0	0	750,000	0.00	750,000	0	0	750,000
Grand Total All Present Law Adjustments									
13.00	\$2,416,304	\$0	\$0	\$2,416,304	13.00	\$2,570,469	\$0	\$0	\$2,570,469

**"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

Office of Public Defender	
Public Defender Division	
FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$149,553
Management Decisions	50,558
Budget Modifications	36,088
Total	<u>\$236,199</u>

DP 101 - Sustain Exst Pub Def Svcs - PDD Current Modifieds -

The executive is requesting funding for 13.00 total PB.

**LFD
COMMENT**

The Public Defender Division is currently utilizing 13.00 modified PB positions including ten public defenders, two legal support staff, and one office manager. During the 2025 interim, the OPD has been paying these positions out of existing resources. This request looks to fund those positions within the agency's HB 2 budget which should free up the resources currently used to pay these modified positions.

DP 601 - Sustain Exst Pub Def Svcs - YC Funding Shift -

The executive requests additional general fund to remedy case backlogs in Yellowstone County.

**LFD
COMMENT**

The Public Defender Division received ARPA grant funding to combat case buildup in Yellowstone County. As the funding expired, the 2023 Legislature provided this funding as OTO for the 2025 biennium, and this funding was utilized as personal services to pay modified positions. This request asks to continue that funding in an ongoing manner beginning in the 2027 biennium but does not request new PB.

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 2204 - Centralize External Pub Def Costs	0.00	(3,737,267)	0	0	(3,737,267)	0.00	(3,737,267)	0	0	(3,737,267)
Total	0.00	(\$3,737,267)	\$0	\$0	(\$3,737,267)	0.00	(\$3,737,267)	\$0	\$0	(\$3,737,267)

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

DP 2204 - Centralize External Pub Def Costs -

The executive requests moving all authority for contracting and operations into the Central Services Division.

**LFD
COMMENT**

This consolidation nets to \$0 across all programs.

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	18.50	19.50	19.50	1.00	2.7%
General Fund	3,072,642	2,356,785	2,376,179	(1,412,320)	(23.0%)
Total Funds	3,072,642	2,356,785	2,376,179	(1,412,320)	(23.0%)
Personal Services	2,302,864	2,356,785	2,376,179	127,236	2.8%
Operating Expenses	769,778			(1,539,556)	(100.0%)
Total Expenditures	3,072,642	2,356,785	2,376,179	(1,412,320)	(23.0%)
Total Ongoing	3,072,642	2,356,785	2,376,179	(1,412,320)	(23.0%)
Total One-Time-Only					0.0%

Program Highlights

**Appellate Defender Division
Major Budget Highlights**

The Appellate Defender Division's 2027 biennium budget request is 2.8% or 1.4 million lower than the 2025 base budget. Significant changes include:

- \$147,000 for 1.00 PB legal staff supporter
- Decrease of \$19,000 related to statewide present law adjustments to personal services
- A decrease of \$1.5 million due to the consolidation of all contracted attorney costs under the Central Services Division

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.

Appellate Defender 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
Base Budget	3,072,642	0	0	3,072,642	130.4%	3,072,642	0	0	3,072,642	129.3%
Statewide PL										
Personal Services	(18,705)	0	0	(18,705)	(0.8%)	(1,148)	0	0	(1,148)	(0.0%)
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	(18,705)	0	0	(18,705)	(0.8%)	(1,148)	0	0	(1,148)	(0.0%)
Present Law (PL)	72,626	0	0	72,626	3.1%	74,463	0	0	74,463	3.1%
New Proposals	(769,778)	0	0	(769,778)	(32.7%)	(769,778)	0	0	(769,778)	(32.4%)
Total HB 2 Adjustments	(715,857)	0	0	(715,857)	(30.4%)	(696,463)	0	0	(696,463)	(29.3%)
Total Requested Budget	2,356,785	0	0	2,356,785		2,376,179	0	0	2,376,179	

Funding

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

Office of State Public Defender, 02-Appellate Defender 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	4,732,964	0	0	0	4,732,964	100.0%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$4,732,964	\$0	\$0	\$0	\$4,732,964	

The Appellate Defender Division is funded exclusively with general fund.

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	18.50	18.50	19.50	19.50
Personal Services	1,901,914	2,193,102	2,302,864	2,356,785	2,376,179
Operating Expenses	836,658	852,283	769,778	0	0
Debt Service	107,737	110,504	0	0	0
Total Expenditures	\$2,846,309	\$3,155,889	\$3,072,642	\$2,356,785	\$2,376,179
General Fund	2,846,309	3,155,889	3,072,642	2,356,785	2,376,179
Total Funds	\$2,846,309	\$3,155,889	\$3,072,642	\$2,356,785	\$2,376,179
Total Ongoing	\$2,846,309	\$3,155,889	\$3,072,642	\$2,356,785	\$2,376,179
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Appellate Defender Division provides appellate services to qualifying clients and practices, almost exclusively, before the Montana Supreme Court and the United States Supreme Court. Most of the workforce is comprised of attorneys providing legal services. Legal assistants comprise the remaining portion of the workforce.

FY 2024 Appropriations Compared to FY 2024 Actual Expenditures

The Appellate Defender Division expended 90.2% of its \$3.2 million HB 2 modified budget in FY 2024. Personal services were 86.7% expended, and operating expenses were 98.2% expended. The budget in the division was increased by \$200,000 in FY 2024 through a fiscal transfer, and after this increase, total allocations within the division were 69.5% for personal services, 27.0% for operating expenses, and the remaining authority was for lease expenses recorded as debt service. Unexpended HB 2 authority of just over \$300,000 will carry into FY 2025 as the OPD is biennially appropriated.

FY 2024 Appropriations Compared to FY 2025 Appropriations

FY 2025 appropriations are very similar to FY 2024 reflecting a decrease of approximately \$80,000 or 2.7%. These numbers, however, include the transfer of \$200,000 authority from FY 2025 in both years of the table which does not accurately represent remaining authority for FY 2025. Actual remaining authority is approximately \$2.9 million reflecting an overall decrease of just over \$250,000 when compared to the FY 2024 modified budget.

Program Personal Services

Personal services requested for the 2027 biennium in the Appellate Defender Division are \$4.7 million or \$127,000 higher than the 2025 base budget. This reflects an increase of 2.8%. This is mainly attributed to requests for 1.00 additional support staff position costing \$140,000 which is partially offset by statewide present law reductions to personal services totaling \$20,000. These reductions are mainly caused by the executive not fully utilizing the full amount provided within the 2025 biennium's personal service budgets in a way that is captured in the snapshot and through rehiring vacant positions at lower rates than when the positions became vacant.

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	(18,705)	0	0	(18,705)	0.00	(1,148)	0	0	(1,148)
DP 202 - Sustain Exst Pub Def Svcs - ADD Current Modifieds	1.00	72,626	0	0	72,626	1.00	74,463	0	0	74,463
Grand Total All Present Law Adjustments	1.00	\$53,921	\$0	\$0	\$53,921	1.00	\$73,315	\$0	\$0	\$73,315

**"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

Office of Public Defender	
Appellate Defender Division	
FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$12,845
Management Decisions	(31,551)
Budget Modifications	-
Total	<u>(\$18,706)</u>

DP 202 - Sustain Exst Pub Def Svcs - ADD Current Modifieds -

The executive requests funding for 1.00 additional PB pertaining to a legal support staff.

**LFD
COMMENT**

The Appellate Defender Division is currently utilizing 1.00 modified legal support staff position. During the 2025 interim, the OPD has been paying this position out of existing resources. This request looks to fund this PB within the agency's HB 2 budget which should free up the resources currently used to pay the position.

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 2204 - Centralize External Pub Def Costs	0.00	(769,778)	0	0	(769,778)	0.00	(769,778)	0	0	(769,778)
Total	0.00	(\$769,778)	\$0	\$0	(\$769,778)	0.00	(\$769,778)	\$0	\$0	(\$769,778)

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

DP 2204 - Centralize External Pub Def Costs -

The executive requests moving all authority for contracting and operations into the Central Services Division.

LFD COMMENT

This consolidation nets to \$0 across all programs.

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 FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
PB	30.00	33.00	33.00	3.00	5.0%
General Fund	10,293,627	3,855,478	3,869,997	(12,861,779)	(62.5%)
Total Funds	10,293,627	3,855,478	3,869,997	(12,861,779)	(62.5%)
Personal Services	3,592,508	3,855,478	3,869,997	540,459	7.5%
Operating Expenses	6,701,119			(13,402,238)	(100.0%)
Total Expenditures	10,293,627	3,855,478	3,869,997	(12,861,779)	(62.5%)
Total Ongoing	10,293,627	3,855,478	3,869,997	(12,861,779)	(62.5%)
Total One-Time-Only					0.0%

Program Highlights

**Conflict Defender Division
Major Budget Highlights**

The Conflict Defender Division's 2027 biennium budget request is 62.5% or \$12.9 million lower than the FY 2025 base budget. Significant changes include the following:

- \$750,000 for the biennium for 3.00 PB
- A decrease of \$210,000 related to statewide present law adjustments to personal services
- A decrease of \$13.4 million for the biennium related to consolidating all external public defender costs to the Central Services Division

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.

Conflict Defender 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
Base Budget	10,293,627	0	0	10,293,627	267.0%	10,293,627	0	0	10,293,627	266.0%
Statewide PL										
Personal Services	(111,363)	0	0	(111,363)	(2.9%)	(102,297)	0	0	(102,297)	(2.6%)
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	(111,363)	0	0	(111,363)	(2.9%)	(102,297)	0	0	(102,297)	(2.6%)
Present Law (PL)	374,333	0	0	374,333	9.7%	379,786	0	0	379,786	9.8%
New Proposals	(6,701,119)	0	0	(6,701,119)	(173.8%)	(6,701,119)	0	0	(6,701,119)	(173.2%)
Total HB 2 Adjustments	(6,438,149)	0	0	(6,438,149)	(167.0%)	(6,423,630)	0	0	(6,423,630)	(166.0%)
Total Requested Budget	3,855,478	0	0	3,855,478		3,869,997	0	0	3,869,997	

Funding

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

Office of State Public Defender, 03-Conflict Defender 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	7,725,475	0	0	0	7,725,475	100.0%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$7,725,475	\$0	\$0	\$0	\$7,725,475	

The Conflict Defender Division is funded exclusively with general fund.

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	30.00	30.00	33.00	33.00
Personal Services	2,951,550	3,317,578	3,592,508	3,855,478	3,869,997
Operating Expenses	7,511,794	7,606,301	6,701,119	0	0
Debt Service	331,206	339,959	0	0	0
Total Expenditures	\$10,794,550	\$11,263,838	\$10,293,627	\$3,855,478	\$3,869,997
General Fund	10,794,550	11,263,838	10,293,627	3,855,478	3,869,997
Total Funds	\$10,794,550	\$11,263,838	\$10,293,627	\$3,855,478	\$3,869,997
Total Ongoing	\$10,573,149	\$10,963,838	\$10,293,627	\$3,855,478	\$3,869,997
Total OTO	\$221,401	\$300,000	\$0	\$0	\$0

Program Description

The Conflict Defender Division oversees services to qualifying clients by providing effective assistance of counsel to indigent criminal defendants and other persons in certain civil cases. This division represents only those clients, in circumstances where, because of a conflict of interest, the public defender division is unable to provide representation.

FY 2024 Appropriations Compared to FY 2024 Actual Expenditures

The Conflict Defender Division expended 95.8% of its FY 2024 modified HB 2 budget. Total appropriations for FY 2024 were increased by just under \$2.6 million through the fiscal transfer. After modifications, personal service budgets were spent at 89.0%, while operating expenses were expended at 98.8%. Without the transfer of authority from FY 2025, budgets would have been 23.9% over expended. Unexpended HB 2 authority of approximately \$470,000 (primarily in personal services) will be transferred back to FY 2025 as the OPD is biennially appropriated.

FY 2024 Appropriations Compared to FY 2025 Appropriations

FY 2025 appropriations reflect being approximately \$1.0 million or 8.6% lower than FY 2024. These numbers include about \$2.6 million of authority that was transferred to FY 2024 to cover shortfalls. This division is one of the greater drivers for the upcoming FY 2025 supplemental request. The agency has not yet transferred authority to debt service as seen in the table above. Personal service authority increased slightly due to the extra HB 13 pay plan authority.

Program Personal Services

Personal services requested for the 2027 biennium are \$7.7 million or \$540,000 higher than the 2025 base budget. This reflects an increase of 7.5%. This is mainly attributed to requests for 3.00 additional defender positions costing \$760,000 which is offset by statewide present law reductions to personal services totaling \$213,000. These reductions are mainly seen in legislative changes and are the primary result of how the snapshot calculates pay plan funding by position in addition to rehiring vacant positions at slightly lower rates.

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	(111,363)	0	0	(111,363)	0.00	(102,297)	0	0	(102,297)
DP 303 - Sustain Exst Pub Def Svcs - CDD Current Modifieds	3.00	374,333	0	0	374,333	3.00	379,786	0	0	379,786
Grand Total All Present Law Adjustments	3.00	\$262,970	\$0	\$0	\$262,970	3.00	\$277,489	\$0	\$0	\$277,489

***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

Office of Public Defender Conflict Defender Division FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$21,719
Management Decisions	(129,525)
Budget Modifications	(3,558)
Total	(\$111,363)

DP 303 - Sustain Exst Pub Def Svcs - CDD Current Modifieds -

The executive is requesting 3.00 additional public defender positions.

LFD COMMENT

The Conflict Defender Division is currently utilizing 3.00 modified public defender positions. During the 2025 interim, the OPD has been paying these positions out of existing resources. This request looks to fund these PB within the agency's HB 2 budget which should free up the resources currently used to pay the positions.

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 2204 - Centralize External Pub Def Costs	0.00	(6,701,119)	0	0	(6,701,119)	0.00	(6,701,119)	0	0	(6,701,119)
Total	0.00	(\$6,701,119)	\$0	\$0	(\$6,701,119)	0.00	(\$6,701,119)	\$0	\$0	(\$6,701,119)

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

DP 2204 - Centralize External Pub Def Costs -

The executive requests moving all authority for contracting and operations into the Central Services Division.

<div>LFD COMMENT</div>	This consolidation nets to \$0 across all programs.
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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 FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
PB	32.94	49.00	57.00	24.06	36.5%
General Fund	5,881,474	30,395,951	31,599,364	50,232,367	427.0%
Total Funds	5,881,474	30,395,951	31,599,364	50,232,367	427.0%
Personal Services	3,481,250	5,417,632	6,464,116	4,919,248	70.7%
Operating Expenses	2,400,224	24,709,866	24,925,456	44,834,874	934.0%
Equipment & Intangible Assets		186,000	42,000	228,000	0.0%
Debt Service		82,453	167,792	250,245	0.0%
Total Expenditures	5,881,474	30,395,951	31,599,364	50,232,367	427.0%
Total Ongoing	5,881,474	29,949,351	31,293,164	49,479,567	420.6%
Total One-Time-Only	125,000	446,600	306,200	502,800	201.1%

Program Highlights

Central Services Division Major Budget Highlights

The Central Services Division's 2027 biennium budget request is \$50.2 million or 427.0% higher than the FY 2025 base budget. Significant biennial proposals include:

- \$22.4 million to consolidate all contracted attorney costs within the Central Services Division accompanied by decreases in all other divisions
- \$13.1 million general fund including \$12.5 million to cover the department's supplemental request and \$600,000 to fund OTO contracted attorney costs provided for the 2025 biennium
- Nearly \$6.2 million general fund to increase the contracted attorney pay rate from \$71.00 to \$90.00 per hour
- Almost \$3.1 million for 8.00 new attorney positions in FY 2026 and 16.00 new attorney positions in FY 2027
- \$1.2 million general fund to fund 5.06 additional FTE currently being utilized as modified positions
- \$1.0 million general fund for increased licensing costs

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.

Central 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
Base Budget	5,881,474	0	0	5,881,474	19.3%	5,881,474	0	0	5,881,474	18.6%
Statewide PL										
Personal Services	76,988	0	0	76,988	0.3%	90,528	0	0	90,528	0.3%
Fixed Costs	226,516	0	0	226,516	0.7%	237,988	0	0	237,988	0.8%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	303,504	0	0	303,504	1.0%	328,516	0	0	328,516	1.0%
Present Law (PL)	12,802,809	0	0	12,802,809	42.1%	13,981,210	0	0	13,981,210	44.2%
New Proposals	11,408,164	0	0	11,408,164	37.5%	11,408,164	0	0	11,408,164	36.1%
Total HB 2 Adjustments	24,514,477	0	0	24,514,477	80.7%	25,717,890	0	0	25,717,890	81.4%
Total Requested Budget	30,395,951	0	0	30,395,951		31,599,364	0	0	31,599,364	

Funding

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

Office of State Public Defender, 04-Central 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	61,242,515	752,800	0	0	61,995,315	100.0%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$61,242,515	\$752,800	\$0	\$0	\$61,995,315	

The Central Services Division is funded exclusively with general fund.

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	32.94	32.94	49.00	57.00
Personal Services	3,068,723	3,116,401	3,481,250	5,417,632	6,464,116
Operating Expenses	2,371,841	2,385,056	2,475,224	24,709,866	24,925,456
Equipment & Intangible Assets	50,000	50,000	50,000	186,000	42,000
Debt Service	177,628	231,173	0	82,453	167,792
Total Expenditures	\$5,668,192	\$5,782,630	\$6,006,474	\$30,395,951	\$31,599,364
General Fund	5,668,192	5,782,630	6,006,474	30,395,951	31,599,364
Total Funds	\$5,668,192	\$5,782,630	\$6,006,474	\$30,395,951	\$31,599,364
Total Ongoing	\$5,543,192	\$5,657,630	\$5,881,474	\$29,949,351	\$31,293,164
Total OTO	\$125,000	\$125,000	\$125,000	\$446,600	\$306,200

Program Description

Provides management of non-legal services, i.e., accounting, budgeting, IT, payroll, contracting, quality and performance controls to all programs. The oversight of the eligibility determination process, including verification of all hardship cases, is also a responsibility of this division.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Central Services Division expended 98.0% of its \$5.8 million HB 2 modified budget in FY 2024. Personal services were 98.5% expended, and operating expenses were 99.4% expended. This division's FY 2024 budget was increased by \$300,000 through the fiscal transfer, of which all was allocated to operating expenses. Without the transfer, the division's budget would have been 103.4% expended.

FY 2024 Appropriations Compared to FY 2025 Appropriations

When compared to FY 2024, appropriations in FY 2025 reflect an increase of \$220,000 or 3.9%. This includes the transfer of \$300,000 from FY 2025 to FY 2024 which is included in both years. Principally, authority between the two years is very similar. Small increases in personal services result from the pay plan authority for FY 2025.

Program Personal Services

Personal service authority requested for the 2027 biennium is \$11.9 million. This is an increase of \$4.9 million or 70.7% when compared to the FY 2025 base. Increases are attributed to the request for an additional 16.06 PB in FY 2024 and 24.06 PB in FY 2025. Additionally, statewide present law increases to personal services contribute a small amount and are mainly due to the agency rehiring vacant positions at higher rates than when the positions became vacant.

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	76,988	0	0	76,988		0.00	90,528	0	0	90,528
DP 2 - Fixed Costs										
0.00	226,516	0	0	226,516		0.00	237,988	0	0	237,988
DP 404 - Sustain Exst Pub Def Svcs - CSD Current Modifieds										
5.06	595,027	0	0	595,027		5.06	596,181	0	0	596,181
DP 504 - Sustain Exst Pub Def Svcs - Contract Svcs Overage										
0.00	6,550,000	0	0	6,550,000		0.00	6,550,000	0	0	6,550,000
DP 704 - Sustain Exst Pub Def Svcs - Contr Pub Def Rates										
0.00	3,177,586	0	0	3,177,586		0.00	3,177,586	0	0	3,177,586
DP 904 - Close Pub Def Shortfall - PB - Years 1-2										
8.00	1,016,638	0	0	1,016,638		16.00	2,048,428	0	0	2,048,428
DP 1104 - Sustain Exst Pub Def Svcs - Provider Rates										
0.00	171,139	0	0	171,139		0.00	350,835	0	0	350,835
DP 1204 - Sustain Exst Pub Def Svcs - Contracts Program										
3.00	281,329	0	0	281,329		3.00	272,929	0	0	272,929
DP 1304 - Sustain Eff Pub Def Supp - AI/Tech License										
0.00	500,000	0	0	500,000		0.00	500,000	0	0	500,000
DP 1504 - Sustain Eff Pub Def Supp - Computer Purch (BIEN, OTO)										
0.00	171,600	0	0	171,600		0.00	31,200	0	0	31,200
DP 1604 - Sustain Eff Pub Def Supp - Agency Training Events (OTO)										
0.00	150,000	0	0	150,000		0.00	150,000	0	0	150,000
DP 1704 - Sustain Eff Pub Def Supp - Client Comm/Access Tech (OTO)										
0.00	75,000	0	0	75,000		0.00	75,000	0	0	75,000
DP 1904 - Sustain Exst Pub Def Svcs - Lease Rates										
0.00	82,453	0	0	82,453		0.00	167,792	0	0	167,792
DP 2004 - Sustain Exst Pub Def Svcs - Court Report Rates										
0.00	8,025	0	0	8,025		0.00	8,025	0	0	8,025
DP 2104 - Sustain Exst Pub Def Svcs - Postage Inflation										
0.00	24,012	0	0	24,012		0.00	53,234	0	0	53,234
Grand Total All Present Law Adjustments										
16.06	\$13,106,313	\$0	\$0	\$13,106,313		24.06	\$14,309,726	\$0	\$0	\$14,309,726

***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

Office of Public Defender Central Services Division FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$59,431
Management Decisions	57,943
Budget Modifications	(40,386)
Total	<u>\$76,988</u>

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 404 - Sustain Exst Pub Def Svcs - CSD Current Modifieds -

The executive is requesting funding for 5.06 PB.

**LFD
COMMENT**

The Central Services Division is currently utilizing 5.00 modified positions that are assisting administrative and operational support of the agency. These PB comprise of one Bureau Chief, one program planner, one contracting program officer, and two public defender positions. Additionally, one position currently sits at 0.94 PB, and this request would take that position to 1.00 PB resulting in the increase of 5.06 PB. This request looks to fund these positions within the agency's HB 2 budget moving forward which would free up authority that is currently utilized to pay these modified positions for other purposes.

DP 504 - Sustain Exst Pub Def Svcs - Contract Svcs Overage -

The executive requests additional general fund for the 2027 biennium to cover 2025 biennium shortfalls related to contractor assignment and compensation.

**LFD
COMMENT**

As discussed earlier in the report, caseloads and the movement of rates in the private market increased beyond what was budgeted for in FY 2024. The agency utilized another \$5.3 million of their biennial appropriation that was budgeted in FY 2025, resulting not only in a hole to backfill in FY 2025, but leaving the agency short compared to FY 2024. This request is to have the agency's FY 2025 supplemental request of \$12.5 million funded as part of the base budget as well as \$600,000 to continue the OTO appropriation for contracted attorneys provided in the 2023 Session.

DP 704 - Sustain Exst Pub Def Svcs - Contr Pub Def Rates -

The executive requests general fund to increase the state's contract public defender payment rate from \$71.00 per hour to \$90.00 per hour.

DP 904 - Close Pub Def Shortfall - PB - Years 1-2 -

The executive is requesting 8.00 new public defender positions in FY 2026 and 16.00 new public defender positions in FY 2027.

DP 1104 - Sustain Exst Pub Def Svcs - Provider Rates -

The executive requests general fund for a 5.0% increase each year of the 2027 biennium for non-attorney contracted providers such as mental health and contract investigators. For contracted investigators, this request is intended to establish a payment rate of \$50 per hour, up from the \$41 established in 2018.

DP 1204 - Sustain Exst Pub Def Svcs - Contracts Program -

The executive requests 3.00 additional contracts program officers for the 2027 biennium.

DP 1304 - Sustain Eff Pub Def Supp - AI/Tech License -

The executive requests additional general fund to cover increased licensing costs related to artificial intelligence (AI), data, and technology tools.

DP 1504 - Sustain Eff Pub Def Supp - Computer Purch (BIEN, OTO) -

The executive requests additional one-time-only funding to replace computer systems on consistent schedules for the upcoming biennium.

**LFD
COMMENT**

Currently, this request would cover 138 computers needing end-of-life replacement in FY 2026, 21 computers needing replacement in FY 2027, and an estimated 5 computers each year needing replacement due to accidental loss or damage. According to state policy, replacement cycles of these systems are to be every five years. The OPD requests this funding be biennial to allow flexibility with the timing of these upgrades.

DP 1604 - Sustain Eff Pub Def Supp - Agency Training Events (OTO) -

The executive is requesting one-time-only funding to continue training events that were provided as one-time-only during the 2025 biennium.

DP 1704 - Sustain Eff Pub Def Supp - Client Comm/Access Tech (OTO) -

The executive is requesting funding to develop an incarcerated client communications plan that would provide hardware, software, and support to ensure clients are able to access their confidential information with the OPD and review filings and evidence.

DP 1904 - Sustain Exst Pub Def Svcs - Lease Rates -

The executive requests additional funding to cover lease escalations and renewals in the 2027 biennium. Overall rates are estimated to increase at 3.5% each year.

DP 2004 - Sustain Exst Pub Def Svcs - Court Report Rates -

The executive requests funding for increases in rates paid to official court reporters as outlined in statute. These rates are set by the Office of Court Administrator.

DP 2104 - Sustain Exst Pub Def Svcs - Postage Inflation -

The executive requests funding to cover an increase in costs for mailing of 21.7% per year.

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 1404 - Sustain Eff Pub Def Supp - AI/Data/Tech (OTO)	0.00	200,000	0	0	200,000	0.00	200,000	0	0	200,000
DP 2204 - Centralize External Pub Def Costs	0.00	11,208,164	0	0	11,208,164	0.00	11,208,164	0	0	11,208,164
Total	0.00	\$11,408,164	\$0	\$0	\$11,408,164	0.00	\$11,408,164	\$0	\$0	\$11,408,164

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

DP 1404 - Sustain Eff Pub Def Supp - AI/Data/Tech (OTO) -

The executive requests one-time-only general fund for the OPD to continue to develop its artificial intelligence (AI), data, and technology structures.

DP 2204 - Centralize External Pub Def Costs -

The executive requests moving all authority for contracting and operations into the Central Services Division.

**LFD
COMMENT**

This consolidation nets to \$0 across all divisions in the agency.

DEPARTMENT OF CORRECTIONS

Section D

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----Agencies-----

Judicial Branch
Dept. of Justice
Public Service Commission

Office of Public Defender
Dept. of Corrections

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

House

Representative Fiona Nave (Chair)
Representative Thedis Crowe
Representative Donavon Hawk
Representative Anthony Nicastrò

Senate

Senator Shelley Vance (Vice Chair)
Senator Tom McGillvray
Senator Shane Morìgeau

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

Walker Hopkins
Barb Wagner

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	1,280.67	1,305.67	1,305.67	25.00	1.0%
General Fund	274,448,008	294,969,467	296,257,551	42,331,002	7.7%
State/Other Special Rev. Funds	7,096,208	7,100,925	7,101,926	10,435	0.1%
Proprietary Funds	145,214	133,046	131,060	(26,322)	(9.1%)
Total Funds	281,689,430	302,203,438	303,490,537	42,315,115	7.5%
Personal Services	111,221,203	118,699,848	119,286,678	15,544,120	7.0%
Operating Expenses	168,299,624	179,778,319	180,478,598	23,657,669	7.0%
Equipment & Intangible Assets		1,129,000	1,129,000	2,258,000	0.0%
Transfers	503,739	503,739	503,739		0.0%
Debt Service	1,664,864	2,092,532	2,092,522	855,326	25.7%
Total Expenditures	281,689,430	302,203,438	303,490,537	42,315,115	7.5%
Total Ongoing	281,689,430	302,203,438	303,490,537	42,315,115	7.5%
Total One-Time-Only	4,754,980			(9,509,960)	(100.0%)

Agency Highlights

Department of Corrections Major Budget Highlights

The 2027 biennium HB 2 request for the Department of Corrections is \$605.7 million which reflects an increase of \$42.3 million or 7.5% when compared to FY 2025 base appropriations. More significant increases include:

- \$8.9 million in statewide present law adjustments to personal services and fixed costs
- \$6.2 million to increase base appropriations for reimbursing county jail holds
- Nearly \$4.1 million general fund for contract renewals and prover rate increases with existing contracted community corrections facilities
- Nearly \$2.8 million for increases in provider rates paid to contracted secure facilities and local detention centers
- \$2.7 million for increases in costs of contracted placements for juveniles and to fund caseworker services
- Almost \$2.5 million general fund for new equipment and technology purchases
- \$2.4 million general fund to support recruitment and retention efforts and to develop more formal field training

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 Corrections 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
Base Budget	274,448,008	7,096,208		0 281,689,430	93.2%	274,448,008	7,096,208		0 281,689,430	92.8%
Statewide PL										
Personal Services	4,020,664	4,974	0	4,025,638	1.3%	4,258,560	6,017	0	4,264,577	1.4%
Fixed Costs	309,041	(257)	0	296,616	0.1%	292,495	(299)	0	278,042	0.1%
Inflation Deflation	(35,882)	0	0	(35,882)	(0.0%)	(24,250)	0	0	(24,250)	(0.0%)
Total Statewide PL	4,293,823	4,717	0	4,286,372	1.4%	4,526,805	5,718	0	4,518,369	1.5%
Present Law (PL)	4,635,616	0	0	4,635,616	1.5%	5,701,995	0	0	5,701,995	1.9%
New Proposals	11,592,020	0	0	11,592,020	3.8%	11,580,743	0	0	11,580,743	3.8%
Total HB 2 Adjustments	20,521,459	4,717	0	20,514,008	6.8%	21,809,543	5,718	0	21,801,107	7.2%
Total Requested Budget	294,969,467	7,100,925	0	302,203,438		296,257,551	7,101,926	0	303,490,537	

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.

Department of Corrections FY 2026 Statewide Present Law Adjustment for Personal Services - DP1				
Program	Legislative Changes	Management Decisions	Budget Modifications	Total DP1
01 Director's Office / CSD	\$128,837	\$255,433	(\$89,293)	\$294,977
02 Public Safety Division	2,042,997	(240,658)	429,237	2,231,576
03 Rehabilitation and Programs	475,984	1,317,567	(272,637)	1,520,914
04 Board of Pardons and Parole	17,455	(39,284)	-	(21,829)
Total	\$2,665,273	\$1,293,058	\$67,307	\$4,025,638

Total personal services requested by the Department of Corrections for the 2027 biennium are \$238.0 million reflecting an increase of \$15.5 million or 7.0% when compared to FY 2025 base appropriations. Increases are the result of the following requests:

- A total of 25.00 requested PB for multiple different functions
- Statewide present law adjustments to personal services
- New standardized salary pay for nurses

Statewide present law adjustments are primarily the result of increases to position retirement and social security benefits, hiring vacant positions at a higher rate than when the position became vacant, and adjustments related to promotion or career ladders.

Funding

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

Total Department of Corrections 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
01100 General Fund	591,227,018				591,227,018	91.7%
02917 MSP Canteen Revolving Acct	9,527,162				9,527,162	1.5%
02261 P & P Supervisory Fee	2,266,566				2,266,566	0.4%
02345 Inmate Welfare Fund				1,410,030	1,410,030	0.2%
02689 Offender Restitution	937,763				937,763	0.1%
02927 PHS Donations/I & I	754,660				754,660	0.1%
Other State Special Revenue	716,700				716,700	0.1%
State Special Revenue Total	14,202,851	-	-	1,410,030	15,612,881	2.4%
Federal Special Revenue Total	-	-	-	-	-	0.0%
06573 MSP - Cook Chill	52,789		12,540,444		12,593,233	2.0%
06033 Prison Ranch	52,787		9,738,396		9,791,183	1.5%
06034 MSP Institutional Industries	52,787		7,732,086		7,784,873	1.2%
06011 License Plate Production	104,815		5,760,630		5,865,445	0.9%
06545 Prison Indust. Training Prog	928		1,613,805		1,614,733	0.3%
Proprietary Fund Total	264,106	-	37,385,361	-	37,649,467	5.8%
Total of All Funds	605,693,975	-	37,385,361	1,410,030	644,489,366	
Percent of All Sources of Authority	94.0%	0.0%	5.8%	0.2%		

The Department of Corrections is primarily funded with general fund at approximately 97.6% of requested HB 2 funds. The remaining amount is comprised of state special revenues with a small portion coming from budgeted proprietary funds. Some of the largest state special revenue funds are:

- The canteen revolving fund, which receives revenue from the sale of items to inmates
- Probation and parole supervision fees collected from offenders under the supervision of the department
- Pine Hills donations, interest, and income funds coming mostly from interest and income collected on school trust lands

There is approximately \$1.4 million in statutory appropriations (in state special revenue) over the 2025 biennium, which are used to support the Public Safety Division. This funding is for the Inmate Welfare Fund and is used to benefit inmates and their families per 53-1-109, MCA.

Additional authority is comprised of non-budgeted proprietary funds used to support programs at the Montana Correctional Enterprises. These programs are discussed more in the non-budgeted proprietary analysis for Section D agencies found at <https://archive.legmt.gov/content/Publications/fiscal/2027-Biennium/Budget-and-Revenue/Budget-Analysis/Section-D/Section-D-Non-Budgeted-Proprietary-27Bi.pdf> and are comprised of the following:

- Cook Chill Program
- Prison Ranch Program
- MSP Institutional Industries
- License Plate Production
- Industries Training Program

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	1,280.67	1,280.67	1,305.67	1,305.67
Personal Services	108,299,338	109,674,709	113,324,917	118,699,848	119,286,678
Operating Expenses	155,654,335	159,929,274	170,950,890	179,778,319	180,478,598
Equipment & Intangible Assets	480,838	938,552	0	1,129,000	1,129,000
Capital Outlay	0	20,773	0	0	0
Transfers	672,086	732,395	503,739	503,739	503,739
Debt Service	1,673,206	1,953,496	1,664,864	2,092,532	2,092,522
Total Expenditures	\$266,779,803	\$273,249,199	\$286,444,410	\$302,203,438	\$303,490,537
General Fund	261,038,855	266,029,717	279,202,988	294,969,467	296,257,551
State/Other Special Rev. Funds	5,622,145	7,100,679	7,096,208	7,100,925	7,101,926
Proprietary Funds	118,803	118,803	145,214	133,046	131,060
Total Funds	\$266,779,803	\$273,249,199	\$286,444,410	\$302,203,438	\$303,490,537
Total Ongoing	\$264,289,812	\$267,857,488	\$281,689,430	\$302,203,438	\$303,490,537
Total OTO	\$2,489,991	\$5,391,711	\$4,754,980	\$0	\$0

Agency Description

The Montana Department of Corrections provides services that impact every community in Big Sky Country. From assisting victims of crime; to providing support to offenders under supervision in Montana communities; to ensuring the incarcerated population is prepared to re-enter society successfully; the work of the department is wide and varied. The department aims to provide evidence-based programming in all aspects of our work as we move toward our goal of reducing recidivism and disrupting the cycle of incarceration. Please refer to the agency profile at <https://www.legmt.gov/lfd/committees/section-d/agency-profile-department-of-corrections/> for additional information about the agency's organization structure, historical expenditures, goals and objectives, and recent studies and audits.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Department of Corrections' FY 2024 modified HB 2 budget was \$269.2 million. Through the end of FY 2024, the department expended \$264.3 million or 98.2% leaving nearly \$5.0 million in unspent authority. At FYE 2024, the department performed a series of fiscal transfers which moved \$10.1 million from FY 2025 appropriations to FY 2024 to cover shortfalls in reimbursing county detention centers for holding convicted offenders, costs related to building emergencies, prescription drug costs, and costs due to the inability to access some contingent personal service appropriations.

Without these fiscal transfers, the department would have over expended its HB 2 budget by approximately \$5.1 million or 2.0%. As all HB 2 authority for the Director's Office, Public Safety Division, and Rehabilitation and Programs Division is biennial, the Department continued most of this unspent authority back to FY 2025. This should help decrease any supplemental request that may result from the initial \$10.1 million transfer of authority to FY 2024. Expenditures of 98.2% after the fiscal transfer were proportionally higher than the previous five-year average of 95.8%.

FY 2024 Appropriations Compared to FY 2025 Appropriations

When compared to FY 2024 appropriations, appropriations for FY 2025 increase by approximately \$13.2 million. Many changes have occurred so far in the 2025 biennium resulting in a different appropriation structure than that of the 2023 Session. Original FY 2025 appropriations were about \$6.0 million higher than FY 2024.

The changes in authority resulting in the appropriations in the table above are as follows:

- FY 2025 contains \$11.4 million in authority from HB 5 of the 2023 session. This authority is not found in FY 2024. Details are as follows:
 - \$7.2 million in contracted expenses to be paid for providers to build and operate a sex offender treatment unit. Amounts shown reflect annual numbers based on a 7-year contract
 - \$3.4 million in annual operating costs for a new pre-release center in Flathead County
 - \$800,000 for other ongoing maintenance and operating costs
- FY 2025 contains additional personal service pay plan funding over FY 2024 of \$4.0 million
- FY 2025 contains \$4.5 million additional operating expense authority over FY 2024 for provider rate increases in contracted facilities
- FY 2024 contains a partially offsetting fiscal transfer in of \$10.1 million

The increases in authority for FY 2025 are partially offset by the fiscal transfer increasing authority in FY 2024 by \$10.1 million result in the appropriation levels seen in the table above.

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 Corrections				
Comparison of the FY 2025 Legislative Budget to the FY 2025 Base Budget				
	Legislative Budget	Executive Modifications	Base Budget	% Change
01 DIRECTOR'S OFFICE CSD				
61000 Personal Services	10,052,331	3,225,727	13,278,058	32.1%
62000 Operating Expenses	8,259,125	1,165,045	9,424,170	14.1%
68000 Transfers	100,000		100,000	0.0%
Total	18,411,456	4,390,772	22,802,228	23.8%
02 PUBLIC SAFETY				0.0%
61000 Personal Services	83,130,514	(6,855,358)	76,275,156	-8.2%
62000 Operating Expenses	64,033,932	(1,250,585)	62,783,347	-2.0%
63000 Equipment & Intangible Assets	152,852	(152,852)	-	-100.0%
64000 Capital Outlay	20,773	(20,773)	-	-100.0%
68000 Transfers	181,121	(12,499)	168,622	-6.9%
69000 Debt Service	953,706	634,258	1,587,964	66.5%
Total	148,472,898	(7,657,809)	140,815,089	-5.2%
03 REHABILITATION AND PROGRAMS				0.0%
61000 Personal Services	16,992,855	3,562,325	20,555,180	21.0%
62000 Operating Expenses	96,150,527	(191,691)	95,958,836	-0.2%
68000 Transfers	241,367	(6,250)	235,117	-2.6%
69000 Debt Service	117,347	(97,347)	20,000	-83.0%
Total	113,502,096	3,267,037	116,769,133	2.9%
04 BOARD OF PARDONS AND PAROLE				0.0%
61000 Personal Services	1,112,809		1,112,809	0.0%
62000 Operating Expenses	190,171	(56,900)	133,271	-29.9%
69000 Debt Service		56,900	56,900	100.0%
Total	1,302,980	-	1,302,980	0.0%
Agency Total	281,689,430	-	281,689,430	0.0%

The largest modification performed by the DOC during the 2025 interim was a reorganization. This reorganization was done to establish new bureaus and moved a total of 91.00 PB and associated funding in the amount of \$6.9 million in FY 2024 throughout the agency to align with current org chart structures. These positions all came from the Public Safety Division and were moved to the Director's Office and Rehabilitation and Programs Division at roughly a 50/50 split. An outline of the changes made within this reorganization include:

- All purchasing functions were consolidated to the Financial Services Bureau in the Director's Office
- All maintenance functions were consolidated to the Project Management Bureau within the Central Services Division
- All education services were combined into a newly created Education Services Bureau within the Rehabilitation and Programs Division

The Director's Office received additional operating expenses by moving authority provided for inflation in the 2025 biennium from the Public Safety Division and Rehabilitation and Programs Division.

Agency Discussion

The Department of Corrections (DOC) is charged with efficiently utilizing state resources to develop and maintain comprehensive adult and youth corrections services. The primary responsibility of DOC is to house and/or provide services to adults and youth who are sentenced to DOC or one of the facilities it operates. DOC is also responsible for adult probation and parole functions. However, juvenile probation and parole services are part of the District Court Operations Program within the Judicial Branch.

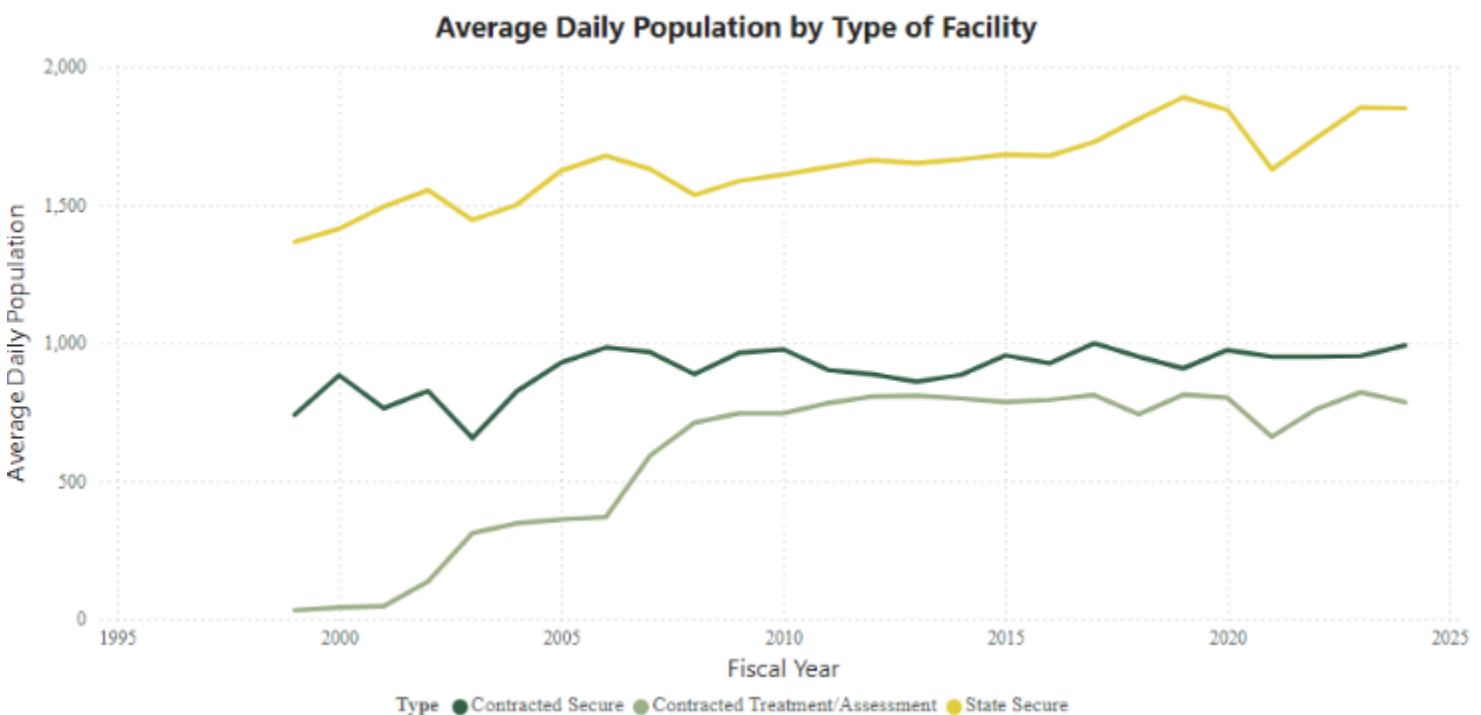
The Department of Corrections provides services through the operation of state institutions, with state employees and the purchase of incarceration and other services (such as community-based residential treatment programs) via contracts with local governments and private not-for-profit and for-profit businesses throughout the state. Overall costs and changes to the costs of the department are generally driven by several factors:

- Average daily populations/projections
- The level of supervision and/or treatment required and the availability of space in the appropriate settings
- Costs of contracts and state personnel
- Medical costs for offenders

Offender Populations

As seen in the list above, overall offender populations and the general makeup of these offenders are the largest drivers for overall agency costs. Historically, with the exception of a two-year period involving COVID, offender populations have increased year over year. This section of the budget analysis will split these populations into three categories: secure facilities, alternative facilities (excluding pre-release), and community supervision (pre-release included). Offender populations have increased primarily in the areas contracted treatment and assessment facilities. Both state-owned and contracted secure populations have not increased as quickly due to the slower growth in overall capacity within these facilities. Many contracted treatment and assessment centers were added around FY 2007, and much of the additional capacity seen over the last few decades has been obtained in these areas and in pre-release centers.

The chart below describes the average daily population by facility type between 1999 and 2024. One thing to note is data in the chart below looking at historical timelines was taken from the first quarter of FY 2024 and does not include newly obtained capacity at Saguaro Correctional Facility in Arizona which totals 245 beds currently. Therefore, the slope of the trend related to contracted secure capacity is understated. Only population in facilities (no community supervision) are included in the chart below.



Secure Facilities

Montana currently has six adult secure facilities, which includes three state-owned facilities and three contracted facilities. These facilities, along with individuals on probation and parole, comprise the offender population overseen by the Public Safety Division. These facilities, including their capacity and recent average daily population (ADP) numbers, are shown in the table below. Also included are jail holds for those waiting for only a secure prison placement. Jail holds for those awaiting a different placement are included in the next section.

Current Secure Capacity Utilized for MT Offenders			
Facility	Operational Capacity	ADP*	% of Operational Capacity
Montana State Prison	1,526	1,662	108.9%
Riverside Special Needs	25	26	104.0%
Crossroads Correctional Center	753	762	101.2%
Saguaro Correctional Center	240	245	102.1%
Dawson County Correctional	135	124	91.9%
Secure Jail Holds	-	80	
Male Total	2,679	2,899	108.2%
Montana Women's Prison	240	247	102.9%
Secure Jail Holds	-	55	
Female Total	240	302	125.8%
* ADP numbers reflect information from November 1, 2024			

The majority of secure facility capacity (approximately 91.4%) is used to house male offenders. As seen in the table above, the department is currently utilizing all capacity in secure facilities. One recent addition to secure capacity comes in the form of additional secure facility beds at the Saguaro Correctional Facility in Arizona secured by a contract with Core Civic. The department began utilizing 120 beds in November 2023, and all 120 beds are currently being utilized. This capacity was increased to 240 inmates in August of 2024. This increase was a decision made by the executive to quickly combat issues that arose with lost capacity at the Missoula Assessment and Sanction Center (MASC). The DOC was unable to renegotiate a new contract with the Missoula Assessment and Sanction Center which resulted in the need for immediate additional capacity in Arizona.

The population in jail holds is another area worth noting. Due to facilities being at capacity, the DOC contracts with local county detention centers to house offenders who have been sentenced and are waiting a placement within a secure facility. As of October 2024, 144 offenders were currently in these local detention placements awaiting for a placement within a secure prison facility. Jail holds have increased over the interim indicating a need for additional capacity. Jail hold counts got as high as 450-470 daily in the 4th quarter of FY 2024 and have been averaging approximately 350 for the 2025 biennium so far.

Alternative to Secure Facilities and Community Supervision

There are other types of facilities within the Montana offender system that are utilized as alternative placement options to incarceration in a secure facility. These facilities can be separated into three main categories representing pre-release centers (also included within community supervision number below), assessment/sanction centers, and centers for the treatment of substance use disorders. These are all contracted facilities, and capacity available to the Department of Corrections is based on contracted amounts and facility availability. Not all inmates can use these types of capacity, which explains some of the current utilization amounts below. Alternative population placements in Montana as of October 2024 include the following:

Current Alternative to Secure Capacity for MT Offenders				
Facility Type	Gender	Contracted Capacity	ADP*	% of Available Contracted Capacity
Contracted Treatment	Male	336	339	100.9%
	Female	128	123	96.1%
Total		464	462	99.6%
Contracted Assessment	Male	196	192	98.0%
	Female	72	62	86.1%
Total		268	254	94.8%
Contracted Pre-release	Male	754	685	90.8%
	Female	209	218	104.3%
Total		963	903	93.8%
Community Supervision Population	All		10,180	
*ADP numbers reflect information from November 1, 2024				

Contracted assessment and sanction centers act as housing for offenders awaiting a bed placement at another facility or to house offenders serving sanctions for disciplinary actions. Offenders will participate in an assessment process which includes mental health evaluations, chemical dependency evaluations, and more. Contracted treatment centers offer more intensive residential inpatient treatment for substance use disorder. These facilities can be split into three different purposes: DUI treatment, 90-day substance use disorder treatment, and long-term treatment.

Contracted pre-release centers make up the remainder of alternative facility capacity in Montana. Pre-release facilities serve two purposes. First, pre-release centers act as an alternative to traditional incarceration for some offenders. Second, these facilities serve to assist offenders transitioning from a secure facility back into the community. These tend to be six-month programs in which offenders will live at the facility but work in the community.

HB 2 Language -

All appropriations for the Director's Office and Central Services Division, the Public Safety Division, and the Rehabilitation and Programs Division are biennial.

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 FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
PB	148.31	149.31	149.31	1.00	0.3%
General Fund	22,196,065	22,473,647	22,482,486	564,003	1.3%
State/Other Special Rev. Funds	460,949	471,253	472,100	21,455	2.3%
Proprietary Funds	145,214	133,046	131,060	(26,322)	(9.1%)
Total Funds	22,802,228	23,077,946	23,085,646	559,136	1.2%
Personal Services	13,278,058	13,686,557	13,712,260	842,701	3.2%
Operating Expenses	9,424,170	9,291,389	9,273,386	(283,565)	(1.5%)
Transfers	100,000	100,000	100,000		0.0%
Total Expenditures	22,802,228	23,077,946	23,085,646	559,136	1.2%
Total Ongoing	22,802,228	23,077,946	23,085,646	559,136	1.2%
Total One-Time-Only	147,147			(294,294)	(100.0%)

Program Highlights

Director's Office / CSD Major Budget Highlights
<p>The Director's Office's 2027 biennium HB 2 request is \$45.9 million which reflects an increase of \$560,000 or 1.2% when compared to the FY 2025 base budget. Significant changes include:</p> <ul style="list-style-type: none"> Nearly \$330,000 for statewide present law increases Nearly \$230,000 for 1.00 additional PB

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 and Central 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
Base Budget	22,196,065	460,949	0	22,802,228	98.8%	22,196,065	460,949	0	22,802,228	98.8%
Statewide PL										
Personal Services	284,416	10,561	0	294,977	1.3%	309,229	11,450	0	320,679	1.4%
Fixed Costs	(118,627)	(257)	0	(131,052)	(0.6%)	(135,163)	(299)	0	(149,616)	(0.6%)
Inflation Deflation	(1,729)	0	0	(1,729)	(0.0%)	(1,168)	0	0	(1,168)	(0.0%)
Total Statewide PL	164,060	10,304	0	162,196	0.7%	172,898	11,151	0	169,895	0.7%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	113,522	0	0	113,522	0.5%	113,523	0	0	113,523	0.5%
Total HB 2 Adjustments	277,582	10,304	0	275,718	1.2%	286,421	11,151	0	283,418	1.2%
Total Requested Budget	22,473,647	471,253	0	23,077,946		22,482,486	472,100	0	23,085,646	

Funding

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

Department of Corrections, 01-Director's Office and Central 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	44,956,133	0	0	0	44,956,133	97.4%
02689 Offender Restitution	937,763	0	0	0	937,763	99.4%
02917 MSP Canteen Revolving Acct	5,590	0	0	0	5,590	0.6%
State Special Total	\$943,353	\$0	\$0	\$0	\$943,353	2.0%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
06011 License Plate Production	104,815	0	0	0	104,815	39.7%
06033 Prison Ranch	52,787	0	0	0	52,787	20.0%
06034 MSP Institutional Industries	52,787	0	0	0	52,787	20.0%
06545 Prison Indust. Training Prog	928	0	0	0	928	0.4%
06573 MSP - Cook Chill	52,789	0	0	0	52,789	20.0%
Proprietary Total	\$264,106	\$0	\$0	\$0	\$264,106	0.6%
Total All Funds	\$46,163,592	\$0	\$0	\$0	\$46,163,592	

The majority of funding for the Director's Office comes from the general fund. There is a small amount of funding for this program that comes from state special revenues, primarily from fees charged for collection of restitution from offenders. The remaining portion of funding comes from proprietary funds such as prison ranch, industries program, cook chill operation, and license plate production. Most authority in these proprietary programs is not budgeted by the legislature in HB 2 and will be discussed in a separate analysis, but small portions of these programs are budgeted in HB 2 as seen in the table above.

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	148.31	148.31	149.31	149.31
Personal Services	12,676,273	12,735,414	13,425,205	13,686,557	13,712,260
Operating Expenses	7,519,715	7,682,126	9,424,170	9,291,389	9,273,386
Transfers	144,416	144,416	100,000	100,000	100,000
Total Expenditures	\$20,340,404	\$20,561,956	\$22,949,375	\$23,077,946	\$23,085,646
General Fund	19,733,880	19,897,780	22,343,212	22,473,647	22,482,486
State/Other Special Rev. Funds	487,721	545,373	460,949	471,253	472,100
Proprietary Funds	118,803	118,803	145,214	133,046	131,060
Total Funds	\$20,340,404	\$20,561,956	\$22,949,375	\$23,077,946	\$23,085,646
Total Ongoing	\$20,200,848	\$20,407,400	\$22,802,228	\$23,077,946	\$23,085,646
Total OTO	\$139,556	\$154,556	\$147,147	\$0	\$0

Program Description

The Director's Office and the Central Services Division include the following bureaus: the Legal Bureau, the Communications Bureau, the Financial Services Bureau, Central Services Operations, the Information Technology Bureau, the Human Resources Bureau, the Records Management Bureau, the Research & Analytics Bureau, and the Project Management Bureau. This program provides services to the department and the public in the areas of public information, human resource management, information technology, legal support, research and statistics, project management, payroll, contract development, federal grants management, victim restitution, supervision fee collection, and various administrative and management support functions.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

In FY 2024, expenditures within the Director's Office and Central Services Division totaled 99.0% of its modified HB 2 budget. Personal services were expended at 99.7%, while operating expenses were expended at 97.9%. The majority of unexpended funds relate to legislative audit costs and will carry forward into FY 2025. Expenses in FY 2024 followed anticipated trends.

FY 2024 Appropriations Compared to FY 2025 Appropriations

When compared to FY 2024 amounts, appropriations in FY 2025 reflect an increase of approximately \$2.4 million or 11.4% with about \$700,000 of this increase being within personal services and \$1.7 million being in operating expenses. The amount for FY 2025 in the table above includes a one-time-only reduction of \$1.8 million for Risk Management and Tort Defense. This reduction was added back into FY 2025 amounts to provide a direct comparison to the base budget.

Operating expense authority in FY 2025 is practically identical to FY 2024 budgets when ignoring this one-time-only reduction. Increases in personal services can be mainly attributed to additional pay plan funding provided for the second year of the 2025 biennium.

Program Personal Services

Requested personal services for the 2027 biennium total \$27.4 million and reflect an increase of \$843,000 or 3.2% when compared to FY 2025 base appropriations. Increases are attributed to statewide present law adjustments to personal services and a request for 1.00 additional PB for a position that was provided as OTO in the 2025 biennium. Statewide present law adjustments are primarily comprised of increases in position retirement pay, hiring vacant positions at a higher rate than when the position became vacant, and adjustments related to position benefits such as retirement and social security.

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	284,416	10,561	0	294,977		0.00	309,229	11,450	0	320,679
DP 2 - Fixed Costs										
0.00	(118,627)	(257)	0	(131,052)		0.00	(135,163)	(299)	0	(149,616)
DP 3 - Inflation Deflation										
0.00	(1,729)	0	0	(1,729)		0.00	(1,168)	0	0	(1,168)
Grand Total All Present Law Adjustments										
0.00	\$164,060	\$10,304	\$0	\$162,196		0.00	\$172,898	\$11,151	\$0	\$169,895

**"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 Corrections	
Director's Office / CSD	
FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$128,837
Management Decisions	255,433
Budget Modifications	(89,293)
Total	<u>\$294,977</u>

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 175 - Correction of Error - Make OTO PB Permanent										
1.00	113,522	0	0	113,522		1.00	113,523	0	0	113,523
Total	1.00	\$113,522	\$0	\$0	\$113,522	1.00	\$113,523	\$0	\$0	\$113,523

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

DP 175 - Correction of Error - Make OTO PB Permanent -

The executive is requesting 1.00 additional position.

**LFD
COMMENT**

The 2023 Legislature provided 13.00 PB to the DOC for the 2025 biennium but made the appropriation one-time-only for these positions. All positions were provided to the Public Safety Division but were moved during the interim. This proposal would continue this position along with new authority to pay associated costs.

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	903.86	916.86	916.86	13.00	0.7%
General Fund	138,946,126	153,762,517	154,121,753	29,992,018	10.8%
State/Other Special Rev. Funds	1,868,963	1,868,963	1,868,963		0.0%
Total Funds	140,815,089	155,631,480	155,990,716	29,992,018	10.6%
Personal Services	76,275,156	80,414,638	80,579,187	8,443,513	5.5%
Operating Expenses	62,783,347	71,923,081	72,117,768	18,474,155	14.7%
Equipment & Intangible Assets		1,129,000	1,129,000	2,258,000	0.0%
Transfers	168,622	168,622	168,622		0.0%
Debt Service	1,587,964	1,996,139	1,996,139	816,350	25.7%
Total Expenditures	140,815,089	155,631,480	155,990,716	29,992,018	10.6%
Total Ongoing	140,815,089	155,631,480	155,990,716	29,992,018	10.6%
Total One-Time-Only	1,809,373			(3,618,746)	(100.0%)

Program Highlights

Public Safety Major Budget Highlights
<p>The 2027 biennium request for the Public Safety Division is approximately \$311.6 million which reflects an increase of \$30.0 million or 10.6% when compared to the FY 2025 base budget. Most significant changes include:</p> <ul style="list-style-type: none"> • \$6.2 million to increase base appropriations for reimbursing county jail holds • \$5.4 million in statewide present law adjustments to personal services and fixed costs • Nearly \$2.8 million for increases in provider rates paid to contracted secure facilities and local detention centers • \$2.7 million for increases in costs of contracted placements for juveniles and to fund caseworker services • Almost \$2.5 million general fund for new equipment and technology purchases • \$2.4 million general fund to support recruitment and retention efforts and to develop more formal field training • \$1.6 million general fund for performance and other incentive-based adjustments to employee salaries • \$1.5 million for 9.00 new PB

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.

Public Safety 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
Base Budget	138,946,126	1,868,963	0	140,815,089	90.5%	138,946,126	1,868,963	0	140,815,089	90.3%
Statewide PL										
Personal Services	2,231,576	0	0	2,231,576	1.4%	2,392,111	0	0	2,392,111	1.5%
Fixed Costs	408,175	0	0	408,175	0.3%	408,175	0	0	408,175	0.3%
Inflation Deflation	(32,635)	0	0	(32,635)	(0.0%)	(22,057)	0	0	(22,057)	(0.0%)
Total Statewide PL	2,607,116	0	0	2,607,116	1.7%	2,778,229	0	0	2,778,229	1.8%
Present Law (PL)	4,635,616	0	0	4,635,616	3.0%	5,701,995	0	0	5,701,995	3.7%
New Proposals	7,573,659	0	0	7,573,659	4.9%	6,695,403	0	0	6,695,403	4.3%
Total HB 2 Adjustments	14,816,391	0	0	14,816,391	9.5%	15,175,627	0	0	15,175,627	9.7%
Total Requested Budget	153,762,517	1,868,963	0	155,631,480		154,121,753	1,868,963	0	155,990,716	

Funding

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

Department of Corrections, 02-Public Safety 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	307,884,270	0	0	0	307,884,270	98.4%	
02033 Pine Hills Vocational Program	200,000	0	0	0	200,000	3.9%	
02034 Earmarked Alcohol Funds	51,046	0	0	0	51,046	1.0%	
02261 P & P Supervisory Fee	2,266,566	0	0	0	2,266,566	44.0%	
02339 Inmate Welfare/Inmate Pay	200,000	0	0	0	200,000	3.9%	
02345 Inmate Welfare Fund	0	0	0	1,410,030	1,410,030	27.4%	
02916 PHS-Canteen	7,046	0	0	0	7,046	0.1%	
02927 PHS Donations/I & I	754,660	0	0	0	754,660	14.7%	
02970 Juvenile Plcmnt Cost of Care	258,608	0	0	0	258,608	5.0%	
State Special Total	\$3,737,926	\$0	\$0	\$1,410,030	\$5,147,956	1.6%	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%	
Total All Funds	\$311,622,196	\$0	\$0	\$1,410,030	\$313,032,226		

Nearly all the division's funding comes from the general fund. The remaining funding comes from state special revenues. The largest portion of these state special funds are collected from offenders who are required to pay supervision fees related to probation and parole. Interest and income related to Pine Hills school lands primarily make up additional state special revenue and are used for additional support related to direct and non-direct care costs in the Pine Hills Correctional Facility.

The inmate welfare state special revenue fund is used to fund activities and basic needs of inmates and is comprised of revenue from the sales of contraband and confiscated items, as well as proceeds from inmate canteen purchases from the state prison. Most authority from the state special revenue inmate welfare fund is statutorily appropriated.

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	903.86	903.86	916.86	916.86
Personal Services	74,448,501	75,698,492	78,084,529	80,414,638	80,579,187
Operating Expenses	63,539,134	65,834,898	62,783,347	71,923,081	72,117,768
Equipment & Intangible Assets	480,838	938,552	0	1,129,000	1,129,000
Capital Outlay	0	20,773	0	0	0
Transfers	190,491	346,612	168,622	168,622	168,622
Debt Service	1,596,814	1,779,249	1,587,964	1,996,139	1,996,139
Total Expenditures	\$140,255,778	\$144,618,576	\$142,624,462	\$155,631,480	\$155,990,716
General Fund	139,141,472	142,829,607	140,755,499	153,762,517	154,121,753
State/Other Special Rev. Funds	1,114,306	1,788,969	1,868,963	1,868,963	1,868,963
Total Funds	\$140,255,778	\$144,618,576	\$142,624,462	\$155,631,480	\$155,990,716
Total Ongoing	\$139,547,279	\$142,003,862	\$140,815,089	\$155,631,480	\$155,990,716
Total OTO	\$708,499	\$2,614,714	\$1,809,373	\$0	\$0

Program Description

The Public Safety Division oversees secure correctional facilities across the state. This includes three state-owned secure facilities (Montana State Prison, Montana Women's Prison, and Riverside Special Needs Unit), as well as contracted services through CoreCivic for facilities in Arizona and Shelby, MT and Dawson County Correctional Facility. Through the Probation and Parole Bureau, this division provides community supervision services to offenders across the state. Also housed in this division are the Investigations Bureau and various support functions to include staff development and quality assurance.

FY 2024 Appropriations Compared to FY 2024 Actual Expenditures

In FY 2024, expenditures within the Public Safety Division totaled 98.0% of its modified HB 2 budget. This modified budget includes the transfer of approximately \$5.0 million in authority from FY 2025 to FY 2024 which was intended to cover shortfalls in reimbursement for county jail holds and the inability to access restricted appropriations in FY 2025. Without the movement of this authority, the Public Safety Division's budget would have been over expended by 1.5% in FY 2024. After accounting for modifications, personal services were expended at 98.3%, while operating expenses were expended at 98.7%.

The majority of unexpended funds relate to the following items:

- \$1.5 million in operating expense authority for 120 contracted secure beds was unexpended due to these beds not being available until midway through FY 2024
- \$1.3 million in contingent personal service appropriations for paying correctional officers was unexpended due to the inability to access these funds in FY 2024
- \$650,000 for equipment and vehicle upgrades was unexpended

Appropriations in the Public Safety Division are biennially appropriated and unexpended authority can be spent in FY 2025.

FY 2024 Appropriations Compared to FY 2025 Appropriations

When compared to FY 2024 amounts, appropriations for FY 2025 in the table above reflect a decrease of approximately \$2.0 million or 1.4%. This is the result of multiple changes:

- A total of \$5.0 million was moved to FY 2024 from FY 2025 to cover shortfalls and was comprised of roughly 50.0% personal services and 50.0% operating costs
- FY 2025 contains an additional \$2.8 million in HB 13 pay plan

Differences in operating expenses are the result of changes made to the budget at FYE 2024 that increased operating expense authority by \$2.9 million and decreased authority in personal services and other accounts. Most of these changes happened to tie out fiscal year expenditures and have not occurred in FY 2025.

One additional change worth noting to overall appropriation levels for both years comes in the form of the reorganization done in FY 2024 as described earlier in the report. This change moved a total of 91.00 PB and associated funding in the amount of \$7.0 million in FY 2024 and \$7.3 million in FY 2025 from the PSD to other divisions in the agency. Roughly 50.0% went to the Director's Office and the other 50.0% went to the Rehabilitation and Programs Division.

Program Personal Services

Requested personal services for the 2027 biennium total \$161.0 million and reflect an increase of \$8.4 million or 5.5% when compared to FY 2025 base appropriations. Increases are attributed to multiple requests for new PB, standardizing pay for nurses, and in statewide present law adjustments to personal services.

Statewide present law adjustments comprise the largest portion of the increase at \$4.6 million. These adjustments are primarily comprised of changes to position retirement and social security and through budget modification which moved more personal service authority from the division than was needed to cover PB that were transferred to other divisions. This difference fills back during the snapshot.

New positions requested by the executive total 13.00 PB and \$2.2 million for the biennium. These positions include:

- 9.00 additional PB which have been utilized as modified positions for an extended period - provided as OTO for the 2025 biennium
- 4.00 additional PB for a new K-9 program

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	2,231,576	0	0	2,231,576	0.00	2,392,111	0	0	2,392,111
DP 2 - Fixed Costs	0.00	408,175	0	0	408,175	0.00	408,175	0	0	408,175
DP 3 - Inflation Deflation	0.00	(32,635)	0	0	(32,635)	0.00	(22,057)	0	0	(22,057)
DP 204 - MCE Rate Changes - Impact to MSP	0.00	550,000	0	0	550,000	0.00	615,000	0	0	615,000
DP 209 - Secure Facility Rate Increases	0.00	920,647	0	0	920,647	0.00	1,860,373	0	0	1,860,373
DP 210 - Leased Vehicle Funding - Existing	0.00	82,325	0	0	82,325	0.00	82,325	0	0	82,325
DP 280 - Increase County Jail Hold	0.00	3,082,644	0	0	3,082,644	0.00	3,144,297	0	0	3,144,297
Grand Total All Present Law Adjustments	0.00	\$7,242,732	\$0	\$0	\$7,242,732	0.00	\$8,480,224	\$0	\$0	\$8,480,224

**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 Corrections	
Public Safety	
FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$2,042,997
Management Decisions	(240,658)
Budget Modifications	429,237
Total	<u>\$2,231,576</u>

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 204 - MCE Rate Changes - Impact to MSP -

The executive requests additional general fund to cover projected increases in costs due to rate changes for services provided by the Montana Correctional Enterprises to other areas of the department. These areas pertain to laundry services, food factory, and motor vehicle maintenance.

DP 209 - Secure Facility Rate Increases -

The executive requests general fund to cover rate increases for contracted secure facilities. In accordance with 7-32-2242, MCA, increases to the rate for Crossroads Correctional Center will also increase the daily rate for county detention centers.

**LFD
COMMENT**

According to 7-32-2242, MCA, rates for reimbursing local detention centers are to be equal to the rate paid to Core Civic for inmates being housed at Crossroads Correctional Center (CCC) minus 10.0%. The 2023 Legislature approved funding which placed daily per diem rates at CCC at \$92.00. Corresponding rates for jail holds have been set at \$82.80. Increasing rates to Core Civic will increase jail hold reimbursement as outlined in statute. Both initiatives are included in this decision package.

DP 210 - Leased Vehicle Funding - Existing -

The executive requests general fund to cover the increased cost of 22 existing leased vehicles in the Probation & Parole Bureau.

DP 280 - Increase County Jail Hold -

The executive requests general fund to increase base funding for jail hold reimbursement costs to be based off an ADP of 350.

**LFD
COMMENT**

Current base level funding provided to reimburse count jail holds for holding DOC inmates was calculated based off average daily populations in FY 2022. In FY 2022, the department was able to keep jail hold populations around an average of 250. During the 2025 biennium, jail holds have been averaging around 350 with numbers reaching their highest in Q4 of FY 2024 totaling over 450. This decision package does not look to increase rates but instead seeks to establish funding levels based on realized increases in terms of jail hold ADP.

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 201 - Recruitment & Retention - Invest in Employee Training										
0.00	1,200,000	0	0	1,200,000		0.00	1,200,000	0	0	1,200,000
DP 202 - Public Safety Security Equipment & Licenses										
0.00	1,650,000	0	0	1,650,000		0.00	800,000	0	0	800,000
DP 203 - Performance Advancement Wage Scale										
0.00	800,000	0	0	800,000		0.00	800,000	0	0	800,000
DP 205 - Assistance for Youth Population										
0.00	1,352,500	0	0	1,352,500		0.00	1,352,500	0	0	1,352,500
DP 206 - K-9 Program										
4.00	478,801	0	0	478,801		4.00	447,800	0	0	447,800
DP 207 - Vehicle Replacement										
0.00	668,000	0	0	668,000		0.00	668,000	0	0	668,000
DP 208 - Secure Facility Equipment										
0.00	461,000	0	0	461,000		0.00	461,000	0	0	461,000
DP 211 - Leased Vehicle Funding - new										
0.00	203,676	0	0	203,676		0.00	203,676	0	0	203,676
DP 275 - Correction of Error - Make OTO PB Permanent										
9.00	759,682	0	0	759,682		9.00	762,427	0	0	762,427
Total	13.00	\$7,573,659	\$0	\$0	\$7,573,659	13.00	\$6,695,403	\$0	\$0	\$6,695,403

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

DP 201 - Recruitment & Retention - Invest in Employee Training -

The executive requests general fund authority to support ongoing recruitment and retention efforts and to aide in conducting formal training to develop field training officers, account for increased cost for officers to travel to and attend the Montana Law Enforcement Academy and adequately provide training supplies and equipment.

DP 202 - Public Safety Security Equipment & Licenses -

The executive requests additional general fund for new equipment and technology.

**LFD
COMMENT**

Initiatives in this proposal include firearm purchasing and replacement, the replacement of other equipment like breathalyzers, metal detectors, and tool cribs, and the purchasing of additional technology for perimeter security.

DP 203 - Performance Advancement Wage Scale -

The executive requests general fund to incentivize skills and training by rewarding extra duties and certifications for employees.

DP 205 - Assistance for Youth Population -

The executive requests general fund to provide for increases in costs of contracted placements for juveniles and to fund caseworker services for young adults who are being released from the juvenile system.

DP 206 - K-9 Program -

The executive requests general fund for 4.00 new PB, to support the implementation of a K-9 program that would consist of four officers who utilize trained dogs to search for narcotics.

DP 207 - Vehicle Replacement -

The executive requests general fund to cover the cost of establishing an ongoing replacement cycle for current vehicles.

DP 208 - Secure Facility Equipment -

The executive requests general fund to allow for the purchase or replacement of heavy equipment utilized for building and road maintenance, such as forklifts, manlifts, graders, and excavators and to establish an ongoing lease/replacement cycle for these items.

DP 211 - Leased Vehicle Funding - new -

The executive requests general fund to increase the number of leased vehicles in the division by 25.

**LFD
COMMENT**

This decision package is closely aligned with DP 210 seen above which covers lease increases for existing needed vehicles. This proposal adds authority for 25 total additional leases. These new vehicles would support the Transportation Unit, Investigations Unit, and Probation & Parole Bureau.

DP 275 - Correction of Error - Make OTO PB Permanent -

The executive is requesting 9.00 additional employee positions.

**LFD
COMMENT**

The 2023 Legislature provided 13.00 PB to the DOC for the 2025 biennium but made the appropriation one-time-only for these positions. These positions have been utilized as modified positions for an extended period of time. All positions were provided to the Public Safety Division, but some were around during the 2025 interim. This proposal would continue these positions along with new authority to pay associated costs.

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	217.50	227.50	227.50	10.00	2.3%
General Fund	112,002,837	117,375,007	118,291,702	11,661,035	5.2%
State/Other Special Rev. Funds	4,766,296	4,760,709	4,760,863	(11,020)	(0.1%)
Total Funds	116,769,133	122,135,716	123,052,565	11,650,015	5.0%
Personal Services	20,555,180	23,430,261	23,823,612	6,143,513	14.9%
Operating Expenses	95,958,836	98,430,845	98,954,353	5,467,526	2.8%
Transfers	235,117	235,117	235,117		0.0%
Debt Service	20,000	39,493	39,483	38,976	97.4%
Total Expenditures	116,769,133	122,135,716	123,052,565	11,650,015	5.0%
Total Ongoing	116,769,133	122,135,716	123,052,565	11,650,015	5.0%
Total One-Time-Only	2,709,863			(5,419,726)	(100.0%)

Program Highlights

Rehabilitation and Programs Major Budget Highlights
<p>The 2027 biennium request for the Rehabilitation and Programs Division is nearly \$11.7 million or 5.0% higher when compared to FY 2025 base appropriations. Significant changes include:</p> <ul style="list-style-type: none"> • Nearly \$4.1 million general fund for contract renewals and provider rate increases with existing contracted facilities • \$3.1 million general fund for statewide present law adjustments to personal services and fixed costs with personal services accounting for \$2.6 million • \$1.4 million general fund to standardize pay across all facilities for nurse positions • Just over \$960,000 general fund for 1.00 additional pharmacy staff and additional medical solutions and equipment • \$940,000 general fund to support 4.00 additional victim services liaisons and associated operating expenses

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.

Rehabilitation and Programs 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
Base Budget	112,002,837	4,766,296	0	116,769,133	95.6%	112,002,837	4,766,296	0	116,769,133	94.9%
Statewide PL										
Personal Services	1,526,501	(5,587)	0	1,520,914	1.2%	1,575,821	(5,433)	0	1,570,388	1.3%
Fixed Costs	19,493	0	0	19,493	0.0%	19,483	0	0	19,483	0.0%
Inflation Deflation	(1,251)	0	0	(1,251)	(0.0%)	(845)	0	0	(845)	(0.0%)
Total Statewide PL	1,544,743	(5,587)	0	1,539,156	1.3%	1,594,459	(5,433)	0	1,589,026	1.3%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	3,827,427	0	0	3,827,427	3.1%	4,694,406	0	0	4,694,406	3.8%
Total HB 2 Adjustments	5,372,170	(5,587)	0	5,366,583	4.4%	6,288,865	(5,433)	0	6,283,432	5.1%
Total Requested Budget	117,375,007	4,760,709	0	122,135,716		118,291,702	4,760,863	0	123,052,565	

Funding

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

Department of Corrections, 03-Rehabilitation and Programs 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	235,666,709	0	0	0	235,666,709	83.4%	
02917 MSP Canteen Revolving Acct	9,521,572	0	0	0	9,521,572	100.0%	
State Special Total	\$9,521,572	\$0	\$0	\$0	\$9,521,572	3.4%	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%	
06011 License Plate Production	0	0	5,760,630	0	5,760,630	15.4%	
06033 Prison Ranch	0	0	9,738,396	0	9,738,396	26.0%	
06034 MSP Institutional Industries	0	0	7,732,086	0	7,732,086	20.7%	
06545 Prison Indust. Training Prog	0	0	1,613,805	0	1,613,805	4.3%	
06573 MSP - Cook Chill	0	0	12,540,444	0	12,540,444	33.5%	
Proprietary Total	\$0	\$0	\$37,385,361	\$0	\$37,385,361	13.2%	
Total All Funds	\$245,188,281	\$0	\$37,385,361	\$0	\$282,573,642		

The Rehabilitation and Programs Division is comprised mostly of general fund (96.0%) and state special revenues (4.0%) within HB 2. These state special funds are from the inmate canteen state special fund which receives revenues from the sale of products to inmates and is paid by inmates through inmate wages and money received from family members.

Additional funding supports functions related to Montana Correctional Enterprises (MCE), now located within the Rehabilitation and Programs Division. Non-budgeted proprietary funds such as license plate productions, prison ranch, and cook chill operations make up the largest portion of funding for the MCE. These programs will be discussed within a separate proprietary analysis found at <https://archive.legmt.gov/content/Publications/fiscal/2027-Biennium/Budget-and-Revenue/Budget-Analysis/Section-D/Section-D-Non-Budgeted-Proprietary-27Bi.pdf>.

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	217.50	217.50	227.50	227.50
Personal Services	20,076,564	20,106,055	20,628,777	23,430,261	23,823,612
Operating Expenses	84,532,293	86,322,530	98,595,102	98,430,845	98,954,353
Transfers	337,179	241,367	235,117	235,117	235,117
Debt Service	19,493	117,347	20,000	39,493	39,483
Total Expenditures	\$104,965,529	\$106,787,299	\$119,478,996	\$122,135,716	\$123,052,565
General Fund	100,945,411	102,020,962	114,712,700	117,375,007	118,291,702
State/Other Special Rev. Funds	4,020,118	4,766,337	4,766,296	4,760,709	4,760,863
Total Funds	\$104,965,529	\$106,787,299	\$119,478,996	\$122,135,716	\$123,052,565
Total Ongoing	\$103,351,334	\$104,249,648	\$116,769,133	\$122,135,716	\$123,052,565
Total OTO	\$1,614,195	\$2,537,651	\$2,709,863	\$0	\$0

Program Description

The Rehabilitation and Programs Division (RPD) is comprised of the Community Corrections Facilities and Programs Bureau, the Health Services Bureau, Montana Correctional Enterprises, the Evidence-Based Programming and Practices Quality Assurance Bureau, the Education Services Bureau, and the Victim Services Bureau.

The Community Corrections Facilities and Programs Bureau provides community corrections programs including chemical dependency treatment programs; DUI treatment facilities, methamphetamine treatment facilities; assessment, sanction, and revocation centers; and various other prison diversion programs. The department contracts with nonprofit entities in Great Falls, Missoula, Billings, Bozeman, Butte, and Helena for prerelease services. The Health Services Bureau provides medical, dental, and mental health care to inmates in DOC's secure facilities and oversees the provision of these services in contracted facilities. Montana Correctional Enterprises (MCE) operates the department's correctional industries program. The Evidence-Based Programming and Practices Quality Assurance Bureau provides quality assurance services, reviewing programming options offered across the department. The Education Services Bureau provides general and vocational education opportunities to offenders in the department's care. The Victim Services Bureau provides crucial support and assistance to victims across the state.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

In FY 2024, expenditures within the Rehabilitation and Programs Division totaled 98.3% of its modified HB 2 budget. These modifications include the transfer of \$5.1 million in authority from FY 2025 to FY 2024 to cover shortfalls in areas of building emergencies and costs for prescription drugs. Without this transfer of authority, the division's HB 2 budget would have been over expended by 3.2%.

Total personal services were expended at 99.9%, while operating expenses were expended at 97.9%. All appropriations were almost fully expended with the exception of two areas. Approximately \$750,000 of the \$4.8 million appropriated from the inmate canteen state special fund was not expended. Additionally, the Department received \$1.0 million in general fund to begin transitioning offenders to the community from pre-release if they are deemed appropriate. Only \$76,000 was spent in FY 2024.

FY 2024 Appropriations Compared to FY 2025 Appropriations

When compared to FY 2024 appropriations, FY 2025 reflects an increase of \$12.7 million or 11.9% with nearly \$12.3 million of this difference in operating expenses. This increase can be outlined in the following manner:

HB 5 provided an additional \$11.0 million in authority which includes ongoing operation and maintenance funding for many projects

- Nearly \$7.2 million for the operations of a new sex offender treatment unit
- Approximately \$3.4 million for the operations of a new pre-release center in Flathead County

FY 2025 also contained approximately \$4.3 million in additional general fund for increased provider rates in FY 2025 over FY 2024. General provider rate increases of 10.0% in FY 2025 were provided versus 6.0% in FY 2024. Additional rates were provided for a \$2.00/hr pay increase among contracted providers compared to a \$1.00/hr pay increase in FY 2024.

Additional changes in operating expenses relate to a program transfer performed in FY 2024 to tie out expenditures. This change moved \$1.3 million in operating expense authority to the Director's Office which has not occurred in FY 2025. Additional personal service authority in FY 2025 comes from the pay plan.

Appropriation increases in FY 2025 are partially offset by the transfer described in the previous section totaling \$5.1 million. All of this authority is within operating expenses.

**LFD
COMMENT**

The DOC has not yet finalized the location of the new pre-release center in Flathead County. Additionally, the amounts for the new sex offender treatment unit provided above are based off one year's estimates of a seven-year contract and cover both operations and construction for the facility.

Program Personal Services

Requested personal services in the RPD for the 2027 biennium total \$47.3 million and reflect an increase of \$6.1 million or 14.9% when compared to FY 2025 base appropriations. Increases are attributed to requests for 10.00 new PB and to statewide present law adjustments to personal services.

Statewide present law adjustments total \$3.1 million for the biennium and are primarily comprised of changes to position retirement, hiring vacant positions at a higher rate than when the position became vacant, career ladder changes, and due to budget modifications. When PB and personal service authority is moved between divisions, if the amount of authority moved does not directly match the salary and benefits

New positions requested by the executive include funding of \$1.7 million. These positions include:

- 4.00 additional victim services liaisons
- 2.00 teacher positions at the MWP - these are modified positions and no additional funding is requested
- 1.00 pharmacy staff
- 1.00 PB for the CAMMP MT program
- 2.00 additional PB for positions provided as OTO in the 2025 biennium

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	1,526,501	(5,587)	0	1,520,914	0.00	1,575,821	(5,433)	0	1,570,388
DP 2 - Fixed Costs	0.00	19,493	0	0	19,493	0.00	19,483	0	0	19,483
DP 3 - Inflation Deflation	0.00	(1,251)	0	0	(1,251)	0.00	(845)	0	0	(845)
Grand Total All Present Law Adjustments	0.00	\$1,544,743	(\$5,587)	\$0	\$1,539,156	0.00	\$1,594,459	(\$5,433)	\$0	\$1,589,026

**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 Corrections Rehabilitation and Programs FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$475,984
Management Decisions	1,317,567
Budget Modifications	(272,637)
Total	<u>\$1,520,914</u>

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 303 - Respond to Increased Complexity of Medical/Pharmacy Needs										
1.00	489,541	0	0	489,541		1.00	474,541	0	0	474,541
DP 304 - Respond to Increase in Number of Registered Victims										
4.00	471,800	0	0	471,800		4.00	466,800	0	0	466,800
DP 306 - Tattoo Removal Program										
0.00	250,000	0	0	250,000		0.00	250,000	0	0	250,000
DP 307 - Parenting Program										
1.00	120,000	0	0	120,000		1.00	120,000	0	0	120,000
DP 310 - Make Modified Teacher Positions Permanent at MWP										
2.00	0	0	0	0		2.00	0	0	0	0
DP 375 - Correction of Error - Make OTO PB Permanent										
2.00	212,608	0	0	212,608		2.00	212,608	0	0	212,608
DP 380 - Community Correctional Facility Rate Adjustments										
0.00	1,767,130	0	0	1,767,130		0.00	2,310,234	0	0	2,310,234
DP 385 - Equalize Nurse Pay										
0.00	516,348	0	0	516,348		0.00	860,223	0	0	860,223
Total	10.00	\$3,827,427	\$0	\$0	\$3,827,427	10.00	\$4,694,406	\$0	\$0	\$4,694,406

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

DP 303 - Respond to Increased Complexity of Medical/Pharmacy Needs -

The executive requests general fund for 1.00 additional pharmacy staff and authority for an automated remote pharmacy solution and for the replacement of some outdated medical equipment.

DP 304 - Respond to Increase in Number of Registered Victims -

The executive requests general fund to support 4.00 additional victim services liaisons and associated operating expenses.

DP 306 - Tattoo Removal Program -

The executive requests general fund to allow the department to contract with an external entity to provide tattoo-removal services to offenders interested in the service.

DP 307 - Parenting Program -

The executive requests general fund for the continuation of the Connecting Adults and Minors through Positive Parenting (CAMMP) MT program and one new PB to oversee the program.

LFD COMMENT

This program focuses on evidence-based programming for inmates that also offers resources and support for families. This program had been funded by federal grant funding which is slated to end in September of 2025. This proposal would transition that program to the general fund beginning in the 2027 biennium.

DP 310 - Make Modified Teacher Positions Permanent at MWP -

The executive requests 2.00 additional teacher positions at the Montana Women's Prison with no additional funding.

LFD COMMENT

The department has been utilizing these positions as modified positions although they were originally contracted with the Billings School District. Therefore, funding for these positions already exists in the base budget for the agency and no additional authority is being requested. There is a requested change in this decision package to move approximately \$183,000 to personal services to pay PB instead of operating expenses to cover contracted costs.

DP 375 - Correction of Error - Make OTO PB Permanent -

The executive is requesting 2.00 additional positions.

**LFD
COMMENT**

The 2023 Legislature provided 13.00 PB to the DOC for the 2025 biennium but made the appropriation one-time-only for these positions. All positions were provided to the Public Safety Division but were moved during the interim. This proposal would continue these positions along with new authority to pay associated costs.

DP 380 - Community Correctional Facility Rate Adjustments -

The executive requests general fund to cover contract renewals with existing pre-release centers that are expiring and to cover provider rate increases for community corrections facilities.

DP 385 - Equalize Nurse Pay -

The executive requests general fund to standardize nurse position wages among all facilities in the Department.

**LFD
COMMENT**

Retention and recruitment for nurse positions has proven difficult during the 2025 biennium. This initiative aims to prevent facilities from competing with one another for qualified nurse positions due to pay reasons.

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 FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
PB	11.00	12.00	12.00	1.00	4.5%
General Fund	1,302,980	1,358,296	1,361,610	113,946	4.4%
Total Funds	1,302,980	1,358,296	1,361,610	113,946	4.4%
Personal Services	1,112,809	1,168,392	1,171,619	114,393	5.1%
Operating Expenses	133,271	133,004	133,091	(447)	(0.2%)
Debt Service	56,900	56,900	56,900		0.0%
Total Expenditures	1,302,980	1,358,296	1,361,610	113,946	4.4%
Total Ongoing	1,302,980	1,358,296	1,361,610	113,946	4.4%
Total One-Time-Only	88,597			(177,194)	(100.0%)

Program Highlights

Board of Pardons and Parole Major Budget Highlights	
The 2027 biennium budget request for the Board of Pardons and Parole is approximately \$114,000 or 4.4% greater than the FY 2025 base budget. This increase is attributed to a request for 1.00 additional PB which is partially offset by statewide present law reductions totaling \$41,000.	

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.

Board of Pardons and Parole 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
Base Budget	1,302,980	0	0	1,302,980	95.9%	1,302,980	0	0	1,302,980	95.7%
Statewide PL										
Personal Services	(21,829)	0	0	(21,829)	(1.6%)	(18,601)	0	0	(18,601)	(1.4%)
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	(267)	0	0	(267)	(0.0%)	(180)	0	0	(180)	(0.0%)
Total Statewide PL	(22,096)	0	0	(22,096)	(1.6%)	(18,781)	0	0	(18,781)	(1.4%)
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	77,412	0	0	77,412	5.7%	77,411	0	0	77,411	5.7%
Total HB 2 Adjustments	55,316	0	0	55,316	4.1%	58,630	0	0	58,630	4.3%
Total Requested Budget	1,358,296	0	0	1,358,296		1,361,610	0	0	1,361,610	

Funding

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

Department of Corrections, 04-Board of Pardons and Parole Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	2,719,906	0	0	0	2,719,906	100.0%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$2,719,906	\$0	\$0	\$0	\$2,719,906	

The Board of Pardons and Parole is fully funded by the general fund.

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	11.00	11.00	12.00	12.00
Personal Services	1,098,000	1,134,748	1,186,406	1,168,392	1,171,619
Operating Expenses	63,193	89,720	148,271	133,004	133,091
Debt Service	56,899	56,900	56,900	56,900	56,900
Total Expenditures	\$1,218,092	\$1,281,368	\$1,391,577	\$1,358,296	\$1,361,610
General Fund	1,218,092	1,281,368	1,391,577	1,358,296	1,361,610
Total Funds	\$1,218,092	\$1,281,368	\$1,391,577	\$1,358,296	\$1,361,610
Total Ongoing	\$1,190,351	\$1,196,578	\$1,302,980	\$1,358,296	\$1,361,610
Total OTO	\$27,741	\$84,790	\$88,597	\$0	\$0

Program Description

The Board of Pardons and Parole, as an essential part of the criminal justice process, serves all Montana citizens by administering a parole system that is balanced with public safety, offender accountability and rehabilitation, as well as protecting the interests of victims and communities, with the goal of successfully reintegrating merited offenders back into society through a reentry process.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

In FY 2024, expenditures within the Public Safety Division totaled 95.1% of its modified HB 2 budget. Personal services were expended at 96.8%, while operating expenses were expended at 70.4%. Operating expenses for FY 2024 for the Board comprised a very low portion of the HB 2 budget, and expenditures followed anticipated trends.

FY 2024 Appropriations Compared to FY 2025 Appropriations

When compared to FY 2024 amounts, appropriations in FY 2025 for the Board increase by approximately \$110,000 or approximately 8.6%. This difference is split between personal service and operating expenses. The main cause for the increase relates to additional HB 13 funding in FY 2025 for personal services.

Program Personal Services

Personal Services requested for the 2025 biennium total \$2.3 million and reflect an increase of \$114,000 or 5.1% when compared to FY 2025 base personal service appropriations. This increase is the result of 1.00 newly requested PB and in statewide present law adjustments to personal services. These adjustments result from the DOC hiring vacant positions at a different rate than the rate that was associated with the position when it became vacant.

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	(21,829)	0	0	(21,829)	0.00	(18,601)	0	0	(18,601)
DP 3 - Inflation Deflation	0.00	(267)	0	0	(267)	0.00	(180)	0	0	(180)
Grand Total All Present Law Adjustments	0.00	(\$22,096)	\$0	\$0	(\$22,096)	0.00	(\$18,781)	\$0	\$0	(\$18,781)

***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 Corrections Board of Pardons and Parole FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$17,455
Management Decisions	(39,284)
Budget Modifications	-
Total	(\$21,829)

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 475 - Correction of Error - Make OTO PB Permanent										
1.00	77,412	0	0	77,412		1.00	77,411	0	0	77,411
Total	1.00	\$77,412	\$0	\$0	\$77,412	1.00	\$77,411	\$0	\$0	\$77,411

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

DP 475 - Correction of Error - Make OTO PB Permanent -

The executive is requesting 1.00 additional position.

**LFD
COMMENT**

The 2023 Legislature provided 13.00 PB to the DOC for the 2025 biennium but made the appropriation one-time-only for these positions. All positions were provided to the Public Safety Division but were moved during the interim. This proposal would continue these positions along with new authority to pay associated costs.

OFFICE OF PUBLIC INSTRUCTION

Section E

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----Agencies-----

Office of Public Instruction	Montana Arts Council
Board of Public Education	Montana State Library
Office of Commissioner of Higher Education	Montana Historical Society
Montana School for Deaf & Blind	

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

House

Representative David Bedey (Chair)
Representative Brad Barker
Representative Llew Jones
Representative Connie Keogh
Representative Eric Matthews

Senate

Senator John Fuller (Vice Chair)
Senator Matt Regier
Senator Jonathan Windy Boy

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

Julia Pattin
Katie Guenther
Kurt Swimley
Alexandra Ghosh

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	153.27	153.27	153.27	0.00	0.0%
General Fund	600,133,936	591,432,973	649,927,482	41,092,583	3.4%
State/Other Special Rev. Funds	454,279,835	541,602,027	546,548,468	179,590,825	19.8%
Federal Spec. Rev. Funds	173,965,649	184,338,767	184,349,812	20,757,281	6.0%
Total Funds	1,228,379,420	1,317,373,767	1,380,825,762	241,440,689	9.8%
Personal Services	14,402,364	15,216,679	15,236,187	1,648,138	5.7%
Operating Expenses	20,821,785	22,439,477	25,857,556	6,653,463	16.0%
Local Assistance	1,024,600,340	1,100,236,059	1,160,141,112	211,176,491	10.3%
Grants	165,696,503	175,703,657	175,778,012	20,088,663	6.1%
Transfers	2,818,239	3,737,706	3,772,706	1,873,934	33.2%
Debt Service	40,189	40,189	40,189		0.0%
Total Expenditures	1,228,379,420	1,317,373,767	1,380,825,762	241,440,689	9.8%
Total Ongoing	1,228,379,420	1,316,873,767	1,379,625,762	239,740,689	9.8%
Total One-Time-Only		500,000	1,200,000	1,700,000	0.0%

Agency Highlights

Office of Public Instruction Major Budget Highlights
<p>The Office of Public Instruction's (OPI) 2027 biennium HB 2 budget request is approximately \$241.4 million or 9.8% above the FY 2025 base budget. Significant changes are listed below by program:</p> <ul style="list-style-type: none"> • An increase above the FY 2025 base budget in the State Level Activities Program, totaling approximately \$10.1 million. Major highlights include: <ul style="list-style-type: none"> ◦ Increases for PowerSchool subscription costs related to the database modernization project, IT subscription costs, the Montana Digital Academy Clearinghouse, high school assessment funding, and several other smaller programs ◦ A fund switch from general fund to state special revenue for 2.50 positions budgeted (PB) and their associated personal services costs for administering the teacher licensure system • An increase above the FY 2025 base budget in the Local Education Activities Program, totaling approximately \$231.4 million. Major highlights include: <ul style="list-style-type: none"> ◦ Increases for the K-12 BASE aid inflationary adjustment, countywide school retirement, teacher pay incentives, major maintenance aid, and debt service assistance ◦ Decreases in general fund and increases in state special revenue for K-12 BASE aid for increased revenue from the 95 mills due to the property reappraisal cycle and for the proposed transfer of non-levy revenue associated with the 95 mills from the general fund to the school equalization and property tax reduction (SEPTR) state special revenue account, contingent on legislation ◦ Increases in general fund and decreases in state special revenue for K-12 BASE aid to backfill lost property tax revenue from the 95 mills due to the proposed implementation of homestead and comstead property tax exemptions, contingent on legislation and a proposed increased business equipment tax exemption, also contingent on legislation <p>These changes will be discussed in greater detail in the State Level Activities Program and Local Education Activities Program sections of this report.</p>
Legislative Action Items
<ul style="list-style-type: none"> • Historically, certain appropriations and programs within the Local Education Activities Program have been approved with restricted and/or biennial designations. The legislature may wish to add these designations to these programs, which will be discussed in greater detail within the applicable sections of this report • The legislature may wish to change two appropriations to bring them in line with the HJ 2 revenue estimate for the 95 mills

- The state special revenue appropriation for K-12 BASE aid
- The general fund appropriation for county school retirement
- The legislature may wish to change the K-12 BASE aid general fund appropriation to account for the HJ 2 revenue estimate for the statutorily appropriated guarantee account, which offsets general fund appropriations

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.

Office of Public Instruction 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
Base Budget	600,133,936	454,279,835	173,965,649	1,228,379,420	93.2%	600,133,936	454,279,835	173,965,649	1,228,379,420	89.0%
Statewide PL										
Personal Services	1,042,723	22,805	(753,384)	312,144	0.0%	1,054,883	22,807	(743,867)	333,823	0.0%
Fixed Costs	894,715	(711)	(169,246)	724,758	0.1%	772,352	(700)	(169,096)	602,556	0.0%
Inflation Deflation	(1,425)	(684)	(4,252)	(6,361)	(0.0%)	(963)	(462)	(2,874)	(4,299)	(0.0%)
Total Statewide PL	1,936,013	21,410	(926,882)	1,030,541	0.1%	1,826,272	21,645	(915,837)	932,080	0.1%
Present Law (PL)	(60,635,364)	83,856,885	10,800,000	34,021,521	2.6%	(9,606,702)	91,237,960	10,800,000	92,431,258	6.7%
New Proposals	49,998,388	3,443,897	500,000	53,942,285	4.1%	57,573,976	1,009,028	500,000	59,083,004	4.3%
Total HB 2 A	(8,700,963)	87,322,192	10,373,118	88,994,347	6.8%	49,793,546	92,268,633	10,384,163	152,446,342	11.0%
Total Requested Budget	591,432,973	541,602,027	184,338,767	1,317,373,767		649,927,482	546,548,468	184,349,812	1,380,825,762	

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 (DP 1) 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:

Office of Public Instruction FY 2026 Statewide Present Law Adjustment for Personal Services (DP 1)				
Program	Legislative Changes	Management Changes	Total Budget Modifications	Decision Package 1
06 State Level Activities	\$283,860	\$28,284	\$0	\$312,144
09 Local Education Activities	-	-	-	-
Grand Total	\$283,860	\$28,284	\$0	\$312,144

All of the Office of Public Instruction's personal services funding and positions budgeted (PB) are funded under the State Level Activities Program, so the Local Education Activities Program does not have a personal services adjustment. The increased statewide present law adjustment for personal services is due to legislative and management changes:

- Decreases from legislative changes were primarily the result of a decrease to back out federal personal services funding for modified positions. The state personal services budgeting process does not reinstate funding for personal services expenditures for modified PB. The funding for these modified PB is often reinstated as part of a separate decision package (see DP 605). Other smaller decreases were due to longevity adjustments. These decreases were partially offset by increases for benefits
- Management changes were primarily made up of increases from the pay plan and from hiring positions at different wage rates, along with some smaller increases for market adjustments, promotions, and other smaller pay changes. These increases in management changes were partially offset by greater budgeted vacancy savings

Elected Official Request

As an elected official, the Superintendent of Public Instruction has the opportunity to request budget items independent of the executive proposal, for consideration by the legislature. Specific details regarding the superintendent's proposal will become available once the new superintendent takes office in January 2025.

Funding

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

Total Office of Public Instruction 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
01100 General Fund	1,239,660,455	1,700,000			1,241,360,455	44.0%
02302 STATE EQUALIZATION AID ACCT	1,021,228,439				1,021,228,439	36.2%
02018 Guarantee Fund				110,872,870	110,872,870	3.9%
02218 School Facility & Tech Account	32,000,000			2,000,000	34,000,000	1.2%
02487 School Fac State Spcl Revenue	30,462,000				30,462,000	1.1%
02402 Traffic & Safety Education	3,624,599				3,624,599	0.1%
Other State Special Revenue	835,457			68,166	903,623	0.0%
State Special Revenue Total	1,088,150,495	-	-	112,941,036	1,201,091,531	42.6%
03170 Grant Clearance Discretionary	331,470,782				331,470,782	11.8%
03002 Public Instruction	37,217,797				37,217,797	1.3%
Federal Special Revenue Total	368,688,579	-	-	-	368,688,579	13.1%
06512 Indirect Cost Pool			7,220,582		7,220,582	0.3%
06067 Advanced Drivers Education			255,788		255,788	0.0%
Proprietary Fund Total	-	-	7,476,370	-	7,476,370	0.3%
Total of All Funds	2,696,499,529	1,700,000	7,476,370	112,941,036	2,818,616,935	
Percent of All Sources of Authority	95.7%	0.1%	0.3%	4.0%		

HB 2 Appropriations

General Fund - General fund accounts for almost half of all HB 2 spending for OPI, and a majority of general fund dollars are passed through to local school districts, primarily as K-12 BASE aid.

State Special Revenue - State special revenues from the 95 school equalization mills, which are the second largest funding source for OPI, are used to fund a large portion of the K-12 BASE aid appropriation. State special revenue also funds certain costs for traffic and safety education, teacher licensure, and school lunches. For additional detail, please see the funding description at the program level.

Federal Special Revenue - OPI receives federal grants that support public education, school nutrition, education for the disadvantaged, special education, professional development for educators, and various other functions. For additional detail, please see the funding description at the program level.

Non-Budgeted Proprietary Funds

Proprietary funds are used for the indirect cost pool and the advanced drivers' education program. For additional detail, please see the funding description at the program level.

Statutory Appropriations

State Special Revenue - A statutory appropriation of state special revenue collected from revenue and interest on common school trust lands is used to fund a large portion of the K-12 BASE aid appropriation. Statutory appropriations of state special revenue also fund certain costs for school facilities, innovative educational programs, and special needs education savings accounts. For additional detail, please see the funding description 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	153.27	153.27	153.27	153.27
Personal Services	12,798,606	13,877,493	14,402,364	15,216,679	15,236,187
Operating Expenses	14,171,180	17,234,795	20,821,785	22,439,477	25,857,556
Local Assistance	902,127,261	932,253,505	1,024,600,340	1,100,236,059	1,160,141,112
Grants	162,378,868	165,247,825	165,696,503	175,703,657	175,778,012
Transfers	2,973,276	3,020,365	2,818,239	3,737,706	3,772,706
Debt Service	39,594	39,594	40,189	40,189	40,189
Total Expenditures	\$1,094,488,785	\$1,131,673,577	\$1,228,379,420	\$1,317,373,767	\$1,380,825,762
General Fund	497,363,554	513,216,754	600,133,936	591,432,973	649,927,482
State/Other Special Rev. Funds	428,766,432	444,874,668	454,279,835	541,602,027	546,548,468
Federal Spec. Rev. Funds	168,358,799	173,582,155	173,965,649	184,338,767	184,349,812
Total Funds	\$1,094,488,785	\$1,131,673,577	\$1,228,379,420	\$1,317,373,767	\$1,380,825,762
Total Ongoing	\$1,094,260,320	\$1,131,339,885	\$1,228,379,420	\$1,316,873,767	\$1,379,625,762
Total OTO	\$228,465	\$333,692	\$0	\$500,000	\$1,200,000

Agency Description

The Superintendent of Public Instruction is an elected official authorized by Article VI, Section 1, of the Montana Constitution. The Office of Public Instruction distributes funding to school districts and provides services to Montana's school-age children and to teachers in approximately 400 school districts. The core responsibilities of the agency include licensure of educators, accreditation of schools, administration of statewide student assessments, distribution of state and federal grants/aid to schools, collection and reporting of data, and dissemination of information about K-12 education.

Agency staff provide technical assistance in planning, implementing, and evaluating educational programs in such areas as teacher preparation, teacher certification, school accreditation, academic standards and curriculum, school finance, and school law. The staff also administer a number of federally funded programs and provide a variety of information services, including the information systems necessary to assess student achievement and the quality of Montana's elementary and secondary school system.

Please refer to the agency profile for additional information about the agency's organization structure, historical expenditures, goals and objectives, and recent studies and audits: <https://www.legmt.gov/lfd/committees/section-e/office-of-public-instruction/>.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Office of Public Instruction's HB 2 budget for FY 2024 was comprised of general fund, state special, and federal special revenue. OPI expended 96.8% of its approximately \$1.1 billion HB 2 modified budget in FY 2024. The majority of general fund and state special revenue appropriations for OPI are biennial, meaning they can be spent at any time over the biennium. Local assistance authority made up the majority of OPI's HB 2 modified budget for FY 2024, at approximately \$932.3 million or 82.7%. Local assistance is paid out to school districts throughout the year and was 96.8% expended, leaving \$30.1 million of the appropriation (primarily K-12 BASE aid) unexpended at fiscal year end. For additional details, please see the appropriation comparison at the program level.

FY 2024 Appropriations Compared to FY 2025 Appropriations

FY 2025 total appropriations are approximately \$96.7 million or 8.5% higher than the FY 2024 total appropriation, primarily due to increases in local assistance for K-12 BASE aid and retirement guaranteed tax base aid in the Local Education Activities Program. The differences will be discussed in greater detail at the program 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.

Office of Public Instruction Comparison of the FY 2025 Legislative Budget to the FY 2025 Base Budget				
<u>Division</u>	<u>Legislative Budget</u>	<u>Executive Modifications</u>	<u>Base Budget</u>	<u>Percent Change</u>
<u>State Level Activities</u>				
Personal Services	\$14,402,364		\$14,402,364	0.0%
Operating Expenses	16,986,378	132,568	17,118,946	0.8%
Grants	750,000		750,000	0.0%
Transfers	2,135,737	(10,000)	2,125,737	-0.5%
Debt Service	162,757	(122,568)	40,189	-75.3%
Total	\$34,437,236	\$0	\$34,437,236	0.0%
<u>Local Education Activities</u>				
Operating Expenses	\$3,227,375	\$475,464	\$3,702,839	14.7%
Local Assistance	1,025,075,804	(475,464)	1,024,600,340	0.0%
Grants	164,946,503		164,946,503	0.0%
Transfers	692,502		692,502	0.0%
Total	\$1,193,942,184	\$0	\$1,193,942,184	0.0%
Agency Total	\$1,228,379,420	\$0	\$1,228,379,420	0.0%

The Office of Public Instruction made several executive modifications to the legislative budget for the State Level Activities Program:

- A transfer of approximately \$123,000 between debt service and operating expenses in order to correctly record lease payments
- A transfer of approximately \$10,000 between transfers-out and operating expenses in order to correctly record expenditures for the teacher licensure system

In the Local Education Activities Program, the only notable change was a transfer of approximately \$475,000 from local assistance to operating expenses in order to correctly record expenditures for school nutrition payments.

HB 2 Language -

LFD COMMENT

Historically, certain language has been included in HB 2 for the Office of Public Instruction. The legislature may wish to include this language in HB 2 again:

"All revenue up to \$1.5 million in the state traffic education account for distribution to schools under the provisions of 20-7-506 and 61-5-121 is appropriated for the 2027 biennium as provided in Title 20, chapter 7, part 5."

"All appropriations for federal special revenue appropriations in OPI Administration (06) and in Distribution to Public Schools (09) are biennial. All general fund appropriations in Distribution to Public Schools (09) are biennial except for major maintenance aid and debt service assistance."

"Any excess funds from the school major maintenance aid account in 20-9-525(6) transferred to the school facility and technology account are appropriated for the 2027 biennium for the purpose of state debt service assistance in 20-9-367."

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	153.27	153.27	153.27	0.00	0.0%
General Fund	15,526,319	18,408,044	21,868,946	9,224,352	29.7%
State/Other Special Rev. Funds	680,659	729,708	730,348	98,738	7.3%
Federal Spec. Rev. Funds	18,230,258	18,603,376	18,614,421	757,281	2.1%
Total Funds	34,437,236	37,741,128	41,213,715	10,080,371	14.6%
Personal Services	14,402,364	15,216,679	15,236,187	1,648,138	5.7%
Operating Expenses	17,118,946	18,733,523	22,151,602	6,647,233	19.4%
Grants	750,000	750,000	750,000		0.0%
Transfers	2,125,737	3,000,737	3,035,737	1,785,000	42.0%
Debt Service	40,189	40,189	40,189		0.0%
Total Expenditures	34,437,236	37,741,128	41,213,715	10,080,371	14.6%
Total Ongoing	34,437,236	37,741,128	40,513,715	9,380,371	13.6%
Total One-Time-Only			700,000	700,000	0.0%

Program Highlights

State Level Activities Program Major Budget Highlights

The State Level Activities Program's 2027 biennium HB 2 budget request is approximately \$10.1 million or 14.6% above the FY 2025 base budget. Major highlights include:

- A net increase for the statewide present law adjustment for personal services, made up of increases in general fund and state special revenue and a decrease in federal special revenue
- A net increase for the statewide present law adjustment for fixed costs, made up of an increase in general fund and decreases in state special revenue and federal special revenue
- Decreases in general fund, state special, and federal special revenue for the statewide present law adjustment for inflation/deflation
- An increase in general fund for PowerSchool subscription costs related to the database modernization project
- Increases in general fund for IT subscription costs, the hearing conservation program, the Montana Digital Academy Clearinghouse, Montana Advisory Council on Indian Education meeting costs, school nutrition state match, and high school assessment funding
- Increases in federal special revenue authority to support federally funded part-time modified PB and to cover the costs of administering additional federal grant funding
- A fund switch from general fund to state special revenue for 2.50 PB and their associated personal services costs for administering the teacher licensure system

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.

State Level Activities 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
Base Budget	15,526,319	680,659	18,230,258	34,437,236	91.2%	15,526,319	680,659	18,230,258	34,437,236	83.6%
Statewide PL										
Personal Services	1,042,723	22,805	(753,384)	312,144	0.8%	1,054,883	22,807	(743,867)	333,823	0.8%
Fixed Costs	894,715	(711)	(169,246)	724,758	1.9%	772,352	(700)	(169,096)	602,556	1.5%
Inflation Deflation	(1,425)	(684)	(4,252)	(6,361)	(0.0%)	(963)	(462)	(2,874)	(4,299)	(0.0%)
Total Statewide PL	1,936,013	21,410	(926,882)	1,030,541	2.7%	1,826,272	21,645	(915,837)	932,080	2.3%
Present Law (PL)	(17,111)	27,639	800,000	810,528	2.1%	(18,501)	28,044	800,000	809,543	2.0%
New Proposals	962,823	0	500,000	1,462,823	3.9%	4,534,856	0	500,000	5,034,856	12.2%
Total HB 2 Adjustments	2,881,725	49,049	373,118	3,303,892	8.8%	6,342,627	49,689	384,163	6,776,479	16.4%
Total Requested Budget	18,408,044	729,708	18,603,376	37,741,128		21,868,946	730,348	18,614,421	41,213,715	

All of the Office of Public Instruction's agency level operations, administrative funding, and positions budgeted (PB) are budgeted under the State Level Activities Program. Because this funding is budgeted within one program, the agency has some flexibility to move funding within the program among these categories as needed without executive modifications as long as the categories do not have other restrictions, such as restricted line item appropriation designations or federal spending requirements. The categories are shown to provide a better understanding of the allocation for the various functions of the program. The figures below summarize the proposed State Level Activities Program budget by purpose by fiscal year:

State Level Activities Proposed HB 2 Budget by Category					
Category	Fund Type	Actuals FY 2024	Budget FY 2025	Proposed FY 2026	Proposed FY 2027
Administration	General Fund	\$9,621,336	\$12,088,948	\$14,027,977	\$17,453,879
	State Special Revenue	204,371	325,422	343,334	343,559
	Federal Special Revenue	3,305,421	5,338,296	4,738,051	4,740,137
	Total	13,131,128	17,752,666	19,109,362	22,537,575
Audiology	General Fund	814,879	561,634	629,330	629,330
Indian Language Preservation	General Fund	750,000	750,000	750,000	750,000
Montana Digital Academy	General Fund	2,077,863	2,125,737	3,000,737	3,035,737
Teacher Licensure	State Special Revenue	175,238	355,237	386,374	386,789
Carl Perkins Grant	Federal Special Revenue	464,431	559,956	483,513	484,537
School Nutrition	Federal Special Revenue	2,733,290	2,481,593	3,378,366	3,380,144
Special Education Programs	Federal Special Revenue	3,829,541	5,371,058	5,521,519	5,525,388
Title Programs	Federal Special Revenue	3,486,312	4,479,355	4,481,927	4,484,215
Total Funds		\$27,462,682	\$34,437,236	\$37,741,128	\$41,213,715

Of the \$34.4 million FY 2025 base budget allocation, 51.6% of HB 2 funding was budgeted for the general administration of the Office of Public Instruction. This funding is comprised of general fund, state special revenue, and federal special revenue. The general administration of OPI includes function for assessment, career and technical education, content standard and instruction, health education, health and safety enhancement, information and data technology, legal services, memberships to national education organizations, student support services, school improvement grants, and other grants to local school districts. Also included are the personal services costs for sending out K-12 funding to local school districts and administering or implementing certain programs including the Administrative Review and Training (ART) Grant, Adult Basic Education, Indian Education for All, Substance Abuse and Mental Health Services (SAMHSA), and the Youth Risk Behavior Survey (YRBS).

In addition to the general administration of OPI, other general fund appropriations for the State Level Activities Program include:

- Audiology - the Individuals with Disabilities Education Act (IDEA) requires schools to have a system in place for children suspected of having disabilities, including hearing loss, through the age of 21. The OPI Hearing Conservation Program is the primary method for schools to ensure proper identification of students with hearing impairments. OPI and the Department of Public Health and Human Services (DPHHS) administer the program, which mandates hearing screenings for children in kindergarten, 1st grade, and either 9th or 10th grade. The public school takes on the primary responsibility for conducting screenings, but OPI contracts with audiologists to provide hearing screenings and provides the hearing screening equipment
- The Montana Indian Language Preservation Program (ILP) - the ILP program was established to support efforts of Montana tribes to preserve native languages and to meet the state's educational goal of preserving the cultural integrity of American Indians under the Montana constitution. During the 2025 biennium, eight tribal nations received an award of \$187,500 for language preservation activities, including the creation of digitized language products, recordings of stories and book publishing, online classes, development of interactive language dictionaries, and curriculum development for summer language immersion classes
- The Montana Digital Academy (MTDA) - MTDA was established by the legislature in 2009 as a supplemental online program for students attending K-12 schools in Montana. The MTDA offers online courses and instruction to supplement local school coursework, primarily for high school and middle school students. Since the MTDA is not a traditional school and is not designed as a primary avenue for providing a student's education, it does not take enrollments directly from students or their parents. Typically, all funds for the MTDA are expended by OPI in a one-time payment to the MTDA at the beginning of each fiscal year. The MTDA can then expend the funds as needed throughout the school year, but those expenditures are not shown as part of the OPI budget

State special revenue for OPI includes administrative costs and the teacher licensure system:

- Teacher Licensure - the new TeachMT teacher licensure system was created with federal COVID-19 funding from the Elementary and Secondary School Emergency Relief Fund (ESSER). However, the system has ongoing costs for upkeep and maintenance that are not funded with federal dollars and are instead supported by a state special revenue account which collects teacher licensure fees

In addition to the general administration of OPI, federal funding includes the Carl Perkins career and technical education grant, school nutrition funding, special education programs, and the Title Programs:

- Carl Perkins Grant - a federal program that provides funding to states in order to more fully develop the academic, career, and technical skills of secondary and post secondary students who elect to enroll in career and technical education (CTE) programs
- School nutrition funding - federal programs provide funding for school lunch programs, school breakfast programs, summer food service programs, fresh fruit & vegetable program, and other school nutrition programs
- Special education - the Individuals with Disabilities Education Act (IDEA) funds special education and related services for children ages 3–21 in public schools
- Title programs - these programs are the major federal educational programs authorized under the Elementary and Secondary Education Act (ESEA) and the Every Student Succeeds Act (ESSA)
 - Title I, Part A: Improving Basic Programs - provides funding for additional academic support and learning opportunities to help low-achieving children meet state standards in core academic subjects
 - Title I, Part C: Migrant Education - provides formula grants to establish and improve education programs for migratory children

- Title I, Part D: Neglected or Delinquent - provides funding to improve educational services for neglected or delinquent children and youth in local and state institutions
- Title II, Part A: Supporting Effective Instruction - provides funding to prepare, train, and recruit high-quality teachers, principals, and other school leaders
- Title III: English Learners - provides funding for language instruction for English learners and immigrant students
- Title IV: Student Support & Academic Enrichment - supplements local, state, and other federal funds to support academic enrichment and student success
- Title V: Rural Education Achievement Program (REAP) - includes two programs: the Small Rural School Achievement (SRSA) program and the Rural and Low-Income School (RLIS) program. The SRSA program addresses the needs of rural school districts that lack the personnel and resources needed to complete effectively for federal competitive grants and receive formula grant allocations in amounts too small to be effective in meeting their intended purposes. The RLIS program provides funds to rural school districts that serve concentrations of children from low-income families
- Title IX: Homeless Children & Youth - this program provides funding to ensure that homeless children and youth have equal access to the same quality public education as provided to their peers living in stable housing

Funding

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

Office of Public Instruction, 06-State Level Activities Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	39,576,990	700,000	0	0	40,276,990	46.6%
02001 School Lunch Program	62,294	0	0	0	62,294	4.1%
02197 ESA ADMINISTRATIVE ACCT	0	0	0	68,166	68,166	4.5%
02357 LICENSURE FEES	773,163	0	0	0	773,163	50.6%
02402 Traffic & Safety Education	624,599	0	0	0	624,599	40.9%
State Special Total	\$1,460,056	\$0	\$0	\$68,166	\$1,528,222	1.8%
03002 Public Instruction	37,217,797	0	0	0	37,217,797	100.0%
Federal Special Total	\$37,217,797	\$0	\$0	\$0	\$37,217,797	43.0%
06067 Advanced Drivers Education	0	0	255,788	0	255,788	3.4%
06512 Indirect Cost Pool	0	0	7,220,582	0	7,220,582	96.6%
Proprietary Total	\$0	\$0	\$7,476,370	\$0	\$7,476,370	8.6%
Total All Funds	\$78,254,843	\$700,000	\$7,476,370	\$68,166	\$86,499,379	

HB 2 Appropriations

General Fund - General fund supports about half of the State Level Activities Program budget, with the remainder supported by state special revenue, federal special revenue, and proprietary funds.

State Special Revenue

School Lunch Program Account

Revenues for the School Lunch Program are generated through reimbursements for the costs of shipping, handling, and other related costs of school food commodities used in the program.

Traffic and Safety Education Account

The traffic & safety education account funds traffic education programs in Montana schools. Traffic and safety education revenues are generated from a percentage of drivers' license and commercial drivers' license fees.

Licensure Fee Account

The licensure fee account collects fees from teacher licensure applications in order to fully fund the operations of the teacher licensure system (HB 403, 2023 Legislative Session).

Federal Special Revenue - Federal funds support just under half of the State Level Activities Program total budget authority. The program receives federal funding for:

- Administrative Review and Training (ART) grants
- Adult basic education
- Assessment
- Career and technical education (via the Carl Perkins Grant)
- Education of homeless children
- Individuals with Disabilities Education Act (IDEA)
- National Assessment of Educational Progress (NAEP)
- National Center for Education Statistics (NCES)
- National Education Association (NEA)
- School nutrition
- Substance Abuse and Mental Health Services (SAMHSA)
- Low income students (Title I)
- Student achievement (Title II)
- English learners and immigrant students (Title III)
- Student support and academic enrichment (Title IV)
- Rural Education Achievement Program (Title V)
- Youth Risk Behavior Survey (YRBS) and school health priorities
- Various other purposes

Non-Budgeted Proprietary Funds

Indirect Cost Pool Account

The OPI indirect cost pool is an internal service fund used to allocate various centralized costs such as payroll, accounting, and budgeting to all of OPI's state and federally funded programs, using a pre-approved indirect cost rate. Because the proprietary funds do not require an appropriation, they are not typically included in appropriation tables. Instead, the legislature approves the fees and charges that support the revenues for the program. For a more detailed discussion of rates, revenues, and expenditures for the account, please see the non-budgeted proprietary funds analysis, which is included in a separate report.

Advanced Drivers' Education Program Account

The advanced drivers' education program is a seasonal, hands-on, behind-the-wheel crash avoidance program operated by the health enhancement and safety division of OPI at a training facility in Lewistown. The one-day and half-day course provides training to school bus drivers, driver education teachers, state employees, ambulance drivers, firefighters, road crews, and others who drive as a part of their employment. Revenues are generated from workshop fees collected from program users. For a more detailed discussion of rates, revenues, and expenditures for the account, please see the non-budgeted proprietary funds analysis, which is included in a separate report.

*Statutory Appropriations*State Special Revenue**ESA Administrative Account**

HB 393 (2023 Legislative Session) established a program for special needs education savings accounts (ESAs), which are statutorily appropriated. ESAs are used to reimburse parents for certain educational costs of children with disabilities under the Individuals with Disabilities Education Act.

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	153.27	153.27	153.27	153.27
Personal Services	12,798,606	13,877,493	14,402,364	15,216,679	15,236,187
Operating Expenses	10,868,701	13,549,299	17,118,946	18,733,523	22,151,602
Grants	1,677,918	2,177,919	750,000	750,000	750,000
Transfers	2,077,863	2,077,863	2,125,737	3,000,737	3,035,737
Debt Service	39,594	39,594	40,189	40,189	40,189
Total Expenditures	\$27,462,682	\$31,722,168	\$34,437,236	\$37,741,128	\$41,213,715
General Fund	13,264,078	13,383,200	15,526,319	18,408,044	21,868,946
State/Other Special Rev. Funds	379,609	492,204	680,659	729,708	730,348
Federal Spec. Rev. Funds	13,818,995	17,846,764	18,230,258	18,603,376	18,614,421
Total Funds	\$27,462,682	\$31,722,168	\$34,437,236	\$37,741,128	\$41,213,715
Total Ongoing	\$27,234,217	\$31,388,476	\$34,437,236	\$37,741,128	\$40,513,715
Total OTO	\$228,465	\$333,692	\$0	\$0	\$700,000

Program Description

The State Level Activities Program provides leadership and coordination of services to a variety of school and public groups. The staff provides assistance to the Superintendent of Public Instruction in performing statutorily prescribed duties.

The program:

- Supports the superintendent's statutory role with the Board of Public Education, Board of Regents, and Land Board
- Is responsible for the distribution and accounting of state and federal funds provided to school districts
- Maintains the information systems necessary to assess student achievement and the quality of Montana's elementary and secondary school system
- Provides assistance and information to school districts

The program also administers all federal grants received by OPI, including curriculum assistance, special education, Every Student Succeeds Act (ESSA), career and technical education (CTE), and other educational services.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The State Level Activities Program expended 86.6% of its approximately \$31.7 million HB 2 modified budget in FY 2024. Personal services and operating expense authority made up the majority of the program's HB 2 modified budget for FY 2024, at approximately \$13.9 million and \$13.5 million, respectively.

The unexpended amount for the program totaled approximately \$4.2 million and can be attributed to lower than expected expenditures for:

- Several federal grants due to the timing of the grant expiration dates, which often do not align with the state fiscal year end. These federal funds were collectively under expended by approximately \$4.0 million
- A one-time-only appropriation for audiology equipment, which was under expended by approximately \$105,000
- An appropriation for traffic education, which was under expended by approximately \$81,000

FY 2024 Appropriations Compared to FY 2025 Appropriations

FY 2025 total appropriations for the State Level Activities Program are approximately \$2.7 million or 8.6% higher than the FY 2024 total appropriations. This increase is the net result of the following major changes:

- An increase of \$2.0 million for the teacher residency program
- An increase of approximately \$508,000 for the pay plan
- An increase of approximately \$180,000 for the teacher licensure system
- An increase of approximately \$114,000 for inflationary costs
- An increase of approximately \$67,000 for personal services
- An increase of approximately \$48,000 for inflationary increases for the Montana Digital Academy
- A decrease of approximately \$334,000 due to a one-time-only appropriation in FY 2024 only for audiology equipment
- A decrease of approximately \$45,000 for the administration of special needs education savings accounts
- Various other small differences amounting to approximately \$162,000

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	1,042,723	22,805	(753,384)	312,144	0.00	1,054,883	22,807	(743,867)	333,823
DP 2 - Fixed Costs	0.00	894,715	(711)	(169,246)	724,758	0.00	772,352	(700)	(169,096)	602,556
DP 3 - Inflation Deflation	0.00	(1,425)	(684)	(4,252)	(6,361)	0.00	(963)	(462)	(2,874)	(4,299)
DP 604 - Increase Federal Grant Authority - Program 06	0.00	0	0	800,000	800,000	0.00	0	0	800,000	800,000
DP 612 - Subscriptions Cost Increase	0.00	136,811	0	0	136,811	0.00	137,997	0	0	137,997
DP 615 - Hearing Conservation Program (HCP) Infl Inc	0.00	67,696	0	0	67,696	0.00	67,696	0	0	67,696
DP 616 - Teacher Licensure Adjustment	0.00	(221,618)	27,639	0	(193,979)	0.00	(224,194)	28,044	0	(196,150)
Grand Total All Present Law Adjustments	0.00	\$1,918,902	\$49,049	(\$126,882)	\$1,841,069	0.00	\$1,807,771	\$49,689	(\$115,837)	\$1,741,623

***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

**LFD
COMMENT**

The federal special revenue portion of this decision package is negative due to the state personal services budgeting process, which does not reinstate funding for personal services expenditures for modified PB. OPI uses modified PB to staff federal grant programs. The funding for these modified PB is often reinstated as part of a separate decision package (see DP 605).

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 604 - Increase Federal Grant Authority - Program 06 -

The executive requests federal special revenue authority for the administrative costs of federal grants awarded to OPI.

DP 612 - Subscriptions Cost Increase -

The executive requests a general fund appropriation beginning in FY 2027 to cover the cost of new software subscriptions and increases to existing software subscriptions for OPI's Information Technology unit's operations.

DP 615 - Hearing Conservation Program (HCP) Infl Inc -

The executive requests a general fund appropriation to fund a 4.0% contractual increase for the statewide Hearing Conservation Program (HCP). The Division of Special Education administers the HCP for the Office of Public Instruction.

DP 616 - Teacher Licensure Adjustment -

The executive requests an adjustment to the budget to reflect the operating costs of the teacher licensure system and the transfer of 2.50 PB from general fund authority to state special revenue.

**LFD
COMMENT**

HB 403 (2023 Session) removed teacher license fees as a source of funding for the Board of Public Education and redirect the funds to a state special revenue account for OPI's teacher licensure system. Statute requires the superintendent of public instruction to make a recommendation for teacher licensure fees sufficient to generate the revenue required to administer the program; the Board of Public Education is then responsible for setting the licensure fee amount based on the superintendent's recommendation. According to OPI, the 2.50 PB responsible for administering the program were funded with general fund for the 2025 biennium. The executive is requesting to transfer the funding for these PB to the state special revenue account funded by teacher licensure fees in order to fully comply with the new law.

Licensure fee revenue also exceeded operational costs in FY 2024. The executive is requesting an overall decrease to the program to align operating costs with revenues, which is why the decision package does not net to zero. A fund balance table for the account is shown below:

Office of Public Instruction Teacher Licensure Fee Account Fund Balance		
	Actuals FY 2024*	Year-to-Date FY 2025**
Beginning Fund Balance	\$0	\$247,350
Revenues	\$422,587	\$121,567
Licenses and Permits	422,587	121,567
Disbursements	(\$175,237)	(\$215)
Personal Services	(105,138)	0
Operating Expenses	(70,099)	(215)
Ending Fund Balance	\$247,350	\$368,702

*The account was newly created in FY 2024 (HB 403, 2023 Legislature)

**As of December 4, 2024

The amounts in this decision package are based on OPI's September 2024 teacher licensure fee system report, which can be found here: <https://archive.legmt.gov/content/Publications/fiscal/2025-Biennium/Section-E/Interim/OPI-Teacher-Licensure-Report-Sept2024.pdf>. A breakdown of the executive request is shown below:

Office of Public Instruction Summary of DP 616 - Teacher Licensure Adjustment			
Fund Type		Proposed FY 2026	Proposed FY 2027
General Fund	General Fund Base Budget	\$221,618	\$224,194
	DP 616 (Fund Switch)	(221,618)	(224,194)
	Total General Fund Adjustments	(221,618)	(224,194)
	Total General Fund	\$0	\$0
State Special Revenue	State Special Revenue Base Budget	358,735	358,745
	DP 616 (Fund Switch)	221,618	224,194
	DP 616 (Reduction)	(193,979)	(196,150)
	Total State Special Revenue Adjustments	27,639	28,044
	Total State Special Revenue	\$386,374	\$386,789
Total Funds		\$386,374	\$386,789

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 605 - Federal Personal Services Authority	0.00	0	0	500,000	500,000	0.00	0	0	500,000	500,000
DP 606 - Montana Digital Academy	0.00	875,000	0	0	875,000	0.00	910,000	0	0	910,000
DP 607 - Indian Ed for All - MACIE Meeting Costs	0.00	15,000	0	0	15,000	0.00	15,000	0	0	15,000
DP 608 - PowerSchool Subscription	0.00	0	0	0	0	0.00	2,837,033	0	0	2,837,033
DP 609 - School Foods Match for New EBT Program	0.00	72,823	0	0	72,823	0.00	72,823	0	0	72,823
DP 610 - High School Assessment Funding (OTO)	0.00	0	0	0	0	0.00	700,000	0	0	700,000
Total	0.00	\$962,823	\$0	\$500,000	\$1,462,823	0.00	\$4,534,856	\$0	\$500,000	\$5,034,856

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

DP 605 - Federal Personal Services Authority -

The executive requests a federal special revenue appropriation for personal services to support part-time modified PB. Changes in state and federal laws do not allow the agency to contract for these services, and the state personal services funding process does not reinstate personal services expenditures for these workers. This funding is typically requested every biennium.

DP 606 - Montana Digital Academy -

The executive requests an ongoing general fund appropriation for the Montana Digital Academy (MTDA) clearinghouse in order to maintain its operations and enhance schools' opportunities to offer flexible learning environments and options to students.

LFD COMMENT

The Montana Digital Academy clearinghouse was created by the Legislature (HB 749, 2023 Session) to provide schools with access to digital content, online courses, proficiency assessment, and other educational services from MTDA and third-party providers. It was previously funded with a one-time-only appropriation through the Office of the Commissioner of Higher Education budget.

DP 607 - Indian Ed for All - MACIE Meeting Costs -

The executive requests a general fund appropriation for meeting and travel costs associated with the Montana Advisory Council on Indian Education (MACIE). Currently, the board meets eight times a year with two in-person meetings and 21-25 people serving on the council.

LFD COMMENT

The MACIE was created by the Montana Board of Public Education in 1984 to advise the Board and the Superintendent of Public Instruction on matters related to Indian education, including culture, language, and Indian Education for All. The council is composed of representatives of the twelve tribal nations in Montana and other groups involved in Indian education programs. The costs of MACIE for FY 2024 and FY 2025 are covered by the State Level Activities Program general fund appropriation, which is included in the base budget request for FY 2026 and FY 2027.

DP 608 - PowerSchool Subscription -

The executive requests an ongoing general fund appropriation beginning in FY 2027 for the database modernization project's PowerSchool subscription costs. Database modernization requirements from HB 367 (2023 Session) required commercial off-the-shelf (COTS) products to be purchased with federal funding, and OPI secured a contract to meet the requirements to repair, improve, or replace existing data systems. The executive is requesting this funding to ensure the continuation of the sharing of data between school districts, state education officials, and other state agencies.

**LFD
COMMENT**

The legislature may want to understand how the PowerSchool program will allow data access to the legislative branch and the contributing agencies of the Education and Workforce Data Governance Board members. This will enable the legislature to evaluate if there are any legislative actions needed to assist OPI or the other members of the Education and Workforce Data Governance Board with the data sharing needs of the state.

DP 609 - School Foods Match for New EBT Program -

The executive requests a general fund appropriation for the state match portion of the school foods summer Electronic Benefit Transfer (EBT) program.

**LFD
COMMENT**

The summer EBT program provides grocery-buying benefits to low-income families with school-aged children during the summer months of June, July, and August, when schools are closed for the summer break. Congress authorized the summer EBT as a permanent program on December 23, 2022, and it is a newly provided program in the state of Montana. The first round of benefits were issued in the fall of 2024, with federal approval since the payments were not made during the summer months. DPHHS and OPI will share the responsibilities of implementing the summer EBT, with DPHHS serving as the lead agency for federal purposes. OPI will manage the application process, validate eligibility, and handle client communications.

The program benefits are 100.0% federally funded; however, federal funding may only be used to fund up to 50.0% of the administrative costs of operating the program, so OPI is requesting a general fund appropriation to cover the remaining administrative expenses of the program.

DP 610 - High School Assessment Funding (OTO) -

The executive requests a one-time-only general fund appropriation in FY 2027 only to provide ACT testing with writing to 11th grade students in public high schools as the high school assessment requirement. These exams have previously been provided with now expired federal funding from the Gaining Early Awareness and Readiness for Undergraduate Program (GEAR UP) and then Elementary and Secondary School Emergency Relief (ESSER). OPI may receive additional federal grant funding in the future, which is why the request is one-time-only.

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
General Fund	584,607,617	573,024,929	628,058,536	31,868,231	2.7%
State/Other Special Rev. Funds	453,599,176	540,872,319	545,818,120	179,492,087	19.8%
Federal Spec. Rev. Funds	155,735,391	165,735,391	165,735,391	20,000,000	6.4%
Total Funds	1,193,942,184	1,279,632,639	1,339,612,047	231,360,318	9.7%
Operating Expenses	3,702,839	3,705,954	3,705,954	6,230	0.1%
Local Assistance	1,024,600,340	1,100,236,059	1,160,141,112	211,176,491	10.3%
Grants	164,946,503	174,953,657	175,028,012	20,088,663	6.1%
Transfers	692,502	736,969	736,969	88,934	6.4%
Total Expenditures	1,193,942,184	1,279,632,639	1,339,612,047	231,360,318	9.7%
Total Ongoing	1,193,942,184	1,279,132,639	1,339,112,047	230,360,318	9.6%
Total One-Time-Only		500,000	500,000	1,000,000	0.0%

Program Highlights

Local Education Activities Program Major Budget Highlights
<p>The Local Education Activities Program's 2027 biennium HB 2 budget request is approximately \$231.4 million or 9.7% above the FY 2025 base budget. Major highlights include:</p> <ul style="list-style-type: none"> • An increase in general fund for the K-12 BASE aid inflationary adjustment • An increase in general fund for countywide school retirement in FY 2027 only, triggered by increased revenue from the 95 mills • An increase of general fund for increased teacher pay • Changes to major maintenance aid including: <ul style="list-style-type: none"> ◦ Increases in general fund and state special revenue funding ◦ A net-zero fund switch from general fund to state special revenue for a portion of the major maintenance aid appropriation, contingent on legislation <p>Property tax related fund shifts:</p> <ul style="list-style-type: none"> • A decrease in general fund and an increase in state special revenue for K-12 BASE aid due to increased revenue from the 95 mills due to the property reappraisal cycle • A decrease in general fund and an increase in state special revenue for K-12 BASE aid to move non-levy revenue associated with the 95 mills to the SEPTR state special revenue account, contingent on legislation • An increase in general fund and a decrease in state special revenue for K-12 BASE aid to backfill lost revenue from the 95 mills due to the implementation of homestead and comstead property tax exemptions, contingent on legislation • An increase in general fund and a decrease in state special revenue for K-12 BASE aid to backfill lost revenue from the 95 mills due to an increased business equipment tax exemption, contingent on legislation <p>Other notable changes include:</p> <ul style="list-style-type: none"> • An increase in general fund to offset revenue decreases in the statutorily appropriated guarantee account • Increases in general fund for the at-risk student payment, the transformational learning program, in-state treatment, state tuition, the Indian language immersion program, and cell phone-free schools • An increase in state special revenue for debt service assistance • An increase of federal special revenue authority for additional federal grant funding • A decrease in general fund to move workforce innovation grants for adult basic education to the Department of Labor and Industry
Legislative Action Items

- Historically, certain appropriations and programs within the Local Education Activities Program have been approved with restricted and/or biennial designations. The legislature may wish to add these designations to these programs again
- The legislature may wish to change two appropriations to bring them in line with the HJ 2 revenue estimate for the 95 mills
 - The state special revenue appropriation for K-12 BASE aid
 - The general fund appropriation for county school retirement
- The legislature may wish to change the K-12 BASE aid general fund appropriation to account for the HJ 2 revenue estimate for the statutorily appropriated guarantee account, which offsets general fund appropriations

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.

Local Education Activities 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
Base Budget	584,607,617	453,599,176	155,735,391	1,193,942,184	93.3%	584,607,617	453,599,176	155,735,391	1,193,942,184	89.1%
Statewide PL										
Personal Services	0	0	0	0	0.0%	0	0	0	0	0.0%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	0	0	0	0	0.0%	0	0	0	0	0.0%
Present Law (PL)	(60,618,253)	83,829,246	10,000,000	33,210,993	2.6%	(9,588,201)	91,209,916	10,000,000	91,621,715	6.8%
New Proposals	49,035,565	3,443,897	0	52,479,462	4.1%	53,039,120	1,009,028	0	54,048,148	4.0%
Total HB 2 Adjustments	(11,582,688)	87,273,143	10,000,000	85,690,455	6.7%	43,450,919	92,218,944	10,000,000	145,669,863	10.9%
Total Requested Budget	573,024,929	540,872,319	165,735,391	1,279,632,639		628,058,536	545,818,120	165,735,391	1,339,612,047	

The Local Education Activities Program serves as a pass-through program for state funding and certain federal funding for local school districts in Montana. A large portion of the state funding for K-12 education is included in the base budget and is not included in the decision packages proposed by the executive. The categories are shown to provide a better understanding of the allocation for the various functions of the program. Although this funding is budgeted within one program, the agency has limited flexibility to move funding within the program among these categories; most of the state funded school funding components are appropriated with restrictions, and most of the federal funds have federal spending requirements. The figures below summarize the entire proposed Local Education Activities Program budget by purpose by fiscal year:

Local Education Activities					
Proposed HB 2 Budget by Category					
Category	Fund Type	Actuals FY 2024	Budget FY 2025	Proposed FY 2026	Proposed FY 2027
K-12 BASE Aid	General Fund	\$445,056,683	\$537,976,469	\$476,148,840	\$529,127,551
	State Special	412,163,210	435,529,000	508,197,319	513,031,120
	Total	857,219,893	973,505,469	984,346,159	1,042,158,671
School Major Maintenance	General Fund	7,940,842	10,578,100	7,720,443	7,935,306
	State Special	1,828,464	1,570,176	15,175,000	15,287,000
	Total	9,769,306	12,148,276	22,895,443	23,222,306
School Nutrition	General Fund	687,954	695,954	695,954	695,954
	Federal Special	33,009,152	45,041,119	55,041,119	55,041,119
	Total	33,697,106	45,737,073	55,737,073	55,737,073
Adult Basic Education	General Fund	525,000	525,000	0	0
Advanced Opportunities	General Fund	3,249,321	4,000,000	4,000,000	4,000,000
Advancing Ag Ed	General Fund	93,121	151,960	151,960	151,960
At Risk Students	General Fund	6,029,867	6,213,340	6,399,740	6,591,732
CTE Match CSTO	General Fund	903,000	903,000	903,000	903,000
CTE - State Match	General Fund	1,500,000	1,500,000	1,500,000	1,500,000
Coal Mitigation	General Fund	1,693,274	1,693,274	1,693,274	1,693,274
Early Literacy	General Fund		1,500,000	1,500,000	1,500,000
Gifted and Talented	General Fund	332,003	350,000	350,000	350,000
Indian Language Immersion	General Fund	96,970	96,970	264,970	269,970
Instate Treatment	General Fund	2,614,525	3,006,885	3,010,000	3,010,000
National Board Certification	General Fund	148,000	178,588	178,588	178,588
Recruitment and Retention	General Fund	252,092	666,000	666,000	666,000
School Safety	General Fund	85,700	100,000	600,000	600,000
State Tuition Payments	General Fund	211,643	60,911	249,911	249,911
Teacher Pay Incentive	General Fund			52,504,462	54,073,148
Transformational Learning	General Fund	2,262,443	2,412,614	2,489,235	2,563,590
Transportation Aid	General Fund	10,417,038	11,998,552	11,998,552	11,998,552
Debt Service Assistance	State Special	13,345,149	15,000,000	16,000,000	16,000,000
Traffic Education	State Special	1,050,000	1,500,000	1,500,000	1,500,000
Carl Perkins Grant	Federal Special	3,427,177	1,620,338	1,620,338	1,620,338
Special Education	Federal Special	41,808,175	20,234,251	20,234,251	20,234,251
Title Programs	Federal Special	75,112,740	40,184,627	40,184,627	40,184,627
Other Federal Programs	Federal Special	1,182,560	48,655,056	48,655,056	48,655,056
Total Funds		\$1,067,026,103	\$1,193,942,184	\$1,279,632,639	\$1,339,612,047

K-12 BASE aid is the largest appropriation for OPI, accounting for \$973.5 million of the HB 2 FY 2025 base budget. There is an additional statutory appropriation for K-12 BASE aid from the guarantee account, which is described in greater detail in the Funding section of this report. K-12 BASE aid is made up of the state funding components that support school district general funds and some funding for countywide school retirement costs:

- The five fully state-funded components:
 1. Quality Educator Payment - A per-PB payment for teachers and other licensed professionals
 2. At Risk Payment - A payment to schools to address at-risk students or students who are affected by an environment that negatively impacts performance and threatens the likelihood of promotion or graduation. The funding is distributed in the same manner as federal Title I funds. The at-risk payment is considered part of BASE aid, but receives a separate line item appropriation in HB 2
 3. Indian Education For All Payment - A payment made per Average Number Belonging (ANB) to fund the state's constitutional commitment to the preservation of American Indian cultural integrity
 4. American Indian Achievement Gap Payment - A per American Indian student payment for the purpose of closing the performance gap that exists between American Indian students and non-Indian students
 5. Data for Achievement - A per-ANB payment used by school districts to pay for costs associated with student data systems
- Special Education Payment - An amount per ANB regardless of the count of special education students. Portions of the special education appropriation go to cooperatives and to reimbursements for high-cost students. This payment is 100.0% state-funded, but a local match is required
- Direct State Aid - This payment is made up of the Per-ANB and Basic entitlements, and it is 44.7% state-funded; the remainder is funded by state guaranteed tax base (GTB) aid and local revenue sources, which include local property taxes, local non-levy revenue, tuition payments, and/or fund balance reappropriated from the prior year. The amount of GTB and the various local revenue sources depends on the tax base of the school district and the number of students being educated in the district
 - Basic Entitlement - A set amount per district based on whether it is an elementary school district, middle school district, or high school district. Districts with higher enrollment are eligible for additional basic entitlement "increments"
 - Per Average Number Belonging (ANB) Entitlement - A per-ANB dollar amount driven by the greater of the prior year's enrollment or a three-year average. ANB is a proxy for school district enrollment
- District General Fund Guaranteed Tax Base (GTB) Aid - A state subsidy for school district BASE budget mill levies used to equalize property wealth across the state. GTB aid provides a subsidy per mill to eligible districts
- Retirement (GTB) Aid - A state subsidy for countywide retirement mill levies used to equalize property wealth across the state. GTB aid provides a subsidy per mill to eligible counties
- Significant Enrollment Increase Payment - A payment to districts with significant enrollment increases compared to the anticipated enrollment during the school district budgeting process

K-12 BASE Aid Summary

K-12 BASE aid makes up the majority of OPI's funding. The executive typically requests an inflationary increase for BASE aid every biennium. However, the inflationary increase is only a portion of the total K-12 BASE aid appropriation; the majority of the BASE aid appropriation is included in the base budget, and there are also several additional decision packages other than the inflationary increase that will affect K-12 BASE aid funding. The executive request for K-12 BASE aid, which includes the base budget, the inflationary increase, and other adjustments, is detailed below:

K-12 BASE Aid Summary - FY 2026							
Description	Base Budget FY 2025		Adjustments FY 2026		Total Budget Request FY 2026		
	General Fund	State Special	General Fund	State Special	General Fund	State Special	Total
Total Base Aid	\$537,976,469	\$492,371,773	(\$61,827,629)	\$70,923,679	\$476,148,840	\$563,295,452	\$1,039,444,292
HB 2 - General Fund & SEPTR	537,976,469	435,529,000	(61,827,629)	72,668,319	476,148,840	508,197,319	984,346,159
Statutory - Guarantee Account	-	56,842,773	-	(1,744,640)	-	55,098,133	55,098,133
HB 2 BASE Aid - General Fund & SEPTR							
DP 904 - K-12 BASE Aid Inflationary Increase	\$446,595,242	\$435,529,000	\$9,096,050	\$0	\$547,072,519	\$435,529,000	\$982,601,519
Direct State Aid	46,326,310	435,529,000	9,590,096	0	55,916,406	435,529,000	491,445,406
GTB - School General Fund	286,975,226	0	(8,965,645)	0	278,009,581	0	278,009,581
GTB - School Retirement	89,410,512	0	6,975,206	0	96,385,718	0	96,385,718
Special Education	47,180,203	0	358,330	0	47,538,533	0	47,538,533
Quality Educator	51,633,038	0	871,424	0	52,504,462	0	52,504,462
Indian Ed for All	3,854,497	0	55,093	0	3,909,590	0	3,909,590
Close Achievement Gap	5,057,074	0	143,042	0	5,200,116	0	5,200,116
Data for Achievement	3,689,609	0	53,504	0	3,743,113	0	3,743,113
Significant Enrollment Increases	3,500,000	0	0	0	3,500,000	0	3,500,000
Audit	350,000	0	15,000	0	365,000	0	365,000
DP 917 - Guarantee Account Adjustment	\$0	\$0	\$1,744,640	\$0	\$1,744,640	\$0	\$1,744,640
DP 918 - Equalization Aid Account Adjustment	\$0	\$0	(\$72,399,422)	\$72,399,422	(\$72,399,422)	\$72,399,422	\$0
DP 919 - County Retirement Adjustment	\$0	\$0	\$0	\$0	\$0	\$0	\$0
DP 921 - 95 Mill Non-Levy Revenue	\$0	\$0	(\$14,733,873)	\$14,733,873	(\$14,733,873)	\$14,733,873	\$0
DP 925 - Business Equipment Tax Adjustment	\$0	\$0	\$1,050,000	(\$1,050,000)	\$1,050,000	(\$1,050,000)	\$0
DP 926 - Homestead Property Tax Adjustment	\$0	\$0	\$13,414,976	(\$13,414,976)	\$13,414,976	(\$13,414,976)	\$0
Statutory BASE Aid - Guarantee Account							
Direct State Aid	0	56,842,773	0	0	0	56,842,773	56,842,773
DP 917 - Guarantee Account Adjustment	\$0	\$0	\$0	(\$1,744,640)	\$0	(\$1,744,640)	(\$1,744,640)

K-12 BASE Aid Summary - FY 2027							
Description	Base Budget FY 2025		Adjustments FY 2027		Total Budget Request FY 2027		
	General Fund	State Special	General Fund	State Special	General Fund	State Special	Total
Total Base Aid	\$537,976,469	\$492,371,773	(\$8,848,918)	\$76,434,084	\$529,127,551	\$568,805,857	\$1,097,933,408
HB 2 - General Fund & SEPTR	537,976,469	435,529,000	(8,848,918)	77,502,120	529,127,551	513,031,120	1,042,158,671
Statutory - Guarantee Account	-	56,842,773	-	(1,068,036)	-	55,774,737	55,774,737
HB 2 BASE Aid - General Fund & SEPTR							
DP 904 - K-12 BASE Aid Inflationary Increase	\$446,595,242	\$435,529,000	\$42,985,166	\$0	\$580,961,635	\$435,529,000	\$1,016,490,635
Direct State Aid	46,326,310	435,529,000	23,054,581	0	69,380,891	435,529,000	504,909,891
GTB - School General Fund	286,975,226	0	5,056,934	0	292,032,160	0	292,032,160
GTB - School Retirement	89,410,512	0	10,057,614	0	99,468,126	0	99,468,126
Special Education	47,180,203	0	1,784,654	0	48,964,857	0	48,964,857
Quality Educator	51,633,038	0	2,440,110	0	54,073,148	0	54,073,148
Indian Ed for All	3,854,497	0	146,140	0	4,000,637	0	4,000,637
Close Achievement Gap	5,057,074	0	289,230	0	5,346,304	0	5,346,304
Data for Achievement	3,689,609	0	140,903	0	3,830,512	0	3,830,512
Significant Enrollment Increases	3,500,000	0	0	0	3,500,000	0	3,500,000
Audit	350,000	0	15,000	0	365,000	0	365,000
DP 917 - Guarantee Account Adjustment	\$0	\$0	\$1,068,036	\$0	\$1,068,036	\$0	\$1,068,036
DP 918 - Equalization Aid Account Adjustment	\$0	\$0	(\$79,780,092)	\$79,780,092	(\$79,780,092)	\$79,780,092	\$0
DP 919 - County Retirement Adjustment	\$0	\$0	\$24,600,000	\$0	\$24,600,000	\$0	\$24,600,000
DP 921 - 95 Mill Non-Levy Revenue	\$0	\$0	(\$12,649,004)	\$12,649,004	(\$12,649,004)	\$12,649,004	\$0
DP 925 - Business Equipment Tax Adjustment	\$0	\$0	\$1,512,000	(\$1,512,000)	\$1,512,000	(\$1,512,000)	\$0
DP 926 - Homestead Property Tax Adjustment	\$0	\$0	\$13,414,976	(\$13,414,976)	\$13,414,976	(\$13,414,976)	\$0
Statutory BASE Aid - Guarantee Account							
Direct State Aid	0	56,842,773	0	0	0	56,842,773	56,842,773
DP 917 - Guarantee Account Adjustment	\$0	\$0	\$0	(\$1,068,036)	\$0	(\$1,068,036)	(\$1,068,036)

For more information on K-12 BASE aid, please see the school district general fund brochure: <https://leg.mt.gov/content/Publications/fiscal/2025-Biennium/Special-Topics/School-Funding/School-District-General-Fund-Brochure-FY25.pdf>

Summary of Other State K-12 Funding

The state also funds a number of other K-12 programs that are not included in K-12 BASE aid:

- Adult Basic Education - an adult education program that receives federal grant funding under the Adult Education and Family Literacy Act (AEFLA) and Title II of the Workforce Innovation and Opportunity Act (WIOA); the state provides an appropriation of state match for the federal funding
- Advanced Opportunities - a program that provides personalized career and technical education opportunities for middle and high school students
- Advancing Agricultural Education - a sequential set of course offerings for students in middle school and high school. The program is designed to develop knowledge, skills, attitudes, and experiences in and about agriculture
- Coal Mitigation - a school block grant to mitigate for coal-fired generating unit closure in eligible districts
- Career and Technical Student Organizations (CTSOs) - Montana currently has seven CTOSs, which provide career and technical education (CTE) opportunities for students. The CTOSs are Montana Future Farmers of America (FAA), Business Professionals of America (BPA), Distributive Education Clubs of America (DECA), Family Career & Community Leaders of America (FCCLA), Future Health Professionals (HOSA), SkillsUSA, and the Technology Student Association (TSA)
- CTE State Match - formulaically distributed state CTE funding for local school districts

- Debt Service Assistance - state equalization aid that is used to pay a portion of a school district's bond debt, including principal and interest payments and agent fees, and/or special improvement district payments (SIDs). The funding is available to school districts contingent upon whether or not the district has a mill value per ANB that is less than the corresponding statewide mill value per ANB
- Early Literacy - funding for targeted intervention programs for children older than 4, in order to improve early literacy outcomes
- Gifted and Talented - a program of services to consistently identify and meet the needs of high ability/high potential students
- Indian Language Immersion - a program to support efforts of Montana tribes to preserve and perpetuate Indian languages in the form of spoken, written, sung, or signed language
- In-State Treatment - payments for the educational costs of Montana K-12 students at children's psychiatric hospitals and residential treatment facilities
- National Board Certification - funding for stipends to qualified teachers who hold a current certification with the National Board for Professional Teaching Standards
- Recruitment and Retention - funding to help teachers pay back educational loans
- School Nutrition - state matching funds for federal school nutrition funding
- School Major Maintenance - state equalization aid that is used to pay a portion of a school district's major maintenance project costs. The funding is dependent on the district type and the number of ANB and local property wealth
- School Safety - includes existing school safety grants and a new proposal for cell phone-free schools
- State Tuition Payments - the state's portion of tuition payments for Montana K-12 students at children's psychiatric hospitals and residential treatment facilities
- Teacher Pay Incentive - a new proposal to increase teacher pay
- Transformational Learning - a program that provides a flexible system of pupil-centered learning
- Transportation Aid - state aid to help districts pay for the costs of getting students from home to school and back

**LFD
COMMENT**

Historically, all K-12 funding components that are funded either fully or partially by the state general fund are adopted with a restricted designation, meaning that they cannot be used for any other purpose. Most of these funding components have also been appropriated with a biennial designation, meaning they can be spent at any point over the biennium. Because public school budgets for the second year of the biennium are not yet established, the Office of Public Instruction requires some flexibility over the biennium in order to make the correct payment amounts for K-12 funding components to local school districts. The legislature may wish to add these designations to these programs again:

- K-12 BASE Aid (Restricted/Biennial)
- Adult Basic Education (Restricted/Biennial)
- Advanced Opportunities (Restricted/Biennial)
- Advancing Agricultural Education (Restricted/Biennial)
- At-Risk Student Payment (Restricted/Biennial)
- Coal Mitigation (Restricted/Biennial)
- CTE Career and Technical Student Organizations (Restricted/Biennial)
- CTE State Match (Restricted/Biennial)
- Debt Service Assistance (Restricted)
- Gifted and Talented (Restricted/Biennial)
- Indian Language Immersion (Restricted/Biennial)
- In-State Treatment (Restricted/Biennial)
- National Board Certification (Restricted/Biennial)
- Recruitment and Retention (Restricted/Biennial)
- School Food (Restricted/Biennial)
- School Major Maintenance (Restricted)
- School Safety Grants (Restricted/Biennial)
- State Tuition Payments (Restricted/Biennial)
- Transformational Learning (Restricted/Biennial)
- Transportation Aid (Restricted/Biennial)

The legislature may also wish to apply one or both of these designations to general fund appropriations that are newly included as part of the base budget or newly proposed as part of the 2027 biennium executive budget request:

- Early Literacy - newly included in the base budget per HB 352, 2023 Session
- Cellphone Free Schools - new proposal
- Teacher Pay Incentive - new proposal

Funding

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

Office of Public Instruction, 09-Local Education Activities Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	1,200,083,465	1,000,000	0	0	1,201,083,465	44.0%
02018 Guarantee Fund	0	0	0	110,872,870	110,872,870	9.2%
02218 School Facility & Tech Account	32,000,000	0	0	2,000,000	34,000,000	2.8%
02302 STATE EQUALIZATION AID ACCT	1,021,228,439	0	0	0	1,021,228,439	85.1%
02402 Traffic & Safety Education	3,000,000	0	0	0	3,000,000	0.3%
02487 School Fac State Spcl Revenue	30,462,000	0	0	0	30,462,000	2.5%
State Special Total	\$1,086,690,439	\$0	\$0	\$112,872,870	\$1,199,563,309	43.9%
03170 Grant Clearance Discretionary	331,470,782	0	0	0	331,470,782	100.0%
Federal Special Total	\$331,470,782	\$0	\$0	\$0	\$331,470,782	12.1%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$2,618,244,686	\$1,000,000	\$0	\$112,872,870	\$2,732,117,556	

The Local Education Activities Program is funded by a combination of general fund, state, and federal special revenue. The majority of funds are appropriated in HB 2 and the remainder are statutory appropriations.

HB 2 Appropriations

General Fund - General fund supports a large portion of the distribution to school districts, primarily as K-12 BASE aid, with the addition of some state and federal funds.

State Special Revenue

School Equalization and Property Tax Reduction (SEPTR) Account

The school equalization and property tax reduction (SEPTR) account receives property tax revenue from the state 95 mills, which are levied for school equalization. This money is then distributed to school districts as K-12 BASE aid.

School Facility State Special Revenue Account

The school facility and technology account supports state subsidies for school debt service from facilities bonds, technological improvements, and other infrastructure and facility needs. The school facility and technology account is funded from hydroelectric power site rent under the provisions of 77-4-208(2), MCA and timber harvest income from school trust lands under the provisions of 20-9-516(2)(a), MCA. The school facility state special revenue account receives interest from the school facility sub-trust within the state coal trust. This money is then distributed to school districts to help support major maintenance.

Traffic & Safety Education Account

The traffic & safety education account funds traffic education programs in Montana schools. Traffic and safety education revenues are generated from a percentage of drivers' license and commercial drivers' license fees.

Federal Special Revenue - Federal funds support approximately \$165.7 million of the Local Education Activities Program total budget authority. The program receives federal funding for:

- Adult basic education
- Career and technical education (via the Carl Perkins Grant)
- Education of homeless children
- Individuals with Disabilities Education Act (IDEA)
- School nutrition
- Low income students (Title I)
- Student achievement (Title II)
- English learners and immigrant students (Title III)
- Student support and academic enrichment (Title IV)
- Rural Education Achievement Program (Title V)

Statutory Appropriations

State Special Revenue

Guarantee Account

The guarantee account is a state special revenue account dedicated to school funding, which receives revenue generated from common school trust lands and the subsequent interest on the common school trust account. Revenues are primarily generated from interest off the trust in addition to agriculture and extraction industry leases. Revenue is statutorily appropriated for school funding per 20-9-622, MCA and offsets general fund received by OPI.

School Facility and Technology Account

The school facility and technology account supports state subsidies for school debt service from facilities bonds, technological improvements, and other infrastructure and facility needs. The school facility and technology account is funded from public land trust power site rent under the provisions of 77-4-208(2), MCA and timber harvest income from school trust lands under the provisions of 20-9-516(2)(a), MCA.

Innovative Educational Program Account

School districts can receive tax credit donations and may retain these donations up to a cap. If tax credit donations exceed the limit set in statute, excess revenues are transferred to the innovative educational program account at OPI. OPI then distributes the funds to school districts for advanced opportunity aid.

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
Operating Expenses	3,302,479	3,685,496	3,702,839	3,705,954	3,705,954
Local Assistance	902,127,261	932,253,505	1,024,600,340	1,100,236,059	1,160,141,112
Grants	160,700,950	163,069,906	164,946,503	174,953,657	175,028,012
Transfers	895,413	942,502	692,502	736,969	736,969
Total Expenditures	\$1,067,026,103	\$1,099,951,409	\$1,193,942,184	\$1,279,632,639	\$1,339,612,047
General Fund	484,099,476	499,833,554	584,607,617	573,024,929	628,058,536
State/Other Special Rev. Funds	428,386,823	444,382,464	453,599,176	540,872,319	545,818,120
Federal Spec. Rev. Funds	154,539,804	155,735,391	155,735,391	165,735,391	165,735,391
Total Funds	\$1,067,026,103	\$1,099,951,409	\$1,193,942,184	\$1,279,632,639	\$1,339,612,047
Total Ongoing	\$1,067,026,103	\$1,099,951,409	\$1,193,942,184	\$1,279,132,639	\$1,339,112,047
Total OTO	\$0	\$0	\$0	\$500,000	\$500,000

Program Description

The Local Education Activities Program is used by OPI to distribute state and federal funds to local education agencies.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Local Education Activities Program expended 97.1% of its approximately \$1.1 billion HB 2 modified budget in FY 2024. Local assistance authority made up the majority of the program's HB 2 modified budget for FY 2024, at approximately \$932.3 million or 84.8%.

Local assistance (primarily made up of K-12 BASE aid) is paid out to school districts throughout the year and was 96.8% expended as of fiscal year end, leaving \$30.1 million of the appropriation unexpended. The unexpended amount is partially due to revenue in the statutorily appropriated guarantee account coming in higher than expected, which offset expenditures from the state general fund. Additionally, OPI reports that the need for direct state aid was lower due to lower than expected enrollment numbers and due to the statute changes for significant enrollment increases that did not materialize to the extent of the estimate. OPI also reports that the school district general fund guaranteed tax base (GTB) aid and retirement GTB aid were lower than expected, related to differences in non-levy revenue, fund balance reappropriated, and taxable valuation. Smaller sources of variation reported by OPI are due to lower PB numbers for districts, which reduced the state's quality educator payments, and districts entering non-operation status (e.g. Sand Springs, Garfield County), as well as adjustments relating to new legislation and other items.

FY 2024 Appropriations Compared to FY 2025 Appropriations

FY 2025 total appropriations for the Local Education Activities Program are approximately \$94.0 million or 8.5% higher than the FY 2024 total appropriations. This increase is the net result of the following major changes:

- An increase of approximately \$54.6 million for K-12 BASE aid
- An increase of approximately \$36.5 million for an increase to the retirement GTB multiplier (HB 587, 2023 Legislative Session)
- An increase of approximately \$2.7 million for increases to the district general fund GTB multiplier that accompanied a reduction in the business equipment property tax rate
- An increase of approximately \$0.8 million for public charter schools
- An increase of approximately \$0.4 million for community choice schools
- An increase of approximately \$0.2 million for the at-risk student payment
- An increase of approximately \$0.2 million for starting teacher salaries
- An increase of approximately \$0.2 million for significant enrollment increases
- An increase of approximately \$0.2 million for part-time student enrollment
- A decrease of approximately \$3.4 million to offset projected guarantee account revenues
- A decrease of approximately \$0.2 million for in-state treatment payments
- Various other small differences amounting to approximately \$1.8 million

The majority of general fund appropriations for OPI are biennial, meaning they can be spent at any time over the biennium.

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 904 - K-12 BASE Aid Inflationary Increase	0.00	9,096,050	0	0	9,096,050	0.00	42,985,166	0	0	42,985,166
DP 905 - At Risk Payment Inflationary Increase	0.00	186,400	0	0	186,400	0.00	378,392	0	0	378,392
DP 906 - NRD K12 Facilities Major Maintenance Aid	0.00	317,343	10,429,824	0	10,747,167	0.00	644,206	10,429,824	0	11,074,030
DP 907 - State Transformational Learning Pmt Adjustment	0.00	76,621	0	0	76,621	0.00	150,976	0	0	150,976
DP 909 - State Tuition Increase	0.00	189,000	0	0	189,000	0.00	189,000	0	0	189,000
DP 910 - In State Treatment Adjustment	0.00	3,115	0	0	3,115	0.00	3,115	0	0	3,115
DP 911 - Increase Federal Grant Authority - Program 09	0.00	0	0	10,000,000	10,000,000	0.00	0	0	10,000,000	10,000,000
DP 917 - Guarantee Account Adjustment	0.00	1,744,640	0	0	1,744,640	0.00	1,068,036	0	0	1,068,036
DP 918 - Equalization Aid Acct Adjustment	0.00	(72,399,422)	72,399,422	0	0	0.00	(79,780,092)	79,780,092	0	0
DP 919 - County Retirement Adjustment	0.00	0	0	0	0	0.00	24,600,000	0	0	24,600,000
DP 920 - Debt Service Adjustment	0.00	0	1,000,000	0	1,000,000	0.00	0	1,000,000	0	1,000,000
DP 923 - Indian Language Immersion Adjustment	0.00	168,000	0	0	168,000	0.00	173,000	0	0	173,000
Grand Total All Present Law Adjustments	0.00	(\$60,618,253)	\$83,829,246	\$10,000,000	\$33,210,993	0.00	(\$9,588,201)	\$91,209,916	\$10,000,000	\$91,621,715

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

DP 904 - K-12 BASE Aid Inflationary Increase -

The executive request for the K-12 BASE aid increase includes funding for the growth from statutory inflationary increases (20-9-326, MCA) at 3.0% in FY 2026 and 3.0% in FY 2027 and the growth in enrollment. The statutory inflationary increases apply to the basic entitlement, per-ANB entitlement, quality educator payment, Indian education for all payment, data for achievement payment, special education allowable cost payment, and American Indian achievement gap payment. This request is contingent on passage and approval of HB 15.

LFD COMMENT

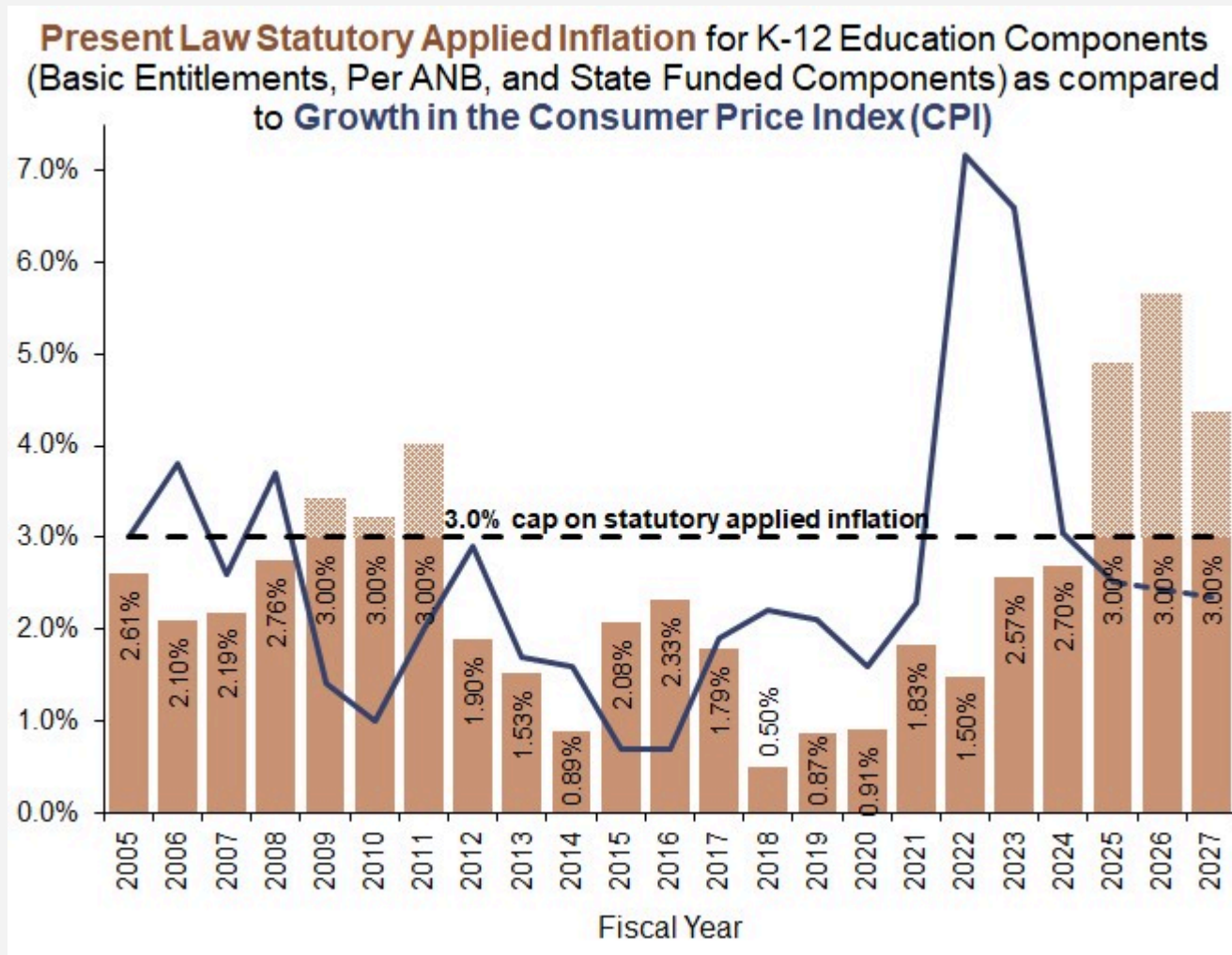
Inflationary Increases

Statute requires that certain components of school funding include a present law adjustment for inflation in the superintendent's budget request (20-9-326, MCA). Anticipated inflationary increases in the 2027 biennium are 3.0% in FY 2026 and 3.0% in FY 2027, based on the IHS Markit forecast from August 2024. These growth rates are higher than previous biennium growth rates, which were 2.7% in FY 2024 and 3.0% in FY 2025.

Statute requires the use of a three-year average of inflation to determine superintendent's request to the executive for the K-12 inflation rate, which is then capped at 3.0%. Due to the lag from the three-year average, the statutory applied inflation calculation for both FY 2026 and FY 2027 results in a K-12 inflation rate above the cap (5.67% for FY 2026 and 4.36% for

FY 2027), so the inflation rates are set at 3.0%. If the three-year average inflation rate had not been capped, K-12 BASE aid would have increased by an additional \$17.2 million in FY 2025. The K-12 BASE aid inflationary adjustment would also increase by approximately \$27.3 million in FY 2026 and approximately \$42.6 million in FY 2027 if the uncapped three-year average inflation rates were used for the 2027 biennium. The legislature may adopt different K-12 inflation rates than those proposed by the executive.

The following graphic illustrates the present law statutorily applied inflation (based on the IHS Markit forecast from August 2024, per statute) and current forecast of CPI (as of November 2024):

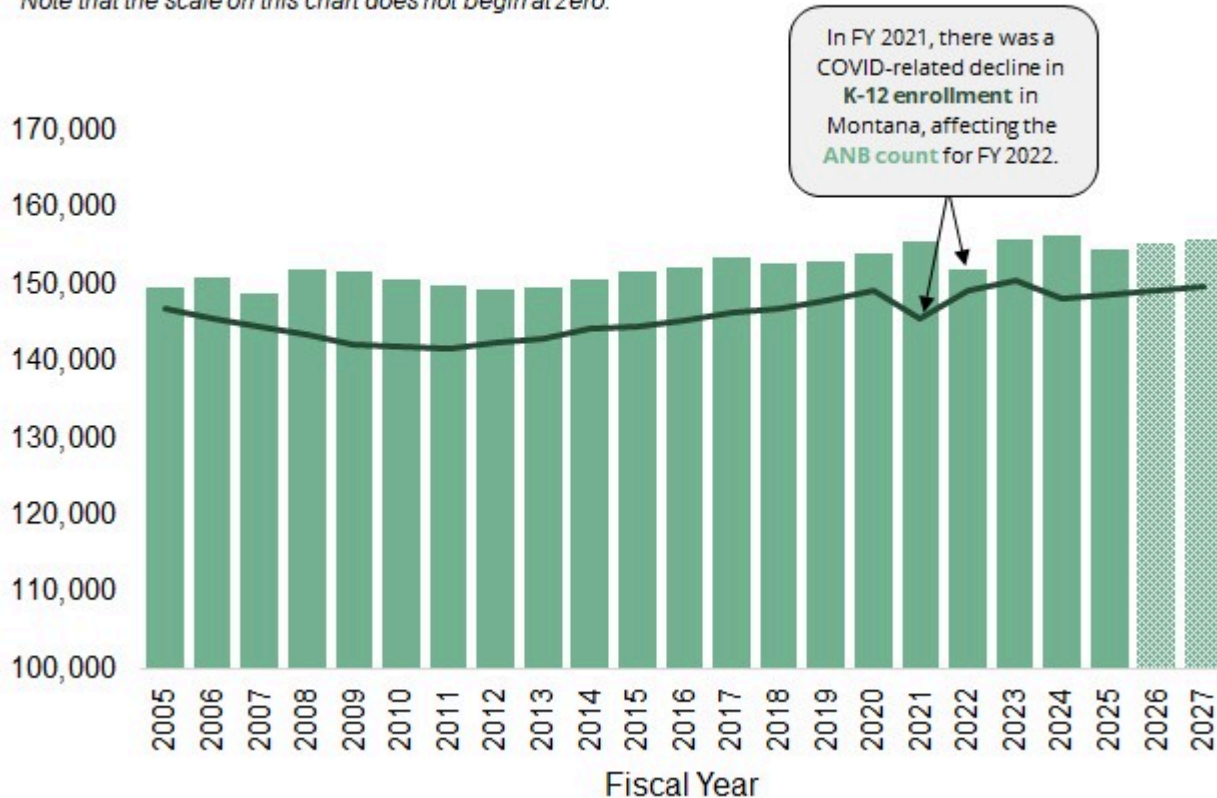


Enrollment

State K-12 BASE aid to school districts is calculated based on average number belonging (ANB), which is a metric for enrollment. ANB counts are taken twice in each school year, once on the first Monday in October and once on the first Monday in February. The current year ANB number (the average of the current year October and February ANB counts) and three-year average ANB (the average of current year ANB and ANB for two years prior) can be used to determine the state K-12 BASE aid. Under current law, the ANB number (either current-year or three-year average) which results in the largest budget is used to create the budget for the following year. In order to create the Governor's budget, the actual October ANB count is typically averaged with an estimate for the following February ANB count that has not yet occurred. Then, once the second ANB count occurs in February, the budget can be updated by the legislature via a decision package to HB 2. Budgeting for the second year of the biennium typically uses estimated ANB counts as well.

K-12 enrollment (ANB) is projected to grow moderately over the next biennium.

Note that the scale on this chart does not begin at zero.



Retirement

HB 587 (2023 Session) requires that 55.0% of any increased revenue from the 95 school equalization mills be used to reduce local property taxes through equalization mechanisms for FY 2026 and beyond. The bill implemented this change for FY 2025 with a "hardcoded" increase in the GTB multiplier; the estimated impact was \$36.5 million. However, due to retirement fund budgets and differences between the projected and actual taxable values, the actual impact for FY 2025 was approximately \$46.4 million.

DP 905 - At Risk Payment Inflationary Increase -

The executive requests general fund local assistance authority to support inflationary increases for the at-risk student payment. These increases represent a 3.0% increase for both FY 2026 and FY 2027, which are the same inflationary rates associated with the present law adjustment for K-12 BASE aid.

DP 906 - NRD K12 Facilities Major Maintenance Aid -

The natural resource development (NRD) K-12 facilities payment (20-9-635, MCA) is used to support major maintenance projects in public schools. The executive requests an increase of general fund and state special revenue local assistance in order to meet the statutorily required growth in each year of the biennium, per 20-9-635, MCA.

LFD COMMENT

The natural resource development K-12 school facilities payment is a general fund appropriation to support school major maintenance aid (per 20-9-635, MCA). For FY 2024 and beyond, the NRD is calculated as

the greater of \$10.0 million increased by an inflationary adjustment (per 20-9-326, MCA) or 5.0% of the oil and natural gas production taxes deposited in the general fund (per 15-36-331(4), MCA) for two fiscal years prior. The present law for major maintenance aid must consist of the general fund appropriation for the natural resource development K-12 school facilities payment and a state special revenue appropriation for the projected revenue in the school major maintenance account (per 20-9-525, MCA).

DP 907 - State Transformational Learning Pmt Adjustment -

The executive requests general fund grant authority to adjust the state transformational learning payment for 3.0% inflationary increases related to the per educator component of the calculation, per 20-7-1602(9), MCA.

DP 909 - State Tuition Increase -

The executive requests general fund local assistance authority to increase the state tuition payment, as required per 20-5-323 and 20-5-324, MCA.

DP 910 - In State Treatment Adjustment -

The executive requests a general fund appropriation to meet the in-state inpatient treatment payment needs, as required in 20-7-435, MCA.

DP 911 - Increase Federal Grant Authority - Program 09 -

The executive requests \$10.0 million in federal special revenue local assistance authority in each year of the biennium to adjust for increases in federal grant awards OPI distributes to school districts and other local education agencies administered by the OPI.

DP 917 - Guarantee Account Adjustment -

The executive requests an increase in general fund to offset reductions in revenue in the guarantee account. The guarantee account (per 20-9-622, MCA) is the first source of funding for state equalization aid and is statutorily appropriated.

**LFD
ISSUE**

This decision package is based on the executive forecast for the guarantee account, not the HJ 2 estimate adopted by the Revenue Interim Committee (RIC) in November 2024. If HJ 2 values were used, this decision package would need to be reduced by \$3,923,000 general fund in FY 2026 and by \$3,815,000 general fund in FY 2027, and the total adjustment would reflect a reduction of \$2,178,360 general fund in FY 2026 and a reduction of \$2,746,964 in FY 2027.

Guarantee Account Executive Estimate vs. Adopted HJ 2 Estimate - 2027 Biennium (\$ in millions)			
	FY 2026	FY 2027	Biennium Total
HJ 2 (as adopted by the Nov. 2024 RIC)	\$59.021	\$59.590	\$118.612
Executive Estimate	55.098	55.775	110.873
Difference	\$3.923	\$3.815	\$7.739

Legislative Options:

- Adjust the appropriation to bring the guarantee account adjustment in line with HJ 2. This change would involve decreasing the general fund appropriation for K-12 BASE aid to account for increased revenue in the guarantee account, which is statutorily appropriated
- Adopt the executive budget without changing the appropriation for K-12 BASE aid

DP 918 - Equalization Aid Acct Adjustment -

The executive requests an increase to state special revenue authority for the state equalization and property tax reduction (SEPTR) account, which receives revenue from the 95 state equalization mills. This change is requested to account for projected revenue with an offsetting reduction of general fund. The SEPTR account (per 20-9-336, MCA) is the second source of funding for state equalization aid.

**LFD
ISSUE**

This decision package is based on the executive forecast of the 95 mills, not the HJ 2 estimate adopted by the Revenue Interim Committee (RIC) in November 2024. If HJ 2 values were used, the state special revenue amounts in this decision package would need to be increased by \$3,360,000 in FY 2026 and by \$1,088,000 in FY 2027, and the total adjustment would reflect a decrease in general fund and a corresponding increase in state special revenue of \$76,029,422 in FY 2026 and \$80,868,092 in FY 2027.

School Equalization & Property Tax Reduction Account (95 Mills) Executive Estimate vs. Adopted HJ 2 Estimate - 2027 Biennium (\$ in millions)			
	FY 2026	FY 2027	Biennium Total
HJ 2 (as adopted by the Nov. 2024 RIC)	\$511.558	\$516.397	\$1,027.956
Executive Estimate	507.928	515.309	1,023.237
Difference	\$3.630	\$1.088	\$4.719

Legislative Options:

- Adjust the appropriation to bring the SEPTR account appropriation in line with HJ 2. This change would involve a corresponding decrease to the general fund appropriation for K-12 BASE aid
- Adopt the executive budget without changing the appropriation for the SEPTR account

DP 919 - County Retirement Adjustment -

The executive requests additional funding for K-12 BASE aid for county retirement, per 20-9-336, MCA, for FY 2027 only.

**LFD
ISSUE**

HB 587 (2023 Session) requires that 55.0% of any increased revenue from the 95 school equalization mills be used to reduce local property taxes through equalization mechanisms for FY 2026 and beyond. The bill implemented this change for FY 2025 with a "hardcoded" increase in the GTB multiplier from 1.21 to 1.89; the estimated impact was \$36.5 million. However, due to retirement fund budgets and differences between the projected and actual taxable values, the actual impact for FY 2025 was approximately \$46.4 million.

This decision package for FY 2026 and FY 2027 implements the HB 587 calculation by adjusting the retirement GTB multiplier according to the formula in 20-9-336, MCA. The decision package is based on the preliminary executive forecast of the 95 mills rather than the HJ 2 estimate adopted by the Revenue Interim Committee (RIC) in November 2024. According to the executive's preliminary revenue estimate, no adjustment is included for this decision package for FY 2026 as the change in taxable value in the formula did not require an adjustment. However, if HJ 2 values were used, this decision package would need to be increased by \$6,271,000 in FY 2026 and by \$13,864,000 in FY 2027, and the total adjustment would reflect increases in general fund of \$6,271,000 in FY 2026 and \$38,464,000 in FY 2027.

School Equalization & Property Tax Reduction Account (95 Mills) County School Retirement GTB Calculation (\$ in millions)				
	FY 2025	FY 2025	FY 2026	FY 2027
95 Mill Revenue (HJ 2 estimate)	\$430.222	\$441.624	\$511.558	\$516.397
Increase from Prior Year		11.402	69.935	4.839
55% of the Increase - Following Year County Retirement			\$6.271	\$38.464

Legislative Options:

- Adjust the appropriation to bring the county retirement adjustment in line with HJ 2
- Adopt the executive budget without changing the appropriation for county retirement

DP 920 - Debt Service Adjustment -

The executive requests state special revenue authority to increase debt service assistance to the projected need.

LFD COMMENT

The school facility and technology account, which funds debt service assistance, received \$32.9 million in revenue in FY 2024. This revenue was significantly higher than the FY 2023 revenues, which were \$9.1 million. The large revenue influx for FY 2024 was due in part to the resolution of a lawsuit related to riverbed leases, which resulted in a large one-time deposit into the fund.

School Facility and Technology Account			
	FY 2022	FY 2023	FY 2024
Starting fund balance	\$4,914,654	\$9,111,733	\$14,663,539
Revenue	\$7,447,020	\$9,051,806	\$32,891,446
Disbursements	(\$3,249,941)	(\$3,500,000)	(\$14,345,149)
Ending fund balance	\$9,111,733	\$14,663,539	\$33,209,836

In the mid-2000s when the program was fully funded and school district debt obligations were lower than they are currently, the program covered approximately a quarter of statewide school debt obligation. In recent years, the program has covered less than 5.0% of the statewide school debt obligation, and from FY 2017 through FY 2020 the program was not funded at all. Recent legislative efforts, including the creation of a school facilities fund within the coal tax trust (HB 321, 2023 Session), should help ensure more robust funding of the program going forward.

DP 923 - Indian Language Immersion Adjustment -

The executive requests general fund grant authority to increase participation in the Indian Language Immersion program (20-7-1404, MCA).

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 914 - Move Workforce Innovation Grants to DLI	0.00	(525,000)	0	0	(525,000)	0.00	(525,000)	0	0	(525,000)
DP 916 - Cell Phone Free Schools (BIEN/OTO)	0.00	500,000	0	0	500,000	0.00	500,000	0	0	500,000
DP 921 - 95 Mill Non Levy Revenue	0.00	(14,733,873)	14,733,873	0	0	0.00	(12,649,004)	12,649,004	0	0
DP 922 - Teacher Pay Incentive	0.00	52,504,462	0	0	52,504,462	0.00	54,073,148	0	0	54,073,148
DP 924 - SMMA Adjustment	0.00	(3,175,000)	3,175,000	0	0	0.00	(3,287,000)	3,287,000	0	0
DP 925 - Business Equipment Tax Adjustment	0.00	1,050,000	(1,050,000)	0	0	0.00	1,512,000	(1,512,000)	0	0
DP 926 - Homestead Property Tax Adjustment	0.00	13,414,976	(13,414,976)	0	0	0.00	13,414,976	(13,414,976)	0	0
Total	0.00	\$49,035,565	\$3,443,897	\$0	\$52,479,462	0.00	\$53,039,120	\$1,009,028	\$0	\$54,048,148

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

DP 914 - Move Workforce Innovation Grants to DLI -

The executive requests a reduction in fund authority to move the adult basic education workforce innovation and opportunities grants to the Department of Labor and Industry (DLI). The request is contingent on related legislation.

LFD COMMENT

Specific details regarding the proposed legislation and its funding, expenditures, and implementation mechanisms will become available once the legislation has been introduced and the provisions of the bill are fully outlined.

DP 916 - Cell Phone Free Schools (BIEN/OTO) -

The executive requests one-time-only, biennial general fund grant authority for small grants to K-12 public schools to purchase secure systems so that cell phones are inaccessible to students during school hours.

DP 921 - 95 Mill Non Levy Revenue -

Contingent on related legislation (LC 0080), the executive requests a fund switch to redirect non-levy revenue associated with the 95 mills from the state general fund to the state equalization and property tax reduction (SEPTR) state special revenue account.

LFD COMMENT

Non-levy revenue is revenue from a source other than property tax levies that generally has a connection to property taxation. Certain non-levy revenue associated with the 95 school equalization mills, primarily made up of coal gross proceeds and federal forest reserve funds, must be transferred to the state for K-12 BASE aid funding. HB 587 (2023 Session) redirected property tax revenue from the 95 mills from the general fund to the newly created SEPTR account. The legislation did not revise the deposit of non-levy revenue listed in equalization statutes, so it is still deposited into the general fund under current law.

Specific details regarding the proposed legislation and its funding, expenditures, and implementation mechanisms will become available once the legislation has been introduced and the provisions of the bill are fully outlined.

DP 922 - Teacher Pay Incentive -

Contingent on related legislation (LC 0262), the executive requests general fund grant authority for increased teacher pay, which will be directed to the bottom one-third of the teacher pay scale in each school district through state grants.

**LFD
COMMENT**

HB 143 (2021 Session), also known as the "TEACH Act," created an incentive for school districts to increase starting teacher salaries by establishing a goal of ten times the quality educator payment as the benchmark for competitive base pay. The quality educator payment is one of several components of Montana's school funding formula that typically receives an annual inflationary adjustment. The TEACH Act incentive to increase starting teacher pay involves adding an additional quality educator payment, which is fully state funded, to the school district's general fund budget for teachers in the first three years of their teaching career. Additional funding for the TEACH Act was added to the budget for OPI in the 2023 Legislative Session.

Specific details regarding the proposed legislation and its funding, expenditures, and implementation mechanisms will become available once the legislation has been introduced and the provisions of the bill are fully outlined.

DP 924 - SMMA Adjustment -

Contingent on related legislation, the executive requests a fund switch for state major maintenance aid from the general fund to state special revenue.

**LFD
COMMENT**

Specific details regarding the proposed legislation and its funding, expenditures, and implementation mechanisms will become available once the legislation has been introduced and the provisions of the bill are fully outlined.

DP 925 - Business Equipment Tax Adjustment -

Contingent on related legislation (LC 0446), the executive requests a fund switch for K-12 BASE aid from the state equalization and property tax reduction (SEPTR) state special revenue account to the state general fund in order to make adjustments to business equipment tax exemptions.

**LFD
COMMENT**

For tax year (TY) 2000, business equipment valued at \$5,000 or less was exempt from property taxation in Montana. In 2005, the Legislature increased that exemption to \$20,000 of market value. Beginning in 2014, the Legislature took a different approach and exempted the first \$100,000 of business equipment for all taxpayers. HB 303 (2021 Session) increased the business equipment property tax exemption from \$100,000 to \$300,000 beginning in TY 2022, and HB 212 (2023 Session) increased the business equipment property tax exemption from \$300,000 to \$1.0 million beginning in TY 2024. Under current law, businesses whose statewide market value of equipment is \$1.0 million or less are exempt from business equipment tax, and businesses whose statewide market value is greater than \$1.0 million only pay property taxes on their market value above \$1.0 million. If the proposal results in a net taxable value reduction for the state, the revenue from the 95 mills will also be reduced and the state general fund would backfill the reduction in property tax revenue.

Specific details regarding the proposed legislation to revise the business equipment tax exemption and its funding, expenditures, and implementation mechanisms will become available once the legislation has been introduced and the provisions of the bill are fully outlined.

DP 926 - Homestead Property Tax Adjustment -

Contingent on related legislation (LC 0173), the executive requests a fund switch for K-12 BASE aid from the state equalization and property tax reduction (SEPTR) state special revenue account to the state general fund in order to make adjustments for homestead property tax exemptions.

**LFD
COMMENT**

Prior to FY 2015, Montana had homestead and comstead exemptions that were tied to the phase in value of property based on the six-year property reappraisal cycle. HB 157 (2015 Session) changed the reappraisal cycle from a six-year cycle to a two-year cycle and eliminated Montana's homestead and comstead exemptions but provided local property tax relief through an increase in guaranteed tax base (GTB) aid.

Homestead exemptions can be implemented in various ways; however, in August 2024, the Governor's Property Tax Advisory Council (PTAC) recommended adjusting the statutory tax rate for primary residences and long term rentals under a dollar threshold, while increasing the rate for all other residential property. The PTAC created a similar recommendation for tiered rates on commercial property as part of a comstead exemption proposal. If the proposal results in a net taxable value reduction for the state, the revenue from the 95 mills will also be reduced and the state general fund would backfill the reduction in property tax revenue. Specific details regarding the proposed legislation, which may differ from the PTAC recommendation, and its funding, expenditures, and implementation mechanisms will become available once the legislation has been introduced and the provisions of the bill are fully outlined.

BOARD OF PUBLIC EDUCATION

Section E

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----Agencies-----

Office of Public Instruction	Montana Arts Council
Board of Public Education	Montana State Library
Office of Commissioner of Higher Education	Montana Historical Society
Montana School for Deaf & Blind	

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

House

Representative David Bedey (Chair)
Representative Brad Barker
Representative Llew Jones
Representative Connie Keogh
Representative Eric Matthews

Senate

Senator John Fuller (Vice Chair)
Senator Matt Regier
Senator Jonathan Windy Boy

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

Julia Pattin
Katie Guenther
Kurt Swimley
Alexandra Ghosh

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 FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
PB	3.00	3.00	3.00	0.00	0.0%
General Fund	580,585	568,646	568,591	(23,933)	(2.1%)
State/Other Special Rev. Funds	11,563			(23,126)	(100.0%)
Total Funds	592,148	568,646	568,591	(47,059)	(4.0%)
Personal Services	278,418	278,038	278,039	(759)	(0.1%)
Operating Expenses	313,730	290,608	290,552	(46,300)	(7.4%)
Total Expenditures	592,148	568,646	568,591	(47,059)	(4.0%)
Total Ongoing	592,148	568,646	568,591	(47,059)	(4.0%)
Total One-Time-Only					0.0%

Agency Highlights

Board of Public Education Major Budget Highlights

The Board of Public Education's 2027 biennium appropriations are approximately \$47,000 or 4.0% less than the FY 2025 base budget. Significant changes include:

- The elimination of state special revenue funds, which the Board is no longer authorized to spend
- Reductions in fixed costs

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.

Board of Public Education 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
Base Budget	580,585	11,563	0	592,148	104.1%	580,585	11,563	0	592,148	104.1%
Statewide PL										
Personal Services	11,130	0	0	11,130	2.0%	11,131	0	0	11,131	2.0%
Fixed Costs	(23,062)	0	0	(23,062)	(4.1%)	(23,121)	0	0	(23,121)	(4.1%)
Inflation Deflation	(7)	0	0	(7)	(0.0%)	(4)	0	0	(4)	(0.0%)
Total Statewide PL	(11,939)	0	0	(11,939)	(2.1%)	(11,994)	0	0	(11,994)	(2.1%)
Present Law (PL)	0	(11,563)	0	(11,563)	(2.0%)	0	(11,563)	0	(11,563)	(2.0%)
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	(11,939)	(11,563)	0	(23,502)	(4.1%)	(11,994)	(11,563)	0	(23,557)	(4.1%)
Total Requested Budget	568,646	0	0	568,646		568,591	0	0	568,591	

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.

Board of Public Education FY 2026 Statewide Present Law Adjustment for Personal Services - DP1				
Program	Legislative Changes	Management Decisions	Budget Modifications	Total DP1
K-12 Education	6,847	4,283	-	11,130
Total	\$6,847	\$4,283	-	\$11,130

The Board of Public Education is incurring a positive statewide present law adjustment for personal services. This is due to both legislative increases for longevity and other benefits increases and management decisions such as market rate adjustments.

Funding

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

Total Board of Public Education 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
01100 General Fund	1,137,237				1,137,237	100.0%
State Special Revenue Total	-	-	-	-	-	0.0%
Federal Special Revenue Total	-	-	-	-	-	0.0%
Proprietary Fund Total	-	-	-	-	-	0.0%
Total of All Funds	1,137,237	-	-	-	1,137,237	
Percent of All Sources of Authority	100.0%	0.0%	0.0%	0.0%		

The executive HB 2 request totals \$1.1 million, which is 100.0% general funded. Prior to 2023, the Board of Public Education (BPE) was funded with both general fund and state special revenue. Due to HB 403 (2023 Session), the Board of Public Education is now fully funded by general fund. HB 13 (2023 Session) provided the Board of Public Education state special revenue within the pay plan, but they no longer have spending authority for those funds.

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	3.00	3.00	3.00	3.00
Personal Services	258,488	264,988	278,418	278,038	278,039
Operating Expenses	138,462	317,200	313,730	290,608	290,552
Total Expenditures	\$396,950	\$582,188	\$592,148	\$568,646	\$568,591
General Fund	395,807	576,445	580,585	568,646	568,591
State/Other Special Rev. Funds	1,143	5,743	11,563	0	0
Total Funds	\$396,950	\$582,188	\$592,148	\$568,646	\$568,591
Total Ongoing	\$396,950	\$582,188	\$592,148	\$568,646	\$568,591
Total OTO	\$0	\$0	\$0	\$0	\$0

Agency Description

The Board of Public Education is authorized by Article X, Section 9 of the Montana Constitution, and exercises general supervision over the public school system and such other public educational institutions as may be assigned by law.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Board of Public Education's modified HB 2 budget of approximately \$582,000 was 68.2% expended in FY 2024. Personal services were 97.5% expended. Operating expenses were 43.7% expended. HB 2 authority provided an appropriation to the agency related to HB 549 (2023 Session). This appropriation was given to support the implementation of the Public Charter School Act. BPE requested approval from the Office of Budget and Program Planning to create a modified position to support the implementation of HB 549. The agency used existing budget authority to hire a program officer at the start of FY 2025. The cost of this position is approximately \$78,000 and with this addition, expenditures should be closer to appropriations for the second year of the biennium.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The FY 2025 appropriation is approximately \$10,000 or 1.7% greater than the FY 2024 appropriation. The difference is largely explained by an increased adjustment in the pay plan and a decreased adjustment in operating expenses.

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.

Board of Public Education				
Comparison of the FY 2025 Legislative Budget to the FY 2025 Base Budget				
	Legislative Budget	Executive Modifications	Base Budget	% Change
01 K-12 EDUCATION				
6100 Personal Services	\$278,418		\$278,418	0.0%
6200 Operating Expenses	313,730		313,730	0.0%
Total	592,148		592,148	0.0%
Agency Total	\$592,148		\$592,148	0.0%

As seen in the table above, the executive did not make modifications to the legislative budget from the 2023 Session.

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	11,130	0	0	11,130	0.00	11,131	0	0	11,131
DP 2 - Fixed Costs	0.00	(23,062)	0	0	(23,062)	0.00	(23,121)	0	0	(23,121)
DP 3 - Inflation Deflation	0.00	(7)	0	0	(7)	0.00	(4)	0	0	(4)
DP 9 - Remove State Special Revenue Authority	0.00	0	(11,563)	0	(11,563)	0.00	0	(11,563)	0	(11,563)
Grand Total All Present Law Adjustments	0.00	(\$11,939)	(\$11,563)	\$0	(\$23,502)	0.00	(\$11,994)	(\$11,563)	\$0	(\$23,557)

**"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

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 9 - Remove State Special Revenue Authority -

As discussed earlier, the Board of Public Education receives no state special revenue funding following legislation passed by the 2023 Legislature. Therefore, this request reduces state special revenue funding by \$11,563 per year and zeros the agency state special revenue appropriation.

COMMISSIONER OF HIGHER EDUCATION

Section E

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----Agencies-----

Office of Public Instruction	Montana Arts Council
Board of Public Education	Montana State Library
Office of Commissioner of Higher Education	Montana Historical Society
Montana School for Deaf & Blind	

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

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Representative David Bedey (Chair)
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Representative Llew Jones
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Senate

Senator John Fuller (Vice Chair)
Senator Matt Regier
Senator Jonathan Windy Boy

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

Julia Pattin
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Alexandra Ghosh

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	50.22	50.22	50.22	0.00	0.0%
General Fund	294,618,262	311,476,981	311,876,256	34,116,713	5.8%
State/Other Special Rev. Funds	34,517,406	38,171,423	38,630,074	7,766,685	11.3%
Federal Spec. Rev. Funds	18,423,077	18,841,378	19,056,826	1,052,050	2.9%
Proprietary Funds	723,465	723,465	723,465		0.0%
Total Funds	348,282,210	369,213,247	370,286,621	42,935,448	6.2%
Personal Services	6,423,672	6,012,156	6,048,431	(786,757)	(6.1%)
Operating Expenses	8,285,485	8,375,323	8,387,593	191,946	1.2%
Equipment & Intangible Assets	11,063	11,063	11,063		0.0%
Local Assistance	17,804,881	18,204,022	18,927,866	1,522,126	4.3%
Grants	19,747,079	20,515,265	21,592,018	2,613,125	6.6%
Transfers	295,358,604	315,092,960	314,316,772	38,692,524	6.6%
Debt Service	651,426	1,002,458	1,002,878	702,484	53.9%
Total Expenditures	348,282,210	369,213,247	370,286,621	42,935,448	6.2%
Total Ongoing	348,282,210	368,638,247	369,861,621	41,935,448	6.0%
Total One-Time-Only	4,000,000	575,000	425,000	(7,000,000)	(87.5%)

Agency Highlights

**Office of the Commissioner of Higher Education
Major Budget Highlights**

The Office of the Commissioner of Higher Education's 2027 biennium budget request is approximately \$20.9 million greater in FY 2026 and \$22.0 million greater in FY 2027 than the FY 2025 base budget. Significant proposals include:

- Increasing general fund appropriations by \$16.5 million in FY 2026 and \$15.4 million in FY 2027 for present law adjustments related to personal services, higher education fixed costs, and inflation in the Appropriation Distribution Program
- Increasing general fund appropriations by \$2.3 million in FY 2026 and \$2.7 million in FY 2027 for present law adjustments related to personal services, fixed costs, and inflation in the Agency Funds Program
- Decreasing general fund appropriations and increasing six-mill state special revenue appropriations by \$3.3 million in FY 2026 and \$3.8 million in FY 2027. The revenues in the state special revenue fund are expected to grow due to reappraisal
- Increasing general fund appropriations and state special revenue appropriations by approximately \$1.0 million in FY 2026 and by \$2.0 million in FY 2027 in the Student Assistance Program. Increases are driven by cost changes in the professional student exchange programs such as increased support fee costs and additional students in these programs
- Increasing general fund appropriations by \$392,000 in FY 2026 and \$1.1 million in FY 2027 for the statutory calculation of the community college funding formula
- One-time-only general fund appropriations in the Administration Program of \$1.0 million through the 2027 biennium for start-up costs to develop a hybrid online J.D. program at the University of Montana

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.

Commissioner of Higher Education 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
Base Budget	294,618,262	34,517,406	18,423,077	348,282,210	94.3%	294,618,262	34,517,406	18,423,077	348,282,210	94.1%
Statewide PL										
Personal Services	(340,577)	(12,983)	(97,264)	(450,824)	(0.1%)	(324,001)	(12,332)	(91,814)	(428,147)	(0.1%)
Fixed Costs	18,360	0	0	18,360	0.0%	27,440	0	0	27,440	0.0%
Inflation Deflation	(826)	0	(425)	(1,251)	(0.0%)	(558)	0	(287)	(845)	(0.0%)
Total Statewide PL	(323,043)	(12,983)	(97,689)	(433,715)	(0.1%)	(297,119)	(12,332)	(92,101)	(401,552)	(0.1%)
Present Law (PL)	19,923,762	0	515,990	20,439,752	5.5%	20,905,113	0	725,850	21,630,963	5.8%
New Proposals	(2,742,000)	3,667,000	0	925,000	0.3%	(3,350,000)	4,125,000	0	775,000	0.2%
Total HB 2 Adjustments	16,858,719	3,654,017	418,301	20,931,037	5.7%	17,257,994	4,112,668	633,749	22,004,411	5.9%
Total Requested Budget	311,476,981	38,171,423	18,841,378	369,213,247		311,876,256	38,630,074	19,056,826	370,286,621	

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.

Office of the Commissioner of Higher Education FY 2026 Statewide Present Law Adjustment for Personal Services (DP1)				
Program	Legislative Changes	Management Decisions	Budget Modifications	Total DP 1
01 Administration Program	\$ (23,905)	\$ (185,449)	\$ (186,200)	\$ (395,554)
02 Student Assistance Program	(13,917)	41,050	-	27,133
06 Education Outreach & Diversity	(1,529)	29,709	-	28,180
08 Work Force Development Program	(19,184)	(2,746)	-	(21,930)
12 Guaranteed Student Loan Program	(11,971)	(71,082)	-	(83,053)
13 Board of Regents-Admin Program	-	(5,600)	-	(5,600)
Total	\$ (70,506)	\$ (194,118)	\$ (186,200)	\$ (450,824)

The proposed statewide personal services present law adjustment (DP 1) decreases appropriations by approximately \$397,000 in FY 2026. The decrease in the legislative changes category is largely due to reduced expenditures for benefits across programs. The decrease in the management decisions category is due to several positions that were either terminated or rehired at lower pay rates, though there were pay increases for other positions as well. The decrease in funding as a result of budget modifications is due to a program transfer and is discussed in the Administration Program section.

Funding

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

Total Commissioner of Higher Education 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
01100 General Fund	622,353,237	1,000,000		8,177,875	631,531,112	57.8%
02443 University Millage	71,986,532				71,986,532	6.6%
02943 Rural Physicians Account				3,335,360	3,335,360	0.3%
02111 Accommodation Tax Account				2,932,888	2,932,888	0.3%
02027 STEM Scholarships				2,111,054	2,111,054	0.2%
02944 Motorcycle Safety Training	1,160,318				1,160,318	0.1%
Other State Special Revenue	3,654,647				3,654,647	0.3%
State Special Revenue Total	76,801,497	-	-	8,379,302	85,180,799	7.8%
03215 Carl Perkins Federal Funds	13,951,935				13,951,935	1.3%
03042 2nd GEAR UP Grant	13,768,862				13,768,862	1.3%
03400 Guaranteed Std. Loan-Admin.	4,649,842				4,649,842	0.4%
03412 GEAR UP Federal Schol 2005	3,290,686				3,290,686	0.3%
03806 Talent Search	2,122,811				2,122,811	0.2%
Other Federal Special Revenue	114,068				114,068	0.0%
Federal Special Revenue Total	37,898,204	-	-	-	37,898,204	3.5%
06008 MUS Group Insurance Program			301,147,260		301,147,260	27.5%
06009 MUS Flexible Spending Account			26,793,976		26,793,976	2.5%
06082 MUS Self-Funded Workers Comp			9,501,853		9,501,853	0.9%
06539 Indirect Costs OCHE	1,446,930				1,446,930	0.1%
Proprietary Fund Total	1,446,930	-	337,443,089	-	338,890,019	31.0%
Total of All Funds	738,499,868	1,000,000	337,443,089	16,557,177	1,093,500,134	
Percent of All Sources of Authority	67.5%	0.1%	30.9%	1.5%		

HB 2 Appropriations

Approximately two-thirds of the funding proposed by the executive for the Office of the Commissioner of Higher Education is appropriated in HB 2. Approximately one-third of the proposed funding does not require an appropriation as the authority comes from enterprise-type proprietary funds. The remaining one percent is statutory appropriation authority.

Non-Budgeted Proprietary Funds

The agency administers two programs funded by enterprise funds:

- MUS Self-Funded Workers' Compensation
- MUS Group Health Insurance

These funds are discussed in the Legislative Fiscal Division Section E Proprietary Budget Analysis.

The legislature does not appropriate enterprise funds or approve rates for the programs. Instead, the legislature reviews the funds and identifies any concerns with the financial position of the funds. Revenues, expenditures, and fund balances for the enterprise funds for the current and projected biennia are detailed in the respective program.

Statutory Appropriations

The agency receives several statutory appropriations that are not included in HB 2. The MUS RP retirement program is a general fund statutory appropriation. The majority of the agency's statutory appropriations are from state special revenue, including:

- Montana Rural Physicians Incentive Program
- STEM Scholarships
- UM Accommodations Tax Revenue

More detail about statutory appropriations is provided in the program analyses below.

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	50.22	50.22	50.22	50.22
Personal Services	5,044,628	5,894,814	6,423,672	6,012,156	6,048,431
Operating Expenses	4,557,928	9,622,306	9,635,485	8,375,323	8,387,593
Equipment & Intangible Assets	10,311	11,063	11,063	11,063	11,063
Local Assistance	16,315,492	16,315,927	17,804,881	18,204,022	18,927,866
Grants	16,103,231	18,558,987	19,847,079	20,515,265	21,592,018
Transfers	271,194,718	276,213,828	297,908,604	315,092,960	314,316,772
Debt Service	244,521	651,439	651,426	1,002,458	1,002,878
Total Expenditures	\$313,470,829	\$327,268,364	\$352,282,210	\$369,213,247	\$370,286,621
General Fund	266,687,624	273,133,217	298,618,262	311,476,981	311,876,256
State/Other Special Rev. Funds	35,011,519	35,110,764	34,517,406	38,171,423	38,630,074
Federal Spec. Rev. Funds	11,144,469	18,300,918	18,423,077	18,841,378	19,056,826
Proprietary Funds	627,217	723,465	723,465	723,465	723,465
Total Funds	\$313,470,829	\$327,268,364	\$352,282,210	\$369,213,247	\$370,286,621
Total Ongoing	\$311,917,848	\$324,548,364	\$348,282,210	\$368,638,247	\$369,861,621
Total OTO	\$1,552,981	\$2,720,000	\$4,000,000	\$575,000	\$425,000

Agency Description

Agency Mission: To serve students through the delivery of high quality, accessible postsecondary educational opportunities, while actively participating in the preservation and advancement of Montana's economy and society.

The Office of the Commissioner of Higher Education (OCHE) is the state-level administrative organization of the Montana University System (MUS). The Montana Constitution, Article X, Section 9, grants governance authority over the MUS to the Board of Regents (Regents), with seven members appointed by the Governor. All state funds appropriated by the legislature to the Regents for the support of the MUS are channeled through OCHE. The Constitution charges the Regents with hiring a Commissioner of Higher Education (CHE) who serves as its executive staff.

Please refer to the agency profile at <https://www.legmt.gov/lfd/committees/section-e/office-of-commissioner-of-higher-education/> for additional information about the agency's organization structure, historical expenditures, goals and objectives, and recent studies and audits.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

Overall, the Office of the Commissioner of Higher Education expended 95.8% of its \$327.3 million HB 2 modified budget in FY 2024. General fund appropriations of \$273.1 million were 97.6% expended, which is in line with typical expenditures at the end of the fiscal year. Federal special revenue appropriations of \$18.3 million were 60.9% expended, and state special revenue funds of \$35.1 million were 99.7% expended.

Lower federal special revenue expenditures were seen in two programs: Education Outreach and Diversity Program and Guaranteed Student Loan Program. Lower expenditures in these programs are typical. These and other low-expenditure areas are explained below:

- HB 5 appropriated approximately \$3.6 million to OCHE to account for the operations and maintenance of new facilities authorized as part of the state's long-range building program. At the end of FY 2024, no expenditures had been made. This is to be expected, as the construction of these projects have not been completed yet, and appropriations were set aside to ensure that there is sufficient funding once the buildings are completed
- HB 10 appropriated approximately \$6.6 million for the CyberMontana cybersecurity initiative. As of the end of FY 2024, \$3.0 million, or 45.2% of appropriations were expended. This was a biennial appropriation, so it is expected that not all funds will be expended by the end of FY 2024
- The Education Outreach & Diversity program expended 42.4% of its approximately \$9.7 million appropriation. Most funding within this program comes from federal grants which span several years, and lower expenditures in these programs are often due to the timing of grant activities. Specific details are provided at the program level
- The Guaranteed Student Loan Program expended 34.9% of its approximately \$2.4 million appropriation. This is typical, as the program no longer manages actual student loans, and instead administers financial literacy and education activities. This program is funded entirely with federal funds from the U.S. Department of Education
- The Montana Rural Physicians Incentive Program state special revenue fund received approximately \$1.7 million in FY 2024 which was 53.8% expended. Lower expenditure rates are not unusual for this program. The number of physicians participating in this program can vary from year to year, and disbursements can vary depending on how physician participation other loan repayment programs affect the needs for disbursements

FY 2024 Appropriations Compared to FY 2025 Appropriations

The HB 2 FY 2025 appropriations for OCHE were approximately \$25.0 million, or 7.6% higher than appropriations in FY 2024. Much of this increase is due to higher general fund appropriations in HB 13 for increasing MUS employee pay, which appropriated approximately \$11.3 million more in FY 2025 for this purpose. Other notable differences include:

- Approximately \$9.4 million of appropriation increases in FY 2025 due to funding for risk management and tort defense being added back into the base budget. This funding had been eliminated for FY 2024 as a one-time-only reduction which resulted in savings, but the base budget was adjusted for FY 2025
- HB 2 appropriations for OCHE in FY 2025 included \$1.4 million in one-time-only appropriations for the 1-2 Free Program that were not included in the FY 2024 appropriation
- Approximately \$1.5 million increased appropriations for Community College Assistance in FY 2025 over FY 2024 as a result of the statutory funding formula calculation for Dawson Community College, Flathead Valley Community College, and Miles Community College
- Approximately \$1.0 million increased appropriations in FY 2025 for present law increases for the professional student exchange program

Comparison of FY 2024 Legislative Budget to FY 2024 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 executive and legislative branches to be the point from which any changes would be recorded for the 2027 biennium budgeting process.

Office of the Commissioner of Higher Education Comparison of the FY 2025 Legislative Budget to the FY 2025 Base Budget				
	Legislative Budget	Executive Modifications	Base Budget	% Change
Administration Program				
Personal Services	\$ 3,744,063	\$ 186,200	\$ 3,930,263	5.0%
Operating Expenses	1,012,873	-	1,012,873	0.0%
Equipment & Intangible Assets	11,063	-	11,063	0.0%
Transfers	22,773	-	22,773	0.0%
Debt Service	175,193	-	175,193	0.0%
Total	4,965,965	186,200	5,152,165	3.7%
Student Assistance Program				0.0%
Personal Services	406,060	-	406,060	0.0%
Operating Expenses	440,884	-	440,884	0.0%
Local Assistance	169,000	-	169,000	0.0%
Grants	13,019,810	-	13,019,810	0.0%
Transfers	115,631	-	115,631	0.0%
Total	14,151,385	-	14,151,385	0.0%
Community College Assistance Program				0.0%
Local Assistance	16,421,848	1,214,033	17,635,881	7.4%
Transfers	1,214,033	(1,214,033)	-	-100.0%
Total	17,635,881	-	17,635,881	0.0%
Education Outreach & Diversity Program				0.0%
Personal Services	1,450,055	-	1,450,055	0.0%
Operating Expenses	4,910,476	-	4,910,476	0.0%
Grants	3,377,000	-	3,377,000	0.0%
Debt Service	57,328	-	57,328	0.0%
Total	9,794,859	-	9,794,859	0.0%
Workforce Development Program				0.0%
Personal Services	394,371	-	394,371	0.0%
Operating Expenses	76,942	-	76,942	0.0%
Grants	2,431,869	-	2,431,869	0.0%
Transfers	3,552,678	-	3,552,678	0.0%
Debt Service	23,490	-	23,490	0.0%
Total	6,479,350	-	6,479,350	0.0%
Appropriation Distribution Program				0.0%
Transfers	254,596,736	(186,200)	254,410,536	-0.1%
Total	254,596,736	(186,200)	254,410,536	-0.1%
Research and Development Agencies				0.0%
Transfers	37,256,986	-	37,256,986	0.0%
Total	37,256,986	-	37,256,986	0.0%
Tribal College Assistance Program				0.0%
Grants	918,400	-	918,400	0.0%
Total	918,400	-	918,400	0.0%

Guaranteed Student Loan Program				0.0%
Personal Services	231,023	-	231,023	0.0%
Operating Expenses	2,168,661	(387,028)	1,781,633	-17.8%
Debt Service	8,387	387,028	395,415	4,614.6%
Total	2,408,071	-	2,408,071	0.0%
Board of Regents				0.0%
Personal Services	11,900	-	11,900	0.0%
Operating Expenses	62,677	-	62,677	0.0%
Total	74,577	-	74,577	0.0%
Agency Total	\$ 696,564,420	\$ -	\$ 696,564,420	0.0%

There were several executive modifications made to the budget passed by the 2023 Legislature which affected the FY 2025 base budget. These include:

- The reclassification of approximately \$1.2 million of appropriations within the Community Colleges Program so that the appropriation could be utilized by the community colleges
- The reclassification of approximately \$387,000 of appropriations for long-term software subscriptions within the Guaranteed Student Loan Program from operating expenses to debt service as per accounting standards
- A program transfer of approximately \$186,000 from the Appropriation Distribution Program which utilized regents priority funds to fund a position to support the Long-Range Building Program in FY 2025

HB 2 Language -

LFD COMMENT

Historically, certain language has been included in HB 2 for the Office of the Commissioner of Higher Education. The legislature may wish to include this language, or similar language, in HB 2 again:

"Items designated as OCHE Administration Program, Student Assistance Program, Educational Outreach and Diversity, Workforce Development Program, Appropriation Distribution, Guaranteed Student Loan, and Board of Regents Administration are designated as biennial appropriations."

"General fund money, state and federal special revenue, and proprietary fund revenue appropriated to the board of regents are included in all Montana university system programs. All other public funds received by units of the Montana university system (other than plant funds appropriated in House Bill 5 relating to long-range building) are appropriated to the board of regents and may be expended under the provisions of 17-7-138(2). The board of regents shall allocate the appropriations to individual university system units, as defined in 17-7-102(15), according to board policy."

"The Montana university system, except for the office of the commissioner of higher education and the community colleges, shall provide the office of budget and program planning and the legislative fiscal division Banner access to the entire university system's information system, except for information pertaining to individual students and individual employees that is protected by Article II, sections 9 and 10, of the Montana constitution, 20-25-515, or the Family Educational Rights and Privacy Act of 1974, 20 U.S. C. 1232g."

"The Montana university system shall provide the electronic data required for entering human resource data for the current unrestricted operating funds into the internet budgeting and reporting system. The salary and benefit data provided must reflect approved board of regents operating budgets."

"The community college FTE decrease funding factor is \$3,125 for fiscal year 2026 and \$3,125 for fiscal year 2027. The community college FTE increase funding factor is \$6,500 for fiscal year 2026 and \$6,500 for fiscal year 2027. The community college weighting factors for the 2027 biennium are 1.50 for CTE FTE, 1.00 for general education FTE, 0.50 for early college FTE, and 0.25 for concurrent enrollment FTE."

"The commissioner may adjust the funding distribution between community colleges based on actual enrollment."

"The general fund appropriation for Community College Assistance is calculated to fund education in the community colleges for an estimated 1,911 resident FTE in fiscal year 2026 and 1,996 in fiscal year 2027. If total weighted resident FTE student enrollment in the community colleges is greater than the estimated number for the biennium, the community colleges must receive a reimbursement for the underpayment from the community college FTE adjustment account. If actual resident FTE student enrollment is less than the estimated numbers for the biennium, the community colleges shall pay a fee equal to the overpayment amount to be deposited in the FTE adjustment account in accordance with 20-15-328."

In the line below, fund amounts have not been updated from the amounts requested for the 2025 biennium. The legislature should review amounts for the state energy conservation debt service program if the language is requested.

"Funding to be transferred to the state energy conservation program debt service account for energy improvements are as follows: Transferred funding for each year of the biennium to retire bonded projects are MSU Northern \$16,200 in fiscal year 2026 and \$16,200 in fiscal year 2027, MSU Billings \$45,519 in both fiscal year 2026 and fiscal year 2027, MSU Great Falls \$86,500 in fiscal year 2026 and \$80,000 for fiscal year 2027. Funding to be transferred for each year of the biennium for state energy revolving projects are MSU Billings \$55,323, MSU Northern \$69,099, and Miles Community College \$23,553. Montana State University transfers are \$254,753 in fiscal year 2026 and \$253,822 in fiscal year 2027."

"Total audit costs are estimated to be \$358,000 for the community colleges for the biennium. Audit costs charged to the community colleges for the biennium may not exceed \$60,500 for Flathead Valley Community College, \$188,000 for Miles Community College, and \$110,000 for Dawson Community College. Total audit costs for UM - Missoula is \$549,653 and MSU - Bozeman is \$542,688."

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 FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
PB	23.28	23.28	23.28	0.00	0.0%
General Fund	4,428,701	4,625,706	4,500,094	268,398	3.0%
Proprietary Funds	723,465	723,465	723,465		0.0%
Total Funds	5,152,166	5,349,171	5,223,559	268,398	2.6%
Personal Services	3,930,263	3,534,709	3,549,757	(776,060)	(9.9%)
Operating Expenses	1,012,874	1,030,433	1,039,773	44,458	2.2%
Equipment & Intangible Assets	11,063	11,063	11,063		0.0%
Transfers	22,773	597,773	447,773	1,000,000	2,195.6%
Debt Service	175,193	175,193	175,193		0.0%
Total Expenditures	5,152,166	5,349,171	5,223,559	268,398	2.6%
Total Ongoing	5,152,166	4,774,171	4,798,559	(731,602)	(7.1%)
Total One-Time-Only	3,900,000	575,000	425,000	(6,800,000)	(87.2%)

Program Highlights

Administration Program Major Budget Highlights

The Administration Program's 2027 biennium requested appropriations are approximately \$268,000, or 2.6% higher than the FY 2025 base budget. Significant proposals include:

- A one-time-only appropriation of \$1.0 million throughout the biennium to develop a hybrid online J.D. Program at the University of Montana's law school
- Statewide present law adjustments that decrease general fund appropriations by approximately \$732,000 as compared to the previous biennium
 - DP 1 personal services adjustments reduce appropriations by approximately \$776,000
 - DP 2 fixed cost adjustments increase operating expense appropriations by approximately \$46,000
 - DP 3 adjustments for inflation lower operating expense appropriations by approximately \$1,000 as a result of adjustments to state motor pool rates

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.

Administration Program 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
Base Budget	4,428,701	0	0	5,152,166	96.3%	4,428,701	0	0	5,152,166	98.6%
Statewide PL										
Personal Services	(395,554)	0	0	(395,554)	(7.4%)	(380,506)	0	0	(380,506)	(7.3%)
Fixed Costs	18,360	0	0	18,360	0.3%	27,440	0	0	27,440	0.5%
Inflation Deflation	(801)	0	0	(801)	(0.0%)	(541)	0	0	(541)	(0.0%)
Total Statewide PL	(377,995)	0	0	(377,995)	(7.1%)	(353,607)	0	0	(353,607)	(6.8%)
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	575,000	0	0	575,000	10.7%	425,000	0	0	425,000	8.1%
Total HB 2 Adjustments	197,005	0	0	197,005	3.7%	71,393	0	0	71,393	1.4%
Total Requested Budget	4,625,706	0	0	5,349,171		4,500,094	0	0	5,223,559	

The executive is requesting an increase of approximately \$197,000 in FY 2026 and \$71,000 in FY 2027 above the FY 2025 base appropriations. Changes include:

- One-time-only appropriations of \$575,000 in FY 2026 and \$425,000 in FY 2027 to develop a hybrid online J.D. program at the University of Montana law school. The hybrid program would aid in meeting Montana's need for lawyers in rural areas and would become operational in academic year 2027-2028
- Overall statewide present law reductions. Most of these reductions are due to decreases in personal services, and result from management decisions and a program transfer that reduced overall personal services authority by approximately \$186,000 in FY 2027 and FY 2027

Funding

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

Commissioner of Higher Education, 01-Administration Program Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	8,125,800	1,000,000	0	0	9,125,800	86.3%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
06539 Indirect Costs OCHE	1,446,930	0	0	0	1,446,930	100.0%
Proprietary Total	\$1,446,930	\$0	\$0	\$0	\$1,446,930	13.7%
Total All Funds	\$9,572,730	\$1,000,000	\$0	\$0	\$10,572,730	

HB 2 Appropriations

The Administration Program is primarily funded with general fund. The remaining funding in the 2027 biennium is from a budgeted proprietary fund. The proprietary fund receives revenues from an indirect costs rate charged to other programs and supports the administrative overhead activities for those programs (e.g., Talent Search, GEAR-UP, Perkins, MUS Group Insurance, and MUS Workers' Compensation).

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	23.28	23.28	23.28	23.28
Personal Services	3,429,718	3,583,342	3,930,263	3,534,709	3,549,757
Operating Expenses	1,251,318	2,369,114	2,362,874	1,030,433	1,039,773
Equipment & Intangible Assets	10,311	11,063	11,063	11,063	11,063
Transfers	626,488	1,055,598	2,572,773	597,773	447,773
Debt Service	155,311	175,193	175,193	175,193	175,193
Total Expenditures	\$5,473,146	\$7,194,310	\$9,052,166	\$5,349,171	\$5,223,559
General Fund	4,845,929	6,470,845	8,328,701	4,625,706	4,500,094
Proprietary Funds	627,217	723,465	723,465	723,465	723,465
Total Funds	\$5,473,146	\$7,194,310	\$9,052,166	\$5,349,171	\$5,223,559
Total Ongoing	\$4,140,160	\$4,694,310	\$5,152,166	\$4,774,171	\$4,798,559
Total OTO	\$1,332,986	\$2,500,000	\$3,900,000	\$575,000	\$425,000

Program Description

The Administration Program includes: 1) general administration of the university system, 2) academic, financial, and legal administration, 3) labor relations and personnel administration, and 4) student assistance administration. Article X, Section 9, of the Montana Constitution requires that the Board of Regents appoints the commissioner and prescribes his/her powers and duties.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Administration Program expended approximately \$5.5 million, or 76.1% of its FY 2024 appropriations as of the end of FY 2024. The bulk of unspent authority was restricted authority designated for the Seamless System initiative, which developed and implemented a single learning management system for the Montana University System and community colleges. As of the end of FY 2024, approximately \$724,000 of the \$1.5 million budget was expended.

FY 2024 Appropriations Compared to FY 2025 Appropriations

Appropriations for the Administration Program are approximately \$1.9 million, or 25.8% larger for FY 2025 than for FY 2024. There is a restricted, one-time-only general fund appropriation of \$1.4 million for FY 2025 in the Administration Program for the One-Two-Free program, which allows for up to six credits to receive dual credit for free for eligible high school students. Personal Services authority also increased as a result of an approximately \$186,000 program transfer from Appropriation Distribution to support a modified PB 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	(395,554)	0	0	(395,554)	0.00	(380,506)	0	0	(380,506)
DP 2 - Fixed Costs	0.00	18,360	0	0	18,360	0.00	27,440	0	0	27,440
DP 3 - Inflation Deflation	0.00	(801)	0	0	(801)	0.00	(541)	0	0	(541)
Grand Total All Present Law Adjustments	0.00	(\$377,995)	\$0	\$0	(\$377,995)	0.00	(\$353,607)	\$0	\$0	(\$353,607)

*"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

Administration Program	
Office of the Commissioner of Higher Education	
FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ (23,905)
Management Changes	(185,449)
Total Budget Modifications	<u>(186,200)</u>
Total	<u>\$ (395,554)</u>

Legislative changes in this program include increased appropriations for longevity and benefits and a reduction in appropriations to account for the previous indirect cost increases passed by the 2023 legislature, which results in negative overall adjustments. Management changes are negative due to reductions in pay associated with turnover within positions in the program. There was a budget modification in FY 2025 that transferred personal services authority into the Administration Program for a modified PB. The negative modification here reduces the personal services adjustment by the amount budgeted for that position (since authority had increased in the base budget by the same amount).

LFD COMMENT

The \$186,200 reduction in personal services authority was due to a technical issue where funding was moved to support a modified position in FY 2025. Since that base funding transfer was captured in the calculation, funding is reduced by an equivalent amount. However, the modified PB and funding for that position was not budgeted for FY 2026 and FY 2027. The DP 1 calculation results in a reduction of approximately \$186,200 of in each fiscal year without increasing funding by an equivalent amount elsewhere.

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 106 - Online J.D. Program (OTO)										
0.00	575,000	0	0	575,000		0.00	425,000	0	0	425,000
Total	0.00	\$575,000	\$0	\$0	\$575,000	0.00	\$425,000	\$0	\$0	\$425,000

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

DP 106 - Online J.D. Program (OTO) -

The executive requests general fund authority to provide start-up funding to develop a hybrid online J.D. Program at the University of Montana's law school. The development of a hybrid online J.D. program will aid in meeting Montana's need for lawyers in rural areas and would focus on agricultural law, natural resources law, and Indian law. The program would become operational in academic year 2027-2028.

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	3.00	3.00	3.00	0.00	0.0%
General Fund	13,781,373	14,467,317	15,473,745	2,378,316	8.6%
State/Other Special Rev. Funds	370,013	707,030	707,681	674,685	91.2%
Total Funds	14,151,386	15,174,347	16,181,426	3,053,001	10.8%
Personal Services	406,060	433,193	435,372	56,445	7.0%
Operating Expenses	440,885	507,767	508,200	134,197	15.2%
Local Assistance	169,000	176,352	184,023	22,375	6.6%
Grants	13,019,810	13,591,404	14,588,200	2,139,984	8.2%
Transfers	115,631	115,631	115,631		0.0%
Debt Service		350,000	350,000	700,000	0.0%
Total Expenditures	14,151,386	15,174,347	16,181,426	3,053,001	10.8%
Total Ongoing	14,151,386	15,174,347	16,181,426	3,053,001	10.8%
Total One-Time-Only					0.0%

Program Highlights

Student Assistance Program Major Budget Highlights

The Student Assistance Program's 2027 biennium budget request is approximately \$3.1 million, or 10.8% higher than the base FY 2025 budget. Changes include:

- Statewide present law adjustments account for an approximately \$56,000 increase in appropriation requests. These are split between personal service increases of \$82,000 in the general fund, and a decrease of \$25,000 in state special revenue appropriations
- A funding request to support the central application system for the MUS. This proposal would provide authority of \$350,000 in each fiscal year to utilize funds collected from non-resident student application fees
- A present law increase of approximately \$646,000 in FY 2026 and \$1.7 million in FY 2027 for the professional student exchange program. These adjustments primarily provide grant funding for students who participate in exchange programs

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.

Student Assistance Program 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
Base Budget	13,781,373	370,013	0	14,151,386	93.3%	13,781,373	370,013	0	14,151,386	87.5%
Statewide PL										
Personal Services	40,116	(12,983)	0	27,133	0.2%	41,644	(12,332)	0	29,312	0.2%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	40,116	(12,983)	0	27,133	0.2%	41,644	(12,332)	0	29,312	0.2%
Present Law (PL)	645,828	0	0	645,828	4.3%	1,650,728	0	0	1,650,728	10.2%
New Proposals	0	350,000	0	350,000	2.3%	0	350,000	0	350,000	2.2%
Total HB 2 Adjustments	685,944	337,017	0	1,022,961	6.7%	1,692,372	337,668	0	2,030,040	12.5%
Total Requested Budget	14,467,317	707,030	0	15,174,347		15,473,745	707,681	0	16,181,426	

The executive is requesting an increase in general and state special revenue funds of approximately \$1.0 million in FY 2026 and \$2.0 million in FY 2027 above FY 2025 base appropriations. The increase is primarily due to requested present law adjustment for the professional student exchange program offered to Montana residents. The figure below summarizes the proposed budgets for the student assistance programs for the 2025 biennium.

Commissioner of Higher Education Student Assistance Program 2027 Biennium Executive Budget Across Functional Areas General Fund and State Special Revenue Only						
Budget Item	Appropriated FY 2024	Appropriated FY 2025	Requested FY 2026	Requested FY 2027	Change 25-27 Bien.	% Change 25-27 Bien.
<u>Grants, Loans, Work Study</u>						
Supplemental Ed Opportunity	\$ 737,160	\$ 737,160	\$ 737,160	\$ 737,160	\$ -	0.0%
Work Study	815,781	815,781	815,781	815,781	-	0.0%
Foster Care Youth Assistance	56,132	115,631	115,631	115,631	59,499	34.6%
Central Application System	-	-	350,000	350,000	700,000	0.0%
<u>Professional Student Exchange</u>						
WICHE	2,935,750	2,950,892	3,198,077	3,539,225	850,660	14.5%
WWAMI	5,874,930	6,542,280	7,020,593	7,328,676	1,932,059	15.6%
MN Dentistry	175,500	179,400	123,188	126,884	(104,828)	-29.5%
WIMU Veterinary Program	1,128,240	1,151,940	1,177,260	1,201,980	99,060	4.3%
ICOM	501,000	768,000	836,250	1,163,503	730,753	57.6%
<u>Student Loan Assistance</u>						
Institutional Nursing Incentive	43,388	43,388	43,388	43,388	-	0.0%
<u>Administrative Costs</u>						
Student Assistance Admin	417,495	470,819	400,020	401,548	(86,746)	-9.8%
Family Savings Program (SSR)	<u>360,542</u>	<u>364,220</u>	<u>357,030</u>	<u>357,681</u>	<u>(10,051)</u>	-1.4%
Total Costs	<u>13,045,918</u>	<u>14,139,511</u>	<u>15,174,378</u>	<u>16,181,457</u>	<u>4,170,406</u>	15.3%
<u>Funding</u>						
General Fund	12,685,376	13,775,291	14,467,317	15,473,745	3,480,395	13.2%
State Special	<u>360,542</u>	<u>364,220</u>	<u>707,030</u>	<u>707,681</u>	<u>689,949</u>	95.2%
Total Funding	<u>\$ 13,045,918</u>	<u>\$ 14,139,511</u>	<u>\$ 15,174,347</u>	<u>\$ 16,181,426</u>	<u>\$ 4,170,344</u>	15.3%

The 2027 biennium appropriations for the Western Interstate Commission for Higher Education (WICHE) program are proposed to increase by approximately \$851,000, or 14.5% when compared to the 2025 biennium. The increase in appropriations is primarily due to increased support fees for several of the programs.

The 2027 biennium appropriations for the Idaho College of Osteopathic Medicine (ICOM) program are proposed to increase by approximately \$731,000, or 57.6% when compared to the 2025 biennium. The increase in appropriations is primarily due to additional slots being added for students in FY 2026 and in FY 2027. The 2019 Legislature passed HB 716 which directed the Office of the Commissioner of Higher Education to negotiate the terms of a memorandum of understanding between the Board of Regents and the Idaho College of Medicine. The bill stated that "if the college is accredited by July 1, 2022, the program will make up to 10 slots available for Montana residents that fiscal year, with an additional maximum of 10 slots available each additional fiscal year until the program has a total of up to 40 slots for Montana residents." The executive is requesting funding for 10 new slots for new students in each fiscal year in addition to funding for continuing students. The program is expected to be fully loaded in FY 2027.

The 2027 biennium appropriations for the Washington, Wyoming, Alaska, Montana, and Idaho (WWAMI) program are proposed to increase by approximately \$1.9 million, or 15.6% when compared to the 2025 biennium. The increased funding request is related to student support fee changes from the University of Washington, which is largely due to tuition increases. According to OCHE, the University of Washington manages clinical sites, preceptorships, and all associated administrative costs that are built into the support fee.

Office of the Commissioner of Higher Education Student Assistance Program Support Fees for Professional Student Exchange Programs				
	FY 2025	FY 2026	FY 2027	2027 Biennium Growth Compared to FY 2025 Base
WICHE				
Medicine (Allopathic)	\$ 35,700	\$ 38,875	\$ 40,566	11.3%
Osteopathic Medicine	25,600	27,875	29,088	11.3%
Dentistry	29,900	32,550	33,966	11.2%
Veterinary Medicine	35,400	38,550	40,227	11.3%
Podiatry	17,750	19,325	20,166	11.2%
Optometry	20,575	22,400	23,374	11.2%
Occupational Therapy	15,625	17,025	17,766	11.3%
Minnesota Dental	29,900	30,797	31,721	4.5%
WWAMI	72,692	75,963	79,381	6.9%
Idaho College of Osteopathic Medicine	25,600	27,875	29,088	11.3%
WIMU	38,398	39,242	40,066	3.3%

Funding

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

Commissioner of Higher Education, 02-Student Assistance Program Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	29,941,062	0	0	0	29,941,062	81.4%
02027 STEM Scholarships	0	0	0	2,111,054	2,111,054	30.8%
02350 Single Application Portal	700,000	0	0	0	700,000	10.2%
02846 Family Ed Savings Admin Fee	714,711	0	0	0	714,711	10.4%
02943 Rural Physicians Account	0	0	0	3,335,360	3,335,360	48.6%
State Special Total	\$1,414,711	\$0	\$0	\$5,446,414	\$6,861,125	18.6%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$31,355,773	\$0	\$0	\$5,446,414	\$36,802,187	

HB 2 Appropriations

The Student Assistance Program is funded primarily with general fund in HB 2. State special revenue supports the administration of the Family Education Savings Program. The state special revenue fund receives revenue from annual account maintenance fees paid by non-resident participants and Board of Investments earnings.

Statutory Appropriations

The Student Assistance Program has statutory appropriations from two state special revenue funds, which include:

- The Montana Rural Physicians Incentive Program (MRPIP)
- Science, technology, engineering, math, and healthcare (STEM) scholarships

MRPIP provides a financial incentive for physicians to practice in rural areas or medically underserved areas by paying up to \$150,000 of student loan debt. Funding for the program comes from fees paid by medical students in the professional student exchange programs and state general fund. Statutes governing MRPIP also allow administrative costs to be paid up to 10.0% of the annual fees assessed.

The STEM scholarship is a statutory appropriation funded through lottery proceeds. The STEM scholarship program is designed to provide an incentive for Montana high school students to prepare for, enter into, and complete degrees in postsecondary fields related to science, technology, engineering, mathematics, and healthcare. The goal of this program is to increase the number of STEM degree recipients participating in Montana's workforce.

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	3.00	3.00	3.00	3.00
Personal Services	305,332	356,233	406,060	433,193	435,372
Operating Expenses	380,408	435,017	440,885	507,767	508,200
Local Assistance	164,000	164,435	169,000	176,352	184,023
Grants	11,858,418	12,047,718	13,019,810	13,591,404	14,588,200
Transfers	37,283	55,697	115,631	115,631	115,631
Debt Service	0	0	0	350,000	350,000
Total Expenditures	\$12,745,441	\$13,059,100	\$14,151,386	\$15,174,347	\$16,181,426
General Fund	12,481,315	12,695,729	13,781,373	14,467,317	15,473,745
State/Other Special Rev. Funds	264,126	363,371	370,013	707,030	707,681
Total Funds	\$12,745,441	\$13,059,100	\$14,151,386	\$15,174,347	\$16,181,426
Total Ongoing	\$12,745,441	\$13,059,100	\$14,151,386	\$15,174,347	\$16,181,426
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

All student grant funding is included in this program. Types of grants include: work study, state grants, federal grant matching programs, and student grants for attending professional schools which are not available in Montana such as medicine, dentistry, and veterinary medicine. Title 20, Chapters 25 and 26, MCA, govern the program.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Student Assistance Program is primarily funded with general fund in HB 2. The appropriations in HB 2 of approximately \$13.1 million were 97.6% expended as of the end of FY 2024.

Appropriations for grants comprise the majority of the Student Assistance Program's budget in FY 2024. Appropriations totaled approximately \$12.0 million and were 98.4% expended. Grants are primarily for the professional student exchange program, and appropriations for that program of \$10.5 million were 98.5% expended. The agency may transfer authority between orgs within a program to address needs for exchange program activity. Expenditures by individual student exchange program vary and include:

- The Washington, Wyoming, Alaska, Montana, and Idaho (WWAMI) Medical Education Program had appropriations of \$5.9 million in HB 2 that were \$6.1 million expended. This is because student slots WAAMI are completely filled, and tuition has increased
- The Western Interstate Commission for Higher Education (WICHE) Professional Student Exchange Program had appropriations of approximately \$3.0 million that were \$2.6 million expended. WICHE has several options that students can choose depending on their field, and that all have a different student support fee. Expenditures can fluctuate from year to year
- The Washington-Idaho-Montana-Utah (WIMU) Veterinary Program had appropriations of \$1.1 that were fully expended
- The Minnesota Dental Program (MN Dental) program had appropriations of approximately \$179,000 that were \$117,000 expended. MN Dental is seeing a decline in students selecting this option. Since WICHE also has dentistry, students have more options
- The Idaho College of Osteopathic Medicine (ICOM) program had appropriations of approximately \$501,000 that were \$338,000 expended. ICOM was new in the 2023 biennium and is still in the process of building to fill all slots. All 40 slots are expected to be filled in FY 2027

FY 2024 Appropriations Compared to FY 2025 Appropriations

Overall, the FY 2025 appropriation is approximately \$1.1 million, or 8.4% higher than the FY 2024 appropriation. This is primarily due to a present law increase associated with support for first year and continuing student slots and anticipated increases in tuition levels for each professional student exchange program.

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	40,116	(12,983)	0	27,133	0.00	41,644	(12,332)	0	29,312
DP 201 - Professional Student Exchange Programs	0.00	645,828	0	0	645,828	0.00	1,650,728	0	0	1,650,728
Grand Total All Present Law Adjustments	0.00	\$685,944	(\$12,983)	\$0	\$672,961	0.00	\$1,692,372	(\$12,332)	\$0	\$1,680,040

***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

Student Assistance Program	
Office of the Commissioner of Higher Education	
FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ (13,917)
Management Changes	41,050
Total Budget Modifications	-
Total	<u>\$ 27,133</u>

Legislative changes in this program include increased funding for longevity and benefits and a reduction to account for increased personal services funding which resulted from HB 833, which was passed by the 2023 legislature and appropriated funds to administer the teacher residency program. Increased appropriations attributable to management changes are largely the result of pay rate changes, as well as some promotion and retention adjustments.

DP 201 - Professional Student Exchange Programs -

The executive requests continued state support to fund first year and continuing student slots at anticipated increased student support fees for the WICHE, WWAMI, MN Dental, WIMU, and ICOM professional student exchange programs.

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 204 - Central Application System	0.00	0	350,000	0	350,000	0.00	0	350,000	0	350,000
Total	0.00	\$0	\$350,000	\$0	\$350,000	0.00	\$0	\$350,000	\$0	\$350,000

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

DP 204 - Central Application System -

The executive requests funding to support the central application system for the Montana University System. This proposal will provide authority to utilize the application fees collected from non-resident students applying to the Montana University System via the single application portal. Non-resident students are required to pay the application fee to apply, while it remains free for all resident students. The fees collected in the state special revenue account will be used to offset a portion of the annual operating costs of the central application system and for the OCHE to administer and manage the 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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
General Fund	17,635,881	18,027,670	18,743,843	1,499,751	4.3%
Total Funds	17,635,881	18,027,670	18,743,843	1,499,751	4.3%
Local Assistance	17,635,881	18,027,670	18,743,843	1,499,751	4.3%
Total Expenditures	17,635,881	18,027,670	18,743,843	1,499,751	4.3%
Total Ongoing	17,635,881	18,027,670	18,743,843	1,499,751	4.3%
Total One-Time-Only					0.0%

Program Highlights

Community College Assistance Program Major Budget Highlights
<p>The Community College Assistance Program's 2027 biennium budget request is approximately \$1.5 million, or 4.3% higher than the base FY 2025 budget. This request includes:</p> <ul style="list-style-type: none"> Increased general fund appropriations of approximately \$33,000 in FY 2026 and \$1.1 million in FY 2027 for present law adjustments for Dawson Community College, Flathead Valley Community College, and Miles City Community College \$359,000 of appropriations for audit costs in FY 2026 The executive request includes several modifications to the community college funding formula from the formula used in the 2025 biennium. These include: <ul style="list-style-type: none"> An increase in the weight used for general education Full Time Equivalent (FTE) is from 1.00 to 1.35 An higher "FTE increase funding factor" of \$6,500, as opposed to \$6,250 used previously
Legislative Action Items
<ul style="list-style-type: none"> The executive's request calculation for the adjusted base of each community college uses the unweighted FTE difference in the calculation, rather than the weighted FTE difference The executive's request uses different FTE weights and a different FTE increase than was approved by the 2023 legislature. These changes should be reviewed by the legislature

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.

Community College Assistance 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
Base Budget	17,635,881	0	0	17,635,881	97.8%	17,635,881	0	0	17,635,881	94.1%
Statewide PL										
Personal Services	0	0	0	0	0.0%	0	0	0	0	0.0%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	0	0	0	0	0.0%	0	0	0	0	0.0%
Present Law (PL)	391,789	0	0	391,789	2.2%	1,107,962	0	0	1,107,962	5.9%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	391,789	0	0	391,789	2.2%	1,107,962	0	0	1,107,962	5.9%
Total Requested Budget	18,027,670	0	0	18,027,670		18,743,843	0	0	18,743,843	

The executive is requesting an increase of approximately \$392,000 in FY 2026 and \$1.1 million in FY 2027 above the FY 2025 base appropriations. The executive calculated a present law adjustment for Dawson, Flathead Valley, and Miles community colleges using the funding formula included in statute.

The executive is proposing the following factors in the community college funding formula:

- FTE funding factor
 - \$6,500 – Increase in FTE
 - \$3,125 – Decrease in FTE
- FTE Weights
 - 1.50 – Career and Technical Education (CTE)
 - 1.35 – General Education
 - 0.50 – Dual Enrollment – College
 - 0.25 – Dual Credit – High School

Using these factors, the executive proposes present law adjustment increases that total approximately \$1.1 million throughout the 2027 biennium. In addition, the executive request includes funding for community college audit costs that total approximately \$359,000 in FY 2026.

Funding

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

Commissioner of Higher Education, 04-Community College Assistance Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	36,771,513	0	0	0	36,771,513	100.0%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$36,771,513	\$0	\$0	\$0	\$36,771,513	

HB 2 Appropriations

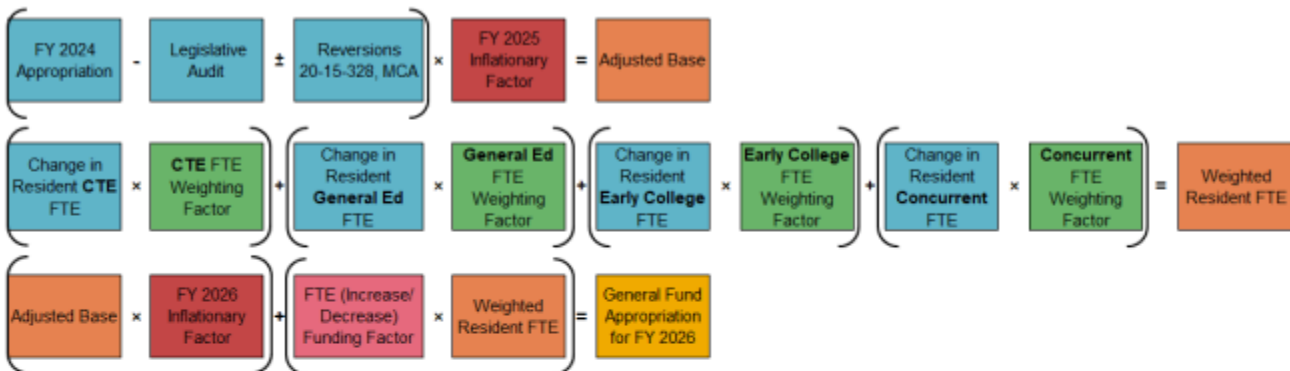
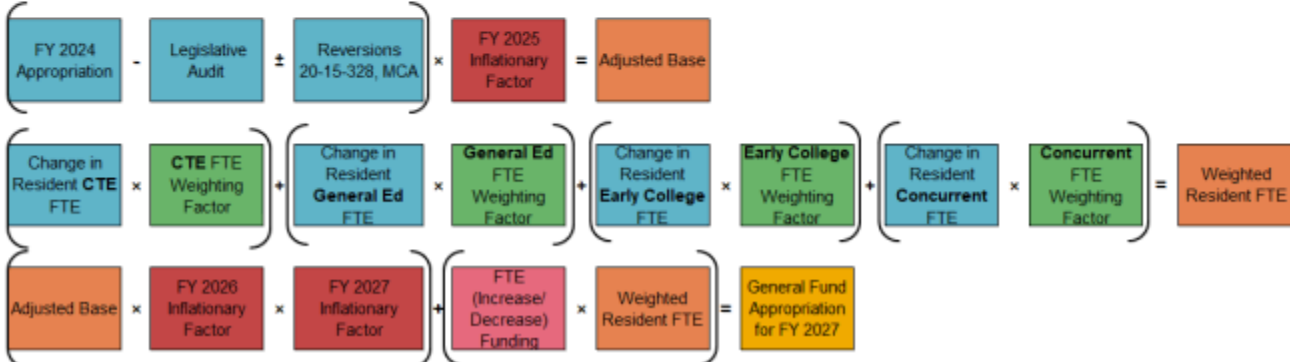
The Community College Assistance Program is entirely funded in HB 2 with general fund. The state general fund appropriations for each community college are primarily provided using a funding formula that is defined in Montana statute (20-15-310, MCA). The purpose of the community college funding formula is to provide a tool for the legislature to establish the state general fund appropriation for the community colleges each biennium. There are two primary components to the funding formula: the prior biennia base budget plus inflation, and funding for additional FTE by area of study.

For the 2027 biennium, the community college funding formula begins with state appropriations from FY 2024 for each community college. This base is then adjusted for legislative audit appropriations and reversions as calculated in 20-15-328, MCA. The result is then multiplied by inflation factors.

The community college funding formula includes weighted FTE in certain areas of study. The community colleges estimate resident FTE in four areas: career and technical education (CTE), general education, early college, and concurrent enrollment. The legislature establishes weights to apply to each area of study. Weighted FTE are then multiplied by either a decreasing or increasing FTE funding factor. The factors adopted by the 2023 legislature include:

- FTE weighting factor
 - 1.50 – career and technical education
 - 1.00 – general education
 - 0.50 – early college
 - 0.25 – concurrent enrollment
- FTE funding factor
 - \$3,125 – decrease in FTE
 - \$6,250 – increase in FTE

The following graphic represents the funding formula:

FY 2026**FY 2027**

The table below shows actual resident FTE in FY 2024 for each community college and projected resident FTE in FY 2026 and FY 2027 by area of study.

Community College Assistance Program Community College Funding Formula Actual and Projected Resident FTE			
	Actual FY 2024	Projected FY 2026	Projected FY 2027
Dawson Community College			
Career and Technical Education	80	90	95
General Education	76	105	105
Early College	5	10	10
Concurrent Enrollment	39	40	50
Total	200	245	260
Flathead Valley Community College			
Career and Technical Education	601	700	700
General Education	401	430	440
Early College	71	90	95
Concurrent Enrollment	80	112	131
Total	1,153	200	1,366
Miles Community College			
Career and Technical Education	155	155	160
General Education	176	185	195
Early College	22	28	30
Concurrent Enrollment	45	40	45
Total	398	408	430

The tables below show the community college funding formula calculation for the 2027 biennium using the FTE projections provided by the community colleges.

Community College Assistance Program 2027 Biennium General Fund Appropriation Statutory Funding Formula and Legislative Audit Appropriations				
FY 2026				
	Dawson	Flathead Valley	Miles	Total
FY 2024 Base Resident Student FTE				
Career and Technical Education	80	601	155	836
General Education	76	401	176	653
Early College	5	71	22	98
Concurrent Enrollment	39	80	45	164
Total	200	1,152	399	1,751
FY 2026 Projected Resident Student FTE				
Career and Technical Education	90	626	155	871
General Education	105	430	185	720
Early College	10	90	28	128
Concurrent Enrollment	40	112	40	192
Total	245	1,258	408	1,911
FY 2024 Appropriation	2,252,424	10,262,889	3,458,079	15,973,392
FY 2024 Projected Resident FTE - 25B	270.00	1,203.00	392.00	1,865.00
FY 2024 Actual Resident FTE - 25B	200.00	1,152.00	399.00	1,751
FY 2024 Actual FTE Adjustment	(218,750)	(159,375)	45,500	(332,625)
Adjusted Base	\$ 2,094,684	\$ 10,406,619	\$ 3,608,686	\$ 16,109,990
FY 2024 Inflationary Factor	3.0%	3.0%	3.0%	3.0%
FY 2026 Adjusted Base with Inflationary Factor	\$ 2,157,525	\$ 10,718,818	\$ 3,716,947	\$ 16,593,290
Adjustment for Weighted FTE				
Career and Technical Education	\$ 99,158	\$ 245,408	\$ (1,950)	\$ 342,615
General Education	256,230	258,599	75,728	590,558
Early College	15,600	63,148	18,298	97,045
Concurrent Enrollment	1,788	51,399	(7,524)	45,663
Total	\$ 372,775	\$ 618,553	\$ 84,552	\$ 1,075,880
Funding Formula Total	\$ 2,530,300	\$ 11,337,371	\$ 3,801,499	\$ 17,669,170
Other State Funding				
Legislative Audit	\$ 110,000	\$ 60,500	\$ 188,000	\$ 358,500
Total FY 2026 Appropriation	\$ 2,640,300	\$ 11,397,871	\$ 3,989,499	\$ 18,027,670

FY 2027				
	Dawson	Flathead Valley	Miles	Total
FY 2024 Base Resident Student FTE				
Career and Technical Education	80	601	155	836
General Education	76	401	176	653
Early College	5	71	22	98
Concurrent Enrollment	39	80	45	164
Total	200	1,152	399	1,751
FY 2027 Projected Resident Student FTE				
Career and Technical Education	95	651	160	906
General Education	105	440	195	740
Early College	10	95	30	135
Concurrent Enrollment	50	120	45	215
Total	260	1,306	430	1,996
Adjusted Base with FY 2026 Inflationary Factor	\$ 2,157,525	\$ 10,718,818	\$ 3,716,947	\$ 16,593,290
FY 2027 Inflationary Factor	3.0%	3.0%	3.0%	3.0%
FY 2027 Adjusted Base with Inflationary Factor	\$ 2,222,250	\$ 11,040,383	\$ 3,828,455	\$ 17,091,088
Adjustment for Weighted FTE				
Career and Technical Education	\$ 147,908	\$ 489,158	\$ 46,800	\$ 683,865
General Education	256,230	346,349	163,478	766,058
Early College	15,600	79,398	24,798	119,795
Concurrent Enrollment	18,038	64,399	601	83,038
Total	\$ 437,775	\$ 979,303	\$ 235,677	\$ 1,652,755
Funding Formula Total	\$ 2,660,025	\$ 12,019,686	\$ 4,064,132	\$ 18,743,843
Other State Funding	\$ -	\$ -	\$ -	\$ -
Total FY 2027 Appropriation	\$ 2,660,025	\$ 12,019,686	\$ 4,064,132	\$ 18,743,843

**LFD
ISSUE**The Adjusted Base Calculation Uses an Incorrect Measurement for the FTE Adjustment Calculation

The executive used unweighted FTE in the FTE adjustment step to establish an adjusted base for each college and for each fiscal year. 12-15-310, MCA, specifies that actual weighted FTE should be used to establish an adjusted base. This is directed in 20-15-328, MCA which specifies that the difference in funding between colleges' projected weighted FTE and the funding that would have resulted had actual weighted FTE been used shall determine any overpayment or underpayment to the community college for that fiscal year. The executive calculation uses unweighted actual FTE multiplied by the appropriate FTE increase or decrease factors, rather than weighted FTE. Using the weighted FTE adjustment in the statutory formula with the same proposed weights and funding factors results in appropriations that are approximately \$210,000 lower in FY 2026 and \$215,000 lower in FY 2027. The tables below lay out the calculations using the weighted FTE calculation to determine the adjusted base.

The tables below show the community college funding formula calculation for the 2027 biennium using a weighted FTE adjustment to adjust the FY 2025 base appropriations and using the weights and FTE funding factors proposed by the executive.

Community College Assistance Program 2027 Biennium General Fund Appropriation Statutory Funding Formula and Legislative Audit Appropriations				
FY 2026				
	Dawson	Flathead Valley	Miles	Total
FY 2024 Base Resident Student FTE				
Career and Technical Education	80	601	155	836
General Education	76	401	176	653
Early College	5	71	22	98
Concurrent Enrollment	39	80	45	164
Total	200	1,152	399	1,751
FY 2026 Projected Resident Student FTE				
Career and Technical Education	90	626	155	871
General Education	105	430	185	720
Early College	10	90	28	128
Concurrent Enrollment	40	112	40	192
Total	245	1,258	408	1,911
FY 2024 Appropriation	2,252,424	10,262,889	3,458,079	15,973,392
FY 2024 Projected Weighted Student FTE Change	12.50	48.75	47.25	108.50
FY 2024 Actual Weighted Student FTE Change	(70.88)	0.65	58.51	(12)
FY 2024 Actual Weighted FTE Adjustment	(299,625)	(300,625)	70,375	(529,875)
Adjusted Base	\$ 2,011,383	\$ 10,261,132	\$ 3,634,308	\$ 15,906,823
FY 2024 Inflationary Factor	3.0%	3.0%	3.0%	3.0%
FY 2026 Adjusted Base with Inflationary Factor	\$ 2,071,724	\$ 10,568,966	\$ 3,743,337	\$ 16,384,027
Adjustment for Weighted FTE				
Career and Technical Education	\$ 99,158	\$ 245,408	\$ (1,950)	\$ 342,615
General Education	256,230	258,599	75,728	590,558
Early College	15,600	63,148	18,298	97,045
Concurrent Enrollment	1,788	51,399	(7,524)	45,663
Total	\$ 372,775	\$ 618,553	\$ 84,552	\$ 1,075,880
Funding Formula Total	\$ 2,444,499	\$ 11,187,519	\$ 3,827,889	\$ 17,459,907
Other State Funding				
Legislative Audit	\$ 110,000	\$ 60,500	\$ 188,000	\$ 358,500
Total FY 2026 Appropriation	\$ 2,554,499	\$ 11,248,019	\$ 4,015,889	\$ 17,818,407

FY 2027				
	Dawson	Flathead Valley	Miles	Total
FY 2024 Base Resident Student FTE				
Career and Technical Education	80	601	155	836
General Education	76	401	176	653
Early College	5	71	22	98
Concurrent Enrollment	39	80	45	164
Total	200	1,152	399	1,751
FY 2027 Projected Resident Student FTE				
Career and Technical Education	95	651	160	906
General Education	105	440	195	740
Early College	10	95	30	135
Concurrent Enrollment	50	120	45	215
Total	260	1,306	430	1,996
Adjusted Base with FY 2026 Inflationary Factor	\$ 2,071,724	\$ 10,568,966	\$ 3,743,337	\$ 16,384,027
FY 2027 Inflationary Factor	3.0%	3.0%	3.0%	3.0%
FY 2027 Adjusted Base with Inflationary Factor	\$ 2,133,876	\$ 10,886,035	\$ 3,855,637	\$ 16,875,548
Adjustment for Weighted FTE				
Career and Technical Education	\$ 147,908	\$ 489,158	\$ 46,800	\$ 683,865
General Education	256,230	346,349	163,478	766,058
Early College	15,600	79,398	24,798	119,795
Concurrent Enrollment	18,038	64,399	601	83,038
Total	\$ 437,775	\$ 979,303	\$ 235,677	\$ 1,652,755
Funding Formula Total	\$ 2,571,651	\$ 11,865,338	\$ 4,091,314	\$ 18,528,303
Other State Funding	\$ -	\$ -	\$ -	\$ -
Total FY 2027 Appropriation	\$ 2,571,651	\$ 11,865,338	\$ 4,091,314	\$ 18,528,303

FTE Adjustment Account

State statute (20-15-328, MCA) establishes a statutorily appropriated state special revenue account. At the end of each fiscal year, there is a reconciliation of the appropriation distributed using projected weighted FTE and actual weighted FTE. OCHE will determine the fiscal impacts that would have resulted had the actual weighted FTE been used to determine the appropriation and determine any overpayment or underpayment to each community college for the fiscal year. Any overpayment is deposited into the state special revenue account. Any underpayment will be distributed from the state special revenue account to the applicable community college.

Payments from Dawson Community College and Flathead Valley Community College are anticipated for FY 2024, and the first payments will be made by October 15, 2025.

The table below shows resident FTE by community college from FY 2013 through FY 2027.

Commissioner of Higher Education Community College Assistance Program Resident FTE History				
	Dawson Community College	Flathead Valley Community College	Miles Community College	Total
FY 2013	234	1,714	311	2,259
FY 2014	220	1,557	288	2,065
FY 2015	201	1,458	277	1,936
FY 2016	154	1,414	317	1,885
FY 2017	165	1,452	348	1,965
FY 2018	183	1,414	361	1,958
FY 2019	205	1,406	383	1,994
FY 2020	224	1,364	396	1,984
FY 2021	249	1,223	375	1,847
FY 2022	259	1,114	355	1,728
FY 2023	203	1,097	384	1,684
FY 2024	200	1,152	399	1,751
FY 2025*	134	1,118	334	1,587
FY 2026*	245	1,258	408	1,911
FY 2027*	260	1,306	430	1,996
* FY 2025 through FY 2027 resident FTE are the projections used to establish HB 2 appropriations				

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
Local Assistance	16,151,492	16,151,492	17,635,881	18,027,670	18,743,843
Total Expenditures	\$16,151,492	\$16,151,492	\$17,635,881	\$18,027,670	\$18,743,843
General Fund	16,151,492	16,151,492	17,635,881	18,027,670	18,743,843
Total Funds	\$16,151,492	\$16,151,492	\$17,635,881	\$18,027,670	\$18,743,843
Total Ongoing	\$16,151,492	\$16,151,492	\$17,635,881	\$18,027,670	\$18,743,843
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The funds appropriated by the legislature for this program are distributed to support Montana's three community colleges: Miles Community College, Dawson Community College, and Flathead Valley Community College. Each community college district has an elected board of trustees. The Regents have statutory authority to control the community colleges in Title 20,

Chapter 15, MCA.

Bitterroot Valley Community College

The registered voters of the proposed community college district in Ravalli County approved the establishment of a community college district in May 2020. Following this approval, the 2021 Legislature passed and approved Senate Joint Resolution 15, which approved the establishment of the Bitterroot Valley Community College. No operational levy has since been passed in Ravalli County and the community college does not have a set date to open.

FY 2024 Appropriation Compared to FY 2024 Actuals

The FY 2024 appropriations of approximately \$16.2 million are entirely funded in HB 2 with general fund and were 100.0% expended as of the end of FY 2024.

FY 2024 Appropriations Compared to FY 2025 Appropriations

Overall, the FY 2025 appropriation is approximately \$1.5 million, or 9.2% higher than the FY 2024 appropriation. This was primarily due to higher enrollment projections for each community college and an upwards inflationary adjustment for base funding calculated in the community college funding formula.

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 401 - Community College PLA	0.00	33,289	0	0	33,289	0.00	1,107,962	0	0	1,107,962
DP 402 - Community College Audit Costs	0.00	358,500	0	0	358,500	0.00	0	0	0	0
Grand Total All Present Law Adjustments	0.00	\$391,789	\$0	\$0	\$391,789	0.00	\$1,107,962	\$0	\$0	\$1,107,962

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

DP 401 - Community College PLA -

The executive requests increased funding based on the statutory funding formula for Community Colleges.

DP 402 - Community College Audit Costs -

The executive requests appropriations for audit costs for the Community Colleges. The estimated costs are provided by the community colleges per 5-13-402, MCA.

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 FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
PB	18.24	18.24	18.24	0.00	0.0%
General Fund	155,871	176,307	176,315	40,880	13.1%
Federal Spec. Rev. Funds	9,638,988	9,646,568	9,649,859	18,451	0.1%
Total Funds	9,794,859	9,822,875	9,826,174	59,331	0.3%
Personal Services	1,450,055	1,478,235	1,481,481	59,606	2.1%
Operating Expenses	4,910,476	4,910,312	4,910,365	(275)	(0.0%)
Grants	3,377,000	3,377,000	3,377,000		0.0%
Debt Service	57,328	57,328	57,328		0.0%
Total Expenditures	9,794,859	9,822,875	9,826,174	59,331	0.3%
Total Ongoing	9,794,859	9,822,875	9,826,174	59,331	0.3%
Total One-Time-Only					0.0%

Program Highlights

Education Outreach & Diversity Major Budget Highlights

The Education Outreach & Diversity Program's 2027 biennium requested appropriations are approximately \$59,000 or 0.3% higher than the FY 2025 base budget. Proposed changes include:

- Statewide present law adjustments increase general fund and federal special revenue appropriations by approximately \$28,000 in FY 2026 and \$31,000 in FY 2027. These increases are primarily due to personal services adjustments

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.

Education Outreach and Diversity 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
Base Budget	155,871	0	9,638,988	9,794,859	99.7%	155,871	0	9,638,988	9,794,859	99.7%
Statewide PL										
Personal Services	20,461	0	7,719	28,180	0.3%	20,461	0	10,965	31,426	0.3%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	(25)	0	(139)	(164)	(0.0%)	(17)	0	(94)	(111)	(0.0%)
Total Statewide PL	20,436	0	7,580	28,016	0.3%	20,444	0	10,871	31,315	0.3%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	20,436	0	7,580	28,016	0.3%	20,444	0	10,871	31,315	0.3%
Total Requested Budget	176,307	0	9,646,568	9,822,875		176,315	0	9,649,859	9,826,174	

The executive is requesting an increase of approximately \$28,000 in FY 2026 and \$31,000 in FY 2027 above the FY 2025 base appropriations. The increase is primarily due to the statewide present law adjustment for personal services.

Funding

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

Commissioner of Higher Education, 06-Education Outreach and Diversity Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	352,622	0	0	0	352,622	1.8%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
03042 2nd GEAR UP Grant	13,768,862	0	0	0	13,768,862	71.4%
03203 EOC Grant	114,068	0	0	0	114,068	0.6%
03412 GEAR UP Federal Schol 2005	3,290,686	0	0	0	3,290,686	17.1%
03806 Talent Search	2,122,811	0	0	0	2,122,811	11.0%
Federal Special Total	\$19,296,427	\$0	\$0	\$0	\$19,296,427	98.2%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$19,649,049	\$0	\$0	\$0	\$19,649,049	

HB 2 Appropriations

The Education Outreach & Diversity Program authority in HB 2 is mainly comprised of federal special revenue and some general fund authority. The general fund supports the American Indian / Minority Achievement component. The federal special revenue supports Educational Talent Search and GEAR UP from three sources:

- The GEAR UP grant comprises 88.4% of the biennial budget and requires a 50.0% non-federal match. The non-federal match is provided through allowable in-kind services
- The Talent Search grant comprises 10.8% of the biennial program funding and has no non-federal matching requirements
- The Educational Opportunity Centers (EOC) grant comprises 0.5% of the biennial budget and has no cost sharing or matching requirements

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	18.24	18.24	18.24	18.24
Personal Services	855,324	1,373,545	1,450,055	1,478,235	1,481,481
Operating Expenses	2,066,383	4,891,389	4,910,476	4,910,312	4,910,365
Grants	1,134,490	3,377,000	3,377,000	3,377,000	3,377,000
Debt Service	57,332	57,333	57,328	57,328	57,328
Total Expenditures	\$4,113,529	\$9,699,267	\$9,794,859	\$9,822,875	\$9,826,174
General Fund	147,256	148,155	155,871	176,307	176,315
Federal Spec. Rev. Funds	3,966,273	9,551,112	9,638,988	9,646,568	9,649,859
Total Funds	\$4,113,529	\$9,699,267	\$9,794,859	\$9,822,875	\$9,826,174
Total Ongoing	\$4,113,529	\$9,699,267	\$9,794,859	\$9,822,875	\$9,826,174
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Educational Outreach and Diversity Program is primarily a federally funded program to decrease the dropout rate of disadvantaged students in high schools and increase their enrollment and retention in post-secondary education. The Educational Outreach and Diversity Program has four components providing services to target populations:

- Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) is an early intervention and scholarship program that provides mentoring, counseling, and outreach to build academic success that will lead to postsecondary education enrollment and achievement. The program provides these services to an entire cohort of students at participating schools starting in seventh grade, and the program services follow that cohort through high school completion
- Educational Talent Search (ETS) creates a long-term academic contract with middle school students that subsequently provide academic support, skills building, and counseling to encourage the planning, preparation and pursuit of a postsecondary education
- Educational Opportunity Centers (EOC) help unemployed workers, low-wage workers, and returning high school and college students enter or continue a program of postsecondary education
- American Indian/Minority Achievement (AIMA) is responsible for American Indian and minority retention in the university system, oversight for the campus diversity plans, and implementation of Indian Education for All programs. An overall objective of the program is to help the MUS increase the number of American Indian and other minority students who earn credentials from Montana colleges and universities

FY 2024 Appropriations Compared to FY 2024 Actual Expenditures

The Education Outreach & Diversity program expended 42.4% of its approximately \$9.7 million appropriation. Most funding within this program comes from federal grants which span several years, and lower expenditures in these programs are often due to the timing of grant activities. Federal grants in this program provide support for the GEAR UP program which helps students to prepare for postsecondary education after high school graduation, and the Educational Talent Search program, which provides support for youth to complete high school and enroll in higher education institutions. GEAR UP had appropriations of approximately \$8.5 million in FY 2024, which was 41.3% expended. Talent Search had appropriations of approximately \$1.1 million in FY 2024, which was 43.1% expended. Remaining authority comes from HB 2 and provides funding for the American Indian/Minority Achievement (AIMA) program. AIMA received appropriations of approximately \$148,000 and was 99.4% expended in FY 2024. These expenditure amounts are in line with historical spending patterns.

FY 2024 Appropriation Compared to FY 2025 Appropriation

FY 2025 appropriations for the Education Outreach & Diversity Program were similar to the FY 2024 appropriations. Slightly higher appropriations were due to higher statewide present law adjustments for personal services and operating expenses 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	20,461	0	7,719	28,180	0.00	20,461	0	10,965	31,426
DP 3 - Inflation Deflation	0.00	(25)	0	(139)	(164)	0.00	(17)	0	(94)	(111)
Grand Total All Present Law Adjustments	0.00	\$20,436	\$0	\$7,580	\$28,016	0.00	\$20,444	\$0	\$10,871	\$31,315

*"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

Education Outreach & Diversity Program Office of the Commissioner of Higher Education FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ (1,529)
Management Changes	29,709
Total Budget Modifications	-
Total	<u>\$ 28,180</u>

Reduced funds attributable to legislative changes are largely due to reduced appropriations for longevity in this program. Increased funding attributable to management decisions is primarily driven by changes in pay rates in positions that underwent turnover or were newly hired, and some increases in base pay, retention adjustments, and promotion adjustments.

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.

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	4.20	4.20	4.20	0.00	0.0%
General Fund	103,331	111,926	115,284	20,548	9.9%
Federal Spec. Rev. Funds	6,376,019	6,869,908	7,082,027	1,199,897	9.4%
Total Funds	6,479,350	6,981,834	7,197,311	1,220,445	9.4%
Personal Services	394,371	406,149	421,950	39,357	5.0%
Operating Expenses	76,942	82,618	85,025	13,759	8.9%
Grants	2,431,869	2,628,461	2,708,418	473,141	9.7%
Transfers	3,552,678	3,840,084	3,956,976	691,704	9.7%
Debt Service	23,490	24,522	24,942	2,484	5.3%
Total Expenditures	6,479,350	6,981,834	7,197,311	1,220,445	9.4%
Total Ongoing	6,479,350	6,981,834	7,197,311	1,220,445	9.4%
Total One-Time-Only					0.0%

Program Highlights

Work Force Development Program Major Budget Highlights

The Work Force Development Program's 2027 biennium requested appropriations are approximately \$1.2 million or 9.4% higher than the FY 2025 base budget. Proposed changes include:

- Increased federal special revenue appropriations totaling approximately \$516,000 in FY 2026 and \$726,000 in FY 2027 to utilize the Perkins grant
- Decreasing federal special revenue appropriations by \$22,000 in FY 2026 and \$20,000 in FY 2027 in the statewide present law adjustment, primarily for personal services
- An increase of approximately \$9,000 in FY 2026 and \$12,000 in FY 2027 for the minimum maintenance of effort requirements for the Perkins grant

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.

Work Force Development Program 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
Base Budget	103,331	0	6,376,019	6,479,350	92.8%	103,331	0	6,376,019	6,479,350	90.0%
Statewide PL										
Personal Services	0	0	(21,930)	(21,930)	(0.3%)	0	0	(19,727)	(19,727)	(0.3%)
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	(171)	(171)	(0.0%)	0	0	(115)	(115)	(0.0%)
Total Statewide PL	0	0	(22,101)	(22,101)	(0.3%)	0	0	(19,842)	(19,842)	(0.3%)
Present Law (PL)	8,595	0	515,990	524,585	7.5%	11,953	0	725,850	737,803	10.3%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	8,595	0	493,889	502,484	7.2%	11,953	0	706,008	717,961	10.0%
Total Requested Budget	111,926	0	6,869,908	6,981,834		115,284	0	7,082,027	7,197,311	

The executive is requesting an increase of approximately \$502,000 in FY 2024 and \$718,000 in FY 2025 above the FY 2025 base appropriations. Increased federal appropriation authority is due to a present law proposal requesting additional authority for the Perkins grant. Increased general fund appropriations are the result of a present law proposal requesting additional general fund appropriations of approximately \$9,000 in FY 2026 and \$12,000 in FY 2027 for the minimum maintenance of effort requirements for the Perkins grant.

Funding

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

Commissioner of Higher Education, 08-Work Force Development Program Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	227,210	0	0	0	227,210	1.6%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
03215 Carl Perkins Federal Funds	13,951,935	0	0	0	13,951,935	100.0%
Federal Special Total	\$13,951,935	\$0	\$0	\$0	\$13,951,935	98.4%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$14,179,145	\$0	\$0	\$0	\$14,179,145	

HB 2 Appropriations

The HB 2 appropriations for the Work Force Development program are primarily comprised of federal special revenue. These federal funds are authorized by the federal Carl D. Perkins Career and Technical Education Improvement Act of 2006. They are administered by the Office of the Commissioner of Higher Education, granted to postsecondary programs, and transferred to the Office of Public Instruction for secondary programs. These funds require a maintenance of effort on funds used for administration.

The state general fund in this program is the minimum non-federal match for the postsecondary administration costs. The state match for administration related to secondary programs is accounted for in the Office of Public Instruction.

FY 2024 Appropriations Compared to FY 2024 Actuals

FY 2024 appropriations of approximately \$6.5 million were 99.7% expended. General fund appropriations were entirely expended, and approximately \$15,000 of unexpended federal special revenue fund authority was split between personal services, operating expenses, and transfer categories.

FY 2025 Appropriation compared to FY 2024 Appropriation

The FY 2025 HB 2 appropriation for the work force development program was not significantly different than the FY 2024 appropriation.

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	4.20	4.20	4.20	4.20
Personal Services	344,334	348,554	394,371	406,149	421,950
Operating Expenses	89,197	91,650	76,942	82,618	85,025
Grants	2,115,872	2,115,869	2,431,869	2,628,461	2,708,418
Transfers	3,879,987	3,888,674	3,552,678	3,840,084	3,956,976
Debt Service	23,498	23,498	23,490	24,522	24,942
Total Expenditures	\$6,452,888	\$6,468,245	\$6,479,350	\$6,981,834	\$7,197,311
General Fund	107,879	107,878	103,331	111,926	115,284
Federal Spec. Rev. Funds	6,345,009	6,360,367	6,376,019	6,869,908	7,082,027
Total Funds	\$6,452,888	\$6,468,245	\$6,479,350	\$6,981,834	\$7,197,311
Total Ongoing	\$6,452,888	\$6,468,245	\$6,479,350	\$6,981,834	\$7,197,311
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

Workforce Development is a coordinated effort between OCHE and the Office of Public Instruction to support vocational education at the secondary and post-secondary levels with primarily federal funds.

FY 2024 Appropriations Compared to FY 2024 Actuals

FY 2024 appropriations of approximately \$6.5 million were 99.7% expended as of the end of FY 2024. General fund appropriations were entirely expended, and approximately \$15,000 of unexpended federal special revenue fund authority was split between personal services, operating expenses, and transfer categories.

FY 2025 Appropriation compared to FY 2024 Appropriation

The FY 2025 HB 2 appropriation for the work force development program was not significantly different than the FY 2024 appropriation.

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	(21,930)	(21,930)		0.00	0	0	(19,727)	(19,727)
DP 3 - Inflation Deflation										
0.00	0	0	(171)	(171)		0.00	0	0	(115)	(115)
DP 801 - Perkins Federal Award Increase										
0.00	0	0	515,990	515,990		0.00	0	0	725,850	725,850
DP 802 - Perkins MOE Increase										
0.00	8,595	0	0	8,595		0.00	11,953	0	0	11,953
Grand Total All Present Law Adjustments										
0.00	\$8,595	\$0	\$493,889	\$502,484		0.00	\$11,953	\$0	\$706,008	\$717,961

*"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

Guaranteed Student Loan Program	
Office of the Commissioner of Higher Education	
FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ (11,971)
Management Changes	(71,082)
Total Budget Modifications	-
Total	<u>\$ (83,053)</u>

Legislative changes in this program reduce appropriations for longevity, benefits and an adjustment to account for increased personal service funds from DP810 which was approved by the 2023 legislature. Appropriation changes attributable to management decisions include reductions in pay for positions as a result of turnover or new hire rates within the program and vacancy savings within this program. There were also some increases in pay for performance and reclassification adjustments.

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 801 - Perkins Federal Award Increase -

The executive requests additional federal authority for the Perkins program in FY 2026 and in FY 2027 to meet the requirements of the federal grant award.

DP 802 - Perkins MOE Increase -

The executive requests funding to increase the minimum maintenance of effort requirement for the Perkins grant for FY 2026 and for FY 2027. The Perkins state allocation has increased thus increasing the minimum required maintenance of effort.

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
General Fund	221,383,111	234,594,413	233,045,083	24,873,274	5.6%
State/Other Special Rev. Funds	33,027,425	36,344,425	36,802,425	7,092,000	10.7%
Total Funds	254,410,536	270,938,838	269,847,508	31,965,274	6.3%
Transfers	254,410,536	270,938,838	269,847,508	31,965,274	6.3%
Total Expenditures	254,410,536	270,938,838	269,847,508	31,965,274	6.3%
Total Ongoing	254,410,536	270,938,838	269,847,508	31,965,274	6.3%
Total One-Time-Only					0.0%

Program Highlights

Appropriation Distribution Major Budget Highlights	
<p>The Appropriation Distribution Program's 2027 biennium request is approximately \$32.0 million, or 6.3%, higher than the 2025 biennium. Significant proposals include:</p> <ul style="list-style-type: none"> Increasing general fund appropriations by approximately \$16.5 million in FY 2026 and \$15.4 million in FY 2027 for present law adjustments for personal services, higher education fixed costs, inflation, and legislative audit costs A fund switch that increases state special revenue appropriations from the six-mill university levy account by \$3.3 million in FY 2026 and \$3.8 million in FY 2027, and decreases general fund appropriations by the same amount each fiscal year 	

Program Discussion –

The legislature directly appropriates general fund and the six-mill levy to the Montana University System (MUS). The MUS receives additional funding that is not appropriated or approved by the legislature and is not reflected in the table above. This funding includes but is not limited to tuition, federal research grants, financial aid, campus building projects, debt service, and auxiliary funds. Total funding for the MUS is anticipated to be \$2.2 billion in FY 2025. For the education units, the education and general operating costs are funded with state funds (general fund and the six-mill levy) and student tuition. The legislature establishes the state appropriations during the legislative session.

The Board of Regents (Regents) establishes the final budget, including tuition rates, after the legislature adjourns. The Board of Regents is the sole authority in setting the tuition rates for the MUS. Tuition is not controlled or appropriated by the legislature. Tuition fills the “gap” between the Regents’ approved expenditure budget for education units and the state funds appropriated by the legislature.

While the Montana Constitution grants governance authority to the Regents, the power to appropriate state funds remains with the legislature. Appropriating funds provides the legislature the authority to attach policy decisions and accountability measures to the funding.

State funds remain an important component of MUS funding because:

- State general fund is the second largest source of revenue for the current unrestricted fund (tuition is the largest)
- General fund appropriations in HB 2 provide a vehicle for the legislature to have a public policy impact on the MUS

The legislature considers many factors to develop the MUS appropriation, which may include:

- FY 2024 appropriations, expenditures, and funding
- FY 2025 base appropriations
- State funds available
- Legislative priorities
- Executive recommendations
- Board of Regents' priorities
- Shared policy goals
- Projected student enrollment

Since the 1995 Legislative Session, the legislature has combined the appropriation for the six four-year campuses and the five two-year campuses into a single, biennial lump-sum appropriation.

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.

Appropriation Distribution 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
Base Budget	221,383,111	33,027,425		0 254,410,536	93.9%	221,383,111	33,027,425		0 254,410,536	94.3%
Statewide PL										
Personal Services	0	0	0	0	0.0%	0	0	0	0	0.0%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	0	0	0	0	0.0%	0	0	0	0	0.0%
Present Law (PL)	16,528,302	0	0	16,528,302	6.1%	15,436,972	0	0	15,436,972	5.7%
New Proposals	(3,317,000)	3,317,000	0	0	0.0%	(3,775,000)	3,775,000	0	0	0.0%
Total HB 2 Adjustments	13,211,302	3,317,000	0	16,528,302	6.1%	11,661,972	3,775,000	0	15,436,972	5.7%
Total Requested Budget	234,594,413	36,344,425		0 270,938,838		233,045,083	36,802,425		0 269,847,508	

The executive is requesting an increase of approximately \$16.5 million in FY 2026 and \$15.4 million in FY 2027 above the FY 2025 base appropriations. The increase is mainly due to the requested present law adjustments of \$16.5 million in FY 2026 and \$15.4 million in FY 2027 for personal services, higher education fixed costs, and audit costs. The general fund appropriation request is partially offset by a proposed fund switch to state special revenues from the six-mill levy.

The proposed budget does not include any changes for the Family Practice Rural Residency programs or the Motorcycle Safety Program.

Commissioner of Higher Education Appropriation Distribution Program MUS Budget Request Compared to November Executive Budget Recommendation				
Unit Request	CUR FY 2024 ACTUAL	CUR FY 2025 OP PLAN	CUR FY 2026 REQUEST	CUR FY 2027 REQUEST
MSU	\$ 271,588,739	\$ 287,306,646	\$ 294,509,405	\$ 300,746,195
MSU-BILLINGS	40,048,812	40,805,280	44,023,350	44,971,010
MSU-NORTHERN	14,792,527	16,051,089	16,871,219	17,054,602
GREAT FALLS MSU	11,242,962	11,697,325	11,728,641	11,897,730
UM	141,953,979	147,720,562	156,529,705	158,426,927
MT TECH	29,115,354	31,542,488	31,259,877	31,705,628
UM-WESTERN	16,539,494	17,114,196	17,095,731	17,423,419
UM-HELENA	8,376,864	9,449,858	9,238,048	9,422,924
Less: one-time-only appropriations	-	-	-	-
TOTAL	533,658,731	561,687,444	581,255,976	591,648,435
State Funding Requested				
General Fund	198,699,634	209,355,523	237,911,413	236,820,083
State Special	33,047,266	32,447,266	32,447,266	32,447,266
Tuition/Other	301,911,831	319,884,655	310,897,297	322,381,086
Less: one-time-only appropriations	-	-	-	-
Total	533,658,731	561,687,444	581,255,976	591,648,435
Executive Budget Recommendation				
General Fund	N/A	N/A	234,594,413	233,045,083
State Special	N/A	N/A	35,764,266	36,222,266
Tuition/Other	N/A	N/A		
Total	-	-	270,358,679	269,267,349
Difference - Request to Recommendation				
General Fund	N/A	N/A	(3,317,000)	(3,775,000)
State Special	N/A	N/A	3,317,000	3,775,000
Tuition/Other	N/A	N/A	-	-
Total	\$ -	\$ -	\$ -	\$ -

The Office of the Commissioner of Higher Education has projected a total current unrestricted operating budget (CUR) for the education units of \$581.3 million in FY 2026 and \$591.6 million in FY 2027. The agency requested state funds totaling \$270.4 million in FY 2026 and \$269.3 million in FY 2027 to support its current unrestricted operating budget in the 2027 biennium.

The executive requests state support equal to the total amount requested by the agency in each fiscal year. The executive's general fund request is \$7.1 million less and six-mill levy state special revenue request is \$7.1 more for the 2027 biennium than the Board of Regents' request, which results in the same total amount of state funding. With this request, the executive is proposing a fund shift from general fund to the six-mill levy of \$3.3 million in FY 2026 and \$3.8 million in FY 2027. The HJ 2 revenue forecast predicts the six-mill levy revenue collections to be sufficient to cover this proposal. The table below shows the projected fund balances in FY 2026 and FY 2027 using the HJ 2 revenue estimates as adopted by the Revenue Interim Committee and expenditures as proposed by the executive.

Office of the Commissioner of Higher Education Appropriation Distribution Program Six-Mill Levy 2027 Biennium Projections				
	Actual FY 2024	Appropriated FY 2025	Proposed FY 2026	Proposed FY 2027
Beginning Fund Balance	\$ 3,871,402	\$ 2,525,736	\$ 895,746	\$ 1,265,561
Revenue	31,701,600	31,397,435	36,134,082	36,434,112
Transfers-out	<u>(33,047,266)</u>	<u>(33,027,425)</u>	<u>(35,764,266)</u>	<u>(36,222,266)</u>
Ending Fund Balance	<u>\$ 2,525,736</u>	<u>\$ 895,746</u>	<u>\$ 1,265,561</u>	<u>\$ 1,477,407</u>

Funding

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

Commissioner of Higher Education, 09-Appropriation Distribution Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	467,639,496	0	0	8,177,875	475,817,371	86.2%
02111 Accommodation Tax Account	0	0	0	2,932,888	2,932,888	3.9%
02443 University Millage	71,986,532	0	0	0	71,986,532	94.6%
02944 Motorcycle Safety Training	1,160,318	0	0	0	1,160,318	1.5%
State Special Total	\$73,146,850	\$0	\$0	\$2,932,888	\$76,079,738	13.8%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$540,786,346	\$0	\$0	\$11,110,763	\$551,897,109	

HB 2 Appropriations

The Appropriation Distribution Program receives predominately HB 2 general fund appropriations. The majority of these appropriations are transferred through OCHE to MUS campuses as determined by the Board of Regents. The legislature can determine the amount of funds to be appropriated overall and has the authority to place specific restrictions on funds, but the Board of Regents has the sole authority to determine how appropriations are distributed to campuses.

The Appropriation Distribution Program also receives some funding from state special revenues:

- University 6-Mill Levy
- Motorcycle Safety Training

The statewide six-mill levy is a statewide property tax authorized in statute (15-10-108, MCA). The levy originated in 1920 and since 1948 has been a key component of university funding. It is presented to voters statewide for approval every ten years and was last voted on in November 2018. Funds are generated by a mill levy tax on property statewide and are distributed to campuses as determined by the Board of Regents. The levy revenue is used to fund the education and general operating expenses of the Montana University System educational units.

The Motorcycle Safety Training fund contains funds from money collected and accrued from motorcycle safety training courses, motorcycle endorsement fees, motorcycle safety fees, and designated grants are deposited in the state motorcycle safety account and support the motorcycle safety program at MSU Northern in Havre.

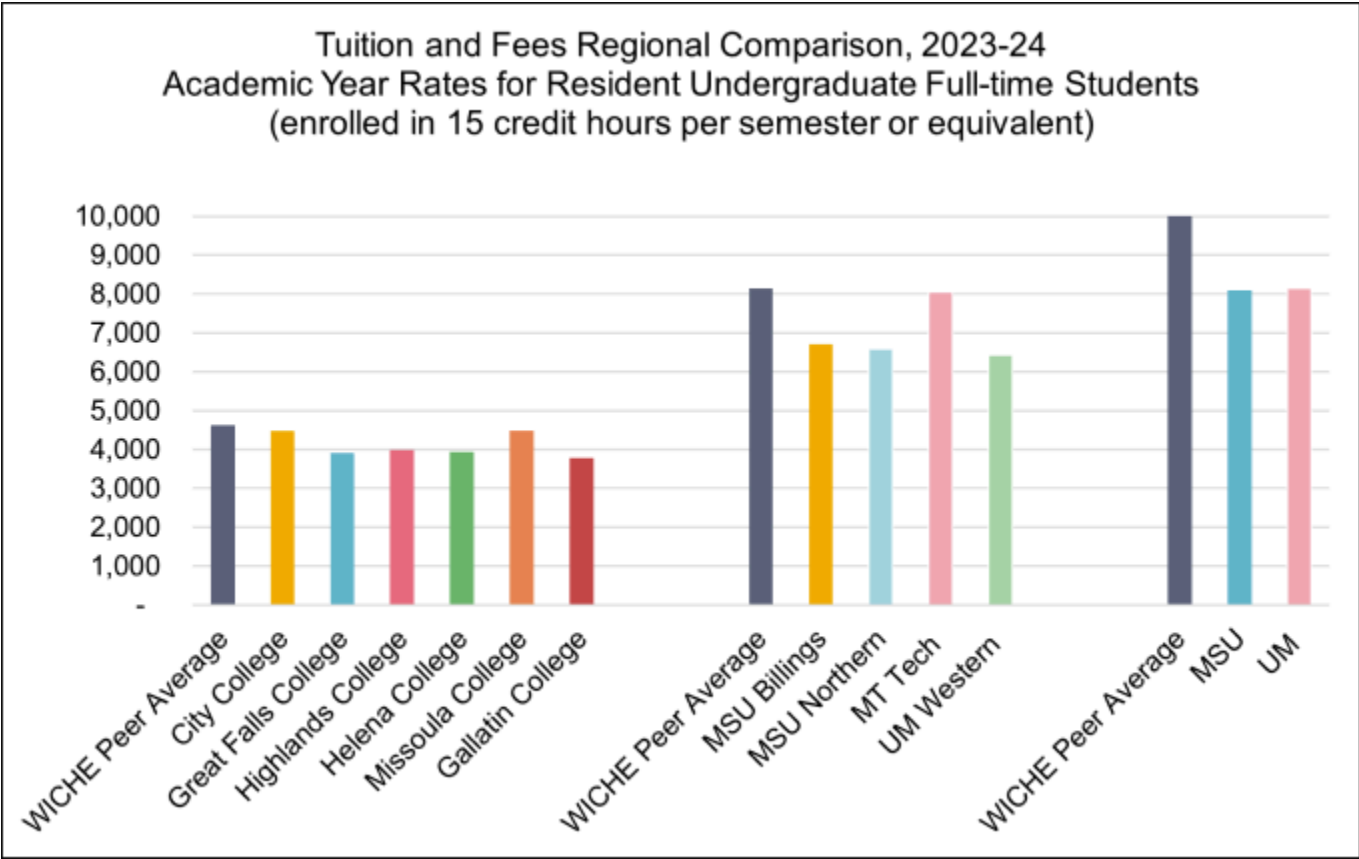
Statutory Appropriations

Statutory appropriations do not require reauthorization each biennium and do not appear in HB 2. There are two statutory appropriations in this program:

- An allocation of the 4.0% lodging facility use tax is transferred to the University of Montana for travel research
- General fund is statutorily appropriated for a 1.0% employer contribution reimbursement to the MUS defined contribution retirement plan authorized in HB 95 (2007 Legislature)

Tuition

The Board of Regents is the sole authority in setting tuition rates for the MUS. Tuition is not controlled or appropriated by the legislature. However, the Regents, legislature, and executive have previously worked together to create affordable postsecondary education opportunities for the residents of Montana.



Performance Funding

The 2015 Legislature designated funds for the MUS based upon performance metrics. The Board of Regents has continued this commitment to include a performance funding component in the allocation model used to distribute state funds to the education units. For the 2025 biennium, \$30.0 million was designated for performance funding and distributed upon progress toward increasing college completions, retention, success of under-represented student populations, and other metrics. The table below shows the impact of performance funding since FY 2022 by campus.

Montana University System Impact of Performance Funding					
Campus	FY 2022		FY 2023		FY 2025
MSU Bozeman	\$	5,561,800	\$	5,556,481	\$ 5,507,042
Gallatin College		274,021		270,986	273,143
MSU Billings		1,244,023		867,552	531,806
City College		385,980		192,342	412,078
MSU Northern		533,197		531,788	549,431
Great Falls College		228,194		531,780	380,545
UM Missoula		3,089,196		3,474,282	2,468,809
Missoula College		588,411		138,337	621,493
MT Tech		476,761		192,980	771,603
Highlands College		160,317		138,744	199,056
UM Western		581,500		315,897	630,804
Helena College		347,884		349,706	463,224
Total Funding	\$	13,471,284	\$	12,560,875	\$ 12,809,034

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
Transfers	230,826,203	235,304,998	254,410,536	270,938,838	269,847,508
Total Expenditures	\$230,826,203	\$235,304,998	\$254,410,536	\$270,938,838	\$269,847,508
General Fund	197,198,778	201,677,573	221,383,111	234,594,413	233,045,083
State/Other Special Rev. Funds	33,627,425	33,627,425	33,027,425	36,344,425	36,802,425
Total Funds	\$230,826,203	\$235,304,998	\$254,410,536	\$270,938,838	\$269,847,508
Total Ongoing	\$230,826,203	\$235,304,998	\$254,410,536	\$270,938,838	\$269,847,508
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Appropriation Distribution Program in the Office of the Commissioner of Higher Education (OCHE) is the conduit through which state funds flow to the university system units. This program includes state funding for the Montana University System educational units, the Family Practice Rural Residency programs located at MSU Billings and University of Montana in Missoula, and the Motorcycle Safety Program located at Helena College.

The MUS campuses collectively serve approximately 23,000 resident full-time students. University units include:

- UM Missoula
- UM MT Tech
- UM Western
- UM Helena
- MSU Bozeman
- MSU Billings
- MSU Northern
- MSU Great Falls

FY 2024 Appropriations Compared to FY 2024 Actual Expenditures

As of the end of FY 2024, approximately \$230.8 million, or 98.1% of appropriations were expended. Most of the unspent authority was designated for operations and maintenance for newly constructed buildings authorized for MUS institutions (HB 2305, 2023). Appropriations amounting to approximately \$3.6 million for operations and maintenance were not expended as the construction is not yet complete. Authority for the large MUS campus transfer is biennial, and remaining unspent authority may be expended in FY 2025. Restricted biennial appropriations of approximately \$627,000 were also expended for legislative audit costs for the Montana University System.

FY 2024 Appropriation Compared to FY 2025 Appropriation

Appropriations for FY 2025 are approximately \$18.9 million, or 8.1% larger than FY 2024 appropriations. This includes an appropriation increase of approximately \$12.3 million for the lump sum transfer to MUS campuses and an increase of approximately \$3.6 million for the operations and maintenance of new buildings once completed. The campus appropriation increase was largely a result of pay plan adjustments appropriated in HB 13, 2023. No funds for a legislative audit were appropriated for 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 901 - Montana University System PLA										
	0.00	11,384,407	0	0	11,384,407	0.00	10,526,476	0	0	10,526,476
DP 902 - MUS LAD Audit Costs										
	0.00	282,249	0	0	282,249	0.00	0	0	0	0
DP 903 - MUS Fixed Cost Increases from State										
	0.00	4,861,646	0	0	4,861,646	0.00	4,910,496	0	0	4,910,496
Grand Total All Present Law Adjustments										
	0.00	\$16,528,302	\$0	\$0	\$16,528,302	0.00	\$15,436,972	\$0	\$0	\$15,436,972

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

DP 901 - Montana University System PLA -

The MUS requests funding to annualize various personal services costs, fixed costs, and inflationary costs for all Montana University System (MUS) units at the current unrestricted rate. This change package simulates change packages SWPL 1 & 3 for all other agencies.

DP 902 - MUS LAD Audit Costs -

The executive requests general fund appropriations for Legislative Audit Costs for the Montana University System in FY 2026.

DP 903 - MUS Fixed Cost Increases from State -

The decision package is requested to provide funding required in the budget to pay fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include audit fees, information technology services, etc. The rates charged for these services are approved in a separate portion of the budget.

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 904 - University Millage Fund Switch	0.00	(3,317,000)	3,317,000	0	0	0.00	(3,775,000)	3,775,000	0	0
Total	0.00	(\$3,317,000)	\$3,317,000	\$0	\$0	0.00	(\$3,775,000)	\$3,775,000	\$0	\$0

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

DP 904 - University Millage Fund Switch -

The executive requests a funding adjustment for the MUS based on revenue in the 6-mill, state special revenue account. The request decreases general fund in FY 2026 and in FY 2027 and increases University Millage state special revenue by equivalent amounts in both years.

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 FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
General Fund	36,137,018	38,480,666	38,828,916	5,035,546	7.0%
State/Other Special Rev. Funds	1,119,968	1,119,968	1,119,968		0.0%
Total Funds	37,256,986	39,600,634	39,948,884	5,035,546	6.8%
Transfers	37,256,986	39,600,634	39,948,884	5,035,546	6.8%
Total Expenditures	37,256,986	39,600,634	39,948,884	5,035,546	6.8%
Total Ongoing	37,256,986	39,600,634	39,948,884	5,035,546	6.8%
Total One-Time-Only					0.0%

Program Highlights

Agency Funds Major Budget Highlights	
<p>The Research and Development Agencies' 2027 biennium requested appropriations are approximately \$5.0 million, or 6.8% higher than the FY 2025 base budget</p> <ul style="list-style-type: none"> The executive request includes an increase of general fund appropriations of approximately \$2.3 million in FY 2026 and \$2.7 million in FY 2027 for present law adjustments for personal services, higher education fixed costs, and inflation 	

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.

Agency Funds 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
Base Budget	36,137,018	1,119,968	0	37,256,986	94.1%	36,137,018	1,119,968	0	37,256,986	93.3%
Statewide PL										
Personal Services	0	0	0	0	0.0%	0	0	0	0	0.0%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	0	0	0	0	0.0%	0	0	0	0	0.0%
Present Law (PL)	2,343,648	0	0	2,343,648	5.9%	2,691,898	0	0	2,691,898	6.7%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	2,343,648	0	0	2,343,648	5.9%	2,691,898	0	0	2,691,898	6.7%
Total Requested Budget	38,480,666	1,119,968	0	39,600,634		38,828,916	1,119,968	0	39,948,884	

The executive is requesting an increase of approximately \$2.3 million in FY 2026 and \$2.7 million in FY 2027 above the FY 2025 base appropriations. The increase is due to the present law adjustment for personal services, fixed costs, and inflation.

The following figure compares the agency budget request to the funding requested by the executive for the Research and Development Agencies.

Commissioner of Higher Education Research and Development Agencies Agency Budget Request Compared to Executive Budget Recommendation				
Agency Request	CUR FY 2024 ACTUAL	CUR FY 2025 OP PLAN	CUR FY 2026 REQUEST	CUR FY 2027 REQUEST
ES	\$ 7,755,663	\$ 7,967,962	\$ 8,486,722	\$ 8,602,516
AES	20,046,673	20,459,681	21,838,938	22,029,362
FIRE	1,384,386	1,301,325	1,418,878	1,428,804
MBMG	5,862,702	6,537,448	6,243,821	6,260,409
FCES	1,533,953	1,595,008	1,612,275	1,627,793
Less: one-time-only appropriations			-	-
TOTAL	36,583,377	37,861,424	39,600,634	39,948,884
State Funding Requested				
General Fund	34,824,278	35,813,596	38,480,666	38,828,916
State Special	1,119,698	1,119,698	1,119,968	1,119,968
Other	639,401	928,130	-	-
Less: one-time-only appropriations			-	-
Total	36,583,377	37,861,424	39,600,634	39,948,884
Executive Budget Recommendation				
General Fund	N/A	N/A	38,480,666	38,828,916
State Special	N/A	N/A	1,119,968	1,119,968
Total	-	-	39,600,634	39,948,884
Difference from Request to Recommendation				
General Fund	N/A	N/A	-	-
State Special			-	-
Total	\$ -	\$ -	\$ -	\$ -

The Office of the Commissioner of Higher Education has projected a total current unrestricted operating budget (CUR) of \$39.6 million in FY 2026 and \$39.9 million in FY 2027. The executive's budget request is identical to the agency's budget request for the Research and Development Agencies.

Funding

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

Commissioner of Higher Education, 10-Agency Funds Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	77,309,582	0	0	0	77,309,582	97.2%	
02289 Bureau Of Mines Groundwater	1,142,000	0	0	0	1,142,000	51.0%	
02432 Oil & Gas ERA	600,000	0	0	0	600,000	26.8%	
02576 Natural Resources Operations	497,936	0	0	0	497,936	22.2%	
State Special Total	\$2,239,936	\$0	\$0	\$0	\$2,239,936	2.8%	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%	
Total All Funds	\$79,549,518	\$0	\$0	\$0	\$79,549,518		

HB 2 Appropriations

The general operating budgets for the Research and Development Agencies are funded with general fund appropriations. The remaining funding comes from state special revenue. State special revenues for the program are comprised of revenues from the resource indemnity trust (RIT) interest, oil and gas and metal mines tax. The agencies also use non-state revenues to support their general operating budgets; these revenues are not appropriated in HB 2.

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
Transfers	35,824,757	35,908,861	37,256,986	39,600,634	39,948,884
Total Expenditures	\$35,824,757	\$35,908,861	\$37,256,986	\$39,600,634	\$39,948,884
General Fund	34,704,789	34,788,893	36,137,018	38,480,666	38,828,916
State/Other Special Rev. Funds	1,119,968	1,119,968	1,119,968	1,119,968	1,119,968
Total Funds	\$35,824,757	\$35,908,861	\$37,256,986	\$39,600,634	\$39,948,884
Total Ongoing	\$35,704,757	\$35,788,861	\$37,256,986	\$39,600,634	\$39,948,884
Total OTO	\$120,000	\$120,000	\$0	\$0	\$0

Program Description

The agencies within the Montana University System aid in research, scientific experimentation, and professional and community development. The agencies work side by side with campuses across the state to foster learning and create career opportunities in various fields of study including agriculture, resource management and conservation, forestry, fire and rescue, and geologic studies.

The Research and Development Agencies consist of:

- Agricultural Experiment Stations (AES)
- Extension Services (ES)
- Forestry and Conservation Experiment Station (FCES)
- Bureau of Mines and Geology (MBMG)
- Fire Services Training School (FSTS)

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Research and Development Agencies are funded in HB 2 with general fund and state special revenue. The HB 2 budget of approximately \$35.8 million was 99.8% expended as of the end of FY 2024.

FY 2024 Appropriations Compared to FY 2025 Appropriations

Overall, the FY 2025 appropriation is approximately \$1.3 million or 3.8% higher than the FY 2024 appropriation. This difference in the total appropriations is due to the pay plan approved in HB 13 and a higher present law adjustment approved by the legislature for 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 1001 - Research & Development Agencies PLA										
0.00	2,185,377	0	0	2,185,377		0.00	2,535,546	0	0	2,535,546
DP 1002 - SWPL Research & Development Agencies										
0.00	158,271	0	0	158,271		0.00	156,352	0	0	156,352
Grand Total All Present Law Adjustments										
0.00	\$2,343,648	\$0	\$0	\$2,343,648		0.00	\$2,691,898	\$0	\$0	\$2,691,898

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

DP 1001 - Research & Development Agencies PLA -

The executive requests funding to annualize various MUS personal services costs, MUS fixed cost, and inflationary costs. This change package simulates the statewide present law adjustments for personal services and inflation changes packages for all other agencies.

DP 1002 - SWPL Research & Development Agencies -

The executive requests funding to pay fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include audit fees, information technology services, etc. The rates charged for these services are approved in a separate portion of the budget.

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 FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
General Fund	918,400	918,400	918,400		0.0%
Total Funds	918,400	918,400	918,400		0.0%
Grants	918,400	918,400	918,400		0.0%
Total Expenditures	918,400	918,400	918,400		0.0%
Total Ongoing	918,400	918,400	918,400		0.0%
Total One-Time-Only	100,000			(200,000)	(100.0%)

Program Highlights

Tribal College Assistance Program Major Budget Highlights	
<p>The Tribal College Assistance Program's FY 2026 and 2027 ongoing appropriations request are identical to the FY 2025 base budget</p> <ul style="list-style-type: none"> The executive has not requested a one-time-only appropriation for High School Equivalency Test (HiSET) preparation funding, which previously recieved funding each biennium since it was first funded in 2019 	

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.

Tribal College Assistance Program 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
Base Budget	918,400	0	0	918,400	100.0%	918,400	0	0	918,400	100.0%
Statewide PL										
Personal Services	0	0	0	0	0.0%	0	0	0	0	0.0%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	0	0	0	0	0.0%	0	0	0	0	0.0%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Requested Budget	918,400	0	0	918,400		918,400	0	0	918,400	

The executive request is identical to the FY 2025 base budget.

Funding

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

Commissioner of Higher Education, 11-Tribal College Assistance Program Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	1,836,800	0	0	0	1,836,800	100.0%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$1,836,800	\$0	\$0	\$0	\$1,836,800	

HB 2 Appropriations

The HB 2 appropriation for the Tribal College Assistance Program is entirely funded with general fund.

Funding is provided for nonbeneficiary students attending one of the seven tribal colleges in Montana. The table below illustrates the recent history of actual program expenditures, the executive's recommendations for the 2027 biennium, and the changes in the average state funds per nonbeneficiary student.

Commissioner of Higher Education Tribal College Assistance Program State Funding Nonbeneficiary Montana Students Attending Tribal Community Colleges				
Fiscal Year		Number of Nonbeneficiary Montana Students Reported	State Funds Distributed for Nonbeneficiary Students	Average State Funds per Nonbeneficiary Student
FY 2016	Actual	239.75	786,380	3,280
FY 2017	Actual	240.34	788,315	3,280
FY 2018	Actual	295.67	837,875	2,834
FY 2019	Actual	296.13	837,875	2,829
FY 2020	Actual	260.56	837,875	3,216
FY 2021	Actual	214.04	702,047	3,280
FY 2022	Actual	236.54	775,851	3,280
FY 2023	Actual	269.73	837,875	3,106
FY 2024	Actual	272.70	894,456	3,280
FY 2025	Actual	238.58	782,536	3,280
FY 2026	Budgeted	280.00	918,400	3,280
FY 2027	Budgeted	280.00	918,400	3,280
**Per Section 20-25-428, MCA there is a maximum distribution of \$3,280 per nonbeneficiary student per year.				

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
Grants	994,451	1,018,400	1,018,400	918,400	918,400
Total Expenditures	\$994,451	\$1,018,400	\$1,018,400	\$918,400	\$918,400
General Fund	994,451	1,018,400	1,018,400	918,400	918,400
Total Funds	\$994,451	\$1,018,400	\$1,018,400	\$918,400	\$918,400
Total Ongoing	\$894,456	\$918,400	\$918,400	\$918,400	\$918,400
Total OTO	\$99,995	\$100,000	\$100,000	\$0	\$0

Program Description

The Tribal College Assistance program provides funding to tribal colleges to support a portion of the costs of educating nonbeneficiary Montana students (non-tribal members) attending the seven tribal community colleges on the reservations in Montana. Section 20-25-428, MCA, requires the Board of Regents to provide assistance to tribal colleges "subject to a line item appropriation" by the legislature, up to a maximum of \$3,280 per year for each nonbeneficiary student FTE.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Tribal College Assistance Program is funded entirely with general fund. Approximately \$944,000, or 97.6% of the FY 2024 appropriations for the Tribal College Assistance Program were expended. \$99,995 of the one-time-only appropriation of \$100,000 for HiSET training and classes was expended. This amounted to distributions of \$14,285 per campus. The remaining \$918,000 of funding was for non-beneficiary students attending tribal colleges. In FY 2024, there was a distribution for 272.70 nonbeneficiary students, which was 7.30 lower than estimated. This resulted in a total distribution of approximately \$894,000, which is the maximum allowable.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The FY 2025 appropriation is the same as the FY 2024 appropriation.

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 FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
PB	1.50	1.50	1.50	0.00	0.0%
Federal Spec. Rev. Funds	2,408,070	2,324,902	2,324,940	(166,298)	(3.5%)
Total Funds	2,408,070	2,324,902	2,324,940	(166,298)	(3.5%)
Personal Services	231,023	147,970	147,971	(166,105)	(35.9%)
Operating Expenses	1,781,632	1,781,517	1,781,554	(193)	(0.0%)
Debt Service	395,415	395,415	395,415		0.0%
Total Expenditures	2,408,070	2,324,902	2,324,940	(166,298)	(3.5%)
Total Ongoing	2,408,070	2,324,902	2,324,940	(166,298)	(3.5%)
Total One-Time-Only					0.0%

Program Highlights

Guaranteed Student Loan Program Major Budget Highlights

The Guaranteed Student Loan Program's 2027 biennium requested appropriations are approximately \$166,000, or 3.5% lower than the FY 2025 base budget

- The executive proposes a reduction of federal special revenue appropriations of approximately \$83,000 in FY 2026 and FY 2027 due to statewide present law adjustments for personal services and inflation

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.

Guaranteed Student Loan Program 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
Base Budget	0	0	2,408,070	2,408,070	103.6%	0	0	2,408,070	2,408,070	103.6%
Statewide PL										
Personal Services	0	0	(83,053)	(83,053)	(3.6%)	0	0	(83,052)	(83,052)	(3.6%)
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	(115)	(115)	(0.0%)	0	0	(78)	(78)	(0.0%)
Total Statewide PL	0	0	(83,168)	(83,168)	(3.6%)	0	0	(83,130)	(83,130)	(3.6%)
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	0	0	(83,168)	(83,168)	(3.6%)	0	0	(83,130)	(83,130)	(3.6%)
Total Requested Budget	0	0	2,324,902	2,324,902		0	0	2,324,940	2,324,940	

The executive is requesting a decrease of approximately \$83,000 in FY 2026 and in FY 2027 from the FY 2025 base budget. This reduction is primarily due to statewide present law adjustments for personal services.

Funding

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

Commissioner of Higher Education, 12-Guaranteed Student Loan Program 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%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
03400 Guaranteed Std. Loan-Admin.	4,649,842	0	0	0	4,649,842	100.0%
Federal Special Total	\$4,649,842	\$0	\$0	\$0	\$4,649,842	100.0%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$4,649,842	\$0	\$0	\$0	\$4,649,842	

HB 2 Appropriations

The Guaranteed Student Loan Program is funded entirely with federal funds from the U.S. Department of Education. Funding is provided to support financial aid awareness and outreach as well as other financial aid related activities benefiting students.

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	1.50	1.50	1.50	1.50
Personal Services	107,320	221,240	231,023	147,970	147,971
Operating Expenses	717,487	1,772,784	1,781,632	1,781,517	1,781,554
Debt Service	8,380	395,415	395,415	395,415	395,415
Total Expenditures	\$833,187	\$2,389,439	\$2,408,070	\$2,324,902	\$2,324,940
Federal Spec. Rev. Funds	833,187	2,389,439	2,408,070	2,324,902	2,324,940
Total Funds	\$833,187	\$2,389,439	\$2,408,070	\$2,324,902	\$2,324,940
Total Ongoing	\$833,187	\$2,389,439	\$2,408,070	\$2,324,902	\$2,324,940
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Guaranteed Student Loan Program (GSL) provides financial aid awareness and related outreach and other financial aid-related activities for the benefit of students. GSL is authorized under Title 20, Chapter 26, MCA.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Guaranteed Student Loan program is funded entirely with federal special revenue. The HB 2 budget of approximately \$2.4 million was 34.9% expended as of the end of FY 2024.

The loan portfolio for the Guaranteed Student Loan Program was transitioned to a federally approved loan servicing provider as of October 2017. The 2019 Legislature approved a reduction in federal funds to correspond with this transition. The remaining federal funding and 1.50 PB were approved to support financial aid awareness and outreach as well as other financial aid related activities benefiting students. Expenditures have historically been low after this transition.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The FY 2025 appropriation increased slightly due to higher present law adjustments than in FY 2024.

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	(83,053)	(83,053)	0.00	0	0	(83,052)	(83,052)
DP 3 - Inflation Deflation	0.00	0	0	(115)	(115)	0.00	0	0	(78)	(78)
Grand Total All Present Law Adjustments	0.00	\$0	\$0	(\$83,168)	(\$83,168)	0.00	\$0	\$0	(\$83,130)	(\$83,130)

***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

Guaranteed Student Loan Program	
Office of the Commissioner of Higher Education	
FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ (11,971)
Management Changes	(71,082)
Total Budget Modifications	-
Total	<u>\$ (83,053)</u>

Funding adjustments attributable to legislative changes in this program are mostly due to reductions in employee benefits. Reductions attributable to management changes are largely a result of vacant position expense changes.

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.

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
General Fund	74,576	74,576	74,576		0.0%
Total Funds	74,576	74,576	74,576		0.0%
Personal Services	11,900	11,900	11,900		0.0%
Operating Expenses	62,676	62,676	62,676		0.0%
Total Expenditures	74,576	74,576	74,576		0.0%
Total Ongoing	74,576	74,576	74,576		0.0%
Total One-Time-Only					0.0%

Program Highlights

Board of Regents - Admin Major Budget Highlights	
The Board of Regents-Admin Program's 2027 biennium requested appropriations are identical to the FY 2025 base budget	

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.

Board of Regents-Administration 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
Base Budget	74,576	0	0	74,576	100.0%	74,576	0	0	74,576	100.0%
Statewide PL										
Personal Services	(5,600)	0	0	(5,600)	(7.5%)	(5,600)	0	0	(5,600)	(7.5%)
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	(5,600)	0	0	(5,600)	(7.5%)	(5,600)	0	0	(5,600)	(7.5%)
Present Law (PL)	5,600	0	0	5,600	7.5%	5,600	0	0	5,600	7.5%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Requested Budget	74,576	0	0	74,576		74,576	0	0	74,576	

The executive request includes a reduction of general fund appropriations for personal services of \$5,600 in both FY 2026 and FY 2027 and a present law increase in both years for the same amount. The statewide present law adjustment is due to a technical issue, and the present law adjustment is meant to correct that issue. Further details are explained below.

Funding

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

Commissioner of Higher Education, 13-Board of Regents-Administration Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	149,152	0	0	0	149,152	100.0%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$149,152	\$0	\$0	\$0	\$149,152	

HB 2 Appropriations

The Board of Regents is funded entirely with general fund.

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
Personal Services	2,600	11,900	11,900	11,900	11,900
Operating Expenses	53,135	62,352	62,676	62,676	62,676
Total Expenditures	\$55,735	\$74,252	\$74,576	\$74,576	\$74,576
General Fund	55,735	74,252	74,576	74,576	74,576
Total Funds	\$55,735	\$74,252	\$74,576	\$74,576	\$74,576
Total Ongoing	\$55,735	\$74,252	\$74,576	\$74,576	\$74,576
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Board of Regents program provides administrative support, travel, and per diem for the Board of Regents. The Board of Regents has full power, responsibility, and authority to supervise, coordinate, manage, and control the Montana University System under Article X, Section 9, Montana Constitution, and 20-25-301, MCA.

FY 2024 Appropriations Compared to FY 2024 Actuals

The FY 2024 appropriation of approximately \$74,000 was approximately 75.1% expended. Of the \$18,000 of unspent authority, approximately \$9,000 of personal services authority and \$9,000 of operating expenses authority remained unexpended.

FY 2025 Appropriation Compared to FY 2024 Appropriation

The FY 2025 appropriation was not significantly different than the FY 2024 appropriation.

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	(5,600)	0	0	(5,600)		0.00	(5,600)	0	0	(5,600)
DP 1301 - Fixed Cost Per Diem Account Adjustment										
0.00	5,600	0	0	5,600		0.00	5,600	0	0	5,600
Grand Total All Present Law Adjustments										
0.00	\$0	\$0	\$0	\$0		0.00	\$0	\$0	\$0	\$0

*"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

Additional factors contributing to the budget request include the removal of per diem allowance for the Board of Regent's during the snapshot process and a technical adjustment due to the incorrect personal services account used during turnaround. A coordinating present law change package DP 1301 corrects this technical accounting issue by adjusting base funding for the Board of Regents.

DP 1301 - Fixed Cost Per Diem Account Adjustment -

The executive requests appropriations to correct a technical issue for the allocation of per diem authority related to HB 314 from the 2023 Session. During the turnaround process the incorrect personal services account was used resulting in a shortfall in the account used for SWPL 1.

MONTANA SCHOOL FOR DEAF & BLIND

Section E

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----Agencies-----

Office of Public Instruction	Montana Arts Council
Board of Public Education	Montana State Library
Office of Commissioner of Higher Education	Montana Historical Society
Montana School for Deaf & Blind	

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

House

Representative David Bedey (Chair)
Representative Brad Barker
Representative Llew Jones
Representative Connie Keogh
Representative Eric Matthews

Senate

Senator John Fuller (Vice Chair)
Senator Matt Regier
Senator Jonathan Windy Boy

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

Julia Pattin
Katie Guenther
Kurt Swimley
Alexandra Ghosh

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	88.28	89.28	89.28	1.00	0.6%
General Fund	9,526,225	9,865,711	9,900,183	713,444	3.7%
State/Other Special Rev. Funds	317,269	305,735	305,735	(23,068)	(3.6%)
Federal Spec. Rev. Funds	206,809	206,809	206,809		0.0%
Total Funds	10,050,303	10,378,255	10,412,727	690,376	3.4%
Personal Services	8,953,793	9,155,325	9,189,407	437,146	2.4%
Operating Expenses	1,067,059	1,160,315	1,160,705	186,902	8.8%
Transfers	1,000	1,000	1,000		0.0%
Debt Service	28,451	61,615	61,615	66,328	116.6%
Total Expenditures	10,050,303	10,378,255	10,412,727	690,376	3.4%
Total Ongoing	10,050,303	10,378,255	10,412,727	690,376	3.4%
Total One-Time-Only					0.0%

Agency Highlights

Montana School for Deaf and Blind Major Budget Highlights
<p>The Montana School for Deaf and Blind's 2027 biennium ongoing budget request is approximately \$690,000 or 3.4% higher than the 2025 biennium budget. This increase includes:</p> <ul style="list-style-type: none"> Approximately \$494,000 in new proposals for the 2027 biennium, including: <ul style="list-style-type: none"> 1.00 new PB (Positions Budgeted) for an Administrative Assistant in the Administration Program Increases in the general fund for longevity pay An increase in statewide present law adjustments for personal services Additional use of motor pool vehicles for outreach staff Stipends for staff who advise students' extracurricular activities

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.

School For the Deaf & Blind 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
Base Budget	9,526,225	317,269	206,809	10,050,303	96.8%	9,526,225	317,269	206,809	10,050,303	96.5%
Statewide PL										
Personal Services	12,807	0	0	12,807	0.1%	21,152	0	0	21,152	0.2%
Fixed Costs	97,209	0	0	97,209	0.9%	98,355	0	0	98,355	0.9%
Inflation Deflation	(6,305)	0	0	(6,305)	(0.1%)	(4,261)	0	0	(4,261)	(0.0%)
Total Statewide PL	103,711	0	0	103,711	1.0%	115,246	0	0	115,246	1.1%
Present Law (PL)	0	(11,534)	0	(11,534)	(0.1%)	0	(11,534)	0	(11,534)	(0.1%)
New Proposals	235,775	0	0	235,775	2.3%	258,712	0	0	258,712	2.5%
Total HB 2 Adjustments	339,486	(11,534)	0	327,952	3.2%	373,958	(11,534)	0	362,424	3.5%
Total Requested Budget	9,865,711	305,735	206,809	10,378,255		9,900,183	305,735	206,809	10,412,727	

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.

School for Deaf and Blind FY 2026 Statewide Present Law Adjustment for Personal Services - DP 1				
Program	Legislative Changes	Management Decisions	Budget Modifications	Total DP 1
01 Administration	\$11,482	\$9,536	\$0	\$21,018
02 General Services	13,969	16,544	-	30,513
03 Student Services	43,269	51,763	-	95,032
04 Education	167,479	(301,235)	-	(133,756)
Total	\$236,199	(\$223,392)	\$0	\$12,807

The proposed statewide personal services present law adjustment (DP 1) is the result of a few different factors. Management decisions, including program transfers, reclassifications, and hiring at higher rates than previously budgeted contributed to slightly less than half of the statewide present law adjustment. Legislative changes increased primarily due to greater longevity and benefits costs.

Funding

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

Total School For the Deaf & Blind 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
01100 General Fund	19,765,894				19,765,894	95.1%
02050 School Trust Interest/Income	611,470				611,470	2.9%
State Special Revenue Total	611,470		-	-	611,470	2.9%
03064 EHA, Part B	238,438				238,438	1.1%
03012 E.C.I.A. Chapter I	105,722				105,722	0.5%
03167 National School Lunch	69,458				69,458	0.3%
Federal Special Revenue Total	413,618		-	-	413,618	2.0%
Proprietary Fund Total	-	-	-	-	-	0.0%
Total of All Funds	20,790,982	-	-	-	20,790,982	
Percent of All Sources of Authority	100.0%	0.0%	0.0%	0.0%		

The School for Deaf and Blind is funded primarily through the general fund, but also through state special revenue, and federal special revenue. State special funds include school trust income & interest and Medicaid reimbursements. The LFD estimates school trust income will be sufficient to support the executive's proposal for its use. Revenues from school trusts fluctuate based on the activities occurring on school lands. Students under the care of the MSDB may be Medicaid eligible and the school is reimbursed for those services covered by Medicaid.

Sources of federal funds include the National School Lunch Program, which provides subsidized meals for low-income children.

Unlike other public schools, the school does not have the ability to levy property taxes to support school programs.

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	88.28	88.28	89.28	89.28
Personal Services	8,376,346	8,418,812	8,953,793	9,155,325	9,189,407
Operating Expenses	1,084,027	1,164,285	1,067,059	1,160,315	1,160,705
Transfers	0	1,000	1,000	1,000	1,000
Debt Service	28,450	28,451	28,451	61,615	61,615
Total Expenditures	\$9,488,823	\$9,612,548	\$10,050,303	\$10,378,255	\$10,412,727
General Fund	9,000,736	9,107,127	9,526,225	9,865,711	9,900,183
State/Other Special Rev. Funds	293,441	304,975	317,269	305,735	305,735
Federal Spec. Rev. Funds	194,646	200,446	206,809	206,809	206,809
Total Funds	\$9,488,823	\$9,612,548	\$10,050,303	\$10,378,255	\$10,412,727
Total Ongoing	\$9,488,823	\$9,612,548	\$10,050,303	\$10,378,255	\$10,412,727
Total OTO	\$0	\$0	\$0	\$0	\$0

Agency Description

The Montana School for the Deaf & the Blind (MSDB) provides educational opportunities for Montana's students who are deaf, hard of hearing, blind, visually impaired, and deafblind. Children and youth from preschool through high school can attend MSDB as residential or day students on the Great Falls campus, where specialized instruction is combined with opportunities to attend classes in the public schools. MSDB also serves as a statewide resource center for families, school districts, and professionals serving students who are deaf, hard of hearing, blind, visually impaired, and deafblind. Additionally, outreach consultants serve hundreds of students and families in communities across Montana and MSDB offers additional outreach programs on campus.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Montana School for Deaf and Blind's modified HB 2 budget of approximately \$9.6 million was 98.7% expended as of the end of FY 2024. Personal services were 99.5% expended and operating expenses were 93.1% expended. The agency also expended the entire debt service appropriation of \$28,500 general fund.

FY 2024 Appropriations Compared to FY 2025 Appropriations

FY 2025 appropriations are approximately \$438,000 or 4.5% higher than the FY 2024 total appropriation, primarily due to the pay plan and a program transfer from the Education Program to the Administration, General Services, and Student Services Programs. The increase is the net result of the following differences in appropriations for each program:

- Administration: A decrease of approximately \$9,000
- General Services: An increase of approximately \$33,000
- Student Services: A decrease of approximately \$14,000
- Education: An increase of approximately \$427,000

For additional details regarding these appropriation differences, please see the appropriation comparison at the program level.

Comparison of FY 2025 Legislative Budget to FY 2025 Base

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

School for the Deaf and Blind Comparison of the FY 2025 Legislative Budget to the FY 2025 Base Budget					
	Legislative Budget	Executive Modifications	Base Budget	% Change	
01 ADMINISTRATION PROGRAM					
6100 Personal Services	\$503,100	\$0	\$503,100	0.0%	
6200 Operating Expenses	218,612	-	218,612	0.0%	
Total	721,712	-	721,712	0.0%	
02 GENERAL SERVICES					
6100 Personal Services	349,222	-	349,222	0.0%	
6200 Operating Expenses	303,811	-	303,811	0.0%	
6600 Transfers	1,000	-	1,000	0.0%	
6900 Debt Service	28,451	-	28,451	0.0%	
Total	682,484	-	682,484	0.0%	
03 STUDENT SERVICES					
6100 Personal Services	1,888,603	-	1,888,603	0.0%	
6200 Operating Expenses	237,969	-	237,969	0.0%	
Total	2,126,572	-	2,126,572	0.0%	
04 EDUCATION					
6100 Personal Services	6,212,868	-	6,212,868	0.0%	
6200 Operating Expenses	306,667	-	306,667	0.0%	
Total	6,519,535	-	6,519,535	0.0%	
Agency Total	\$10,050,303	\$0	\$10,050,303	0.0%	

There were no executive modifications to the legislative budget.

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	5.00	6.00	6.00	1.00	10.0%	
General Fund	718,318	963,601	988,375	515,340	35.9%	
State/Other Special Rev. Funds	3,394	3,394	3,394		0.0%	
Total Funds	721,712	966,995	991,769	515,340	35.7%	
Personal Services	503,100	682,468	708,896	385,164	38.3%	
Operating Expenses	218,612	284,527	282,873	130,176	29.8%	
Total Expenditures	721,712	966,995	991,769	515,340	35.7%	
Total Ongoing	721,712	966,995	991,769	515,340	35.7%	
Total One-Time-Only					0.0%	

Program Highlights

Administration Program Major Budget Highlights
<ul style="list-style-type: none"> The Administration Program's 2027 biennium budgeted general fund appropriations are approximately \$515,000 or 35.9% greater than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> An increase in personal services appropriations due to statewide present law adjustments A new proposal requesting \$54,467 for 1.00 PB in FY 2026 and \$51,667 for 1.00 PB in FY 2027 for an administrative assistant to assist half-time in the business office and half-time with outreach staff record keeping A new proposal for longevity adjustment for pay increases amounting to \$106,683 for FY 2026 and \$132,420 for FY 2027

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.

Administration Program 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
Base Budget	718,318	3,394	0	721,712	74.6%	718,318	3,394	0	721,712	72.8%
Statewide PL										
Personal Services	21,018	0	0	21,018	2.2%	21,709	0	0	21,709	2.2%
Fixed Costs	63,115	0	0	63,115	6.5%	64,261	0	0	64,261	6.5%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	84,133	0	0	84,133	8.7%	85,970	0	0	85,970	8.7%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	161,150	0	0	161,150	16.7%	184,087	0	0	184,087	18.6%
Total HB 2 Adjustments	245,283	0	0	245,283	25.4%	270,057	0	0	270,057	27.2%
Total Requested Budget	963,601	3,394	0	966,995		988,375	3,394	0	991,769	

Funding

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

School For the Deaf & Blind, 01-Administration Program Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	1,951,976	0	0	0	1,951,976	99.7%
02050 School Trust Interest/Income	6,788	0	0	0	6,788	100.0%
State Special Total	\$6,788	\$0	\$0	\$0	\$6,788	0.3%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$1,958,764	\$0	\$0	\$0	\$1,958,764	

The Administration Program is funded entirely through HB 2 and the pay plan. The Administration Program is funded almost entirely with general fund, at 99.5%. The school also receives interest and income from school trust lands which funds less than 1% of the program's budget.

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	5.00	5.00	6.00	6.00
Personal Services	505,889	506,713	503,100	682,468	708,896
Operating Expenses	222,713	223,668	218,612	284,527	282,873
Total Expenditures	\$728,602	\$730,381	\$721,712	\$966,995	\$991,769
General Fund	725,208	726,987	718,318	963,601	988,375
State/Other Special Rev. Funds	3,394	3,394	3,394	3,394	3,394
Total Funds	\$728,602	\$730,381	\$721,712	\$966,995	\$991,769
Total Ongoing	\$728,602	\$730,381	\$721,712	\$966,995	\$991,769
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Administration Program staff provide purchasing, accounting, personnel functions, and management of the business affairs for the school.

FY 2024 Appropriation Compared to FY 2024 Expenditures

The Administration Program's HB 2 budget of approximately \$730,000 was 99.8% expended as of the end of FY 2024. Personal services were 99.8% expended. Operating expenses were 99.6% expended.

FY 2024 Appropriations Compared to FY 2025 Appropriations

FY 2025 total appropriations were \$8,669 or 1.2% lower than FY 2024 total appropriation. This is largely due to differences in the pay plan, as well as a program transfer from the Education Program to the Administration Program. The decrease is the net result of the following changes:

- An increase of approximately \$20,400 for inflation and deflation adjustments
- An increase of approximately \$2,000 resulting from smaller changes in personal services, as well as adjustments for inflation and deflation
- A decrease of \$31,000 resulting from a program transfer

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	21,018	0	0	21,018		0.00	21,709	0	0	21,709
DP 2 - Fixed Costs										
0.00	63,115	0	0	63,115		0.00	64,261	0	0	64,261
Grand Total All Present Law Adjustments										
0.00	\$84,133	\$0	\$0	\$84,133		0.00	\$85,970	\$0	\$0	\$85,970

**"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

Montana School for the Deaf and Blind	
Administration	
FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$11,482
Management Decisions	9,536
Budget Modifications	-
Total	\$21,018

The Administration Program is incurring a positive statewide present law adjustment for personal services. This is primarily due to management changes for pay increases due to reclassifications and hiring new positions at higher rates, as well as budgeting for overtime. Legislative changes also increased primarily due to greater benefits and longevity costs.

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.

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 9 - Business Office Administrative Assistant	1.00	54,467	0	0	54,467	1.00	51,667	0	0	51,667
DP 15 - Longevity Adjustment	0.00	106,683	0	0	106,683	0.00	132,420	0	0	132,420
Total	1.00	\$161,150	\$0	\$0	\$161,150	1.00	\$184,087	\$0	\$0	\$184,087

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

DP 9 - Business Office Administrative Assistant -

The executive requests general fund for 1.00 PB for an administrative assistant to assist half-time in the business office and half-time with outreach staff record keeping.

DP 15 - Longevity Adjustment -

The executive requests general fund for longevity pay increases. Prior to 2024, these employees had not received longevity as part of the pay plan.

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 FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
PB	4.57	4.57	4.57	0.00	0.0%
General Fund	682,484	747,091	747,929	130,052	9.5%
Total Funds	682,484	747,091	747,929	130,052	9.5%
Personal Services	349,222	379,735	380,573	61,864	8.9%
Operating Expenses	303,811	304,741	304,741	1,860	0.3%
Transfers	1,000	1,000	1,000		0.0%
Debt Service	28,451	61,615	61,615	66,328	116.6%
Total Expenditures	682,484	747,091	747,929	130,052	9.5%
Total Ongoing	682,484	747,091	747,929	130,052	9.5%
Total One-Time-Only					0.0%

Program Highlights

General Services Program Major Budget Highlights

- The General Services Program's 2027 biennium budgeted general fund appropriations are approximately \$130,000 or 9.5% greater than the FY 2025 base budget. Significant changes include:
 - An increase in personal services appropriations due to statewide present law adjustments
 - An increase in debt service appropriations of \$66,328, or a 116.6% increase

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.

	General Services 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
Base Budget	682,484	0	0	682,484	91.4%	682,484	0	0	682,484	91.2%
Statewide PL										
Personal Services	30,513	0	0	30,513	4.1%	31,351	0	0	31,351	4.2%
Fixed Costs	34,094	0	0	34,094	4.6%	34,094	0	0	34,094	4.6%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	64,607	0	0	64,607	8.6%	65,445	0	0	65,445	8.8%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	64,607	0	0	64,607	8.6%	65,445	0	0	65,445	8.8%
Total Requested Budget	747,091	0	0	747,091		747,929	0	0	747,929	

Funding

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

School For the Deaf & Blind, 02-General Services Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	1,495,020	0	0	0	1,495,020	100.0%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$1,495,020	\$0	\$0	\$0	\$1,495,020	

The General Services Program is funded entirely through HB 2 and the pay plan.

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	4.57	4.57	4.57	4.57
Personal Services	330,370	331,465	349,222	379,735	380,573
Operating Expenses	287,024	288,159	303,811	304,741	304,741
Transfers	0	1,000	1,000	1,000	1,000
Debt Service	28,450	28,451	28,451	61,615	61,615
Total Expenditures	\$645,844	\$649,075	\$682,484	\$747,091	\$747,929
General Fund	645,844	649,075	682,484	747,091	747,929
Total Funds	\$645,844	\$649,075	\$682,484	\$747,091	\$747,929
Total Ongoing	\$645,844	\$649,075	\$682,484	\$747,091	\$747,929
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The General Services program maintains all buildings and property on campus. This includes all custodial work and any maintenance of the buildings and grounds.

FY 2024 Appropriations Compared to FY 2024 Expenditures

The General Service's HB 2 budget of approximately \$649,000 was 99.5% expended as of end of FY 2024. Personal services were 99.7% expended and operating expenses were 99.6% expended.

FY 2024 Appropriations Compared to FY 2025 Appropriations

FY 2025 total appropriations were approximately \$33,000 or 4.9% greater than FY 2024 appropriations. This difference is largely explained by adjustments in the pay plan, a program transfer from the Education Program to the Administration Program, as well as a one-time-only reduction for Risk Management and Tort Defense that was removed in FY 2024, but then added back in FY 2025. The total appropriations increase is the net result of the following changes:

- An increase of approximately \$75,000 for Risk Management and Tort Defense
- An increase of approximately \$17,000 for adjustments to the pay plan
- A decrease of \$50,000 resulting from a program transfer
- A decrease of approximately \$8,000 resulting from smaller changes in personal services, as well as adjustments for inflation and deflation

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	30,513	0	0	30,513	0.00	31,351	0	0	31,351
DP 2 - Fixed Costs	0.00	34,094	0	0	34,094	0.00	34,094	0	0	34,094
Grand Total All Present Law Adjustments	0.00	\$64,607	\$0	\$0	\$64,607	0.00	\$65,445	\$0	\$0	\$65,445

*"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

Montana School for the Deaf and Blind	
General Services	
FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$13,969
Management Decisions	16,544
Budget Modifications	-
Total	<u>\$30,513</u>

The General Services Program is incurring a positive statewide present law adjustment for personal services. This is largely due to management changes due to hiring two positions at greater rates than what was originally budgeted. MSDB is exempt from vacancy savings per 17-7-162, MCA.

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.

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 FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
PB	25.21	25.21	25.21	0.00	0.0%
General Fund	2,091,843	2,185,688	2,190,419	192,421	4.6%
Federal Spec. Rev. Funds	34,729	34,729	34,729		0.0%
Total Funds	2,126,572	2,220,417	2,225,148	192,421	4.5%
Personal Services	1,888,603	1,983,635	1,987,981	194,410	5.1%
Operating Expenses	237,969	236,782	237,167	(1,989)	(0.4%)
Total Expenditures	2,126,572	2,220,417	2,225,148	192,421	4.5%
Total Ongoing	2,126,572	2,220,417	2,225,148	192,421	4.5%
Total One-Time-Only					0.0%

Program Highlights

Student Services Program Major Budget Highlights	
<ul style="list-style-type: none"> The Student Services Program's 2027 biennium appropriations are approximately \$192,000 or 4.5% greater than the FY 2025 base budget. This is largely driven by an increase in personal services. 	

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.

Student Services 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
Base Budget	2,091,843	0	34,729	2,126,572	95.8%	2,091,843	0	34,729	2,126,572	95.6%
Statewide PL										
Personal Services	95,032	0	0	95,032	4.3%	99,378	0	0	99,378	4.5%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	(1,187)	0	0	(1,187)	(0.1%)	(802)	0	0	(802)	(0.0%)
Total Statewide PL	93,845	0	0	93,845	4.2%	98,576	0	0	98,576	4.4%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	93,845	0	0	93,845	4.2%	98,576	0	0	98,576	4.4%
Total Requested Budget	2,185,688	0	34,729	2,220,417		2,190,419	0	34,729	2,225,148	

Funding

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

School For the Deaf & Blind, 03-Student Services Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	4,376,107	0	0	0	4,376,107	98.4%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
03167 National School Lunch	69,458	0	0	0	69,458	100.0%
Federal Special Total	\$69,458	\$0	\$0	\$0	\$69,458	1.6%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$4,445,565	\$0	\$0	\$0	\$4,445,565	

The Student Services Program is funded primarily with general fund appropriations. The small portion of federal funds is made up of subsidies provided by the National School Lunch Program.

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	25.21	25.21	25.21	25.21
Personal Services	1,898,744	1,902,994	1,888,603	1,983,635	1,987,981
Operating Expenses	186,872	237,336	237,969	236,782	237,167
Total Expenditures	\$2,085,616	\$2,140,330	\$2,126,572	\$2,220,417	\$2,225,148
General Fund	2,050,887	2,105,601	2,091,843	2,185,688	2,190,419
Federal Spec. Rev. Funds	34,729	34,729	34,729	34,729	34,729
Total Funds	\$2,085,616	\$2,140,330	\$2,126,572	\$2,220,417	\$2,225,148
Total Ongoing	\$2,085,616	\$2,140,330	\$2,126,572	\$2,220,417	\$2,225,148
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Student Services Program provides residential care for children living at the school.

FY 2024 Appropriations Compared to FY 2024 Expenditures

The Student Service's HB 2 budget of approximately \$2.1 million was 97.4% expended as of the end of FY 2024. Personal services were 99.8% expended, while operating expenses were 78.7% expended.

FY 2024 Appropriations Compared to FY 2025 Appropriations

FY 2025 Appropriations were approximately \$14,000 or 0.65% lower than FY 2024 total appropriations. This difference is largely due to differences in the pay plan, as well as the program transfer from the Education program. Additionally, some of the difference can be explained by an increase in personal services. The overall decrease is the net result of the following changes:

- An increase of approximately \$93,000 to the pay plan
- An increase of approximately \$8,000 to personal services
- A decrease of \$115,000 resulting from the program transfer from the Education Program

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	95,032	0	0	95,032	0.00	99,378	0	0	99,378
DP 3 - Inflation Deflation	0.00	(1,187)	0	0	(1,187)	0.00	(802)	0	0	(802)
Grand Total All Present Law Adjustments	0.00	\$93,845	\$0	\$0	\$93,845	0.00	\$98,576	\$0	\$0	\$98,576

*"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

Montana School for the Deaf and Blind	
Student Services	
FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$43,269
Management Decisions	51,763
Budget Modifications	-
Total	\$95,032

The Student Services Program is incurring an increased statewide present law adjustment attributed to management changes. During the 2025 biennium the program authorized pay increases for market rate adjustments and hired new employees at greater rates than what was previously budgeted. Additionally, vacant positions were budgeted at a higher rate for this biennium. Some of the increased adjustment is offset due to funding from the previous legislative session for the Family Engagement Opportunities program. This is not included during the snapshot, as that personal services funding was not made for ongoing PB pay changes. MSDB is exempt from vacancy savings per 17-7-162, MCA.

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.

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	53.50	53.50	53.50	0.00	0.0%
General Fund	6,033,580	5,969,331	5,973,460	(124,369)	(1.0%)
State/Other Special Rev. Funds	313,875	302,341	302,341	(23,068)	(3.7%)
Federal Spec. Rev. Funds	172,080	172,080	172,080		0.0%
Total Funds	6,519,535	6,443,752	6,447,881	(147,437)	(1.1%)
Personal Services	6,212,868	6,109,487	6,111,957	(204,292)	(1.6%)
Operating Expenses	306,667	334,265	335,924	56,855	9.3%
Total Expenditures	6,519,535	6,443,752	6,447,881	(147,437)	(1.1%)
Total Ongoing	6,519,535	6,443,752	6,447,881	(147,437)	(1.1%)
Total One-Time-Only					0.0%

Program Highlights

Education Program Major Budget Highlights	
<ul style="list-style-type: none"> The Education Program's 2027 biennium appropriations are approximately \$147,000 or 1.1% less than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> A decrease in personal services appropriations due to statewide present law adjustments for personal services Requests for increased motor pool vehicle use and stipends for staff who advise students' extracurricular activities 	

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.

Education 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
Base Budget	6,033,580	313,875	172,080	6,519,535	101.2%	6,033,580	313,875	172,080	6,519,535	101.1%
Statewide PL										
Personal Services	(133,756)	0	0	(133,756)	(2.1%)	(131,286)	0	0	(131,286)	(2.0%)
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	(5,118)	0	0	(5,118)	(0.1%)	(3,459)	0	0	(3,459)	(0.1%)
Total Statewide PL	(138,874)	0	0	(138,874)	(2.2%)	(134,745)	0	0	(134,745)	(2.1%)
Present Law (PL)	0	(11,534)	0	(11,534)	(0.2%)	0	(11,534)	0	(11,534)	(0.2%)
New Proposals	74,625	0	0	74,625	1.2%	74,625	0	0	74,625	1.2%
Total HB 2 Adjustments	(64,249)	(11,534)	0	(75,783)	(1.2%)	(60,120)	(11,534)	0	(71,654)	(1.1%)
Total Requested Budget	5,969,331	302,341	172,080	6,443,752		5,973,460	302,341	172,080	6,447,881	

Funding

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

School For the Deaf & Blind, 04-Education Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	11,942,791	0	0	0	11,942,791	92.6%
02050 School Trust Interest/Income	604,682	0	0	0	604,682	100.0%
State Special Total	\$604,682	\$0	\$0	\$0	\$604,682	4.7%
03012 E.C.I.A. Chapter I	105,722	0	0	0	105,722	30.7%
03064 EHA, Part B	238,438	0	0	0	238,438	69.3%
Federal Special Total	\$344,160	\$0	\$0	\$0	\$344,160	2.7%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$12,891,633	\$0	\$0	\$0	\$12,891,633	

The Education Program is funded with 92.4% general fund. The residential education program is funded with general fund, state special revenue funding from the school's trust lands, Medicaid reimbursement for services provided to students who qualify for Medicaid, and federal funds designated for the assistance of state and local educational agencies to meet the special educational needs of educationally deprived children.

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	53.50	53.50	53.50	53.50
Personal Services	5,641,343	5,677,640	6,212,868	6,109,487	6,111,957
Operating Expenses	387,418	415,122	306,667	334,265	335,924
Total Expenditures	\$6,028,761	\$6,092,762	\$6,519,535	\$6,443,752	\$6,447,881
General Fund	5,578,797	5,625,464	6,033,580	5,969,331	5,973,460
State/Other Special Rev. Funds	290,047	301,581	313,875	302,341	302,341
Federal Spec. Rev. Funds	159,917	165,717	172,080	172,080	172,080
Total Funds	\$6,028,761	\$6,092,762	\$6,519,535	\$6,443,752	\$6,447,881
Total Ongoing	\$6,028,761	\$6,092,762	\$6,519,535	\$6,443,752	\$6,447,881
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Education Program provides an education for children with hearing and/or sight loss that prevents them from receiving a quality education in their local schools. The Education Program serves visually and hearing-impaired children who remain in their local school districts by providing deaf/blind educational support services to the students' local schools. The program also offers "mainstream" programs for on-campus students in a joint effort with the Great Falls Public Schools. Additionally, pursuant to 20-8-102(3), MCA, the school is charged with the responsibility of tracking a child identified as hearing or visually impaired from the time of impairment identification through the child's exit from intervention or educational services.

FY 2024 Appropriations Compared to FY 2024 Expenditures

The Student Service's HB 2 budget of approximately \$6.1 million was 98.9% expended as of the end of FY 2024. Personal services were 99.4% expended, while operating expenses were 93.3% expended.

FY 2024 Appropriations Compared to FY 2025 Appropriations

FY 2025 Appropriations were approximately \$427,000 or 7.0% higher than FY 2024 total appropriations. This difference is largely due to differences in the pay plan, operating expenses, as well as the program transfer from the Education program. The overall increase is the net result of the following changes:

- An increase of approximately \$228,000 for the pay plan
- An increase of \$205,000 resulting from two program transfers from the Education Program to other programs
- A decrease of approximately \$6,000 resulting from adjustments in personal services and operating expenses

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	(133,756)	0	0	(133,756)		0.00	(131,286)	0	0	(131,286)
DP 3 - Inflation Deflation										
0.00	(5,118)	0	0	(5,118)		0.00	(3,459)	0	0	(3,459)
DP 400 - Reduce Unfunded State Special Authority										
0.00	0	(11,534)	0	(11,534)		0.00	0	(11,534)	0	(11,534)
Grand Total All Present Law Adjustments										
0.00	(\$138,874)	(\$11,534)	\$0	(\$150,408)		0.00	(\$134,745)	(\$11,534)	\$0	(\$146,279)

*"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 2023 biennium

Montana School for the Deaf and Blind	
Education	
FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$167,479
Management Decisions	(301,235)
Budget Modifications	-
Total	(\$133,756)

The Education Program is incurring a decrease in statewide present law adjustment for personal services primarily due to management changes. As discussed earlier, there was a program transfer from the Education Program to the School's other programs, which would contribute to this negative present law adjustment in management decisions. Additionally, the agency did not utilize all of its HB 13 authority. Authority received from the last legislative session for additional OTO funding for family advisors and extra-curricular compensation does not continue. MSDB is exempt from vacancy savings per 17-7-162, MCA.

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 400 - Reduce Unfunded State Special Authority -

This request is to reduce agency state special revenue authority by \$11,534 in each year of the 2027 biennium to remove authority that has not been funded for a number of years.

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 5 - Additional Outreach Motor Pool Vehicles	0.00	44,250	0	0	44,250	0.00	44,250	0	0	44,250
DP 100 - Extracurricular Compensation	0.00	30,375	0	0	30,375	0.00	30,375	0	0	30,375
Total	0.00	\$74,625	\$0	\$0	\$74,625	0.00	\$74,625	\$0	\$0	\$74,625

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

DP 5 - Additional Outreach Motor Pool Vehicles -

The School for the Deaf and Blind (MSDB) requests to lease six motor pool vehicles for staff. The 2023 Legislature approved four new outreach consultants and one transition coordinator, and due to increased travel, the outreach director requests a motor pool vehicle. These vehicles were not requested when the new staff were approved so the agency deferred other expenses to pay for vehicles in the 2025 Biennium.

DP 100 - Extracurricular Compensation -

The executive requests stipends for staff who advise student extracurricular activities such as sports, clubs, and class sponsors. This is an ongoing personal services cost that is requested each biennium as it is not part of the base budget.

MONTANA

ARTS

COUNCIL

Section E

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----Agencies-----

Office of Public Instruction	Montana Arts Council
Board of Public Education	Montana State Library
Office of Commissioner of Higher Education	Montana Historical Society
Montana School for Deaf & Blind	

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Representative Brad Barker
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Senator Matt Regier
Senator Jonathan Windy Boy

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

Julia Pattin
Katie Guenther
Kurt Swimley
Alexandra Ghosh

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	7.00	7.00	7.00	0.00	0.0%
General Fund	627,688	673,602	674,242	92,468	7.4%
State/Other Special Rev. Funds	228,012	222,947	223,404	(9,673)	(2.1%)
Federal Spec. Rev. Funds	808,086	802,127	802,738	(11,307)	(0.7%)
Total Funds	1,663,786	1,698,676	1,700,384	71,488	2.1%
Personal Services	761,676	774,224	775,854	26,726	1.8%
Operating Expenses	344,381	311,723	311,801	(65,238)	(9.5%)
Grants	512,238	567,238	567,238	110,000	10.7%
Debt Service	45,491	45,491	45,491		0.0%
Total Expenditures	1,663,786	1,698,676	1,700,384	71,488	2.1%
Total Ongoing	1,663,786	1,698,676	1,700,384	71,488	2.1%
Total One-Time-Only					0.0%

Agency Highlights

Montana Arts Council Major Budget Highlights
<ul style="list-style-type: none"> The 2027 biennium budget request for the Montana Arts Council is approximately \$71,000 or 2.1% greater than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> Adjustments to statewide present law, including increases to personal services and decreases in fixed costs, and inflation and deflation A new proposal for an increase in the general fund to fulfill a federal dollar-for-dollar match requirement

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.

Montana Arts Council 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
Base Budget	627,688	228,012	808,086	1,663,786	97.9%	627,688	228,012	808,086	1,663,786	97.8%
Statewide PL										
Personal Services	5,742	993	5,813	12,548	0.7%	6,312	1,450	6,416	14,178	0.8%
Fixed Costs	(14,765)	(6,039)	(11,682)	(32,486)	(1.9%)	(14,715)	(6,045)	(11,704)	(32,464)	(1.9%)
Inflation Deflation	(63)	(19)	(90)	(172)	(0.0%)	(43)	(13)	(60)	(116)	(0.0%)
Total Statewide PL	(9,086)	(5,065)	(5,959)	(20,110)	(1.2%)	(8,446)	(4,608)	(5,348)	(18,402)	(1.1%)
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	55,000	0	0	55,000	3.2%	55,000	0	0	55,000	3.2%
Total HB 2 Adjustments	45,914	(5,065)	(5,959)	34,890	2.1%	46,554	(4,608)	(5,348)	36,598	2.2%
Total Requested Budget	673,602	222,947	802,127	1,698,676		674,242	223,404	802,738	1,700,384	

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.

Montana Arts Council FY 2026 Statewide Present Law Adjustment for Personal Services - DP1				
Program	Legislative Changes	Management Decisions	Budget Modifications	Total DP1
Promotion of the Arts	10,421	2,127	-	12,548
Total	\$10,421	\$2,127	-	\$12,548

Statewide present law adjustments to personal services are primarily comprised of legislative changes and some smaller management changes. Legislative changes are primarily due to increased benefits as well as longevity adjustments. Management changes are due to increased pay for market adjustments and reclassification.

Funding

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

Total Montana Arts Council 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
01100 General Fund	1,347,844				1,347,844	39.7%
02009 Cultural and Aesthetic Project	446,351				446,351	13.1%
State Special Revenue Total	446,351	-	-	-	446,351	13.1%
03016 NEA Funds-Basic State Grant	1,604,865				1,604,865	47.2%
Federal Special Revenue Total	1,604,865	-	-	-	1,604,865	47.2%
Proprietary Fund Total	-	-	-	-	-	0.0%
Total of All Funds	3,399,060	-	-	-	3,399,060	
Percent of All Sources of Authority	100.0%	0.0%	0.0%	0.0%		

HB 2 Funding

The Montana Arts Council (MAC) is funded through a combination of general fund, state special revenue, and federal special revenue.

General Fund

The Montana Arts Council's general fund authority in the 2027 biennium request totals approximately \$1.3 million, which is 39.7% of the total authority requested for the agency in HB 2. General fund supports:

- A portion of the agency operations and services to the state's art community
- Arts grants and several other grant programs available to non-profit arts organizations, schools, and other eligible entities

State Special Revenue

State special revenue comes from the Cultural and Aesthetic Trust, which is a statutory trust account that is funded with a 0.63% distribution from the coal severance tax. The interest earnings from the trust are deposited into a state special revenue account to be used for protection of works of art in the State Capitol and for other cultural and aesthetic projects (15-35-108, MCA).

- Supports the agency's administration and the preservation of the state's cultural heritage
- Grants awards through HB 9 Cultural and Aesthetic projects

The Cultural and Aesthetic Project Account projected fund balance is outlined below.

Cultural and Aesthetic Project Account (02009) 2027 Biennium Fund Balance Projection				
	Actual FY 2024	Appropriated FY 2025	Proposed FY 2026	Proposed FY 2027
Beginning Fund Balance	\$904	\$148,654	\$253,047	\$234,831
Revenues	648,340	641,590	681,709	716,918
Total Expenditures	500,596	537,197	699,926	729,926
Prior Period Adjustments	6	-	-	-
Ending Fund Balance	\$148,654	\$253,047	\$234,831	\$221,824

As seen in the table above, the fund balance in the account is projected to remain positive. Requested expenditures are increased for the 2027 biennium when compared to current structures. There is an appropriation expiring at the end of the 2025 biennium of approximately \$560,000 total, or \$280,000 annually, resulting from HB 9 (2023 Session). HB 9 established appropriations for cultural and aesthetic grants and will be proposed again for the 2027 biennium. This fund balance table depicts the projections with the HB 9 proposal included.

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	7.00	7.00	7.00	7.00
Personal Services	706,597	706,584	761,676	774,224	775,854
Operating Expenses	363,513	367,837	344,381	311,723	311,801
Grants	512,238	512,238	512,238	567,238	567,238
Debt Service	45,491	45,491	45,491	45,491	45,491
Total Expenditures	\$1,627,839	\$1,632,150	\$1,663,786	\$1,698,676	\$1,700,384
General Fund	611,241	615,567	627,688	673,602	674,242
State/Other Special Rev. Funds	221,393	221,387	228,012	222,947	223,404
Federal Spec. Rev. Funds	795,205	795,196	808,086	802,127	802,738
Total Funds	\$1,627,839	\$1,632,150	\$1,663,786	\$1,698,676	\$1,700,384
Total Ongoing	\$1,627,839	\$1,632,150	\$1,663,786	\$1,698,676	\$1,700,384
Total OTO	\$0	\$0	\$0	\$0	\$0

Agency Description

The Montana Arts Council (MAC) is authorized by Title 22-2-101, MCA, to promote and support artistic and cultural activities and institutions statewide. The council administers the Cultural and Aesthetic Project grants and other grants approved by the legislature, stewards the Montana Laureate program, and makes recommendations to the Governor and the legislature on arts-related issues. Please refer to the agency profile at <https://www.legmt.gov/lfd/committees/section-e/montana-arts-council/> for additional information about the agency's organization structure, historical expenditures, goals and objectives, and recent studies and audits.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Montana Arts Council (MAC) modified HB 2 budget of approximately \$1.6 million was 99.7% expended as of the end of FY 2024. The small portion of the remaining appropriation was primarily in general fund. Personal services were 100.0% expended.

FY 2024 Appropriations Compared to FY 2025 Appropriations

Overall, the FY 2025 appropriation is approximately \$32,000 or 1.9% greater than the FY 2024 appropriation. The difference is primarily due to the pay plan derived from HB 13. While the total difference is minimal, the difference between expenditure categories is larger with significant differences in personal services and operating expenses. This is due to a budget modification from FY 2024 whereby approximately \$26,000 was moved from personal services to operating expenses in order to pay for contracted services and stipends for the Poet Laureate Anthology.

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.

Montana Arts Council				
Comparison of the FY 2025 Legislative Budget to the FY 2025 Base Budget				
	Legislative Budget	Executive Modifications	Base Budget	% Change
01 PROMOTION OF THE ARTS				
6100 Personal Services	\$278,418		\$278,418	0.0%
6200 Operating Expenses	313,730		313,730	0.0%
6600 Grants	512,238		512,238	0.0%
6900 Debt Service	45,491		45,491	0.0%
Total	592,148		592,148	0.0%
Agency Total	\$592,148		\$592,148	0.0%

As seen in the table above, the executive did not make modifications to the legislative budget from the 2023 Session.

HB 2 Language -

LFD COMMENT	Historically, certain language has been included in HB 2 for the Montana Arts Council. The legislature may wish to include this language in HB 2 again: "All HB 2 federal funding appropriations for the Montana Arts Council are biennial appropriations."
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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	5,742	993	5,813	12,548	0.00	6,312	1,450	6,416	14,178
DP 2 - Fixed Costs	0.00	(14,765)	(6,039)	(11,682)	(32,486)	0.00	(14,715)	(6,045)	(11,704)	(32,464)
DP 3 - Inflation Deflation	0.00	(63)	(19)	(90)	(172)	0.00	(43)	(13)	(60)	(116)
Grand Total All Present Law Adjustments	0.00	(\$9,086)	(\$5,065)	(\$5,959)	(\$20,110)	0.00	(\$8,446)	(\$4,608)	(\$5,348)	(\$18,402)

**"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

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 5 - Federal Match Increase	0.00	55,000	0	0	55,000	0.00	55,000	0	0	55,000
Total	0.00	\$55,000	\$0	\$0	\$55,000	0.00	\$55,000	\$0	\$0	\$55,000

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

DP 5 - Federal Match Increase -

The Arts Council requests a general fund increase each year of the 2027 Biennium to fulfill their federal match requirement. This funding is for a long-standing program, Strategic Investment Grants (SIG), which provides microgrants to awardees across the state.

MONTANA STATE LIBRARY

Section E

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----Agencies-----

Office of Public Instruction	Montana Arts Council
Board of Public Education	Montana State Library
Office of Commissioner of Higher Education	Montana Historical Society
Montana School for Deaf & Blind	

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

House

Representative David Bedey (Chair)
Representative Brad Barker
Representative Llew Jones
Representative Connie Keogh
Representative Eric Matthews

Senate

Senator John Fuller (Vice Chair)
Senator Matt Regier
Senator Jonathan Windy Boy

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

Julia Pattin
Katie Guenther
Kurt Swimley
Alexandra Ghosh

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 FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
PB	30.46	30.46	30.46	0.00	0.0%
General Fund	3,347,459	3,603,213	3,614,036	522,331	7.8%
State/Other Special Rev. Funds	3,047,959	3,127,717	3,138,219	170,018	2.8%
Federal Spec. Rev. Funds	1,512,387	1,554,978	1,554,978	85,182	2.8%
Total Funds	7,907,805	8,285,908	8,307,233	777,531	4.9%
Personal Services	3,112,404	3,309,051	3,329,548	413,791	6.6%
Operating Expenses	4,155,161	4,336,617	4,337,445	363,740	4.4%
Grants	475,000	475,000	475,000		0.0%
Debt Service	165,240	165,240	165,240		0.0%
Total Expenditures	7,907,805	8,285,908	8,307,233	777,531	4.9%
Total Ongoing	7,907,805	8,285,908	8,307,233	777,531	4.9%
Total One-Time-Only	900,000			(1,800,000)	(100.0%)

Agency Highlights

Montana State Library Major Budget Highlights
<p>The Montana State Library's 2027 biennium HB 2 budget request is approximately \$778,000 or 4.9% above the FY 2025 base budget. Major highlights include:</p> <ul style="list-style-type: none"> • An increase for the statewide present law adjustment for personal services, made up of general fund, state special revenue, and federal special revenue • An increase in general fund for the statewide present law adjustment for fixed costs
Legislative Action Items
<ul style="list-style-type: none"> • The legislature may wish to adjust appropriations to account for declining revenues in the Montana land information state special revenue fund

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.

Montana State Library 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
Base Budget	3,347,459	3,047,959	1,512,387	7,907,805	95.4%	3,347,459	3,047,959	1,512,387	7,907,805	95.2%
Statewide PL										
Personal Services	74,298	79,758	42,591	196,647	2.4%	84,293	90,260	42,591	217,144	2.6%
Fixed Costs	182,204	0	0	182,204	2.2%	182,790	0	0	182,790	2.2%
Inflation Deflation	(748)	0	0	(748)	(0.0%)	(506)	0	0	(506)	(0.0%)
Total Statewide PL	255,754	79,758	42,591	378,103	4.6%	266,577	90,260	42,591	399,428	4.8%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	255,754	79,758	42,591	378,103	4.6%	266,577	90,260	42,591	399,428	4.8%
Total Requested Budget	3,603,213	3,127,717	1,554,978	8,285,908		3,614,036	3,138,219	1,554,978	8,307,233	

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 (DP 1) 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:

Montana State Library FY 2026 Statewide Present Law Adjustment for Personal Services (DP 1)				
Program	Legislative Changes	Management Changes	Total Budget Modifications	Decision Package 1
01 Statewide Library Resources	\$78,716	\$117,931	\$0	\$196,647
Grand Total	\$78,716	\$117,931	\$0	\$196,647

The increase in the statewide present law adjustment for personal services is due to legislative and management changes. Legislative changes were made up of increases for benefits and longevity costs. Management changes were primarily made up of increases for the pay plan, reclassification of positions, and hiring new positions at different wage rates. These increases in management changes were partially offset by greater budgeted vacancy savings.

Budget Allocation by Category

The Montana State Library's funding is budgeted under one program, Statewide Library Resources. With only one program, it can be challenging to review how much funding is allocated to and expended for the various functions that the State Library serves. In the 2023 interim, the Section E Interim Budget Committee looked at different ways of reviewing the State Library's budget and expenditures in more detail: <https://archive.legmt.gov/content/Publications/fiscal/2023-Interim/IBC-E/LFD-Memo-MSL-Program-03-16-22-Final.pdf>

The Legislative Fiscal Division identified three higher level categories, based on function, to view how the budget is allocated, including: central services; patron and local library development services; and Geographic Information System (GIS), data, and information programs. The category of central services includes the state librarian's office and administrative services for the agency, such as human resources, accounting, and information technology services. Patron and local library development services include the talking book library, consulting and learning services provided to local libraries, and statewide projects such as courier services and subscriptions managed by the Montana State Library for public libraries. GIS, data, and information programs include the Montana Natural Heritage Program, GIS mapping, the Montana State Reference Network, and other information and data-related programs and services.

The following figure shows the Montana State Library's HB 2 FY 2024 expenditures, the FY 2025 executive base budget, and the proposed HB 2 budget for FY 2026 and 2027 for the three categories. Because the Montana State Library's funding is budgeted in one program, the agency can move funding within the program among these categories as needed without executive modifications. The categories are included to provide a better understanding of the allocation for the various functions.

Montana State Library Budget Allocation by Category				
	Actuals FY 2024	Budget FY 2025	Proposed FY 2026	Proposed FY 2027
Central Services	\$2,008,770	\$3,586,079	\$3,769,574	\$3,773,731
Patron & Local Library Development Services	\$2,575,123	\$2,246,345	\$2,176,604	\$2,183,270
Patron Services	244,983	153,026	701,396	705,220
Consulting & Learning	856,109	625,784	167,400	167,400
Statewide Projects	1,474,031	1,467,535	1,307,808	1,310,650
GIS, Data, & Information Programs	\$2,449,772	\$2,975,381	\$2,339,730	\$2,350,232
MT Geospatial Land Information Act (MGIA)	565,440	1,233,082	627,673	629,995
Information Products	671,533	1,043,392	610,599	612,883
Information Management	753,386	402,924	752,805	756,816
MT Natural Heritage Program	459,413	295,983	348,653	350,538
Total Funds	\$7,033,665	\$8,807,805	\$8,285,908	\$8,307,233

For the FY 2025 base budget allocation, 40.7% of HB 2 funding for the Montana State Library is budgeted in central services. Funding for patron and local library development services comprises 25.5% of the FY 2025 base budget, and the remaining 33.8% of the FY 2025 base budget is allocated for GIS, data, and information programs. The Montana State Library will likely move some of the funding allocated to central services to other categories as needed. The percent allocated to each category changes slightly in the proposed FY 2026 and 2027 budget. For the 2027 biennium, approximately 45.5% of the State Library's proposed HB 2 budget is allocated to central services, 26.3% is allocated to patron and local library development services, and 28.3% is allocated to GIS, data, and information programs.

Funding

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

Total Montana State Library 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
01100 General Fund	7,217,249			1,084,226	8,301,475	41.4%
02779 Montana Land Information	4,434,004				4,434,004	22.1%
02021 911 Funding				1,023,937	1,023,937	5.1%
02046 Coal Sev. Tax Library	1,020,606				1,020,606	5.1%
02094 Digital Library Services	811,326				811,326	4.0%
State Special Revenue Total	6,265,936	-	-	1,023,937	7,289,873	36.3%
03018 IMLS	3,109,956				3,109,956	15.5%
Federal Special Revenue Total	3,109,956	-	-	-	3,109,956	15.5%
06021 MT Shared Catalog			955,342		955,342	4.8%
06025 MT State Reference Network-RTN			407,546		407,546	2.0%
Proprietary Fund Total	-	-	1,362,888	-	1,362,888	6.8%
Total of All Funds	16,593,141	-	1,362,888	2,108,163	20,064,192	
Percent of All Sources of Authority	82.7%	0.0%	6.8%	10.5%		

The Montana State Library is funded through a combination of general fund, state special revenue, federal special revenue, and proprietary funds.

HB 2 Authority

General Fund

General fund supports just under half of the Montana State Library's operations including:

- General agency operations
- The statewide interlibrary resource sharing program
- Natural resource information system (NRIS)
- The Montana natural heritage program

State Special Revenue

Montana Land Information Account

The Montana land information account receives a portion of the document recording fees assessed at the local level. It is used to fund GIS and land information services and grants including Montana geospatial information grants, GIS architecture, and the Montana Cadastral. Increased home sales during the COVID-19 pandemic lead to a significant increase in fee collections for the account. This additional revenue was used to provide one-time-only funding in the 2021 Legislative Session and the 2023 Legislative Session to launch the Montana Real Time Network, now the MTSRN, which is discussed in greater detail in the Non-Budgeted Proprietary Funds section below.

LFD ISSUE

The table below provides information on the revenues, expenditures, and fund balances for the Montana land information state special revenue fund from FY 2019 through FY 2024. The 2021 Legislature approved a fee increase

from \$0.75 to \$1.50 starting in FY 2022, which resulted in increased revenue to the fund. However, revenues for the account have declined since their peak in FY 2022, and revenues were unable to support the full appropriation from the fund for FY 2024. The Montana State Library provided a report with additional detail on the recordation fee collections to the legislature in June 2024: <https://archive.legmt.gov/content/Publications/fiscal/2025-Biennium/Section-E/Interim/MT-Geospatial-Info-Act-Recordation-Fee-Collections-June2024.pdf>

Montana State Library Montana Land Information Account Fund Balance						
	FY 2020	FY 2021	FY 2022*	FY 2023	FY 2024	FY 2025**
Beginning Fund Balance	\$1,001,261	\$1,058,165	\$1,463,415	\$1,546,284	\$560,323	\$696,856
Revenues	\$945,343	\$1,343,197	\$2,040,765	\$1,330,761	\$1,224,335	\$394,410
Investment Earnings	17,973	2,049	1,700	43,214	35,972	2,942
Charges for Services	927,370	1,341,148	2,039,065	1,287,547	1,188,363	391,468
Disbursements	(\$888,439)	(\$937,946)	(\$1,959,722)	(\$2,340,500)	(\$1,087,803)	(\$290,894)
Personal Services	(533,185)	(553,284)	(1,095,141)	(1,208,100)	(891,525)	(263,416)
Operating Expenses	(172,306)	(233,113)	(628,730)	(681,448)	(38,608)	(27,478)
Equipment	-	-	-	(11,372)	-	-
Grants	(182,948)	(151,549)	(235,851)	(228,062)	(157,670)	-
Transfers Out	-	-	-	(211,517)	-	-
Ending Fund Balance	\$1,058,165	\$1,463,416	\$1,544,458	\$536,545	\$696,855	\$800,372

*Fee change from \$0.75 to \$1.50

**As of December 4, 2024

The legislature may wish to adjust appropriations to account for declining revenues in the Montana land information state special revenue fund.

Legislative Options:

- Adjust the appropriation from the Montana land information account to bring it in line with anticipated revenues for the fund and increase funding for MSL from another revenue source
- Adjust the appropriation to bring it in line with anticipated revenues for the fund without appropriating additional funding
- Adopt the executive budget without changing the appropriation from the Montana land information account

Coal Severance Tax Library Account

The coal severance tax library account is used for general operations, statewide technology contracts, and the library federation grants to assist local libraries in providing basic services.

LFD COMMENT

The coal severance tax library account is established in 22-1-202, MCA to be administered by the state library for providing basic library services. The account receives 0.93% of coal severance tax collections (per 15-35-108 (3), MCA), which statute states must be allocated for provision of basic library services for the residents of all counties through library federations and for payment of the costs of participating in regional and national networking.

Montana State Library Coal Severance Library Account Fund Balance						
	FY 2020	FY 2021	FY 2022*	FY 2023	FY 2024	FY 2025**
Beginning Fund Balance	\$227,061	\$119,766	\$86,999	\$372,042	\$727,317	\$481,316
Revenues	\$406,343	\$369,854	\$795,343	\$856,592	\$664,303	\$71,077
Coal Tax	406,343	369,854	619,043	856,592	664,303	71,077
Non-budgeted Transfers	-	-	176,300	-	-	-
Disbursements	(\$513,638)	(\$402,621)	(\$510,300)	(\$501,317)	(\$910,303)	(\$318,853)
Personal Services	-	-	(40,122)	(50,801)	(81,235)	(15,321)
Operating Expenses	(288,638)	(177,621)	(245,178)	(125,516)	(484,448)	(203,532)
Grants	(225,000)	(225,000)	(225,000)	(225,000)	(244,620)	-
Debt Service	-	-	-	(100,000)	(100,000)	(100,000)
Ending Fund Balance	\$119,766	\$86,999	\$372,042	\$727,317	\$481,317	\$233,540

*HB 374 (2021 Session) authorized the non-budgeted transfer in FY 2022

**As of December 4, 2024

The large non-budgeted transfer in FY 2022 was intended to offset declining revenues in the account, per the HB 374 (2021 Session) fiscal note.

Digital Library Services Account

The digital library services account receives assessments paid by certain state agencies that use the NRIS/Geographic Information Systems (GIS). The fund has a fixed cost component that is charged to 17 agencies, the Governor's Office, and the Legislative Branch. Funding from this fixed cost for FY 2024 totaled approximately \$399,000, and proposed fixed cost assessments remain the same for the 2027 biennium.

Federal Special Revenue

Federal special revenue is comprised of Library Services and Technology Act (LSTA) grants administered by the Institute of Museum and Library Services (IMLS). These funds:

- Are a formula grant to the Montana State Library from the IMLS rather than a competitive grant
- Require a two to one federal/state match and a five-year plan
- Are used for collection content and access, training and outreach to local libraries, and services to patrons with disabilities

Non-Budgeted Proprietary Funds

Montana Shared Catalog

The Montana Shared Catalog (MSC) is a cooperative project involving approximately 180 libraries across Montana. Public libraries, school libraries, academic libraries, medical libraries, and other special libraries have pooled resources to purchase a robust library automation system. Members enjoy the benefits of shared expertise and the ability to provide improved service to library customers. The Montana State Library became the fiscal agent for the MSC in FY 2008. The source of the funding is from member fees paid by the libraries to belong to the MSC. For a more detailed discussion of rates, revenues, and expenditures for the account, please see the non-budgeted proprietary funds analysis, which is included in a separate report.

Montana State Reference Network

The Montana State Reference Network (MTSRN) is the state-owned real time positioning network, operated with the cooperation of partners that include tribal nations, the Montana Department of Transportation, Montana State Library, counties, educational institutions, and private entities who maintain, operate, or otherwise contribute to the operation of this statewide array global navigation satellite systems (GNSS) reference stations. This growing statewide GNSS network consists of permanently located global positioning system (GPS) receivers that generate real-time, high-accuracy GPS positioning. Montana State Library analyzes rates charged to subscribers on a biannual basis. Rates are reflective of projected program costs and number of program subscribers. For a more detailed discussion of rates, revenues, and expenditures for the account, please see the non-budgeted proprietary funds analysis, which is included in a separate report.

For the 2025 biennium, the legislature also appropriated \$500,000 per fiscal year of state special revenue authority for additional start-up and ongoing costs related to the Montana real-time network in HB 2.

Statutory Appropriations

General Fund

Statutory authority for the agency includes general fund for state aid to public libraries, as authorized under 22-1-327, MCA. This appropriation sunsets July 1, 2029.

State Special Revenue

9-1-1 GIS Mapping Account

Statutory appropriations for the Montana State Library are made up of state special revenue from fees imposed for 9-1-1 mapping services; in accordance with 10-4-304(5), MCA, the Montana State Library's 9-1-1 GIS mapping account receives a transfer of \$450,000 of state special revenue each fiscal year through FY 2030. Next generation 9-1-1 will migrate from analog technology intended for traditional wireline phones to an all IP-based architecture capable of communicating with any network connected device. This modernized 9-1-1 system will rely on GIS data to route emergency calls to the correct 9-1-1 call center.

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	30.46	30.46	30.46	30.46
Personal Services	4,182,159	4,653,163	3,112,404	3,309,051	3,329,548
Operating Expenses	2,141,991	3,195,626	5,055,161	4,336,617	4,337,445
Equipment & Intangible Assets	0	7,155	0	0	0
Grants	444,275	495,742	475,000	475,000	475,000
Debt Service	265,240	265,240	165,240	165,240	165,240
Total Expenditures	\$7,033,665	\$8,616,926	\$8,807,805	\$8,285,908	\$8,307,233
General Fund	3,163,191	3,205,884	3,347,459	3,603,213	3,614,036
State/Other Special Rev. Funds	2,441,653	3,907,330	3,947,959	3,127,717	3,138,219
Federal Spec. Rev. Funds	1,428,821	1,503,712	1,512,387	1,554,978	1,554,978
Total Funds	\$7,033,665	\$8,616,926	\$8,807,805	\$8,285,908	\$8,307,233
Total Ongoing	\$6,455,994	\$7,716,926	\$7,907,805	\$8,285,908	\$8,307,233
Total OTO	\$577,671	\$900,000	\$900,000	\$0	\$0

Agency Description

The Montana State Library (MSL) is composed of programs that provide information services to all branches of state government, its agencies, local counterparts, and individuals seeking information and materials that are not found in their local libraries.

The Montana Library Commission (MLC), authorized in 22-1-101, MCA, administers state and federal library funding to operate and maintain the Montana State Library, oversees the six library federations located throughout Montana, and develops statewide library long-range planning, policy, and service coordination.

MLC is authorized in section 90-1-401, MCA, to develop a standardized, sustainable method to collect, maintain, and disseminate information in digital formats about the natural and artificial land characteristics of Montana. MLC is further authorized in section 90-15-101, MCA, to establish a planning framework for the development of the natural resources information system (NRIS), to implement the system, and to establish an ongoing Montana Natural Heritage Program.

Additional responsibilities of the commission include: assisting all tax-supported libraries and local governments wishing to establish or improve libraries; maintaining an audio-book library for use by Montanans unable to utilize printed materials; providing access to state publications; developing a land information plan and administering a granting process for the purposes of implementing the plan; and maintaining and providing information related to Montana's plant and animal species and habitat and comprehensive natural resources (land) information.

Please refer to the agency profile for additional information about the agency's organization structure, historical expenditures, goals and objectives, and recent studies and audits: <https://www.legmt.gov/lfd/committees/section-e/montana-state-library/>

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Montana State Library expended 81.6% of its \$8.6 million HB 2 modified budget in FY 2024. Personal services and operating expense authority made up the majority of the program's FY 2024 HB 2 modified budget, at approximately \$4.7 million and \$3.2 million, respectively. Personal services were 89.9% expended at fiscal year end, and operating expenses were 67.0% expended. The unexpended amount for the program totaled approximately \$1.6 million and can be attributed to:

- Lower than expected revenues in the Montana land information account, which accounted for approximately \$1.5 million of the unexpended authority. The decline in revenues is directly a result of a significant drop in the number of legal documents recorded at the local level and is discussed in greater detail in the Funding section of this report
- The timing of federal grant expiration dates, which often do not align with the state fiscal year end. Federal special revenue for the IMLS was under expended by approximately \$75,000

FY 2024 Appropriations Compared to FY 2025 Appropriations

FY 2025 total appropriations for the Montana State Library are approximately \$191,000 or 2.2% higher than the FY 2024 total appropriations. This increase is the net result of the following differences:

- An increase of approximately \$121,000 for the pay plan
- An increase of approximately \$41,000 for the statewide present law adjustment for inflation/deflation
- An increase of approximately \$14,000 for the statewide present law adjustment for personal services
- An increase of approximately \$15,000 due to how the one-time-only reduction for risk management and tort defense in the 2025 biennium was added back to the budget for the 2027 biennium

There was also a significant net-zero transfer between personal services and operating expenses between FY 2024 and FY 2025, primarily due to how modified PB are funded. In FY 2024, the Montana State Library moved approximately \$1.3 million from appropriations for operating expenses to personal services to re-establish 10.49 modified HB 2 PB. As modified PB are not included in the budget for personal services and the transfer was made for FY 2024 only, the personal services budget transfer reverted to operating expenses for FY 2025.

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.

Montana State Library				
Comparison of the FY 2025 Legislative Budget to the FY 2025 Base Budget				
<u>Division</u>	<u>Legislative Budget</u>	<u>Executive Modifications</u>	<u>Base Budget</u>	<u>Percent Change</u>
<u>Statewide Library Resources</u>				
Personal Services	\$3,112,404		\$3,112,404	0.0%
Operating Expenses	4,320,401	(165,240)	4,155,161	-3.8%
Grants	475,000		475,000	0.0%
Debt Service	0	165,240	165,240	100.0%
Agency Total	\$7,907,805	\$0	\$7,907,805	0.0%

The Montana State Library made one executive modification to the legislative budget, which transferred approximately \$165,000 from operating expenses to debt service in order to correctly record expenditures for a new building lease agreement.

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	74,298	79,758	42,591	196,647	0.00	84,293	90,260	42,591	217,144
DP 2 - Fixed Costs	0.00	182,204	0	0	182,204	0.00	182,790	0	0	182,790
DP 3 - Inflation Deflation	0.00	(748)	0	0	(748)	0.00	(506)	0	0	(506)
Grand Total All Present Law Adjustments	0.00	\$255,754	\$79,758	\$42,591	\$378,103	0.00	\$266,577	\$90,260	\$42,591	\$399,428

*"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

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.

MONTANA HISTORICAL SOCEITY

Section E

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----Agencies-----

Office of Public Instruction
Board of Public Education
Office of Commissioner of Higher Education
Montana School for Deaf & Blind

Montana Arts Council
Montana State Library
Montana Historical Society

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

House

Representative David Bedey (Chair)
Representative Brad Barker
Representative Llew Jones
Representative Connie Keogh
Representative Eric Matthews

Senate

Senator John Fuller (Vice Chair)
Senator Matt Regier
Senator Jonathan Windy Boy

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

Julia Pattin
Katie Guenther
Kurt Swimley
Alexandra Ghosh

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	78.84	79.84	79.84	1.00	0.6%
General Fund	3,859,910	2,524,661	2,503,241	(2,691,918)	(34.9%)
State/Other Special Rev. Funds	3,420,963	4,949,778	4,950,830	3,058,682	44.7%
Federal Spec. Rev. Funds	1,024,101	1,013,471	1,015,570	(19,161)	(0.9%)
Proprietary Funds	1,046,527	1,042,926	1,043,259	(6,869)	(0.3%)
Total Funds	9,351,501	9,530,836	9,512,900	340,734	1.8%
Personal Services	6,018,272	6,139,413	6,149,760	252,629	2.1%
Operating Expenses	2,963,309	2,971,503	2,993,220	38,105	0.6%
Equipment & Intangible Assets	94,886	94,886	94,886		0.0%
Grants	87,120	87,120	87,120		0.0%
Debt Service	187,914	237,914	187,914	50,000	13.3%
Total Expenditures	9,351,501	9,530,836	9,512,900	340,734	1.8%
Total Ongoing	9,351,501	9,480,836	9,512,900	290,734	1.6%
Total One-Time-Only	107,535	50,000		(165,070)	(76.8%)

Agency Highlights

Montana Historical Society Major Budget Highlights
<p>The executive requests an increase of approximately \$179,000 in FY 2026 and \$161,000 in FY 2027 over the FY 2025 base budget. Notable highlights include:</p> <ul style="list-style-type: none"> • Proposed fund switches of approximately \$1.4 million in both FY 2026 and FY 2027 from general fund appropriations to state special revenue fund appropriations. These fund switches are proposed to shift fund sources to the new Montana Heritage Center state special revenue account, which receives a share of the distribution of accommodation taxes and is intended to be used for the operations and maintenance of the Montana Heritage Center • Statewide present law adjustment increases HB 2 personal services appropriations by approximately \$297,000 in FY 2026 and \$308,000 in FY 2027. These adjustments are discussed in more detail at the program level • Statewide present law adjustment decreases HB 2 operation expenses appropriations by approximately \$264,000 in FY2026 and \$240,000 in FY 2027. These adjustments are discussed in more detail at the program level • Budget adjustments to switch state special revenue sources from the accommodations tax account to the newly created Montana heritage center state special revenue account. Appropriation requests were incorrectly coded in several programs during the initial agency request, and several changes seek to change funding to the Montana Heritage Center Account, which designates funds to be used for the operation of the new heritage center
Legislative Action Items
<ul style="list-style-type: none"> • The executive base budget incorrectly funds some operations and maintenance appropriations with the state special revenue accommodations tax fund, rather than the newly created Montana Heritage Center Account. A fund switch (DP 5) is proposed in several programs to correct this issue

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.

Montana Historical Society 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
Base Budget	3,859,910	3,420,963	1,024,101	9,351,501	98.1%	3,859,910	3,420,963	1,024,101	9,351,501	98.3%
Statewide PL										
Personal Services	166,753	69,641	43,917	297,804	3.1%	172,851	71,803	45,753	308,150	3.2%
Fixed Costs	(189,124)	0	(54,246)	(264,464)	(2.8%)	(164,953)	0	(54,081)	(240,045)	(2.5%)
Inflation Deflation	0	0	(301)	(301)	(0.0%)	0	0	(203)	(203)	(0.0%)
Total Statewide PL	(22,371)	69,641	(10,630)	33,039	0.3%	7,898	71,803	(8,531)	67,902	0.7%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	(1,312,878)	1,459,174	0	146,296	1.5%	(1,364,567)	1,458,064	0	93,497	1.0%
Total HB 2 Adjustments	(1,335,249)	1,528,815	(10,630)	179,335	1.9%	(1,356,669)	1,529,867	(8,531)	161,399	1.7%
Total Requested Budget	2,524,661	4,949,778	1,013,471	9,530,836		2,503,241	4,950,830	1,015,570	9,512,900	

The executive requests an increase of \$179,000 in FY 2026 and \$161,000 in FY 2027 over the FY 2025 base appropriations. Statewide present law personal services appropriation adjustments account for the majority of the requested increases and are proposed to increase by approximately \$606,000 throughout the 2027 biennium. These proposed increases are offset by statewide present law fixed cost adjustments which would decrease operation expense appropriations by approximately \$505,000 throughout the 2027 biennium.

A new proposal for a fund switch would replace approximately \$2.8 million of general fund appropriations with state special revenue account appropriations from the Montana Heritage Center state special revenue account. This is discussed in further detail in the funding section below.

The executive request includes proposals that would re-authorize appropriations for the state special revenue MTHS membership fund and the state special revenue original governor's mansion fund, as well as a reduction in appropriations for the Lewis & Clark license plate fund. These are discussed in more detail at the program level.

The executive requests 1.00 PB for the 2027 biennium, contingent on the passage of funding for customer service database software in HB 10. This is discussed in further detail in the Administration Program section below.

The executive requests several funding switches between the accommodations tax state special revenue account and the newly created Montana Heritage Center state special revenue account. These would correct the original funding request from the agency and are discussed in more detail at the program level.

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.

MT Historical Society FY 2026 Statewide Present Law Adjustment for Personal Services (DP1)				
Program	Legislative Changes	Management Decisions	Budget Modifications	Total DP 1
01 Administration Program	\$ 503	\$ 45,577	\$ -	\$ 46,080
02 Library & Archives Program	24,910	55,560	-	80,470
03 Museum Program	(4,450)	28,623	-	24,173
04 Publications Program	13,714	25,412	-	39,126
05 Outreach & Education Program	22,983	41,055	-	64,038
06 State Historic Preservation Office Program	17,583	26,334	-	43,917
Total	\$ 75,243	\$ 222,561	\$ -	\$ 297,804

Personal services account for \$6.0 million, or 64.4% of the FY 2025 appropriation. The executive proposes a statewide present law increase of \$298,000 for FY 2026 and \$308,000 for FY 2027. These personal services adjustments are a result of several activities that occurred during the last session and during FY 2024 and FY 2025:

- The 2023 legislature approved funding for 24.46 additional PB in the 2025 biennium, with 12.64 added in FY 2024 and 11.82 more phased in for FY 2025. Pay changes and benefits expenses associated with these positions are accounted for in the personal services adjustment
- The Montana Historical Society negotiated with the Montana Federation of Public Employees union and agreed upon salary adjustments to ensure adequate pay and to maintain current employees. Various negotiated pay adjustments, reclassification pay adjustments, retention pay adjustments, and supervisory pay adjustments, resulted in personal services adjustments across programs. Some benefits expenditures are also associated with salaries and also increased as a result

The executive is also proposing 1.00 PB to increase staffing on the agency, contingent on the passage of legislation in HB 10. This is discussed below in the Administration program.

Funding

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

Total Montana Historical Society 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
01100 General Fund	4,977,902	50,000			5,027,902	23.8%
02853 Accommodation Tax	5,332,052				5,332,052	25.3%
02850 Montana Heritage Center Operat	4,565,098				4,565,098	21.6%
02123 Sites & Signs				1,798,099	1,798,099	8.5%
02041 MHS Membership				258,878	258,878	1.2%
02045 Original Governor's Mansion				5,772	5,772	0.0%
Other State Special Revenue	3,458			2,200	5,658	0.0%
State Special Revenue Total	9,900,608	-	-	2,064,949	11,965,557	56.7%
03021 Historic Sites Preservation	2,029,041				2,029,041	9.6%
Federal Special Revenue Total	2,029,041	-	-	-	2,029,041	9.6%
06002 MHS Publications Enterprise	759,681				759,681	3.6%
06071 Merchandise - Historical Soc	669,460				669,460	3.2%
06013 SHPO ENTERPRISE FUND	449,130				449,130	2.1%
06073 Historical Society Management	77,356				77,356	0.4%
06022 MHS Education Enterprise Funds	53,960				53,960	0.3%
Other Proprietary Fund	76,598				76,598	0.4%
Proprietary Fund Total	2,086,185	-	-	-	2,086,185	9.9%
Total of All Funds	18,993,736	50,000	-	2,064,949	21,108,685	
Percent of All Sources of Authority	90.0%	0.2%	0.0%	9.8%		

*HB 2 Appropriations*General Fund

Approximately \$4.9 million, or 26.2%, of HB 2 ongoing appropriations proposed by the executive for the FY 2027 biennium are funded with state general fund. General fund appropriations are distributed to each program except the State Historic Preservation Office Program.

State Special Revenue Funds

The Montana Historical Society receives revenues from the lodging facility use tax (15-65-121, MCA). After the general fund receives its portion of the lodging facility use tax, 2.6% is distributed the MTHS for historical interpretation, 1.0% is distributed to the agency for the roadside signage program, and 2.7% or \$1.0 million, whichever is less, is deposited in the heritage preservation and development account that must be used to pay costs associated with historical interpretation and the Robert Scriver collection.

Before December 31, 2024, a 20.0% portion of the revenue collected on the sale or use of accommodations and campgrounds was deposited into an account for the construction of the Montana Heritage Center. This account no longer receives deposits. Beginning in January 2025 the distribution of accommodations taxes changed, and the Montana Heritage Center Operations Account now receives a 6.0% portion of the revenue collected on the sale or use of accommodations and campgrounds (15-68-102, MCA). This money may only be used for expenses incurred in the operation and maintenance of the Montana Heritage Center.

**LFD
ISSUE**

The executive is proposing to utilize funds from the 02853 Accommodation Tax state special revenue account across several programs in FY 2024 and FY 2025. The table below shows the projected fund balances in FY 2026 and FY 2027 using the HJ 2 revenue estimates as adopted by the Revenue Interim Committee and expenditures as proposed by the executive.

Montana Historical Society Historical Interpretation Account 2027 Biennium Projections				
	Actual FY 2024	Appropriated FY 2025	Proposed FY 2026	Proposed FY 2027
Beginning Fund Balance	\$ 2,626,685	\$ 2,626,685	\$ 1,621,248	\$ 594,604
Revenue	1,632,753	1,589,867	1,638,301	1,706,681
Expenditures	(1,252,875)	(2,595,304)	(2,664,945)	(2,667,107)
Ending Fund Balance	\$ 2,626,685	\$ 1,621,248	\$ 594,604	\$ (365,822)

The revenues projected in FY 2026 and FY 2027 for this account grow moderately based upon total accommodation tax collections across Montana. It is projected that there is sufficient fund balance and revenues in FY 2026 to support the proposed expenditures from the historical interpretation account. In FY 2027, it is estimated that the fund will be negative by approximately \$366,000. Options include:

- Reduce the 02853 Accommodations Tax account appropriation in FY 2026 or FY 2027 and increase general fund appropriations to cover proposed expenditures
- Reduce the 02853 Accommodations Tax account appropriation in FY 2026 or FY 2027 and increase 02850 Heritage Center Operations & Maintenance account appropriations for permissible expenditures
- Adopt the appropriations as requested by the executive

In FY 2025 the Heritage Center Operations and Maintenance account will begin receiving disbursements of accommodations taxes. Through several decision packages discussed at the individual program level, the executive is proposing to fund the Montana Heritage Center operations and maintenance, which may include the Veterans' and Pioneer Memorial Building. The table below shows the projected fund balances in FY 2026 and FY 2027 using the HJ 2 revenue estimates as adopted by the Revenue Interim Committee and expenditures as proposed by the executive.

Montana Historical Society Heritage Center Operations & Maintenance Account 2027 Biennium Projections				
	Actual FY 2024	Appropriated* FY 2025	Proposed FY 2026	Proposed FY 2027
Beginning Fund Balance	\$ -	\$ -	\$ 745,546	\$ 2,311,062
Revenue	-	1,569,476	3,848,620	4,006,418
Expenditures	-	(823,930)	(2,283,104)	(2,281,994)
Ending Fund Balance	\$ -	\$ 745,546	\$ 2,311,062	\$ 4,035,487
*Appropriations for this account begin on Jan 1 2025. The FY 2025 appropriation only appropriates funds for part of the fiscal year.				

The Montana Historical Society receives a receives a small amount of state special revenue from the sale of Lewis and Clark medallions and bronze replicas of the "We Proceeded On" bronze relief located in the Senate chamber. This state special revenue funding is used for the care and maintenance of the original bronze relief.

Federal Special Revenue Funds

The Montana Historical Society receives federal special revenue appropriations in HB 2 for historic sites and preservation. The majority of these revenues fund the state historic preservation office program, but a portion is also distributed to the administration program.

Proprietary Funds

The Montana Historical Society has several HB 2 proprietary funds. Proprietary revenues are fees for goods and services to external customers and support the costs of providing those goods and services. Proprietary fund revenues include magazine subscriptions, the sale of books published by the Historical Society, merchandise sales, and photography sales.

Statutory Appropriations

The Montana Historical Society has several state special revenue funds that are statutorily appropriated. These include:

- Sites and signs state special revenue fund
- Lewis and Clark license plates state special revenue fund

The statutory appropriations will be discussed in further detail 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	78.84	78.84	79.84	79.84
Personal Services	4,253,142	5,100,622	6,018,272	6,139,413	6,149,760
Operating Expenses	2,172,815	2,585,568	3,070,844	2,971,503	2,993,220
Equipment & Intangible Assets	115,348	144,886	94,886	94,886	94,886
Grants	86,978	87,120	87,120	87,120	87,120
Transfers	10,000	10,000	0	0	0
Debt Service	312,608	326,022	187,914	237,914	187,914
Total Expenditures	\$6,950,891	\$8,254,218	\$9,459,036	\$9,530,836	\$9,512,900
General Fund	4,014,120	4,440,172	3,967,445	2,524,661	2,503,241
State/Other Special Rev. Funds	1,299,373	1,914,642	3,420,963	4,949,778	4,950,830
Federal Spec. Rev. Funds	879,414	982,345	1,024,101	1,013,471	1,015,570
Proprietary Funds	757,984	917,059	1,046,527	1,042,926	1,043,259
Total Funds	\$6,950,891	\$8,254,218	\$9,459,036	\$9,530,836	\$9,512,900
Total Ongoing	\$6,758,076	\$8,046,395	\$9,351,501	\$9,480,836	\$9,512,900
Total OTO	\$192,815	\$207,823	\$107,535	\$50,000	\$0

Agency Description

The Montana Historical Society (MTHS) is an agency of state government that exists for the use, learning, culture and enjoyment of the citizens of, and visitors to, the State of Montana. MTHS acquires, preserves and protects historical records, art, archives, museum objects, historical places, sites and monuments. MTHS maintains a library and historical museum, provides educational programs and services for teachers and the general public and publishes the state historical magazine and books. MTHS administers the preservation and antiquities acts, supports commissions with state historical orientation and provides technical assistance to all Montana museums, historical societies, preservation programs and owners of historic resources.

Please refer to the agency profile at <https://www.legmt.gov/lfd/committees/section-e/montana-historical-society/> for additional information about the agency's organization structure, historical expenditures, goals and objectives, and recent studies and audits.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures**Significant Differences**

The HB 2 budget of approximately \$8.3 Million was 83.7% expended as of the end of FY 2024.

The Administration Program had approximately \$2.7 million in HB 2 appropriations in FY 2024 which were 75.3% expended as of the end of FY 2024. Personal Services appropriations comprised 68.7% of the program's HB 2 appropriations and were 72.5% utilized. Fewer PB were filled than were budgeted for during much of FY 2024. 15.00 of the 24.46 additional PB authorized for the 2025 Biennium were in the Administration Program. Many newly authorized PB were not filled until later in FY 2024, and there was some turnover within the agency.

Appropriations from the accommodation tax state special revenue account of approximately \$1.9 million were 66.8% expended. Of the approximately \$614,000 remaining appropriations from the accommodation tax distribution, approximately \$548,000 of unexpended authority was designated for personal services.

Minor Differences

Approximately \$190,000 of appropriations from the sites and signs special revenue account granted to the Museum Program was transferred to the State Historic Preservation Office (SHPO) as jurisdiction was determined for SHPO for some projects to meet the criteria for installation or maintenance of roadside historical signs and historic sites.

Approximately \$78,000, or 41.3% of the \$190,000 of transferred authority was expended at the end of the fiscal year.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The overall FY 2025 appropriation is approximately \$1.1 million, or 13.4% higher than the FY 2024 appropriation. General fund appropriations are budgeted at approximately \$533,000 less in FY 2025 than in FY 2024. This is offset by an increase in appropriations of approximately \$1.6 million of state special revenues from accommodations taxes. Beginning on January 1, 2025, the distribution of accommodations tax revenues changed, and a portion of the accommodation tax revenues are distributed into a fund for the operations and maintenance of the Montana Heritage Center.

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.

Montana Historical Society						
Comparison of the FY 2025 Legislative Budget to the FY 2025 Base Budget						
	Legislative Budget		Executive Modifications		Base Budget	% Change
Administration Program						
Personal Services	\$	2,267,361	\$	67,863	\$ 2,335,224	3.0%
Operating Expenses		<u>907,376</u>		<u>-</u>	<u>907,376</u>	0.0%
Total		3,174,737		67,863	3,242,600	2.1%
Library & Archives Program						
Personal Services		1,254,096		-	1,254,096	0.0%
Operating Expenses		659,715		1,124	660,839	0.2%
Equipment & Intangible Assets		<u>89,215</u>		<u>(1,124)</u>	<u>88,091</u>	-1.3%
Total		2,003,026		-	2,003,026	0.0%
Museum Program						
Personal Services		928,682			928,682	0.0%
Operating Expenses		478,996		-	478,996	0.0%
Equipment & Intangible Assets		6,795		-	6,795	0.0%
Debt Service		<u>187,914</u>		<u>-</u>	<u>187,914</u>	0.0%
Total		1,602,387		-	1,602,387	0.0%
Publications Program						
Personal Services		390,227		-	390,227	0.0%
Operating Expenses		<u>276,746</u>		<u>-</u>	<u>276,746</u>	0.0%
Total		666,973		-	666,973	0.0%
Outreach & Education Program						
Personal Services		464,358		-	464,358	0.0%
Operating Expenses		<u>265,303</u>		<u>-</u>	<u>265,303</u>	0.0%
Total		729,661		-	729,661	0.0%
State Historic Preservation Office						
Personal Services		713,548		(67,863)	645,685	-9.5%
Operating Expenses		374,049		-	374,049	0.0%
Grants		<u>87,120</u>		<u>-</u>	<u>87,120</u>	0.0%
Total		1,174,717		(67,863)	1,106,854	-5.8%
Agency Total	\$	9,351,501	\$	-	\$ 9,351,501	0.0%

The Montana Historical Society had two budget modifications to the FY 2025 base budget. One of these was a program transfer that moved 1.00 PB from the State Historic Preservation Office Program to the Administration program. This position's duties were determined to fit better within the Administration program after restructuring within the agency. The other change moved approximately \$1,000 from the equipment and intangible assets account to the operating expenses account within the Library & Archives program. The dollar amounts in that account had been determined as not sufficient to capitalize equipment, as per governmental accounting standards. These adjustments affected several programs but had a net-zero overall impact across the agency.

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 FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
PB	30.68	31.68	31.68	1.00	1.6%
General Fund	1,574,637	312,616	284,094	(2,552,564)	(81.1%)
State/Other Special Rev. Funds	1,154,651	2,556,939	2,556,842	2,804,479	121.4%
Federal Spec. Rev. Funds	141,812	141,812	141,812		0.0%
Proprietary Funds	371,500	373,343	373,473	3,816	0.5%
Total Funds	3,242,600	3,384,710	3,356,221	255,731	3.9%
Personal Services	2,335,224	2,204,641	2,207,876	(257,931)	(5.5%)
Operating Expenses	907,376	1,130,069	1,148,345	463,662	25.5%
Debt Service		50,000		50,000	0.0%
Total Expenditures	3,242,600	3,384,710	3,356,221	255,731	3.9%
Total Ongoing	3,242,600	3,334,710	3,356,221	205,731	3.2%
Total One-Time-Only	107,535	50,000		(165,070)	(76.8%)

Program Highlights

Administration Program Major Budget Highlights
<ul style="list-style-type: none">• The administration program’s 2027 biennial budget request includes \$206,000 more ongoing appropriations than the base budget• As of Jan 1, 2025, the administration program receives funding from the 4% sales tax on accommodations and campgrounds for the operations and maintenance of the Montana Heritage center. With this funding, the executive requests a fund switch from general fund appropriations to state special revenue appropriations<ul style="list-style-type: none">◦ The request includes a decrease in general fund appropriations of approximately \$1.3 million in FY 2026 and in FY 2027◦ The request includes an increase in state special revenue appropriations of approximately \$1.3 million in FY 2026 and in FY 2027• The administration program request includes an increase of 1.00 PB and approximately \$96,000 in FY 2026 and \$93,000 of funding in FY 2027 to employ a database administrator, contingent on the passage and approval of customer service management software in HB 10• The request includes restricted one-time-only general fund in FY 2026 to extend the lease of facilities while renovations continue at the Heritage Center and Veteran's Building
Legislative Action Items
<ul style="list-style-type: none">• The executive base budget incorrectly funds some operations and maintenance appropriations with the state special revenue accommodations tax fund, rather than the newly created Montana Heritage Center Operations & Maintenance Account. A fund switch (DP 5) is proposed to correct this issue

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.

Administration Program 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
Base Budget	1,574,637	1,154,651	141,812	3,242,600	95.8%	1,574,637	1,154,651	141,812	3,242,600	96.6%
Statewide PL										
Personal Services	21,868	22,369	0	46,080	1.4%	23,921	23,420	0	49,314	1.5%
Fixed Costs	(50,266)	0	0	(50,266)	(1.5%)	(29,190)	0	0	(29,190)	(0.9%)
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	(28,398)	22,369	0	(4,186)	(0.1%)	(5,269)	23,420	0	20,124	0.6%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	(1,233,623)	1,379,919	0	146,296	4.3%	(1,285,274)	1,378,771	0	93,497	2.8%
Total HB 2 Adjustments	(1,262,021)	1,402,288	0	142,110	4.2%	(1,290,543)	1,402,191	0	113,621	3.4%
Total Requested Budget	312,616	2,556,939	141,812	3,384,710		284,094	2,556,842	141,812	3,356,221	

The Administration Program requests an increase of approximately \$142,000 in FY 2026 and \$114,000 in FY 2027 over the FY 2025 base appropriations.

Proposed changes include:

- A fund shift of approximately \$1.3 million each fiscal year from general fund to the Montana heritage center state special revenue fund
- Approximately \$15,000 in FY 2026 and \$39,000 in FY 2027 of statewide present law adjustments for personal services and fixed costs
- \$50,000 of one-time-only appropriations in FY 2026 to extend the lease of facilities while renovations at the Heritage Center and Veteran's Building continue
- An additional 1.00 PB to be funded with \$199,000 of state special revenue fund

**LFD
COMMENT**

The executive has separately proposed the re-authorization of the Montana historical society membership state special revenue fund. This fund is set to statutorily terminate as of FY 2026. The executive proposes re-authorizing the program at similar funding of \$129,000 of special revenue funds for both FY 2026 and FY 2027. These funds are not appropriated in HB 2.

Funding

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

Montana Historical Society, 01-Administration Program Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	546,710	50,000	0	0	596,710	8.5%
02041 MHS Membership	0	0	0	258,878	258,878	4.8%
02188 Senate Art	3,458	0	0	0	3,458	0.1%
02850 Montana Heritage Center Operat	3,299,008	0	0	0	3,299,008	61.4%
02853 Accommodation Tax	1,811,315	0	0	0	1,811,315	33.7%
State Special Total	\$5,113,781	\$0	\$0	\$258,878	\$5,372,659	76.8%
03021 Historic Sites Preservation	283,624	0	0	0	283,624	100.0%
Federal Special Total	\$283,624	\$0	\$0	\$0	\$283,624	4.1%
06071 Merchandise - Historical Soc	669,460	0	0	0	669,460	89.6%
06073 Historical Society Management	77,356	0	0	0	77,356	10.4%
Proprietary Total	\$746,816	\$0	\$0	\$0	\$746,816	10.7%
Total All Funds	\$6,690,931	\$50,000	\$0	\$258,878	\$6,999,809	

HB 2 Appropriations

The Administration Program is primarily funded in HB 2 with general fund. The program receives additional funding from the Lodging Facilities Use tax for historical interpretation and the Scriver collection. As of January 1, 2025, the program receives funding from the 4.0% sales tax on accommodations and campgrounds for the operations and maintenance of the Montana Heritage Center. The program receives a small amount of state special revenue from the sale of Lewis and Clark medallions and bronze replicas of the "We Proceeded On" bronze relief located in the Senate chamber. This state special revenue funding is used for the care and maintenance of the original bronze relief.

The program also receives proprietary funds from museum entrance fees, lobby rentals, and merchandise sales.

LFD COMMENT

In previous fiscal years, the Administration Program had one statutorily appropriated state special revenue fund. The Montana Historical Society membership fund received revenue from the purchase of memberships to the MTHS. The funding was used for the improvement, development, and operation of the MTHS. As of June 30, 2025, this account is set to terminate, and appropriations are set to cease. The executive has requested a separate decision package to re-authorize the account at similar funding levels. These funds are not appropriated in HB 2.

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	30.68	30.68	31.68	31.68
Personal Services	1,332,301	1,836,561	2,335,224	2,204,641	2,207,876
Operating Expenses	533,300	689,480	1,014,911	1,130,069	1,148,345
Transfers	10,000	10,000	0	0	0
Debt Service	138,108	138,108	0	50,000	0
Total Expenditures	\$2,013,709	\$2,674,149	\$3,350,135	\$3,384,710	\$3,356,221
General Fund	1,506,727	1,745,908	1,682,172	312,616	284,094
State/Other Special Rev. Funds	171,384	498,509	1,154,651	2,556,939	2,556,842
Federal Spec. Rev. Funds	109,817	131,026	141,812	141,812	141,812
Proprietary Funds	225,781	298,706	371,500	373,343	373,473
Total Funds	\$2,013,709	\$2,674,149	\$3,350,135	\$3,384,710	\$3,356,221
Total Ongoing	\$1,878,886	\$2,539,326	\$3,242,600	\$3,334,710	\$3,356,221
Total OTO	\$134,823	\$134,823	\$107,535	\$50,000	\$0

Program Description

The Administration Program provides supervision, administration, and coordination of the six programs in the Montana Historical Society. Program staff are responsible for the management, planning, direction, and leadership of the society. Activities include public information, payroll/personnel, fund raising, financial reporting, business management, security, building management, information technology, community outreach, and the society store.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Administration Program was budgeted at approximately \$2.7 million of appropriations for FY 2024 and expended approximately \$2.0 million. The largest difference in appropriations and expenditures was in personal services, which was budgeted at approximately \$1.8 million and expended approximately \$1.5 million. Much of this was because many of the new positions that had been approved for in FY 2024 were not directed to be filled until partway through the fiscal year. There were also some internal turnovers and hiring setbacks midway through FY 2024.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The Administration Program is budgeted at approximately \$3.4 million for FY 2025, or approximately \$676,000 more than FY 2024. Most of this increase is funded through state special revenue funds. The Montana Heritage Center operations state special revenue account appropriated approximately \$270,000 for Heritage Center operations which are currently budgeted for personal services. The accommodation tax account provides approximately \$386,000 more appropriations in FY 2025, most of which are budgeted for personal services to support 7.00 additional PB 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	21,868	22,369	0	46,080	0.00	23,921	23,420	0	49,314
DP 2 - Fixed Costs	0.00	(50,266)	0	0	(50,266)	0.00	(29,190)	0	0	(29,190)
DP 5 - Standard Budget Adjustment	0.00	0	0	0	0	0.00	0	0	0	0
Grand Total All Present Law Adjustments	0.00	(\$28,398)	\$22,369	\$0	(\$4,186)	0.00	(\$5,269)	\$23,420	\$0	\$20,124

**"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

Administration Program Montana Historical Society FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 503
Management Changes	45,577
Total Budget Modifications	-
Total	<u>\$ 46,080</u>

Legislative changes in this program account for reduced appropriations for longevity and increased appropriations for benefits. Upwards adjustments captured as management changes are a result of pay adjustments and salary adjustments for newly approved positions in the FY 2025 biennium.

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 5 - Standard Budget Adjustment -

The executive requests a zero-impact package that moves \$270,159 personal services authority from the state special revenue accommodations tax fund (02853) to the state special revenue Montana Heritage Center Operations account (02850) in 22-3-1304, MCA, to be used only for expenses incurred in the operation and maintenance of the Montana Heritage Center, which may include the Veterans' and Pioneer Memorial Building. This funding was miscoded in the agency standard budget which developed the starting point for the 2027 budget.

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 11 - Fund Switch to O&M Accom Tax										
0.00	(1,283,623)	1,283,623	0	0		0.00	(1,285,274)	1,285,274	0	0
DP 12 - Temporary Relocation Rent (RST/OTO)										
0.00	50,000	0	0	50,000		0.00	0	0	0	0
DP 5170101 - Museum CSM Database Manager										
1.00	0	96,296	0	96,296		1.00	0	93,497	0	93,497
Total	1.00	(\$1,233,623)	\$1,379,919	\$0	\$146,296	1.00	(\$1,285,274)	\$1,378,771	\$0	\$93,497

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

DP 11 - Fund Switch to O&M Accom Tax -

15-68-820, MCA, directs 6.0% of the accommodation sales and use tax to MTHS for operation and maintenance of the Montana Heritage Center beginning January 1, 2025. This request switches personal services appropriations and operating expense appropriations in the administration program from general fund to the state special revenue Montana Heritage Center operations fund.

DP 12 - Temporary Relocation Rent (RST/OTO) -

This request is for restricted one-time-only general fund of \$50,000 in FY 2026 to extend the lease of facilities while renovations continue at the Heritage Center and Veteran's Building.

DP 5170101 - Museum CSM Database Manager -

Contingent on passage and approval of related customer service management (CSM) software in HB 10, MTHS requests 1.00 PB for a database administrator to manage the CSM. This includes one-time-only funding in FY 2027 of \$2,800 for the new employee office package. This would be funded by state special revenue Montana heritage operations accommodations tax.

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	16.50	16.50	16.50	0.00	0.0%
General Fund	1,205,140	1,203,070	1,207,189	(21)	(0.0%)
State/Other Special Rev. Funds	762,666	776,346	776,953	27,967	1.8%
Proprietary Funds	35,220	35,220	35,220		0.0%
Total Funds	2,003,026	2,014,636	2,019,362	27,946	0.7%
Personal Services	1,254,096	1,334,566	1,338,136	164,510	6.6%
Operating Expenses	660,839	591,979	593,135	(136,564)	(10.3%)
Equipment & Intangible Assets	88,091	88,091	88,091		0.0%
Total Expenditures	2,003,026	2,014,636	2,019,362	27,946	0.7%
Total Ongoing	2,003,026	2,014,636	2,019,362	27,946	0.7%
Total One-Time-Only					0.0%

Program Highlights

Library & Archives Program Major Budget Highlights	
<ul style="list-style-type: none"> The executive requests approximately \$28,000 additional funding in the FY 2027 biennium over the FY 2025 base budget Increased expenditures in each fiscal year are due to statewide present law adjustments totaling approximately \$12,000 in FY 2026 and \$16,000 in FY 2027 <ul style="list-style-type: none"> The statewide personal services adjustment increases appropriations by \$80,000 in FY 2026 and by \$84,000 in FY 2027 The statewide fixed costs adjustment decreases appropriations by \$69,000 in FY 2026 and by \$68,000 in FY 2027 	
Legislative Action Items	
<ul style="list-style-type: none"> The executive base budget incorrectly funds some operations and maintenance appropriations with the state special revenue accommodations tax fund, rather than the newly created Montana Heritage Center Operations & Maintenance Account. A fund switch (DP 5) is proposed to correct this issue. 	

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.

Library and Archives Program 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
Base Budget	1,205,140	762,666	0	2,003,026	99.4%	1,205,140	762,666	0	2,003,026	99.2%
Statewide PL										
Personal Services	66,790	13,680	0	80,470	4.0%	69,753	14,287	0	84,040	4.2%
Fixed Costs	(68,860)	0	0	(68,860)	(3.4%)	(67,704)	0	0	(67,704)	(3.4%)
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	(2,070)	13,680	0	11,610	0.6%	2,049	14,287	0	16,336	0.8%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	(2,070)	13,680	0	11,610	0.6%	2,049	14,287	0	16,336	0.8%
Total Requested Budget	1,203,070	776,346	0	2,014,636		1,207,189	776,953	0	2,019,362	

The Library & Archives program requests appropriations that are \$12,000 higher in FY 2026 and \$16,000 in FY 2027 than the FY 2025 base budget. This is due to increased personal services adjustments of \$80,000 in FY 2026 and \$84,000 in FY 2027 and fixed cost reductions of \$69,000 in FY 2026 and \$68,000 in FY 2027. Statewide present law adjustments are discussed further below.

Funding

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

Montana Historical Society, 02-Library and Archives Program Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	2,410,259	0	0	0	2,410,259	59.7%
02850 Montana Heritage Center Operat	605,584	0	0	0	605,584	39.0%
02853 Accommodation Tax	947,715	0	0	0	947,715	61.0%
State Special Total	\$1,553,299	\$0	\$0	\$0	\$1,553,299	38.5%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
06072 MHS Photo Archives Enterprise	33,628	0	0	0	33,628	47.7%
06076 MHS Library Enterprise Funds	36,812	0	0	0	36,812	52.3%
Proprietary Total	\$70,440	\$0	\$0	\$0	\$70,440	1.7%
Total All Funds	\$4,033,998	\$0	\$0	\$0	\$4,033,998	

HB 2 Appropriations

The Research Center is primarily funded with general fund. The program also receives state special revenue from the lodging facility use tax for historical interpretation and the Robert Scriver collection, the lodging sales tax for the operations and maintenance of the Montana Heritage Center, and funding from two proprietary funds that receive revenue from the sale of historical photo reproductions and images and research requests.

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	16.50	16.50	16.50	16.50
Personal Services	883,967	1,026,975	1,254,096	1,334,566	1,338,136
Operating Expenses	491,110	572,760	660,839	591,979	593,135
Equipment & Intangible Assets	109,500	138,091	88,091	88,091	88,091
Total Expenditures	\$1,484,577	\$1,737,826	\$2,003,026	\$2,014,636	\$2,019,362
General Fund	1,183,008	1,312,328	1,205,140	1,203,070	1,207,189
State/Other Special Rev. Funds	274,047	390,273	762,666	776,346	776,953
Proprietary Funds	27,522	35,225	35,220	35,220	35,220
Total Funds	\$1,484,577	\$1,737,826	\$2,003,026	\$2,014,636	\$2,019,362
Total Ongoing	\$1,436,577	\$1,689,826	\$2,003,026	\$2,014,636	\$2,019,362
Total OTO	\$48,000	\$48,000	\$0	\$0	\$0

Program Description

The Library & Archives Program consists of the library, archives, and photograph archives functions. This program acquires, organizes, preserves, makes accessible to the public, and assists researchers with published materials, historic records and manuscripts, photographs and related media, digitized materials available online, and oral histories illustrative of the history of Montana and the surrounding region. By statute, this program houses the official archives of state government.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Library & Archives program expended approximately \$1.5 million of its \$1.7 million FY 2024 appropriation. Most of the unspent authority was budgeted for personal services and was not expended due to delayed hiring of some new positions that were approved for FY 2024 and internal turnover within the agency.

FY 2024 Appropriations Compared to FY 2025 Appropriations

Overall, the FY 2025 appropriation is approximately \$265,000 higher than the FY 2024 appropriation. The primary difference is in personal services and was due to additional 2.00 PB which were appropriated for 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	66,790	13,680	0	80,470	0.00	69,753	14,287	0	84,040
DP 2 - Fixed Costs									
0.00	(68,860)	0	0	(68,860)	0.00	(67,704)	0	0	(67,704)
DP 5 - Standard Budget Adjustment									
0.00	0	0	0	0	0.00	0	0	0	0
Grand Total All Present Law Adjustments									
0.00	(\$2,070)	\$13,680	\$0	\$11,610	0.00	\$2,049	\$14,287	\$0	\$16,336

***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

Library & Archives Montana Historical Society FY 2026 Statewide Present Law Adjustment for Personal Services		
Legislative Changes	\$	24,910
Management Changes		55,560
Total Budget Modifications		-
Total	\$	80,470

Legislative changes in this program account for reduced appropriations for longevity and increased appropriations for benefits. Upwards adjustments captured as management changes are a result of negotiated pay adjustments, retention adjustments and salary adjustments for newly approved positions as of the 2025 biennium.

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 5 - Standard Budget Adjustment -

The executive requests a zero-impact impact package that moves \$302,792 operating expense authority from the state special revenue accommodations tax fund (02853) to the state special revenue Montana Heritage Center Operations account (02850) in 22-3-1304, MCA, to be used only for expenses incurred in the operation and maintenance of the Montana Heritage Center, which may include the Veterans' and Pioneer Memorial Building. This funding was miscoded in the agency standard budget which developed the starting point for the 2027 budget.

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	11.75	11.75	11.75	0.00	0.0%
General Fund	457,179	364,575	366,869	(182,914)	(20.0%)
State/Other Special Rev. Funds	1,142,129	1,229,361	1,229,674	174,777	7.7%
Proprietary Funds	3,079	3,079	3,079		0.0%
Total Funds	1,602,387	1,597,015	1,599,622	(8,137)	(0.3%)
Personal Services	928,682	952,855	953,688	49,179	2.6%
Operating Expenses	478,996	449,451	451,225	(57,316)	(6.0%)
Equipment & Intangible Assets	6,795	6,795	6,795		0.0%
Debt Service	187,914	187,914	187,914		0.0%
Total Expenditures	1,602,387	1,597,015	1,599,622	(8,137)	(0.3%)
Total Ongoing	1,602,387	1,597,015	1,599,622	(8,137)	(0.3%)
Total One-Time-Only					0.0%

Program Highlights

Museum Program Major Budget Highlights	
<ul style="list-style-type: none"> The executive request for the Museum Program reduces expenditures by approximately \$8,000 from the previous biennium The request includes statewide present law personal services adjustments of \$49,000 over the FY 2027 biennium The request includes statewide present law fixed cost reductions of \$57,000 over the FY 2027 biennium The executive requests a fund switch that would <ul style="list-style-type: none"> Increase appropriations from the state special revenue Montana heritage center account by \$79,000 in both FY 2026 and FY 2027 Reduce general fund appropriations by \$79,000 in both FY 2026 and FY 2027 	
Legislative Action Items	
<ul style="list-style-type: none"> The executive base budget incorrectly funds some operations and maintenance appropriations with the state special revenue accommodations tax fund, rather than the newly created Montana Heritage Center Operations & Maintenance Account. A fund switch (DP 5) is proposed to correct this issue. 	

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.

Museum Program 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
Base Budget	457,179	1,142,129	0	1,602,387	100.3%	457,179	1,142,129	0	1,602,387	100.2%
Statewide PL										
Personal Services	16,196	7,977	0	24,173	1.5%	16,754	8,252	0	25,006	1.6%
Fixed Costs	(29,545)	0	0	(29,545)	(1.9%)	(27,771)	0	0	(27,771)	(1.7%)
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	(13,349)	7,977	0	(5,372)	(0.3%)	(11,017)	8,252	0	(2,765)	(0.2%)
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	(79,255)	79,255	0	0	0.0%	(79,293)	79,293	0	0	0.0%
Total HB 2 Adjustments	(92,604)	87,232	0	(5,372)	(0.3%)	(90,310)	87,545	0	(2,765)	(0.2%)
Total Requested Budget	364,575	1,229,361	0	1,597,015		366,869	1,229,674	0	1,599,622	

The Museum program requests HB 2 appropriations that are approximately \$5,000 less in FY 2026 and \$3,000 less in FY 2027 than the FY 2025 base appropriation. Reductions are due to statewide present law fixed cost reductions of approximately \$30,000 in FY 2026 and \$28,000 in FY 2027. These reductions are offset by increased statewide present law personal service adjustments of \$24,000 in FY 2026 and \$25,000 in FY 2027.

The executive requests a fund switch of approximately \$79,000 in both FY 2026 and FY 2027. This proposal would reduce general fund appropriations to this program and increase state special revenue funds from the state special revenue Montana Heritage Center account by an equivalent amount.

**LFD
COMMENT**

On January 1, 2025, per SB 338 (2019), the distribution of accommodation tax changed. Previously, 20.0% of the accommodation tax went to the long-range building program for construction of the Heritage Center. In 2025, the Historical Society receives a 6.0% distribution of total accommodation tax for the staffing, operations, and maintenance of the Heritage Center. For more information on the accommodation tax please see this [brochure](#).

Funding

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

Montana Historical Society, 03-Museum Program Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	731,444	0	0	0	731,444	16.7%
02045 Original Governor's Mansion	0	0	0	5,772	5,772	0.2%
02123 Sites & Signs	0	0	0	1,187,693	1,187,693	32.5%
02850 Montana Heritage Center Operat	660,506	0	0	0	660,506	18.1%
02853 Accommodation Tax	1,798,529	0	0	0	1,798,529	49.2%
02986 Lewis & Clark License Plates	0	0	0	2,200	2,200	0.1%
State Special Total	\$2,459,035	\$0	\$0	\$1,195,665	\$3,654,700	83.2%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
06077 MHS Museum Enterprise Funds	6,158	0	0	0	6,158	100.0%
Proprietary Total	\$6,158	\$0	\$0	\$0	\$6,158	0.1%
Total All Funds	\$3,196,637	\$0	\$0	\$1,195,665	\$4,392,302	

HB 2 Appropriations

The Museum Program is primarily funded in HB 2 with general fund and the accommodation tax state special revenue fund. This program receives some funding from Lodging Sales Tax disbursements. This program also has proprietary funding, which receives revenue from the sale of books, copies, and photographs, as well as the rental of traveling exhibits.

Statutory Appropriations

The Museum Program has two state special revenue funds that are statutorily appropriated. These include:

- The sites and signs account, which is established in 15-65-121(2)(a), MCA. This fund receives 1.0% of the lodging facility use tax for the installation or maintenance of roadside historical signs and historic sites
- The Lewis and Clark license plates account, which is established in 90-1-115, MCA. This fund receives 25.0% of the revenue from the sale of Lewis and Clark bicentennial license plates. Funding must be used to support projects related to Lewis and Clark

LFD COMMENT

The executive has separately requested a reduction of approximately \$62,000 per year of appropriations for the Lewis & Clark license plate state special revenue account. These funds are not appropriated in HB 2.

LFD COMMENT

The Original Governor's Mansion fund has been a statutorily appropriated state special revenue fund in previous biennia. The account is set to terminate on June 30, 2025. Money was allocated into the account from tours of the mansion and was used for the improvement, development, and operation of the mansion.

The executive has separately requested to re-establish the Original Governor's Mansion fund in FY 2026 and FY 2027 and authorize appropriations of approximately \$3,000 of state special revenue in each fiscal year. These funds are not appropriated in HB 2.

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	11.75	11.75	11.75	11.75
Personal Services	604,902	691,688	928,682	952,855	953,688
Operating Expenses	540,086	575,525	478,996	449,451	451,225
Equipment & Intangible Assets	5,848	6,795	6,795	6,795	6,795
Debt Service	174,500	187,914	187,914	187,914	187,914
Total Expenditures	\$1,325,336	\$1,461,922	\$1,602,387	\$1,597,015	\$1,599,622
General Fund	675,048	725,083	457,179	364,575	366,869
State/Other Special Rev. Funds	647,917	733,760	1,142,129	1,229,361	1,229,674
Proprietary Funds	2,371	3,079	3,079	3,079	3,079
Total Funds	\$1,325,336	\$1,461,922	\$1,602,387	\$1,597,015	\$1,599,622
Total Ongoing	\$1,315,344	\$1,436,922	\$1,602,387	\$1,597,015	\$1,599,622
Total OTO	\$9,992	\$25,000	\$0	\$0	\$0

Program Description

The Museum Program collects, preserves, and interprets the history of Montana through its material culture by collecting fine art and historical, archaeological, and ethnological artifacts from Montana and the general geographic region. The program interprets its collections through exhibits, tours, and traveling exhibits. The program also coordinates with the society's education program to orchestrate events, programs, and materials on Montana history for learners of all ages.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Museum Program is funded in HB 2 with general fund, state special revenue, and proprietary funds. The HB 2 modified budget of \$1.5 million was 90.7% expended at the end of FY 2024.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The FY 2025 appropriation was approximately \$140,000 greater than the FY 2024 appropriation. The majority of the increase was in personal services funding and was used to fund an additional 2.00 PB in FY 2025. In FY 2025 the Museum Program was appropriated approximately \$408,000 more state special revenue funds and general fund appropriations were reduced by approximately \$268,000.

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	16,196	7,977	0	24,173	0.00	16,754	8,252	0	25,006
DP 2 - Fixed Costs	0.00	(29,545)	0	0	(29,545)	0.00	(27,771)	0	0	(27,771)
DP 5 - Standard Budget Adjustment	0.00	0	0	0	0	0.00	0	0	0	0
Grand Total All Present Law Adjustments	0.00	(\$13,349)	\$7,977	\$0	(\$5,372)	0.00	(\$11,017)	\$8,252	\$0	(\$2,765)

***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

Museum Program Montana Historical Society FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ (4,450)
Management Changes	28,623
Total Budget Modifications	-
Total	\$ 24,173

Legislative changes in this program account for reduced appropriations for longevity and increased appropriations for benefits. Upwards adjustments captured as management changes are largely a result of negotiated pay adjustments and retention adjustments.

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 5 - Standard Budget Adjustment -

The executive requests a zero-impact package that moves \$250,979 operating expense authority from the state special revenue accommodations tax fund (02853) to the state special revenue Montana Heritage Center Operations account (02850) in 22-3-1304, MCA, to be used only for expenses incurred in the operation and maintenance of the Montana Heritage Center, which may include the Veterans' and Pioneer Memorial Building. This funding was miscoded in the agency standard budget which developed the starting point for the 2027 budget.

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 11 - Fund Switch to O&M Accom Tax	0.00	(79,255)	79,255	0	0	0.00	(79,293)	79,293	0	0
Total	0.00	(\$79,255)	\$79,255	\$0	\$0	0.00	(\$79,293)	\$79,293	\$0	\$0

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

DP 11 - Fund Switch to O&M Accom Tax -

15-68-820, MCA, directs 6.0% of the accommodation sales and use tax to MTHS for operation and maintenance of the Montana Heritage Center beginning January 1, 2025. This request switches \$79,255 in FY 2026 and \$79,293 in FY 2027 for personal services in the museum program from general fund to the state special revenue Montana Heritage Center operations fund.

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 FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
PB	5.00	5.00	5.00	0.00	0.0%
General Fund	281,790	305,266	305,446	47,132	8.4%
Proprietary Funds	385,183	379,739	379,942	(10,685)	(1.4%)
Total Funds	666,973	685,005	685,388	36,447	2.7%
Personal Services	390,227	429,353	429,653	78,552	10.1%
Operating Expenses	276,746	255,652	255,735	(42,105)	(7.6%)
Total Expenditures	666,973	685,005	685,388	36,447	2.7%
Total Ongoing	666,973	685,005	685,388	36,447	2.7%
Total One-Time-Only					0.0%

Program Highlights

Publications Program Major Budget Highlights
<ul style="list-style-type: none"> The executive's FY 2027 biennial request is approximately \$36,000 over the FY 2025 base budget. The request includes: <ul style="list-style-type: none"> Increases of \$39,000 in both FY 2026 and FY 2027 for statewide present law personal services adjustments Decreases of \$21,000 in both FY 2026 and FY 2027 for statewide present law fixed cost adjustments

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.

Publications Program 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
Base Budget	281,790	0	0	666,973	97.4%	281,790	0	0	666,973	97.3%
Statewide PL										
Personal Services	23,476	0	0	39,126	5.7%	23,656	0	0	39,426	5.8%
Fixed Costs	0	0	0	(21,094)	(3.1%)	0	0	0	(21,011)	(3.1%)
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	23,476	0	0	18,032	2.6%	23,656	0	0	18,415	2.7%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	23,476	0	0	18,032	2.6%	23,656	0	0	18,415	2.7%
Total Requested Budget	305,266	0	0	685,005		305,446	0	0	685,388	

The Publications program requests increased appropriations totaling approximately \$18,000 in FY 2026 and \$18,000 in FY 2027 over the FY 2025 base appropriation. Changes include:

- Increased appropriations due to statewide present law adjustments for personal services of \$39,000 in FY 2026 and \$39,000 in FY 2027. Proposed increases are split between general fund and proprietary funds, with proposed general fund increases of approximately \$23,000 in FY 2026 and \$24,000 in FY 2027, and proposed proprietary fund increases of \$16,000 in both FY 2026 and FY 2027
- Decreased proprietary fund appropriations in operating expenses due to statewide present law adjustments for fixed costs of \$21,000 in FY 2026 and \$21,000 in FY 2027.

Funding

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

Montana Historical Society, 04-Publications Program Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	610,712	0	0	0	610,712	44.6%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
06002 MHS Publications Enterprise	759,681	0	0	0	759,681	100.0%
Proprietary Total	\$759,681	\$0	\$0	\$0	\$759,681	55.4%
Total All Funds	\$1,370,393	\$0	\$0	\$0	\$1,370,393	

HB 2 Appropriations

The Publications Program is funded with general fund and proprietary funds. The proprietary funding receives revenues from subscription sales for the magazine and sales of books published by the program.

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	5.00	5.00	5.00	5.00
Personal Services	392,976	395,154	390,227	429,353	429,653
Operating Expenses	208,788	253,655	276,746	255,652	255,735
Total Expenditures	\$601,764	\$648,809	\$666,973	\$685,005	\$685,388
General Fund	289,863	292,365	281,790	305,266	305,446
Proprietary Funds	311,901	356,444	385,183	379,739	379,942
Total Funds	\$601,764	\$648,809	\$666,973	\$685,005	\$685,388
Total Ongoing	\$601,764	\$648,809	\$666,973	\$685,005	\$685,388
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Publications Program promotes the study of Montana history and education through lectures, publications, and curriculum materials. The program publishes quarterly editions of the magazine *Montana The Magazine of Western History*. It also publishes books under the Montana Historical Society Press imprint.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Publications Program expended approximately \$602,000, or 92.7% of its approximately \$649,000 appropriations in FY 2024.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The Publications Program received approximately \$667,000 of appropriations in FY 2025, or 2.8% more than in FY 2024. The increase was due to Statewide Present Law Adjustments.

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	23,476	0	0	39,126	0.00	23,656	0	0	39,426
DP 2 - Fixed Costs	0.00	0	0	0	(21,094)	0.00	0	0	0	(21,011)
Grand Total All Present Law Adjustments	0.00	\$23,476	\$0	\$0	\$18,032	0.00	\$23,656	\$0	\$0	\$18,415

**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

Publications Program Montana Historical Society FY 2026 Statewide Present Law Adjustment for Personal Services		
Legislative Changes	\$	13,714
Management Changes		25,412
Total Budget Modifications		-
Total	\$	39,126

Legislative changes in this program account for a small increase in appropriations for longevity and increased appropriations for benefits. Upwards adjustments captured as management changes are largely a result of negotiated pay adjustments and retention adjustments.

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.

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	6.91	6.91	6.91	0.00	0.0%	
General Fund	341,164	339,134	339,643	(3,551)	(0.5%)	
State/Other Special Rev. Funds	361,517	387,132	387,361	51,459	7.1%	
Proprietary Funds	26,980	26,980	26,980		0.0%	
Total Funds	729,661	753,246	753,984	47,908	3.3%	
Personal Services	464,358	528,396	528,969	128,649	13.9%	
Operating Expenses	265,303	224,850	225,015	(80,741)	(15.2%)	
Total Expenditures	729,661	753,246	753,984	47,908	3.3%	
Total Ongoing	729,661	753,246	753,984	47,908	3.3%	
Total One-Time-Only					0.0%	

Program Highlights

Outreach & Education Program Major Budget Highlights	
<ul style="list-style-type: none"> The executive request for the Outreach & Education program budget is approximately \$48,000 greater than the FY 2025 base budget. This request includes: <ul style="list-style-type: none"> Increased personal services appropriations of \$129,000 throughout the FY 2027 biennium due to statewide present law personal services adjustments Decreased operating expenses appropriations of \$81,000 throughout the FY 2027 biennium due to statewide present law fixed cost adjustments 	

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.

Outreach and Education Program 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
Base Budget	341,164	361,517	0	729,661	96.9%	341,164	361,517	0	729,661	96.8%
Statewide PL										
Personal Services	38,423	25,615	0	64,038	8.5%	38,767	25,844	0	64,611	8.6%
Fixed Costs	(40,453)	0	0	(40,453)	(5.4%)	(40,288)	0	0	(40,288)	(5.3%)
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	(2,030)	25,615	0	23,585	3.1%	(1,521)	25,844	0	24,323	3.2%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	(2,030)	25,615	0	23,585	3.1%	(1,521)	25,844	0	24,323	3.2%
Total Requested Budget	339,134	387,132	0	753,246		339,643	387,361	0	753,984	

The Outreach & Education program requests increased appropriations amounting to approximately \$24,000 in FY 2026 and \$24,000 in FY 2027 over the FY 2025 base budget. Changes are due to statewide present law adjustments for personal services and fixed costs. These include:

- Increased appropriations of \$64,000 in FY 2026 and \$65,000 in FY 2027 for statewide present law personal services adjustments. These increases are split between general fund and state special revenue funds, with proposed general fund appropriation increases of \$38,000 in FY 2026 and \$39,000 in FY 2027, and proposed state special revenue increases of \$26,000 in FY 2026 and \$26,000 in FY 2027
- Decreased general fund appropriations for operating expenses of approximately \$40,000 in both FY 2026 and FY 2027 for statewide present law fixed cost adjustments

Funding

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

Montana Historical Society, 05-Outreach and Education Program Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	678,777	0	0	0	678,777	32.1%	
02123 Sites & Signs	0	0	0	610,406	610,406	44.1%	
02853 Accommodation Tax	774,493	0	0	0	774,493	55.9%	
State Special Total	\$774,493	\$0	\$0	\$610,406	\$1,384,899	65.4%	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%	
06022 MHS Education Enterprise Funds	53,960	0	0	0	53,960	100.0%	
Proprietary Total	\$53,960	\$0	\$0	\$0	\$53,960	2.5%	
Total All Funds	\$1,507,230	\$0	\$0	\$610,406	\$2,117,636		

HB 2 Appropriations

The Education Program is primarily funded in HB 2 with general fund and the accommodation tax state special revenue fund. This program also has proprietary funding, which receives revenue from:

- The Montana Historical Conference; the revenues are used for expenses associated with the conference
- Special tours; revenues are used for operating expenses associated with the tours
- Elementary and middle school textbook sales; revenues are used for expenses related to textbook reproduction and teacher training

Statutory Appropriations

The Education Program has one state special revenue fund that is statutorily appropriated. The sites and signs fund established in 15-65-121(2)(a), MCA, receives 1.0% of the lodging facility use tax for the installation or maintenance of roadside historical signs and historic sites.

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	6.91	6.91	6.91	6.91
Personal Services	366,044	442,561	464,358	528,396	528,969
Operating Expenses	211,490	238,263	265,303	224,850	225,015
Total Expenditures	\$577,534	\$680,824	\$729,661	\$753,246	\$753,984
General Fund	356,841	361,856	341,164	339,134	339,643
State/Other Special Rev. Funds	206,025	292,100	361,517	387,132	387,361
Proprietary Funds	14,668	26,868	26,980	26,980	26,980
Total Funds	\$577,534	\$680,824	\$729,661	\$753,246	\$753,984
Total Ongoing	\$577,534	\$680,824	\$729,661	\$753,246	\$753,984
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Outreach & Education Program is comprised of three primary activities: outreach and interpretation, historic signs, and the volunteer program. The Outreach & Education Program provides educational public programming of all types, both at the society's headquarters and throughout the state, for a wide range of audiences; plans and produces educational publications, curriculum materials, and instructional literature for broad distribution; plans and produces interpretive, place-based publications, articles, brochures, and tours for statewide distribution/implementation; reference services to the general public, teachers, students, technical users, and other like-minded institutions and organizations; oversees the National Register Sign Program for the State of Montana, producing interpretive signage for eligible structures and sites in all parts of the state; assists in the planning, production, and placement of non-register permanent and/or temporary signage in all parts of the state; and oversees the society's volunteer program, coordinating volunteers, and volunteer activities society wide.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Outreach & Education Program expended approximately \$578,000, or 84.8% of its approximately \$681,000 appropriations in FY 2024.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The Publications Program received approximately \$730,000 of appropriations in FY 2025, or 7.2% more than in FY 2024. The increase was due to Statewide Present Law Adjustments and an additional 0.82 PB budgeted 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	38,423	25,615	0	64,038	0.00	38,767	25,844	0	64,611
DP 2 - Fixed Costs	0.00	(40,453)	0	0	(40,453)	0.00	(40,288)	0	0	(40,288)
Grand Total All Present Law Adjustments	0.00	(\$2,030)	\$25,615	\$0	\$23,585	0.00	(\$1,521)	\$25,844	\$0	\$24,323

*"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

Education Program	
Montana Historical Society	
FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 22,983
Management Changes	41,055
Total Budget Modifications	-
Total	<u>\$ 64,038</u>

Legislative changes in this program account for a small increase in appropriations for longevity and increased appropriations for benefits. Upwards adjustments captured as management changes due to a combination of negotiated pay adjustments, retention adjustments, promotion adjustments, and pay adjustments for positions that are new for the FY 2025 biennium or went through a transfer or rehiring process.

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.

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	8.00	8.00	8.00	0.00	0.0%
Federal Spec. Rev. Funds	882,289	871,659	873,758	(19,161)	(1.1%)
Proprietary Funds	224,565	224,565	224,565		0.0%
Total Funds	1,106,854	1,096,224	1,098,323	(19,161)	(0.9%)
Personal Services	645,685	689,602	691,438	89,670	6.9%
Operating Expenses	374,049	319,502	319,765	(108,831)	(14.5%)
Grants	87,120	87,120	87,120		0.0%
Total Expenditures	1,106,854	1,096,224	1,098,323	(19,161)	(0.9%)
Total Ongoing	1,106,854	1,096,224	1,098,323	(19,161)	(0.9%)
Total One-Time-Only					0.0%

Program Highlights

State Historic Preservation Office Program Major Budget Highlights

The State Historic Preservation Office (SHIPO) Program's request reduces appropriations by approximately \$19,000 through the FY 2027 biennium from the FY 2025 base year. Changes include:

- Statewide present law personal services increases of \$90,000 through the 2027 biennium
- Statewide present law fixed cost decreases of \$109,000 through the 2027 biennium

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.

State Historic Preservation Office Program 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
Base Budget	0	0	882,289	1,106,854	101.0%	0	0	882,289	1,106,854	100.8%
Statewide PL										
Personal Services	0	0	43,917	43,917	4.0%	0	0	45,753	45,753	4.2%
Fixed Costs	0	0	(54,246)	(54,246)	(4.9%)	0	0	(54,081)	(54,081)	(4.9%)
Inflation Deflation	0	0	(301)	(301)	(0.0%)	0	0	(203)	(203)	(0.0%)
Total Statewide PL	0	0	(10,630)	(10,630)	(1.0%)	0	0	(8,531)	(8,531)	(0.8%)
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	0	0	(10,630)	(10,630)	(1.0%)	0	0	(8,531)	(8,531)	(0.8%)
Total Requested Budget	0	0	871,659	1,096,224		0	0	873,758	1,098,323	

The SHIPO program overall requests decreased federal special revenue appropriations of approximately \$11,000 in FY 2026 and \$9,000 in FY 2027 from the FY 2025 base year. Notable changes include:

- Increased federal special revenue appropriations of \$44,000 in FY 2026 and \$46,000 in FY 2027 for statewide present law personal services adjustments
- Decreased federal special revenue appropriations in operating expenses of \$54,000 in FY 2026 and \$54,000 in FY 2027 for statewide present law fixed cost adjustments

Funding

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

Montana Historical Society, 06-State Historic Preservation Office Program 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%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
03021 Historic Sites Preservation	1,745,417	0	0	0	1,745,417	100.0%
Federal Special Total	\$1,745,417	\$0	\$0	\$0	\$1,745,417	79.5%
06013 SHPO ENTERPRISE FUND	449,130	0	0	0	449,130	100.0%
Proprietary Total	\$449,130	\$0	\$0	\$0	\$449,130	20.5%
Total All Funds	\$2,194,547	\$0	\$0	\$0	\$2,194,547	

HB 2 Appropriations

The Historic Preservation Program is primarily funded with federal special revenue. This funding is from the National Parks Service for historic site preservation. The program also receives funding from a proprietary fund. The proprietary fund receives revenue from fees for historical preservation assistance and services and is used to enhance and maintain the agency's antiquities 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	8.00	8.00	8.00	8.00
Personal Services	672,952	707,683	645,685	689,602	691,438
Operating Expenses	188,041	255,885	374,049	319,502	319,765
Grants	86,978	87,120	87,120	87,120	87,120
Total Expenditures	\$947,971	\$1,050,688	\$1,106,854	\$1,096,224	\$1,098,323
General Fund	2,633	2,632	0	0	0
Federal Spec. Rev. Funds	769,597	851,319	882,289	871,659	873,758
Proprietary Funds	175,741	196,737	224,565	224,565	224,565
Total Funds	\$947,971	\$1,050,688	\$1,106,854	\$1,096,224	\$1,098,323
Total Ongoing	\$947,971	\$1,050,688	\$1,106,854	\$1,096,224	\$1,098,323
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The State Historic Preservation Office administers the Montana Antiquities Act and Montana's participation in the National Historic Preservation Act of 1966, as amended. Staff provide technical assistance to all Montana property owners, including agencies, organizations, and the public. Staff maintain a statewide inventory of recorded historic and archaeological sites; review state agencies' compliance with the state antiquities act; review and comment on all proposed federally funded or permitted projects within the state to determine their effect on properties listed or eligible for listing in the National Register of Historic Places; and administer the National Register of Historic Places program in Montana through the State Preservation Review Board. The office recommends certification of historic structures and rehabilitation projects for federal tax credits to citizens and businesses, as authorized by the Tax Reform Act of 1976. The program awards and administers pass-through federal grants to local governments participating in the federal Certified Local Government Program and may also award funds for historic survey and planning for historic areas and for bricks-and-mortar rehabilitation when funds are available.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The SHIPO Program expended approximately \$948,000, or 90.2% of its FY 2024 HB 2 appropriation. The majority of unexpended funds had been appropriated to operating expenses, with some additional unexpended personal services appropriations. During this period, 1.00 PB was transferred from the SHIPO Program to the Administration Program, which reduced general fund personal services appropriations and expenditures for this program.

FY 2024 Appropriations Compared to FY 2025 Appropriations

FY 2025 appropriations are approximately \$56,000, or 5.3% greater than the FY 2024 appropriation. This increase was due to higher statewide present law adjustments for personal services, operating expenses, and inflation budgeted for 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	0	0	43,917	43,917	0.00	0	0	45,753	45,753
DP 2 - Fixed Costs	0.00	0	0	(54,246)	(54,246)	0.00	0	0	(54,081)	(54,081)
DP 3 - Inflation Deflation	0.00	0	0	(301)	(301)	0.00	0	0	(203)	(203)
Grand Total All Present Law Adjustments	0.00	\$0	\$0	(\$10,630)	(\$10,630)	0.00	\$0	\$0	(\$8,531)	(\$8,531)

**"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

State Historic Preservation Office Program	
Montana Historical Society	
FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 17,583
Management Changes	26,334
Total Budget Modifications	-
Total	<u>\$ 43,917</u>

Increased personal services adjustments attributable to legislative changes are primarily a result of increased appropriations for benefits and some increases in appropriations for longevity. Increased personal services adjustments attributable to management decisions are primarily the result of negotiated pay adjustment, position reclassification adjustments, and retention adjustments.

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.

LONG-RANGE PLANNING OVERVIEW

Section F

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----Agencies-----

Long-Range Building Program
State Building Energy Conservation Program
Long-Range Information Technology Program
Montana Coal Endowment Program
Montana Coal Regional Water Program

Renewable Resource Grant & Loan Program
Reclamation & Development Grants Program
Cultural & Aesthetic Grant Program
Montana Historic Preservation Grant Program

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

House

Representative John Fitzpatrick (Chair)
Representative Scott Rosenzweig
Representative Paul Tuss
Representative Mike Vinton

Senate

Senator John Esp (Vice Chair)
Senator Ellie Boldman

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

Erica Thomas

LONG-RANGE PLANNING OVERVIEW

Executive Summary

This budget analysis has been updated for the December 16, 2024 amendments to the Governor's Office. Appendix A17 at the end of this document summarizes the changes.

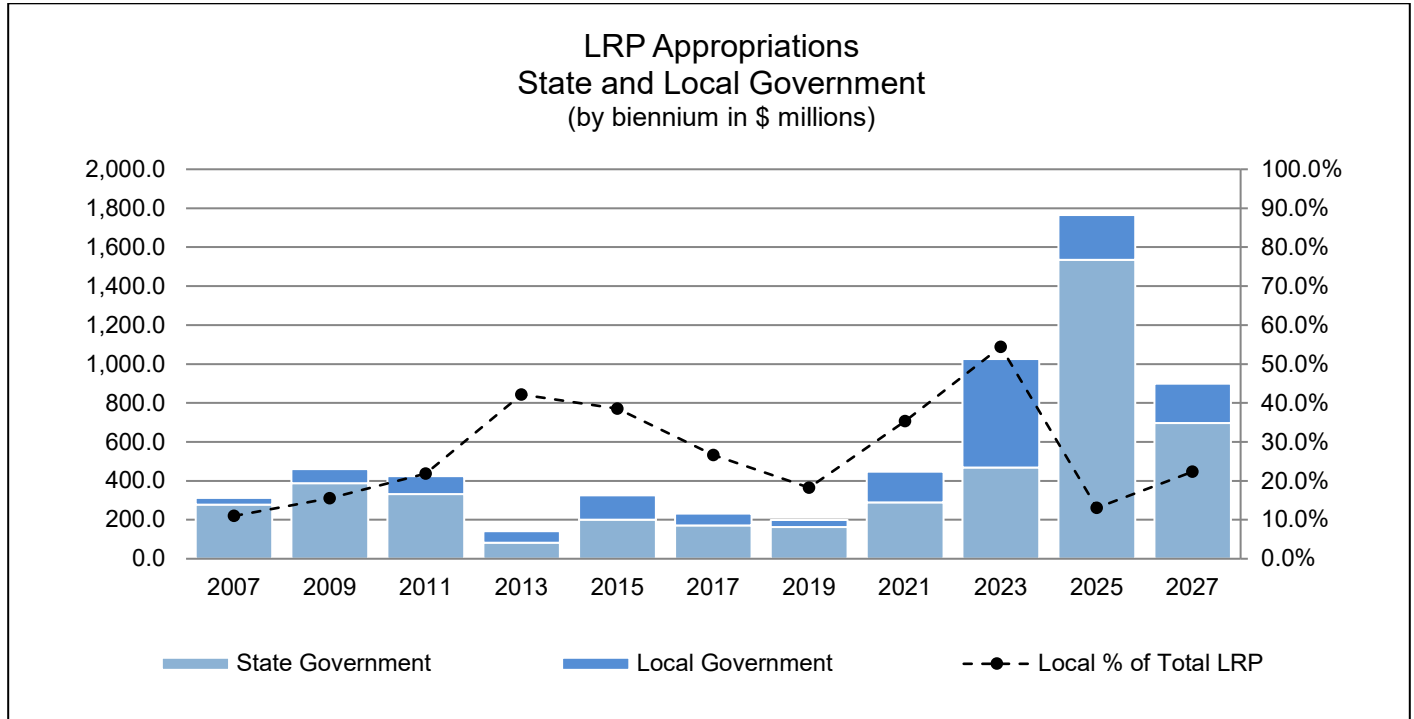
The executive proposal for Long-Range Planning (LRP) programs would provide a mix of cash and general obligation bond funding for state and local government infrastructure projects. Total LRP appropriations proposed by the executive are \$976.2 million. Of this, \$94.8 million is federal funding. Additionally, the executive proposal includes \$76.3 million of non-state dollars (authority/ donations). The LRP subcommittee will review the proposed budgets of nine programs.

State and Local Infrastructure Projects

Long-Range Planning (LRP) programs are devoted to the creation and upkeep of major infrastructure. However, this excludes the state roads and highway construction and maintenance programs, which are appropriated in HB 2.

LRP budgets may be broadly classified as either state government or local government capital (infrastructure projects) programs. Figure 1 shows the level of biennial appropriations provided by category over time. Between the 2007 and the 2023 biennia, appropriations to the local government grant programs increased as a proportion of total LRP appropriations. But this amount dropped in the 2025 biennium, and under the executive proposal will increase to approximately 20.6%.

Figure 1



In the 2009, 2011, and 2015 biennia, the legislature increased local government grant awards by increasing program funding with general fund transfers. In the 2021 biennium, the legislature increased state and local infrastructure funding with the proceeds of general obligation bonds. In the interim years, LRP budgets ticked

LONG-RANGE PLANNING OVERVIEW

down, and no additional funding was provided. Changes made by the 2019 Legislature to the state building program, principally related to the major maintenance of state buildings, increased the proportion of state infrastructure spending, lowering the percent of local government grants as a portion of the total budget.

The 2021 legislature authorized federal American Rescue Plan Act (ARPA) funding for state and local water and sewer infrastructure, totaling \$462.7 million under HB 632 that included significant investment in local water and wastewater infrastructure. Utilization of federal funding in the 2023 biennium, rather than state special revenue, for traditional local infrastructure funding programs such as the Montana Coal Endowment Program and the Renewable Resource Grants and Loans program allowed those programs to have more funding available for grants in the 2025 biennium proposal.

In the 2027 biennium proposal, increases in the total current replacement value of all state-owned general fund supported facilities has increased the statutory funding for the Major Repairs account resulting in more funding to address deferred maintenance of existing state buildings. The 2027 biennium proposal also includes a change in funding for the State Building Energy Conservation Program, which will no longer be bond funded but instead will shift to a self-sustaining revolving loan fund, and no appropriation was requested for the 2027 biennium for this program. And instead of funding individual projects, the LRITP program has proposed a total funding level by agency, which will provide more flexibility when soliciting bids for the projects.

Long-Range Planning Description

In the 2027 biennium, the LRP budget analysis will focus on nine programs, which include:

- Long-Range Building Program (LRBP) – acquisition, construction, and major maintenance of state-owned lands and buildings, administered by the Department of Administration – HB 5
- State Building Energy Conservation Program (SBECP) – energy efficiency improvements to state-owned buildings, administered by the Department of Environmental Quality – HB 5
- Long-Range Information Technology Program (LRITP) – major state information technology builds and upgrades, administered by the Department of Administration – HB 10
- Montana Coal Endowment Program (MCEP) – water, wastewater, and bridge infrastructure grants to local governments, administered by the Department of Commerce – HB 11
- Montana Coal Endowment Regional Water Program (MCEPRW) – matching funds for major regional water projects, administered by the Department of Natural Resources and Conservation – HB 11
- Renewable Resource Grant and Loan Program (RRGL) – water conservation grants and loans to local governments, administered by the Department of Natural Resources and Conservation – HB 6, HB 8
- Reclamation and Development Grant Program (RDGP) – grants for the reclamation of lands degraded by mineral exploration and mining activities, administered by the Department of Natural Resources and Conservation – HB 7
- Cultural and Aesthetic Grant Program (C&A) – arts and cultural grants, administered by the Montana Arts Council – HB 9
- Montana Historic Preservation Grant Program (MHPG) – historic preservation grants, administered by the Department of Commerce – HB 12

Long-Range Planning Comparison

Figure 2 compares the proposed 2027 biennium executive budget to the levels of appropriation provided by the 2025 biennium budget by program and source of funding. The executive proposes total LRP budgets of \$976.2

LONG-RANGE PLANNING OVERVIEW

million. This is \$566.5 million, or 36.7%, less than the LRP budget appropriations in the 2025 biennium. Significant aspects of this proposed budget include:

- Increased capital development appropriations for investment in state-owned and Montana university system buildings, for new construction and larger repair and replacement projects, and new funding for deferred maintenance of the capitol complex
- Major repairs (maintenance) funding in the LRBP totaling \$49.9 million and capital development funding in the LRBP totaling \$671.0 million
- Long-Range Information Technology Program (LRITP) funding totaling \$54.2 million for 34 projects within 10 state agencies
- No general fund bonds have been proposed to help pay for the state infrastructure proposals; apart from the coal severance tax bonds for local government infrastructure, the proposal is funded with cash

Figure 2

Long-Range Planning Budget Comparison (\$ millions)					
Budget Item / Funding Source	Appropriations FY 24-25	Proposed Budget FY 26-27	Biennium Change	Biennium % Change	
HB 5 Long-Range Building Program (LRBP)	\$ 1,131.6	\$ 720.9	\$ (410.7)	-36.3%	
<i>State Building Energy Conservation Program (SBECP)</i>	\$ 3.7	\$ -	\$ (3.7)	-100.0%	
<i>Operations & Maintenance Funding₁</i>	\$ 11.2	\$ 5.8	\$ (5.4)	0.0%	
HB 10 Long-Range Information Technology Program (LRITP)	\$ 240.3	\$ 54.2	\$ (186.1)	-77.4%	
HB 11 Montana Coal Endowment Program (MCEP)	\$ 31.0	\$ 23.8	\$ (7.2)	-23.2%	
HB 11 Montana Coal Endowment Regional Water Program (MCEPRW)	\$ 10.0	\$ 10.0	\$ -	0.0%	
HB 6 & 8 Renewable Resource Grant and Loan Program (RRGL)	\$ 115.1	\$ 146.2	\$ 31.1	27.0%	
HB 7 Reclamation and Development Grant Program (RDGP)	\$ 5.7	\$ 13.9	\$ 8.2	143.9%	
HB 9 Cultural and Aesthetic Grant Program (C&A)	\$ 0.6	\$ 1.0	\$ 0.4	69.8%	
HB 12 Montana Historic Grant Program (MHPG)	\$ 8.5	\$ 6.2	\$ (2.3)	-27.1%	
Total Costs	\$ 1,542.8	\$ 976.2	\$ (566.6)	-36.7%	
General Fund (GF)	\$ 10.3	\$ 83.0	\$ 72.7	705.8%	
Capital Projects Fund (Capital)	\$ 813.5	\$ 397.3	\$ (416.2)	-51.2%	
State Special (SS)	\$ 230.2	\$ 191.5	\$ (38.7)	-16.8%	
Federal Special (FS)	\$ 140.7	\$ 94.8	\$ (45.9)	-32.6%	
Total Bonds (Bonds)	\$ 98.9	\$ 133.3	\$ 34.4	34.8%	
<i>General Obligation Bonds Subtotal</i>	\$ -	\$ -	\$ -	0.0%	
<i>Coal Severance Tax Bonds Subtotal</i>	\$ 98.9	\$ 133.3	\$ 34.4	34.8%	
Proprietary Fund (Prop)	\$ 1.4	\$ -	\$ (1.4)	-100.0%	
Subtotal State Funds	\$ 1,295.0	\$ 899.9	\$ (395.1)	-30.5%	
<i>Authorization (Author)</i>	\$ 247.7	\$ 76.3	\$ (171.4)	-69.2%	
Total Funds	\$ 1,542.7	\$ 976.2	\$ (566.5)	-36.7%	

LRP Description

LRP projects are administered by various state agencies, but the provision of services has historically been similar in each of the programs:

LONG-RANGE PLANNING OVERVIEW

- Project requests are received by the program either from state agencies, the Montana university system, local governments, or private entities
- Project requests are reviewed by the receiving agency, board, or council and ranked, or prioritized, based on program specifications
- The Governor reviews the list of requests, determines the level of funding available for projects, and presents a list of funded project recommendations to the legislature in the form of separate funding bills
- If the legislature agrees to appropriate funds and authorize the various projects, money is distributed through the recipient to private contractors, generally through a competitive bid process

The legislature's work with the LRP budget differs in several ways from the work of other joint subcommittees, which include:

1. LRP programs do not have a "base" budget. In LRP budget negotiations, the legislature does not consider matters of fixed costs, positions budgeted and pay plan issues, or changes from the base. LRP budgets are functionally viewed and appropriated as zero-based budgets
2. LRP projects are principally continuing appropriations, and the budget authority does not end in two years, like with HB 2 appropriations. Instead, the budgets are continued until project completion either through statutory re-appropriation language or by the accounting accrual process
3. LRP programs might be thought of as one-time-only appropriations. When funding is requested for any specific project, the capital funding needs do not continue once completed. For projects resulting in new construction or additions to state space, there may be need for additional operations and maintenance dollars in the future, but the capital funding for the project itself is finished
4. The LRP budget is presented to the subcommittee as a set of project recommendations. While the HB 2 budget subcommittees work with agency base budgets and decision packages (DP's) for legislative consideration, the LRP budget does not have DP's. In fact, one might consider the entire budget as a set of DP's for one-time-only project spending as provided in individual bills

Funding

Historically, LRP programs are fully financed with statutorily dedicated allocations of funds. Generally, the program/project budget is strictly based on the amount of revenue estimated to be available for the program. The revenues come from a variety of sources including various tax allocations and, in several cases, interest earnings from dedicated trusts.

Figure 3 below shows the funding of the LRP budget for the 2027 biennium. Total biennial funding proposed for the LRP budgets is \$976.2 million including the authority only funding. For the majority of LRP programs, the total of LRP budgets is funded primarily from state special revenue (SSR) funds, and for the 2027 biennium the executive proposal includes \$191.5 million of SSR, or 19.6% of the LRP budgets. However, capital project funds, used almost exclusively in Long-Range programs, are \$397.3 million (40.7% of the executive proposal) and makes up the largest funding source in the 2027 biennium.

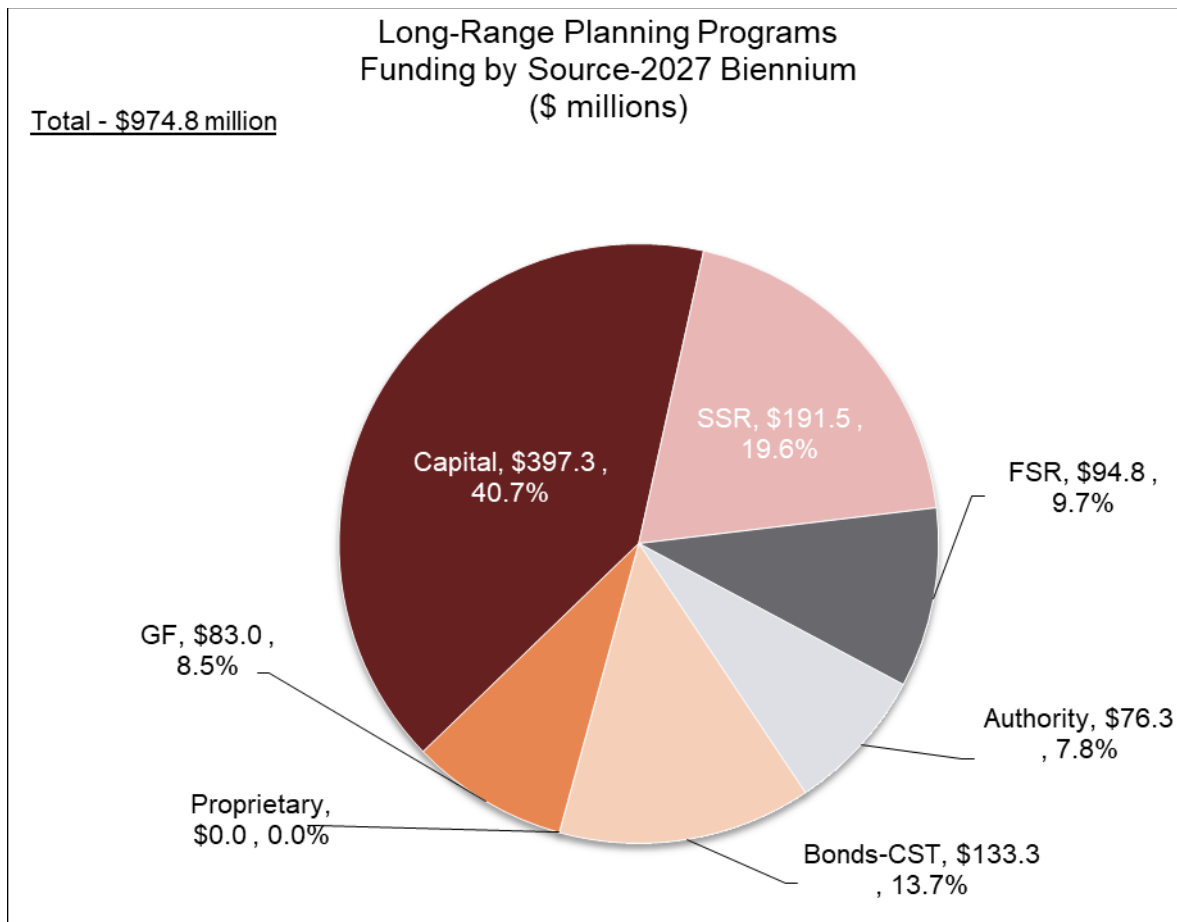
Coal severance tax bonds, for which debt service is repaid by the local governments for their renewable resource projects, total \$133.3 million (13.7% of the executive proposal).

Federal special revenue funds requested total \$94.8 million (9.7% of the executive proposal). This funding is for long-range building program projects, particularly DMA and FWP projects, and long-range information technology projects, primarily for the Department of Health and Human Services (DPHHS).

LONG-RANGE PLANNING OVERVIEW

Authorizations of \$76.3 million consist of non-state funding that does not require appropriation and are made up of university funds, donations, and other forms of non-state resources. Authorizations exist in the LRBP because, with only a few exceptions such as Montana University System (MUS) auxiliary facilities, legislative approval is required for any state or MUS building projects that cost more than \$300,000 (18-2-102, MCA). More detail on the funding and appropriations of the LRP programs is found in the program sections of this report.

Figure 3



LFD

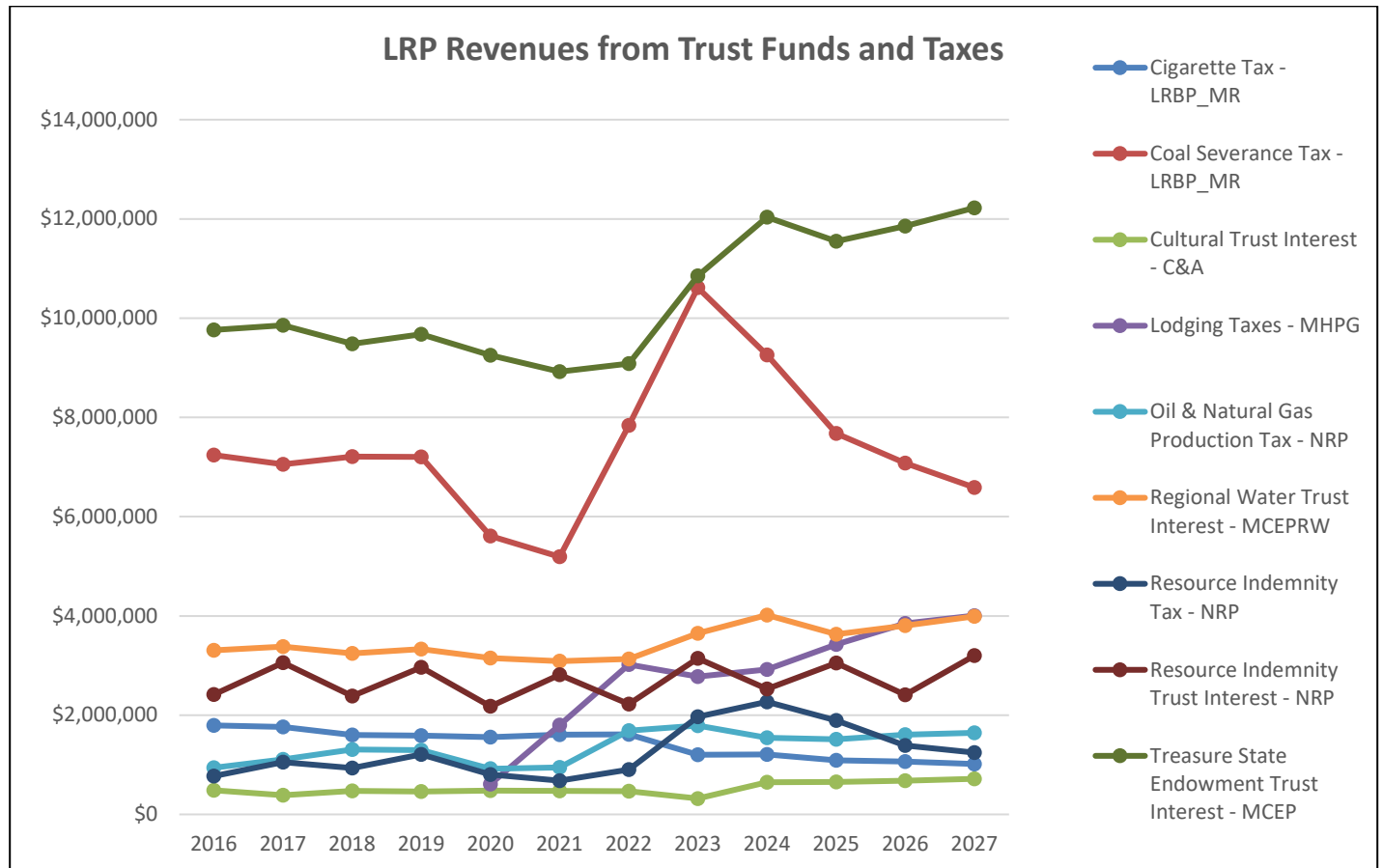
COMMENT

The dedicated funding of five of the LRP programs is either substantially or totally reliant on the investment earnings from trust balances. Over the past decade, interest rates have been reduced causing reduced program funding. In the early 2000's, long term interest rates returned approximately 7.0% on investments. But in FY 2020, the return was just 3.4%. Interest rates increased in the 2025 biennium to 4.8% in FY 2024 and 4.99% in FY 2025, causing cash project funding increases in some of the LRP programs when compared to the 2023 biennium. However, the Board of Investments is projecting these interest rates to decrease to 3.79% in FY 2026, 3.08% in Fiscal Year 2027, and just 2.88% in Fiscal Year 2028. This will mean less funds available from investment earnings for the LRP programs that depend on the interest earnings.

LONG-RANGE PLANNING OVERVIEW

Figure 4 shows the revenue received from various interest earnings and taxes in each program over the last decade.

Figure 4



Capital Development Funding

The 2019 Legislature created a new funding source for capital development projects that has been referred to as a “working rainy-day fund”. As seen in 17-7-208, MCA, the executive will propose annual transfers of general fund into the capital developments account, and the legislature may appropriate the transfer in the HB 2 budget of the Department of Administration, which houses the Architecture and Engineering (A&E) Division. The transfers are equal to the following:

- 1.0% of the amount of the certified unaudited state general fund revenue, including transfers, less:
 - General fund general obligation bonds debt service for existing bond issues
 - Projected general fund general obligation bonds debt service for authorized but unissued plus newly proposed bonds
- Per 17-7-130, MCA, the capital development fund may receive overflow transfers from the budget stabilization account, under specific economic circumstances

Transfers to the account will not occur if the executive has accessed the budget stabilization reserve fund in the immediately preceding 11 months or has made spending reductions pursuant to 17-7-140, MCA. The executive and the legislature may reduce the amount of the transfer proposed for HB 2.

The state treasurer may temporarily borrow, without interest, from the account to address cash balance deficiencies in the general fund so long as a loan would not impair the account from meeting any legal obligations. These provisions make the account a “working rainy-day fund”.

The funds in the account can be used for capital development projects, defined as:

- a) renovation, construction, alteration, site, or utility project with a total cost of \$2.5 million or more
- b) new facility with a construction cost of \$250,000 or more
- c) purchase of real property for which an appropriation is required to fund the purchase

Additionally, the terms of use of the account allows the legislature to transfer unencumbered funds from the account only to supplement the funding of local infrastructure.

LONG-RANGE PLANNING OVERVIEW

Infrastructure in Montana Proposal

The executive has featured most of the LRP budgets in what is titled the “Infrastructure in Montana” proposal of \$976.2 million. The executive’s proposal incorporates all the LRP programs except the C&A program. Please note that no appropriation request was made for the SBECF program.

New Provisions

- **6 year Capital Development Facilities Strategic Plan & Planning Studies**

HB 5 includes a new requirement in future budget submissions for each state agency and institution to submit a six-year capital development facilities strategic plan to DOA A&E Division. Excluding major repair projects greater than \$2,500,000, any project must be in the capital development facilities strategic plan to be included in the department’s capital development project request.

Additionally, DOA is appropriated \$2.0 million for the purpose of capital development project planning studies for agencies, including the university system, on capital projects that are anticipated to be greater than a total project cost of \$10.0 million. Prior to DOA usage of the funds, the agencies are required to submit individual capital project applications along with their six-year facilities strategic plans and make recommendations to OBPP. The planning study must contain the full narrative and explanation of the needs, project scope and programmatic information, design and construction schedule, itemized total capital project cost, any future staffing costs and any future O&M costs.

- **Market, Supply Chain & Inflationary Impacts**

DOA is also appropriated \$10.0 million for a reserve fund for Market, Supply Chain & Inflationary Impacts. Prior to using the funds, DOA must submit a recommendation with sufficient justification for approval to OBPP. Funding may not be used to expand beyond the scope of a project authorized by the legislature.

- **Reporting Requirements**

For any capital project funded with a contingency of the receipt of other funding sources, there is a new requirement for the agency or institution develop a financing plan/agreement and to submit a report to the Joint Appropriations Subcommittee for Long Range Planning each Session indicating the status of the other sources of funding, how much funding has been received, projections of when the funding is projected to be received, or if the project should be cancelled.

Details for projects for each program can be found on the executive budget proposal webpage:

<https://budget.mt.gov/Budgets/> Volumes 3-10 provide additional project information for each program.

The executive’s proposal will be contained in the “normal LRP bills”, including HB 5, HB 6, HB 7, HB 8, HB 10, HB 11, and HB 12. The Infrastructure in Montana proposal totals \$976.2 million and makes up over 99.9% of the total LRP program proposed appropriations as provided in this report.

LONG-RANGE BUILDING PROGRAM

Section F

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----Agencies-----

Long-Range Building Program
State Building Energy Conservation Program
Long-Range Information Technology Program
Montana Coal Endowment Program
Montana Coal Regional Water Program

Renewable Resource Grant & Loan Program
Reclamation & Development Grants Program
Cultural & Aesthetic Grant Program
Montana Historic Preservation Grant Program

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

House

Representative John Fitzpatrick (Chair)
Representative Scott Rosenzweig
Representative Paul Tuss
Representative Mike Vinton

Senate

Senator John Esp (Vice Chair)
Senator Ellie Boldman

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

Erica Thomas

LONG-RANGE BUILDING PROGRAM

Program Description

In 1963, the legislature enacted the Long-Range Building Program (LRBP) to provide funding for construction, alteration, repair, and maintenance of state-owned buildings and grounds. The program, as established in Title 17, Chapter 7, part 2, MCA, was developed to present a single, comprehensive, and prioritized plan for allocating state resources for the purpose of capital construction and repair of state-owned facilities. The program is administered by the A&E Division of the Department of Administration (DOA). Historically, the LRBP has been funded with a combination of cash accounts and bonding. The various types of cash accounts include state and federal special revenue funds, other funds (such as university and private funds), and LRBP capital project funds. The executive recommendation for LRBP projects is included in HB 5.

The LRBP appropriations are “continuing”, and unspent funds do not revert at the end of the biennium as experienced with most HB 2 appropriation. As provided in 17-7-212, MCA: “The remaining balances on capital projects previously approved by the legislature are re-appropriated for the purposes of the original appropriation until the projects are completed.” This condition allows the legislature to appropriate the full project cost in a single budget year.

Program Budget Comparison

Figure 5 provides a comparison of the overall program by biennium. LRBP project costs are appropriated to the A&E Division, and Major Repairs and Capital Development in Figure 5 refer to the project categorization in HB 5.

Figure 5

Program Comparison - Long-Range Building Program				
Budget Item / Funding Source	Appropriations FY 24-25	Proposed Budget FY 26-27	Biennium Change	Biennium % Change
LRBP Project Costs				
<i>Major Repairs</i>	\$ 84,377,303	\$ 50,975,000	\$ (33,402,303)	-39.6%
<i>Capital Development</i>	\$ 923,457,452	\$ 671,000,000	\$ (252,457,452)	-27.3%
LRBP Project Costs	\$ 1,007,834,755	\$ 721,975,000	\$ (285,859,755)	-28.4%
Agency Project Appropriations	\$ 45,738,644	\$ 85,565,000	\$ 39,826,356	87.1%
FWP Capital Program Appropriations	\$ 63,121,380	\$ 107,070,000	\$ 43,948,620	69.6%
SBECP Project Costs	\$ 3,700,000	\$ -	\$ (3,700,000)	-100.0%
17-7-210 O&M	\$ 11,173,086	\$ 5,747,273	\$ (5,425,813)	-48.6%
Total Costs	\$ 1,131,567,865	\$ 920,357,273	\$ (211,210,592)	-18.7%
General Fund	\$ 10,300,752	\$ 43,315,000	\$ 33,014,248	320.5%
Capital Projects	\$ 665,915,944	\$ 397,315,000	\$ (268,600,944)	-40.3%
State Special	\$ 146,307,006	\$ 115,292,500	\$ (31,014,506)	-21.2%
Federal	\$ 59,885,929	\$ 88,752,500	\$ 28,866,571	48.2%
Proprietary	\$ 1,430,000	\$ -	\$ (1,430,000)	-100.0%
Authorization	\$ 247,728,234	\$ 76,250,000	\$ (171,478,234)	-69.2%
Total Funds	\$ 1,131,567,865	\$ 720,925,000	\$ (410,642,865)	-36.3%

Executive Proposal

As seen in Figure 5, the executive proposes a total LRBP budget of \$720.9 million for the 2027 biennium. This is a reduction of \$410.6 million or 36.3% less than the LRBP budget in the 2025 biennium. The executive proposal

LONG-RANGE BUILDING PROGRAM

for the LRBP program will be appropriated in HB 5. HB 5 typically includes an appropriation for the State Building Energy Conservation Program (SBECP), which is described beginning on page F-16.

The HB 5 proposal includes \$107.1 million of funding appropriated directly to Fish, Wildlife, and Parks (FWP), \$69.0 million for 4 DMA projects, and \$18.5 million for 6 MDT projects. Funding for these projects is not funded by general fund.

The LRBP also includes \$76.3 million of projects funded with non-state resource spending authority. The use of “authority” in the LRBP section is a reference to funds for major construction projects that do not require appropriation, but due to the sizable cost of the project and the potential of future costs to the state, must be authorized by the legislature. The request for authorizations would be a \$171.5 million or 69.2% decrease when compared to the authorizations provided in the 2025 biennium.

HB 5 Project Highlights

Some LRBP project highlights included in HB 5 include:

- Major repairs to state buildings across the state of \$51.0 million in all funds and \$671.0 million for capital development projects
- Funding of \$10.0 million requested for a reserve fund within Capital Development Fund for Market, Supply Chain and Inflationary Impacts
- Governor’s office to address Deferred Maintenance at the capitol complex with a request of \$50.0 million from the Capital Development Fund. DOA also requesting additional \$11.8 million for capital complex renovations and \$2.0 million for capital projects planning studies
- A proposed \$150.0 million for Department of Correction (DOC) for the Montana State Prison Low-Side Housing Expansion in the Capital Development Fund, and \$29.8 million for other DOC facility upgrades which includes \$21.0 million for utilities to support the new low-side housing complex that was approved in the 2025 biennium
- Department of Natural Resources Conservation (DNRC)requesting \$10.0 million for firefighter bunkhouses and \$3.0 million for a new Forestry & Trust Lands office in Missoula
- Department of Military Affairs (DMA) requesting \$23.1 million for an Army Aviation Support Facility in Billings, \$1.8 for a new training drop zone for the Air National Guard, a new Internment processing center at the MT State Veteran’s Cemetery for \$1.9 million, and additional deferred maintenance at \$1.5 million in Capital Development Funding combined with \$4.5 million in federal funding
- Department of Justice (DOJ) is requesting a new indoor Firearms range for the Law Enforcement Academy for \$10.0 million.
- Department of Public Health and Human Services (DPHHS) is requesting \$15.2 million in upgrades, and MSDB has an additional \$5.1 million for upgrades.
- The Montana University System is requesting \$50.0 million for various upgrades and modernization projects, including an additional \$16.3 million in authority only funding
- Fish and Wildlife & Parks (FWP) is requesting \$96.2 million in state special funding for various facility projects, with additional \$10.9 million in federal funding
- Other appropriations made directly to Montana Department of Transportation (MDT) for \$18.5 in state special revenue funding and \$68.9 million to DMA in federal funding is requested in capital development funding

LONG-RANGE BUILDING PROGRAM

A full list of the projects contained in the executive LRBP proposal, including appropriations by fund type and the list of major repairs projects, is found in appendix A-1 of this report. Detailed project descriptions are provided in Vol. 3 of the Governor's Budget.

Major Maintenance & Repairs of Existing Facilities Before Authorizing Capital Development Projects

The actions of the 2019 Legislature created substantial changes to the LRBP. As a result of those actions, in statute, there are two types of projects to consider in the budget: major repairs and capital development. The project types are defined as follows in 17-7-201(7) and (8), MCA, respectively:

1. Major repair projects are defined as:
 - a. a renovation, alteration, replacement, or repair project with a total cost of less than \$2.5 million
 - b. a site or utility improvement with a total cost of less than \$2.5 million
 - c. a new facility with a total construction cost of less than \$250,000

Not eligible for funding as a major repair project are operational costs and regular, ongoing, and routine repairs and maintenance funded in an agency operating budget that would not extend the capacity, function, or lifespan of a facility (normal maintenance).

2. A new facility is defined as follows:
 - a. an addition to an existing building
 - b. the enclosure of space that was not previously fully enclosed

The term does not include the replacement of state-owned space that was demolished or that is otherwise removed from state use if the total construction cost of the replacement space is less than \$2.5 million.

Operations and Maintenance Costs Related to New Construction

Operations and maintenance costs are included in HB 5 appropriations for new facilities, and then following that, are included in the future base budget for agencies, corresponding to the fund types that fund the agencies' budgets. Agencies cannot use the funding until the new facility is complete. In the HB 5 proposal, there are 83 projects, and 32 projects for which operations and maintenance funding, totaling \$5.8 million, is included. Of this proposal, \$1.8 million general fund is included for DOC Low-Side Housing Expansion, DOA Last Chance Gulch Building Renovation, , DMA Internment Processing Center, and MSU elevator & upgrades. There is also \$883,987 of state special revenue for MDT and FSW projects. For federal special revenue, \$587,600 is appropriated for Billings Army Aviation Support Facility and for DMA projects. Finally, there is \$359,086 in authority only for MSU.

According to 17-7-222(2), MCA, new facilities or "capital development" projects may not be authorized unless the legislature has provided the minimum amount of major repairs funding. For more information see page F-11 of this report.

According to 17-7-210(1), MCA, the legislature may not authorize the construction of a new facility if the new facility requires an immediate or future increase in state funding unless it also appropriates funds for the increase in state funding for program expansion and operations and maintenance.

A new proposal in HB 5 will also extend the O&M requirement for acquisition of a new facility.

LONG-RANGE BUILDING PROGRAM

Funding

Long-Range Building Program Major Repairs Account (LRBP-MR)

As shown in Figure 6 below, the LRBP-MR account will start the 2027 biennium with a projected fund balance of \$12.2 million. Revenues deposited into the account include a 2.6% distribution of cigarette tax revenue, \$2.1 million, and a 12.0% distribution of coal severance tax revenue, \$13.7 million. The LRBP-MR fund received an appropriated transfer totaling \$17.5 million in the 2025 biennium, and the proposed 2027 biennium transfer totals \$33.4 million. The transfers are provided as base funding for the A&E Division in HB 2 and must be approved by the Section A subcommittee. Other income received in the LRBP-MR includes interest earnings on LRBP fund balances, supervisory fees paid to the A&E Division, and transfers of excess energy savings funds from the State Building Energy Conservation Program (SBECP).

Major Repairs Transfer

17-7-222, MCA, requires that major repairs to state buildings are funded yearly at a rate of 0.6% of the replacement value of existing LRBP eligible buildings. LRBP eligible buildings are defined as:

- Buildings owned by a state agency for which all or a portion of the operation and maintenance are funded with state general fund.
- Buildings that support the academic missions of the university system when the operation and maintenance are funded with current unrestricted university funds.

To ensure that the required minimum amount of funding is available, there is an appropriated transfer to the MR account from the general fund, which is included as a present-law base appropriation in HB 2. For the 2027 biennium, the current replacement value of LRBP eligible buildings is \$3.5 billion.

The minimum major repairs funding requirement equals \$42.3 million for the 2027 biennium.

LONG-RANGE BUILDING PROGRAM

Figure 6

LRBP Major Repairs Account Fund Balance Analysis - 2027 Biennium Fund 05007					
	FY 2024 Actual	FY 2025 Projected	FY 2026 Projected	FY 2027 Projected	2027 Biennium Projected
Beginning Fund Balance	31,703,271	74,811,247	12,177,504	10,535,690	12,177,504
Revenues¹					
Cigarette Tax	\$ 1,205,910	\$ 1,087,149	\$ 1,066,320	\$ 1,015,538	\$ 2,081,858
Coal Severance Tax	\$ 8,571,648	\$ 7,677,221	\$ 7,081,985	\$ 6,590,008	\$ 13,671,993
Interest Earnings	\$ 2,511,880	\$ 3,198,830	\$ 1,466,261	\$ 1,466,261	\$ 2,932,522
Supervisory Fees	\$ 143,536	\$ 150,000	\$ 150,000	\$ 150,000	\$ 300,000
Energy Savings Transfer	\$ -	\$ 300,000	\$ 50,000	\$ 11,882	\$ 61,882
HB 2 Major Repairs Transfers ²	\$ 8,495,149	\$ 9,254,790	\$ 16,559,784	\$ 16,927,963	\$ 33,487,747
HB 5 OTO Transfer from CD Fund ³	\$ 41,420,091	\$ -		\$ -	\$ -
Total Revenues	\$ 62,348,214	\$ 21,667,990	\$ 26,374,350	\$ 26,161,652	\$ 52,536,002
Expenditures					
Operating Costs-A & E Division ³	\$ 3,100,000	\$ 2,694,829	\$ 3,053,664	\$ 3,059,568	\$ 6,113,232
HB 5 (2023) Project Management & Supervision		\$ 2,000,000			\$ -
Prior Biennia Projects	\$ 10,966,876	\$ 9,950,357			\$ -
ARPA-Ineligible Projects ⁴	\$ 2,112,000	\$ 2,856,853			\$ -
Current Biennium Projects - HB 5	\$ 3,007,800	\$ 64,352,300	\$ 24,962,500	\$ 24,962,500	\$ 49,925,000
2025 Biennium Projects - HB 817	\$ 52,605	\$ 2,447,395			
Total Expenditures/Appropriations	\$ 19,240,238	\$ 84,301,734	\$ 28,016,164	\$ 28,022,068	\$ 56,038,232
Estimated Ending Fund Balance	\$ 74,811,247	\$ 12,177,504	\$ 10,535,690	\$ 8,675,274	\$ 8,675,274
¹ HJ2 Projections					
² Beginning in the 2023 Biennium - HB 2 Appropriated Transfer					
³ HB 2					
⁴ There were 7 projects not eligible for ARPA funds; HB 632, section 34(1) re-establishes appropriation in the MR fund as this was the original					

The fund balance analysis takes into consideration the HB 2 administrative costs for the A&E Division of \$6.1 million, which is paid from the LRBP-MR account but appropriated in HB 2. The total executive proposal for the LRBP capital projects funding is \$49.9 million for the 2027 biennium. The estimated ending fund balance for the major repairs fund is projected to be \$8.7 million at the end of the 2027 biennium.

LONG-RANGE BUILDING PROGRAM

Capitol Land Grant Capital Projects Account

Capitol land grant (CLG) revenues, derived from trust lands designated in the Enabling Act for the state capitol complex, are a source of LRBP funding for capital projects. Funding from this source must only be used for projects within the Montana capitol complex (defined in 2-17-811, MCA, as including all state-owned facilities located within a 10-mile radius from the capitol building). As shown in Figure 7, the account is projected to start the 2027 biennium with a negative fund balance of \$144,371. The balance calculation considers that all authority provided in prior biennia would be expended.

Figure 7

Capitol Land Grant Account Fund Balance Analysis - 2027 Biennium					
Fund 05008					
	FY 2024 Actual	FY 2025 Projected	FY 2026 Projected	FY 2027 Projected	2027 Biennium Projected
Beginning Fund Balance	\$2,896,330	\$6,363,305	(\$144,371)	(\$1,512,118)	(\$144,371)
Revenues					
Land Grant Interest & Earnings	\$ 2,342,697	\$ 2,066,353	\$ 1,432,253	\$ 1,487,792	\$ 2,920,045
Transfer from the CD Fund	\$ 2,000,000	\$ -	\$ -	\$ -	\$ -
Total Revenues	\$ 4,342,697	\$ 2,066,353	\$ 1,432,253	\$ 1,487,792	\$ 2,920,045
Expenditures					
Prior Biennia Projects	\$ 403,898	\$ 5,124,832	\$ -	\$ -	\$ -
Fund Balance Adjustment	\$ -	\$ -	\$ -	\$ -	\$ -
Current Biennium HB 5 Projects	\$ 471,825	\$ 3,449,197	\$ 2,800,000	\$ -	\$ 2,800,000
Total Expenditures/Appropriations	\$ 875,723	\$ 8,574,029	\$ 2,800,000	\$ -	\$ 2,800,000
Estimated Ending Fund Balance	\$ 6,363,305	\$ (144,371)	\$ (1,512,118)	\$ (24,326)	\$ (24,326)

For several biennia, the capitol land grant account has become the only source of funding for major repairs in the capitol complex. In the 2027 biennium, trust land earnings are projected to be \$2.9 million, and the executive is requesting \$2.8 million in spending authority in 2027 biennium. At the end of the 2027 biennium, the ending fund balance for the capital land grant account is projected to be negative by \$24,326.

LONG-RANGE BUILDING PROGRAM

Capital Development (CD) Account

The capital development fund was created for construction of new facilities with a total project cost exceeding \$250,000, major repair or replacement projects with a total project cost of \$2.5 million or more, or for the purchase of real property for which an appropriation is required to fund the purchase.

There is a statutory annual general fund transfer to the capital development fund required under 17-7-208, MCA. However, under 17-7-208(6), MCA, the Department of Administration may not make the annual transfer if the executive has authorized transfers from the budget stabilization reserve fund (BSRF) established in 17-7-130, MCA, in the immediately preceding 11 months.

In addition to the annual general fund transfer described above, when the BSRF is statutorily full, a portion of excess general fund revenues flow to the CD fund where it is available for appropriation for major repairs and improvements to state-owned infrastructure.

Figure 8

Capital Development Account Fund Balance Analysis - 2027 Biennium					
Fund 05031					
	FY 2024 Actual	FY 2025 Projected	FY 2026 Projected	FY 2027 Projected	2027 Biennium Projected
Beginning Fund Balance	\$ 697,781,259	\$ 682,480,221	\$ 139,429,473	\$ (47,616,394)	\$ 139,429,473
Revenues					
BOI Investment Earnings ¹	\$ 37,424,163	\$ 35,058,358	\$ 22,469,133	\$ 13,460,738	\$ 35,929,871
Transfers from BSR	\$ 4,556,937	\$ 70,421,354	\$ -	\$ -	\$ -
OTO Transfer Request 69th Session	\$ -	\$ -	\$ 150,000,000	\$ -	\$ 150,000,000
HB856 Sec.10 #5 - Capitol Complex Legis. Branch	\$ 5,000,000	\$ -	\$ -	\$ -	\$ -
Accommodations & Campgrounds Tax ¹	\$ -	\$ 1,870,000	\$ 4,550,000	\$ 4,810,000	\$ 9,360,000
Present law transfer of general fund - HB 2	\$ 23,137,457	\$ 24,187,099	\$ 33,250,000	\$ 33,250,000	\$ 66,500,000
Total Revenues	\$ 70,118,557	\$ 131,536,811	\$ 210,269,133	\$ 51,520,738	\$ 261,789,871
Expenditures					
Transfer to MR Fund	\$ 41,420,091	\$ -	\$ -	\$ -	\$ -
Transfer to Capitol Land Grants fund	\$ 2,000,000	\$ -	\$ -	\$ -	\$ -
Prior Biennia Projects	\$ 12,186,031	\$ 57,917,876	\$ -	\$ -	\$ -
Non-Qualifying ARPA 604 Projects	\$ 548,039	\$ 36,101,795	\$ -	\$ -	\$ -
HB 817 DOC Projects	\$ 3,033,284	\$ 175,407,547	\$ -	\$ -	\$ -
HB 856 LRBP Projects	\$ 1,651,653	\$ 82,043,765	\$ -	\$ -	\$ -
HB 872 - DPHHS Behavioral Health Initiative	\$ -	\$ 75,000,000	\$ -	\$ -	\$ -
Current Biennium Projects - HB 5	\$ 24,580,497	\$ 248,116,576	\$ 397,315,000	\$ -	\$ 397,315,000
Total Expenditures/Appropriations	\$ 85,419,595	\$ 674,587,559	\$ 397,315,000	\$ -	\$ 397,315,000
Estimated Ending Fund Balance	\$ 682,480,221	\$ 139,429,473	\$ (47,616,394)	\$ 3,904,344	\$ 3,904,344

¹ HJ2 for FY 26-27, executive estimate for FY25

The total executive proposal for the LRBP capital projects funding is \$397.3 million for the 2027 biennium. The estimated ending fund balance for the capital development fund is projected to be \$3.9 million at the end of the 2027 biennium.

LONG-RANGE BUILDING PROGRAM

LFD

COMMENT

There is a proposed one-time-only transfer from the capital development fund in HB 5 totaling approximately \$150.0 million for the 2027 biennium.

STATE BUILDING ENERGY CONSERVATION PROGRAM

Section F

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

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Long-Range Building Program
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Montana Coal Endowment Program
Montana Coal Regional Water Program

Renewable Resource Grant & Loan Program
Reclamation & Development Grants Program
Cultural & Aesthetic Grant Program
Montana Historic Preservation Grant Program

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STATE BUILDING ENERGY PROGRAM

Program Description

The State Building Energy Conservation Program (SBECF), administered by the Department of Environmental Quality (DEQ), was established by the 1989 Legislature to reduce operating costs of state facilities by identifying and funding cost-effective energy efficiency improvement projects. Statutory authority is found in Title 90, Chapter 4, part 6, MCA. Energy efficiency improvements include projects such as:

- * Replacing old, inefficient boilers
- * Insulating buildings
- * Upgrading inefficient lighting
- * Providing more effective temperature control
- * Increasing ventilation system efficiency
- * Upgrading water conservation systems

SBECF projects are designed so that the estimated savings of energy costs are used to reimburse the project costs and finance DEQ operational costs. In prior years, the SBECF was funded through the issuance of general obligation (GO) bonds, but since FY 2009, energy conservation projects with appropriations of general fund and federal special revenue funds (American Recovery and Reinvestment Act funds) resulted in the program becoming a revolving loan program. Project reimbursements, plus 3.0% interest on the outstanding loan balance of the project, are expected to support future projects and administrative costs. Program recommendations encourage conservation projects that have a service life of at least 15 years. However, the energy savings are expected to continue throughout the life of the improvement.

Projects come to the SBECF either directly from agency requests related to the energy saving benefits or in conjunction with projects planned under the Long-Range Building Program. DEQ offers state agencies assistance in evaluating energy use and identifying energy conservation projects. Program engineers evaluate all projects proposed for the LRBP to assess the energy savings potential on proposed remodeling and renovation projects. Projects with the potential for energy savings are funded through the SBECF and are often jointly funded with the LRBP deferred maintenance funds.

Program Budget Comparison

Figure 9 summarizes the proposed executive budget for the program by biennium, type of expenditure, and source of funding. DEQ is not requesting any new SBECF budget authority for the 2027 biennium and plans to use existing appropriation balances rolled forward pursuant to 90-4-618, MCA, to operate the program in the 2027 Biennium.

Figure 9

Program Comparison - State Building Energy Conservation Program				
Budget Item	Budget 2025 Biennium	Budget 2027 Biennium	Biennium Change	Biennium % Change
	<u>Appropriated</u>	<u>Proposed</u>		
Projects Costs	3,700,000	0	(3,700,000)	-100.0%
Total Costs	\$3,700,000	\$0	(\$3,700,000)	-100.0%
Capital Project Funds	3,700,000	0	(3,700,000)	-100.0%
Total Funds	\$3,700,000	\$0	(\$3,700,000)	-100.0%

STATE BUILDING ENERGY PROGRAM

Executive Proposal

The executive budget proposes no appropriations for the SBECF program in the 2027 biennium. However, outstanding projects from the prior biennia will continue into the 2027 biennium until completed.

Funding

The SBECF is a revolving loan program. Agencies borrow from the program for the costs of the projects. The agencies pay these costs with the savings realized through the projects. In addition to the project costs, agencies also pay an interest rate equal to 3.0% on the unpaid balance of the loan, which funds the administrative costs of the program.

LONG-RANGE INFORMATION TECHNOLOGY PROGRAM

Section F

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Montana Coal Endowment Program
Montana Coal Regional Water Program

Renewable Resource Grant & Loan Program
Reclamation & Development Grants Program
Cultural & Aesthetic Grant Program
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LONG-RANGE INFORMATION TECHNOLOGY PROGRAM

Program Description

The Long-Range Information Technology Program (LRITP) is a program developed to fund large information technology (IT) projects in compliance with 17-7-123, MCA. The LRITP consolidates large IT investments in one appropriation bill and defines the creation, replacement, or upgrade to major IT enterprises as capital projects. All projects included in the LRITP bill are overseen by the state chief information officer (CIO) within the Department of Administration (DOA). The executive recommendation for LRITP projects is contained in HB 10.

The consolidation of major IT projects is intended to achieve several goals. First, IT projects are complex and require significant and time intensive planning, design, and management efforts, and by designating the projects as “capital projects”, the appropriation continues until completion of the project, as statutorily authorized in 2-17-560, MCA. Second, centralized project oversight is intended to enhance project management and foster stronger partnerships between agencies and the state CIO. Finally, having all the major projects in one piece of legislation facilitates a broad vision of the state IT program and related investments.

Program Budget Comparison

Figure 10 summarizes the proposed executive budget for the program by biennium, type of expenditure, and source of funding.

Figure 10

Executive Budget Comparison - Long-Range Information Technology Program					
Budget Item	Budget		Change	% Change	
	2025 Biennium	2027 Biennium			
	<u>Appropriated</u>	<u>Proposed</u>			
Projects Cost	\$240,316,406	\$54,215,501	(\$186,100,905)	-77.4%	
Total Costs	\$240,316,406	\$54,215,501	(\$186,100,905)	-77.4%	
Capital Project Fund ¹	\$ 147,575,008	\$ 39,702,846	\$ (107,872,162)	\$ (1)	
State Special	\$ 11,945,193	\$ 8,447,500	\$ (3,497,693)	\$ (0)	
Federal Special	\$ 80,796,205	\$ 6,065,155	\$ (74,731,050)	\$ (1)	
Total Funds	\$240,316,406	\$54,215,501	(\$186,100,905)	-77.4%	

¹The capital project fund consists of transfers from the general fund

Executive Proposal

As seen in Figure 10, the executive proposes \$54.2 million in appropriations for the 2027 biennium in the LRITP. The proposal will be presented in HB 10 and is a 77.4% decrease from the 2025 biennium. The proposal includes a transfer of \$39.7 million from the general fund to the LRITP fund to support major IT projects. Full detail of the projects included in the executive budget will be available during the legislative hearings for Section F.

Project Highlights

Funding

HB 10 will look different in the 2027 biennium as the appropriation is made as a total amount for all projects falling under a state agency instead of separate appropriations by project. The intent is to allow the Department

LONG-RANGE INFORMATION TECHNOLOGY PROGRAM

of Administration and each individual agency to better evaluate bids for the projects without preset project amounts influencing the bids.

Unlike other Long-Range Planning programs, the LRITP does not have a dedicated source of funding for major IT projects. Instead, state agencies support their project costs through agency-administered state and federal special revenue funds. For agencies primarily supported by general fund, transfers are made from the general fund to the LRITP capital projects fund in support of the agency requests. The transfer of funds will be included in HB 10.

HB 10 also has a new requirement for any business application systems funded in the bill to have a plan approved by the Chief Information Officer for the system design, implementation and security of the data associated with the system to safeguard against unauthorized access to or disclose sensitive information and comply with state records retention policies. The project funds will not be released until the Chief Information Officer and the Budget Director approve the plans.

Operating and Maintenance costs associated with the HB10 projects are found in Volume 9.

Figure 11 below shows the HB 10 appropriation by state agency, along with the list of projects funded under each agency. Figure 11 is also included in the appendix in a bigger size.

LFD

COMMENT

While estimated future annual operations and maintenance costs (O&M) is identified in the chart above, the funds for this are not included in the Executive budget proposal for the 2027 biennium. Once these projects are completed they will be put in use by the agency and require ongoing maintenance and support funding. The legislature may want to consider the following options: 1) Appropriate funds for the future O&M of these systems within HB 10, ensuring the budget for this cost is included in the agency base budget but prohibiting expenditure (requiring annual reversion) until the project is closed out and the application put into use. 2) Do nothing and leave for future legislatures to consider.

LONG-RANGE INFORMATION TECHNOLOGY PROGRAM

Figure 11

Long-Range Information Technology Program (LRITP) HB 10 - 2027 Biennium					
Agency / Project	LRITP Capital Projects Funds	State Special	Federal Special	Total	Annual O&M
DOA Department of Administration (11 projects)	\$22,653,700			\$ 22,653,700	\$5,554,749
1 Enterprise Financial Warehouse					
2 Enterprise Data Catalog					
3 Recruiting and Onboarding Modernization					
4 eMACS/Jaegger Replacement					
5 Cybersecurity Enhancements					
6 eGov Modernization					
7 Infrastructure Upgrades & Expansion					
8 Web Site Improvements (my.mt.gov & Prosperity Portal)					
9 AI & Legacy System Modernization (Technical Debt Relief Fund)					
10 Contact Center Technology Replacement					
11 508 Compliance (Web Content Accessibility Rule)					
DOC Department of Corrections (3 projects)	\$3,111,000			\$ 3,111,000	\$1,911,000
1 Comprehensive Safety and Surveillance					
2 Improvements					
3 MCE/Warehouse/Maintenance Enterprise Operations System					
OCHE Commissioner of Higher Ed (1 project)	\$5,018,360			\$ 5,018,360	\$2,091,946
1 CyberMontana (Security Operations Center, Workforce Training Programs, Cyber Policy Clinic)					
2 Security Information & Event Management (SEIM)					
3 Enterprise Resource Planning					
4 System Replacement (Miles Community College & Dawson Community College)					
MTHS Historical Society (1 project)		\$ 947,500		\$ 947,500	\$227,500
1 Museum System Operations & Management					
JUD Judicial (1 project)	\$1,500,000			\$ 1,500,000	\$30,000
1 Courts Electronic Filing System Architecture & Cybersecurity Refresh					
DNRC Department of Natural Resources and Conservation (3 projects)	\$4,965,000			\$ 4,965,000	\$400,000
1 Water Rights Information System Rewrite					
2 GIS Migration					
3 Licensing & Permitting System Replacement					
OPD Office of Public Defender (1 project)	\$124,135			\$ 124,135	\$ -
1 Statewide Courthouse Wi-Fi					
DPHHS Department of Public Health and Human Services (7 projects)	\$1,830,651		\$ 6,065,155	\$ 7,895,806	\$1,942,605
1 Comprehensive Child Welfare Information System Independent Verification & Validation Services					
2 State Directory of New Hires					
3 Montana Child Support Enforcement Automated System Replacement Independent Verification & Validation Services					
4 Secure Data Connections for Montana Benefit Programs					
5 Public Benefits System Efficiency Modernization					
6 Improving Timeliness of Public Benefit Recipient Notification					
7 Senior and Long-Term Care Legacy System Replacement					
DOR Revenue (1 project)	\$500,000			\$ 500,000	\$300,000
1 GenTax to AWS Hosted Environment					
MDT Transportation (2 projects)		\$ 7,500,000		\$ 7,500,000	\$1,500,000
1 Advanced Transportation Management System					
2 Motor Fuels System					
Total - LRITP Proposed Appropriations	\$ 39,702,846	\$ 8,447,500	\$ 6,065,155	\$ 54,215,501	\$ 13,957,800

MONTANA COAL ENDOWMENT PROGRAM

Section F

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Montana Coal Regional Water Program

Renewable Resource Grant & Loan Program
Reclamation & Development Grants Program
Cultural & Aesthetic Grant Program
Montana Historic Preservation Grant Program

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MONTANA COAL ENDOWMENT PROGRAM

Program Description

The Montana Coal Endowment Program (MCEP), administered by the Department of Commerce (DOC), is a state infrastructure finance program approved by Montana voters with the passage of Legislative Referendum 110 in June 1992. Grant funding for the program is derived from the interest earnings of the Montana Coal Endowment Trust. The executive recommendation for MCEP grants is contained in HB 11.

According to 90-6-702, MCA, the purpose of MCEP is to assist local governments in funding infrastructure projects that will:

- Create jobs for Montana residents
- Promote economic growth in Montana by helping to finance the necessary infrastructure
- Encourage local public facility improvements
- Create a partnership between the state and local governments to make necessary public projects affordable
- Support long-term, stable economic growth in Montana
- Protect future generations from undue fiscal burdens caused by financing necessary public works
- Coordinate and improve infrastructure financing by federal, state, local government, and private sources
- Enhance the quality of life and protect the health, safety, and welfare of Montana citizens

Infrastructure projects include drinking water systems, wastewater treatment facilities, sanitary sewer or storm sewer systems, solid waste disposal and separation systems, and bridges. The maximum grant award is \$750,000. Bridge projects are limited in the program to awards of up to 20.0% of the interest earnings from the MCEP trust in 90-6-710, MCA. As a result, the MCEP projects will be provided in two sections, one for bridge projects and another for infrastructure projects.

Eligible applicants include cities, towns, counties, tribal governments, consolidated local governments, county or multi-county water, sewer or solid waste districts, and other authorities as defined in 75-6-304, MCA. MCEP applications are submitted to the DOC on a biennial basis where they are evaluated according to seven statutory priorities. The seven statutory priorities focus on projects that:

- Solve urgent and serious public health or safety problems or that enable local governments to meet state or federal health or safety standards
- Reflect greater need for financial assistance than other projects
- Incorporate appropriate, cost-effective technical design and provide thorough, long-term solutions to community public facility needs
- Reflect substantial past efforts to ensure sound, effective, long-term planning and management of public facilities and that attempt to resolve the infrastructure problem with local resources
- Enable local governments to obtain funds from sources other than MCEP
- Provide long-term, full-time job opportunities for Montanans, provide public facilities necessary for the expansion of a business that has a high potential for financial success, maintain the tax base or encourage expansion of the tax base
- Are high local priorities and have strong community support

MONTANA COAL ENDOWMENT PROGRAM

Program Budget Comparison

Figure 12 summarizes the proposed executive budget for the program by biennium, type of expenditure, and source of funding.

Figure 12

Executive Budget Comparison - Montana Coal Endowment Program				
Budget Item	Budget 2025 Biennium	Budget 2027 Biennium	Biennium Change	Biennium % Change
Budget Item	<u>Appropriated</u>	<u>Executive Proposal</u>	<u>Change</u>	<u>% Change</u>
Number of Grants Funded (infrastructure)	40	40	0	0.0%
Number of Grants Funded (bridge)	11	12	1	9.1%
Infrastructure Grants Cost	\$23,843,500	\$20,287,391	(\$3,556,109)	-14.9%
Bridge Grants Cost	6,176,213	3,544,750	(2,631,463)	-42.6%
Other Grants Cost	1,000,000	1,650,000	650,000	65.0%
Total Costs	\$31,019,713	\$25,482,141	(\$5,537,572)	-17.9%
State Special	31,019,713	25,482,141	(5,537,572)	-17.9%
Bond Proceeds	0	0	0	0.0%
ARPA 9901-602 (HB 632)	0	0	0	0.0%
Total Funds	\$31,019,713	\$25,482,141	(\$5,537,572)	-17.9%

Executive Proposal

Figure 12 shows the executive proposal for appropriations of \$25.5 million for the 2027 biennium MCEP grants program, a 17.9% decrease from the appropriations provided for the 2025 biennium. For the 2027 biennium, the MCEP program funding is requested as follows:

- MCEP emergency grants appropriation of \$150,000
- MCEP project planning grants appropriation of \$1.5 million
- MCEP bridge grants appropriation of \$3.5 million
- MCEP infrastructure project grant appropriation of \$20.3 million

A complete list of the requested MCEP bridge and infrastructure projects, including the total project cost, and the recommended grant amount may be seen in appendix A-11 of this report. The details behind the grants requested for the 2027 biennium MCEP program along with a status of grants awarded in the 2025 biennium are presented in Vol. 4 of the Governor's Executive Budget.

Funding

The MCEP administrative costs and grant appropriations are funded with the interest earnings from a coal severance tax endowment trust. The MCEP trust is a "sub-trust" of the permanent coal severance tax trust. The corpus of the sub-trust is fixed at \$268.0 million. The interest earned from the trust is transferred into the state special revenue fund authorized in 90-6-701, MCA.

MONTANA COAL ENDOWMENT PROGRAM

Figure 13 shows the projected ending fund balance of the Montana coal endowment state special revenue account for the 2027 biennium. The MCEP account is projected to begin the 2027 biennium with a balance of \$7.4 million. For more information on trust earnings, refer to page F-4 of this report.

MCEP Fund Balance Analysis - 2027 Biennium Funds 02270					
	FY 2024 Actual	FY 2025 Projected	FY 2026 Projected	FY 2027 Projected	2027 Biennium Projected
Beginning Fund Balances	\$ 25,613,318	\$ 31,998,822	\$ 7,395,600	\$ (7,036,830)	\$ 7,395,600
Coal SubTrust Earnings ¹	\$ 12,036,439	\$ 11,549,776	\$ 11,853,967	\$ 12,223,374	\$ 24,077,341
Expenditures					
HB 2 MCEP Administration ²	\$ 603,285	\$ 854,437	\$ 804,256	\$ 807,088	\$ 1,683,867
Emergency Grants	\$ 30,000	\$ 70,000	\$ 150,000	\$ -	\$ 150,000
Planning Grants	\$ 40,000	\$ 860,000	\$ 1,500,000	\$ -	\$ 1,500,000
Prior Biennia Grants	\$ 3,533,296	\$ 5,603,202			\$ -
Current Biennium Grants	\$ 1,444,354	\$ 28,765,359	\$ 23,832,141	\$ -	\$ 23,832,141
Total Expenditures/Appropriations	\$ 5,650,935	\$ 36,152,998	\$ 26,286,397	\$ 807,088	\$ 27,166,008
Projected Ending Fund Balance	\$ 31,998,822	\$ 7,395,600	\$ (7,036,830)	\$ 4,379,456	\$ 4,306,933
¹ HJ 2 Projections					
² HB 2					

MCEP interest and earnings are projected to be \$24.1 million in the 2027 biennium. The executive budget proposal recommends several appropriations from the MCEP state special fund. First, there is a recommendation for appropriations of \$1.7 million for the administrative costs of the program in HB 2. Appropriations from the MCEP account that are requested in HB 11 include \$150,000 for the emergency grants program and \$1.5 million for project planning grants. The total account costs of the infrastructure project grants are \$27.2 million. As a result, the fund is estimated to have a fund balance of \$4.3 million at the end of the 2027 biennium.

Revenue Description

For large producers, the coal severance tax is imposed on all coal production, except on tribal reservations, in excess of 20,000 tons per company per calendar year. Producers of 50,000 tons or less in any calendar year are exempt from the tax.

Statutory Reference

Tax Rate – 15-35-103, MCA

Tax Distribution – Montana Constitution, Article IX, Section 5; 15-35-108, MCA; 17-5-703, MCA

Applicable Tax Rates

10.0% on the value of surfaced mined coal with a heating quality < 7,000 BTU

15.0% on the value surfaced mined coal with a heating quality ≥ 7,000 BTU

3.0% on the value underground mined coal with a heating quality < 7,000 BTU

4.0% on the value underground mined coal with a heating quality ≥ 7,000 BTU

3.75% on the value of auger mined coal with a heating quality < 7,000 BTU

5.0% on the value of auger mined coal with a heating quality ≥ 7,000 BTU

COAL SEVERANCE TAX TRUST FUND

<https://archive.legmt.gov/content/Publications/fiscal/2025-Biennium/Special-Topics/Coal-Trust-Brochure-2024.pdf>

MONTANA COAL ENDOWMENT REGIONAL WATER SYSTEM

Section F

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

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MONTANA COAL ENDOWMENT REGIONAL WATER SYSTEM

Program Description

The 1999 Legislature created the Montana coal endowment regional water system fund as a new sub-trust within the coal tax permanent trust. The program is administered by the Department of Natural Resources and Conservation (DNRC). The executive recommendation for Montana coal endowment regional water system grants is contained in HB11.

The Montana Coal Endowment Program Regional Water System (MCEPRW), established in 90-6-715, MCA, was created to:

“...finance regional drinking water systems that supply water to large geographical areas and serve multiple local governments, such as projects in north central Montana, from the waters of the Tiber reservoir, that will provide water for domestic use, industrial use, and stock water for communities and rural residences that lie south of the Canadian border, west of Havre, north of Dutton, and east of Cut Bank and in northeastern Montana, from the waters of the Missouri River, that will provide water for domestic use, industrial use, and stock water for communities and rural residences that lie south of the Canadian border, west of the North Dakota border, north of the Missouri River, and east of range 39.”

Three projects that have received federal authorization and now qualify for federal funding are the Fort Peck Indian Reservation/Dry Prairie Regional Water System (Fort Peck-Dry Prairie), the Rocky Boy’s Indian Reservation/North Central Montana Regional Water System (Rocky Boy’s-NC Montana), and the Central Montana Musselshell-Judith Regional Water System (Central Montana Regional Water Authority). The state’s share of the financial obligation for these projects was met in full with the authorization provided by the 2015 Legislature.

A fourth project, the Dry-Redwater Regional Water System, would bring water to portions of Garfield, McCone, Richland, Prairie, and Dawson counties has not yet qualified for federal funding. This system has received approval from the state. These systems are progressing through planning phases specified by the Department of Interior and are seeking federal authorization, and the Dry-Redwater Regional Water Authority is seeking federal authorization.

The Regional Water Authorities prioritize the construction projects and DNRC prioritizes project funding based on several criteria, but the top three are:

- Need (Is there a boil order in the town or an urgent need for the construction?)
- Feasibility (Can the project move forward this biennium given the Regional Water System infrastructure already in place?)
- Cost & Funding (Is the project affordable, dependent on federal and state funds, and is the community prepared to pay their share?)

MONTANA COAL ENDOWMENT REGIONAL WATER SYSTEM

Program Budget Comparison

Figure 14 summarizes the proposed executive budget for the program by biennium, type of expenditure, and source of funding.

Figure 14

Program Comparison - Montana Coal Endowment Regional Water Program					
Budget Item	Budget 2025 Biennium	Budget 2027 Biennium	Biennium Change	Biennium % Change	
	<u>Appropriated</u>	<u>Proposed</u>	<u>Change</u>	<u>% Change</u>	
Projects Funding	\$ 10,000,000	\$ 10,000,000	\$ -	0.0%	
Total Costs	\$ 10,000,000	\$ 10,000,000	\$ -	0.0%	
State Special	\$ 10,000,000	\$ 10,000,000	\$ -	0.0%	
Total Funds	\$ 10,000,000	\$ 10,000,000	\$ -	0.0%	

Executive Proposal

As seen in Figure 14, the executive requests \$10.0 million of appropriations for the MCEPRW program that will be included in HB 11. This is the same amount of funding that was in the 2025 biennium so there is no change. Unlike the other LRP local government grant program, the MCEPRW funding is not provided for specific grant requests, but instead, is made available for project phases within a single large project which will provide water to large rural areas. The conditions for the disbursement of funding are listed in HB 11 and include:

- The execution of an agreement with DNRC
- Having an approved project management plan
- Having an acceptable accounting system
- Having a detailed preliminary engineering report

Funding

The MCEPRW trust is a “sub-trust” of the permanent coal severance tax trust. The corpus of the sub-trust is fixed at \$98.1 million. The interest earned from the trust is transferred into the state special revenue fund authorized in Title 90, Section 6, part 7, MCA, to provide a match for the development of large “regional” water systems.

MONTANA COAL ENDOWMENT REGIONAL WATER SYSTEM

Figure 15

MCEPRW Regional Water System Fund Balance Analysis - 2027 Biennium					
Funds 02015					
	FY 2024 Actual	FY 2025 Projected	FY 2026 Projected	FY 2027 Projected	2027 Biennium Projected
Estimated Beginning Fund Balance	\$ 5,930,547	\$ 8,965,521	\$ 1,368,992	\$ (106,418)	\$ 1,368,992
Revenue Projections ¹					
Coal Subtrust Earnings	\$ 4,018,031	\$ 3,628,296	\$ 3,801,339	\$ 3,989,587	\$ 7,790,926
Expenditures					
Administration - DNRC ² & Regional Water Authority	\$ 206,691	\$ 305,625	\$ 276,749	\$ 276,749	\$ 553,498
Regional Water Authority Admin. Grants ²	\$ 608,000	\$ 891,923			\$ -
Prior Biennia Grants	\$ 24,483	\$ 168,000			\$ -
2025 Biennium Grants	\$ 140,724	\$ 9,859,276	\$ 5,000,000	\$ 5,000,000	\$ 10,000,000
Fund Balance Adjustment	\$ 3,160	\$ -			\$ -
Total Expenditures/Appropriations	\$ 983,058	\$ 11,224,824	\$ 5,276,749	\$ 5,276,749	\$ 10,553,498
Estimated Ending Fund Balance	\$ 8,965,520	\$ 1,368,992	\$ (106,418)	\$ (1,393,580)	\$ (1,393,580)
¹ HJ 2					
² HB 2					

Figure 15 shows the projected fund balance of the MCEPRW fund for the 2025 biennium. The fund balance is projected to be nearly \$1.4 million at the beginning of the 2027 biennium. Statutorily, the interest earnings of the trust may be used to fund the administrative expenses for the program, and it is estimated the 2027 biennium appropriations will include \$553,497 for DNRC administration which would be appropriated in the general appropriation act, HB 2. The executive proposal for 2027 biennium MCEPRW grants is \$10.0 million and is projected to result in a negative fund balance of \$1.4 million at the end of the biennium, however, please note that if revenues are not sufficient, the department will be limited by the cash available in the fund. For more information on trust earnings, refer to page F-5 of this report.

RENEWABLE RESOURCE GRANT & LOAN PROGRAM

Section F

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----Agencies-----

Long-Range Building Program
State Building Energy Conservation Program
Long-Range Information Technology Program
Montana Coal Endowment Program
Montana Coal Regional Water Program

Renewable Resource Grant & Loan Program
Reclamation & Development Grants Program
Cultural & Aesthetic Grant Program
Montana Historic Preservation Grant Program

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

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Representative John Fitzpatrick (Chair)
Representative Scott Rosenzweig
Representative Paul Tuss
Representative Mike Vinton

Senate

Senator John Esp (Vice Chair)
Senator Ellie Boldman

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RENEWABLE RESOURCE GRANT AND LOAN PROGRAM

Program Description

The Renewable Resource Grant and Loan (RRGL) program was created by the 1993 Legislature. This program combines the former Renewable Resource Development Program, established in 1975, and the Water Development Program, established in 1981. As outlined under Title 85, Chapter 1, part 6, MCA, the purpose of the RRGL is to fund projects that “enhance Montana's renewable resources through projects that measurably conserve, develop, manage, or preserve resources.” The executive recommendation for RRGL grants and loans is contained in HB 6 and HB 8.

The Department of Natural Resources and Conservation (DNRC) administers the RRGL program, which involves a biennial application process. DNRC and a technical review team initially evaluate each application for economic and technical feasibility. Qualifying applications are then examined according to five criteria:

- Financial feasibility
- Adverse environmental impact
- Technical merit
- Public benefit
- Renewable resource benefit

The RRGL program consists of two individual programs, a grant program, and a loan program, that will be detailed individually in this report.

Program Budget Comparison

Figure 16 summarizes the proposed executive budget for the program by biennium, type of expenditure, and source of funding.

RENEWABLE RESOURCE GRANT AND LOAN PROGRAM

Figure 16

Program Comparison - Renewable Resource Grants & Loans Program				
Budget Item	Budget	Budget	Change	% Change
	2025 Biennium	2027 Biennium		
Number of Grants Funded	72	70	(2)	-2.8%
Number of Loans Funded	12	16	4	33.3%
	<u>Appropriated</u>	<u>Proposed</u>		
Grants Cost	\$8,750,000	\$8,724,500	(25,500)	-0.3%
Other Grants	7,400,000	4,150,000	(3,250,000)	-43.9%
Loan Program	98,945,000	133,318,288	34,373,288	34.7%
Total Costs	\$115,095,000	\$146,192,788	\$31,097,788	27.0%
State Special	16,150,000	12,874,500	(3,275,500)	-20.3%
CST Bond Proceeds	98,945,000	133,318,288	34,373,288	34.7%
Total Funds	\$115,095,000	\$146,192,788	\$31,097,788	27.0%

Executive Proposal

Figure 16 shows the executive proposal for appropriations of \$146.2 million for the RRGL programs in the 2027 biennium. The executive proposal for the RRGL program is 27.0% higher than the appropriations provided for the 2025 biennium; the increase is primarily in funding for loans provided by CST bond proceeds. The requests are included in HB 6 and HB 8, and each of the bills contains a piece of the 2027 RRGL Program as follows:

- HB 6
 - RRGL emergency grants appropriation of \$0.5 million
 - RRGL project planning grants appropriation of \$2.0 million
 - RRGL irrigation grants appropriation of \$0.5 million
 - RRGL private grants appropriation of \$0.15 million
 - RRGL non-point source pollution reduction of \$1.0 million
 - RRGL specific project grant appropriation of \$8.7 million
- HB 8
 - RRGL loan appropriations of \$133.3 million

More information on the loan program, included in HB 8 with loans supported by coal severance tax (CST) bonds, will follow the RRGL grant program discussion.

Grant Program Discussion

The RRGL grant program received 71 applications requesting project grants of \$8.7 million. The executive recommends funding 70 of the individual project requests with \$8.7 million in cash. However, please note that if revenues are not sufficient, the department will not be able to fund all applications and will be limited by the cash available in the fund. Project grants will be awarded fund in order of rank.

The 2027 biennium executive proposal includes a decrease of \$3.3 million for other grants, with no watershed management grants requested in the 2027 biennium.

RENEWABLE RESOURCE GRANT AND LOAN PROGRAM

A complete list of the requested RRGL projects and the recommended grant amounts, may be seen in appendix A-12 of this report. The details behind the grants requested for the 2027 biennium RRGL, along with a status of grants awarded in the 2025 biennium, are presented in Vol. 6 of the Governor's Executive Budget.

Loan Program Discussion

The second element of the RRGL program is the loan program. The loan program, proposed in HB 8, would authorize the issuance of CST collateralized bonds to finance RRGL project loans. Proceeds from the issuance of bonds are used to finance the loans and the repayment of the loans pay the associated debt service. Loans have differing interest rates based on the years of the loan and the state's bond rate. The basic interest rate on CST loans is determined by the bond market at the time the CST bonds are sold. Loans may be provided at a rate less than the rate at which the state bond is sold for all or part of them; subsidies vary depending on legislative authorization. Because money from the coal severance tax bond fund is pledged as collateral for debt service payments on the bonds, HB 8 requires a three-fourths vote of the members of each house, as directed by the Montana Constitution.

HB 8 includes sixteen loans. Of those, nine loans appeared before in HB 8 from prior sessions and are simply being reauthorized in the 2027 biennium. One reauthorization is \$40 million for the St. Mary's Milk River Project match. The remaining seven loans are new. Among the new loans, the executive requests \$19.0 million for two dam rehabilitation projects. The total request for bond authority and appropriation is \$133.3 million, which includes \$12.1 million to establish a reserve for the bonds. A complete list of the loans included in HB 8 can be seen in appendix A-15 of this report.

Funding

The funding for the RRGL grant program is provided through the "natural resource projects" state special revenue fund. To view the full natural resource projects fund balance analysis, see figure F-18.

The RRGL loan program is financed with coal severance tax bond issues. The Board of Examiners will be authorized to issue coal severance tax bonds in the amount not to exceed \$121,198,444 in the biennium beginning July 1, 2025 of which \$12,119,844 is to be used to establish a reserve for the bonds, and the proceeds will be available to the DNRC for financing the projects identified in the bill.

RECLEMATION & DEVELOPMENT GRANTS PROGRAM

Section F

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----Agencies-----

Long-Range Building Program
State Building Energy Conservation Program
Long-Range Information Technology Program
Montana Coal Endowment Program
Montana Coal Regional Water Program

Renewable Resource Grant & Loan Program
Reclamation & Development Grants Program
Cultural & Aesthetic Grant Program
Montana Historic Preservation Grant Program

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Senator Ellie Boldman

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RECLAMATION AND DEVELOPMENT GRANTS PROGRAM

Program Description

The Reclamation and Development Grants Program (RDGP) is designed to fund projects that, "...indemnify the people of the state for the effects of mineral development on public resources and that meet other crucial state needs serving the public interest and the total environment of the citizens of Montana" (90-2-1102, MCA).

As provided in statute, projects approved in the RDGP are intended to:

- Repair, reclaim, and mitigate environmental damage to public resources from non-renewable resource extraction
- Develop and ensure the quality of public resources for the benefit of all Montana citizens

The RDGP is administered by DNRC, which solicits, evaluates, and ranks applications on a biennial basis. The program is required to prioritize \$800,000 of funding to any government entity for abandoned mine reclamation projects. RDGP grants are limited to \$500,000. Public entities eligible to apply for grants include state and local governments, political subdivisions, and tribal governments. Applications are evaluated according to specific criteria related to:

- Public benefit
- Need and urgency
- Appropriateness of technical design
- Financial feasibility
- Project management/organization
- Program budget comparison

Program Budget Comparison

Figure 17 summarizes the proposed executive budget for the program by biennium, type of expenditure, and source of funding.

Figure 17

Program Comparison - Reclamation and Development Grant Program				
Budget Item	Budget 2025 Biennium	Budget 2027 Biennium	Biennium Change	Biennium % Change
Number of Grants	10	17	7	70.0%
	<u>Proposed</u>	<u>Proposed</u>		
Grants Cost	\$3,653,347	\$7,110,975	\$3,457,628	94.6%
Other Grants Cost	2,000,000	6,800,000	4,800,000	240.0%
Total Costs	\$5,653,347	\$13,910,975	\$8,257,628	146.1%
State Special	\$5,653,347	\$13,910,975	\$8,257,628	146.1%
Total Funds	\$5,653,347	\$13,910,975	\$8,257,628	146.1%

Executive Proposal

Figure 17 shows the executive proposal for appropriations of \$13.9 million for the RDGP program in the 2027 biennium. The executive proposal is 146.1% higher than the appropriations provided for the 2025 biennium.

RECLAMATION AND DEVELOPMENT GRANTS PROGRAM

The 2027 biennium proposal is requested in HB 7 and includes:

- RDGP project planning grants appropriation of \$1.5 million
- RDGP water storage pilot project grants appropriation of \$5.3 million

The RDGP grant program received 17 applications requesting \$7.1 million in grants. The executive recommends funding all the individual projects with cash. However please note that if revenues are not sufficient, the department will not be able to fund all applications and will be limited by the cash available in the fund. Project grants will be awarded fund in order of rank.

A complete listing of the RDGP grants may be seen in appendix A-16 of this report. The details behind the grants requested for the 2027 biennium RDGP program, along with a status of grants awarded in the 2025 biennium, are presented in Vol. 5 of the Governor's Executive Budget.

NATURAL RESOURCES PROJECTS ACCOUNT

Section F

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----Agencies-----

Long-Range Building Program
State Building Energy Conservation Program
Long-Range Information Technology Program
Montana Coal Endowment Program
Montana Coal Regional Water Program

Renewable Resource Grant & Loan Program
Reclamation & Development Grants Program
Cultural & Aesthetic Grant Program
Montana Historic Preservation Grant Program

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Representative Paul Tuss
Representative Mike Vinton

Senate

Senator John Esp (Vice Chair)
Senator Ellie Boldman

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NATURAL RESOURCES PROJECTS ACCOUNT

Funding

The natural resource projects account funds appropriations for natural resource grants and projects authorized by the legislature. Primary programs funded through the account are the RRGL and the RDGP programs. The account receives the income from the following sources:

- Interest income of the resource indemnity trust (RIT) fund as provided in and subject to the conditions of 15-38-202, MCA (\$3.2 million, when interest earnings are sufficient, each fiscal year for the purpose of making grants)
- Resource indemnity and ground water assessment tax (RIGWA) under provisions of 15-38-106, MCA (50% of the remaining proceeds, after appropriations for CIRCLA debt service, and \$366,000 to the groundwater assessment account, for the purpose of making grants)
- Oil and gas production tax as provided in 15-36-331, MCA (2.16% of oil and natural gas production taxes remaining after the distributions pursuant to subsections (2) and (3))
- Excess coal severance tax proceeds allocated by 85-1-603 (Bond Pool Transfer), MCA, to the renewable resource loan debt service fund (above debt service requirements as provided in and subject to the conditions of 85-1-619, MCA)

NATURAL RESOURCES PROJECTS ACCOUNT

Figure 18

Natural Resource Project Account Fund Balance Analysis - 2027 Biennium Fund 02577					
	FY 2024 Actuals	FY 2025 Projected	FY 2026 Projected	FY 2027 Projected	2027 Biennium Projected
Available Balance	\$18,956,192	\$48,157,549	\$600,757	(\$7,390,101)	\$600,757
Revenue Projections¹					
RIT Interest Earnings	\$ 2,529,536	\$ 3,048,922	\$ 2,410,292	\$ 3,200,000	\$ 5,610,292
Resource Indemnity & Groundwater	\$ 2,268,369	\$ 1,894,738	\$ 1,388,128	\$ 1,248,114	\$ 2,636,242
Oil and Gas Tax	\$ 1,541,945	\$ 1,514,112	\$ 1,603,460	\$ 1,645,057	\$ 3,248,517
Other Revenues	\$ 22,250	\$ 1,000	\$ -	\$ -	\$ -
HB 6 General Fund Transfer	\$ 26,000,000	\$ -	\$ -	\$ -	\$ -
Total Revenues	\$ 32,362,100	\$ 6,458,772	\$ 5,401,880	\$ 6,093,171	\$ 11,495,051
RRGL Appropriations - HB 6					
Emergency Grants	\$ 108,725	\$ 191,275	\$ 250,000	\$ 250,000	\$ 500,000
Project Planning Grants	\$ 247,843	\$ 3,252,158	\$ 1,000,000	\$ 1,000,000	\$ 2,000,000
Irrigation Development Grants	\$ 30,000	\$ 470,000	\$ 250,000	\$ 250,000	\$ 500,000
Watershed Grants	\$ -	\$ 500,000	\$ -	\$ -	\$ -
Private Grants	\$ 37,952	\$ 62,048	\$ 75,000	\$ 75,000	\$ 150,000
Nonpoint source pollution reduction grants	\$ -	\$ 2,500,000	\$ 500,000	\$ 500,000	\$ 1,000,000
Project Grants Infrastructure	\$ 572,065	\$ 5,777,935	\$ 2,625,000	\$ 2,625,000	\$ 5,250,000
Project Grants Irrigation	\$ 21,070	\$ 2,538,930	\$ 1,737,250	\$ 1,737,250	\$ 3,474,500
Other Grants	\$ -	\$ -	\$ -	\$ -	\$ -
Prior Biennia	\$ 996,936	\$ 6,036,803	\$ -	\$ -	\$ -
Total RRGL Expenditures/Appropriations	\$ 2,014,591	\$ 21,329,148	\$ 6,437,250	\$ 6,437,250	\$ 12,874,500
RRGL Appropriations - HB 6					
Milk River Project Loan Funding	\$ -	\$ 26,000,000	\$ -	\$ -	\$ -
Total Milk River Project Loan Funding	\$ -	\$ 26,000,000	\$ -	\$ -	\$ -
RDGP Appropriations - HB 7					
Planning Grants	\$ 41,834	\$ 1,958,166	\$ 750,000	\$ 750,000	\$ 1,500,000
Water Storage Pilot Project Planning			\$ 2,650,000	\$ 2,650,000	\$ 5,300,000
Prior Biennia	\$ 1,131,339	\$ 1,088,437		\$ -	\$ -
Current Biennium Grants	\$ 347,790	\$ 3,639,812	\$ 3,555,488	\$ 3,555,488	\$ 7,110,975
Total RDGP Expenditures/Appropriations	\$ 1,520,963	\$ 6,686,415	\$ 6,955,488	\$ 6,955,488	\$ 13,910,975
Total Expenditures/Appropriations	\$ 3,535,554	\$ 54,015,564	\$ 13,392,738	\$ 13,392,738	\$ 26,785,475
Estimated Ending Fund Balance	\$ 47,782,738	\$ 600,757	\$ (7,390,101)	\$ (14,689,667)	\$ (14,689,667)

¹HJ 2 projections

Figure 18 provides the projected balance for the natural resource project fund. The fund is projected to have a beginning balance of \$606,757 for the 2027 biennium. Revenues for the 2027 biennium, as provided in the HJ 2 estimates, are projected to be \$11.5 million. Appropriations from the natural resource projects account are authorized in Title 15, Chapter 38, MCA, which states, "Appropriations may be made from the natural resources projects state special revenue account for grants and loans for designated projects and the activities authorized in 85-1-602, MCA, and 90-2-1102, MCA," the RRGL and RDGP programs.

In the 2027 biennium, the executive budget recommends total appropriations of \$12.9 million for the RRGL program and \$13.9 million for the RDGP program from the natural resource projects fund. The ending fund balance at the end of the 2027 biennium is projected to be (\$14.7 million). Please note that the fund will not go negative, as it is prohibited from spending more than the revenues it brings in. For more information on interest earnings, see page F-4 of this report.

- **Resource Indemnity and Ground Water Assessment Tax**

NATURAL RESOURCES PROJECTS ACCOUNT

Revenue Description

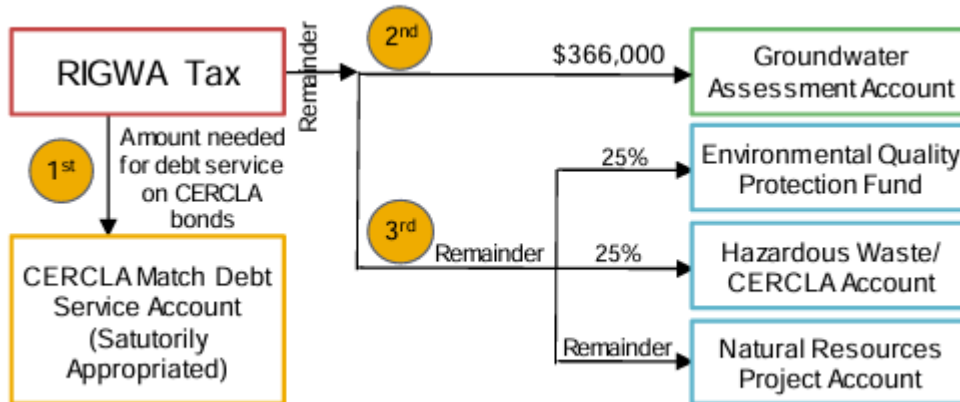
The state imposes a resource indemnity and ground water assessment (RIGWA) tax on the gross value of coal (based on the contract sales price), as well as most minerals, but not gravel, metals, oil, or natural gas

Statutory Reference

Tax Rate – 15-38-104, MCA

Tax Distribution – 15-38-106, MCA

<https://archive.legmt.gov/content/Publications/fiscal/2025-Biennium/Special-Topics/Energy/Resource-Indemnity-Tax.pdf>



Distribution

Beginning FY 2004, the amount needed to cover debt service on Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) bonds (after amounts transferred from the CERCLA cost recovery account) is deposited first to the CERCLA match debt service account. Money is then apportioned in steps 2-3 as shown in the distribution chart.

• Oil & Natural Gas Production Tax

Revenue Description

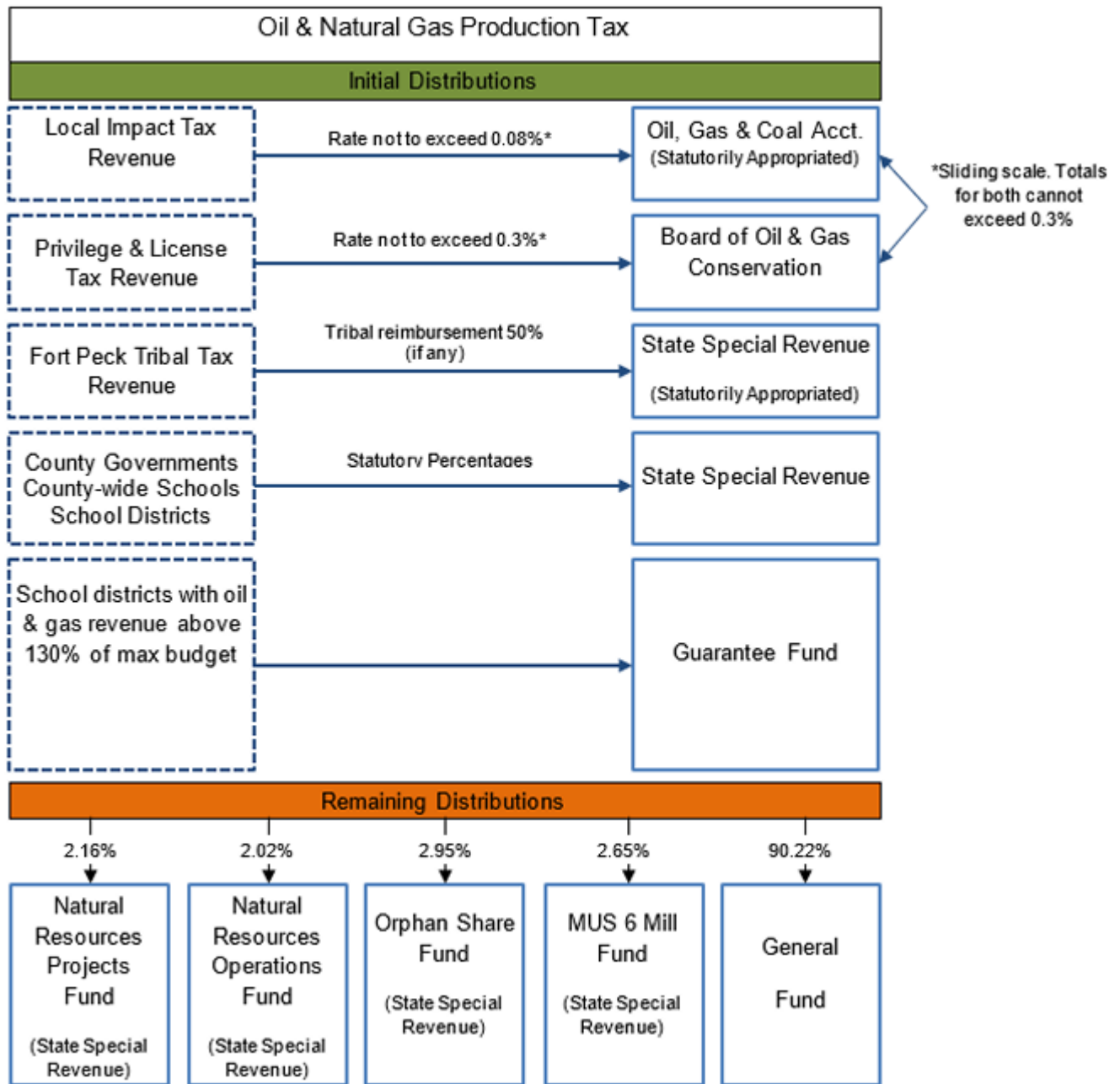
The oil and natural gas production tax is imposed on the production of oil and natural gas in the state. Gross taxable value of oil and natural gas production is based on the type of well and type of production. A portion of the revenue from the tax may be returned to Indian tribes per agreements between DOR and the tribes.

Statutory Reference

Tax Rate – 15-36-304, MCA; Privilege & license tax – 82-11-131, MCA; Administrative Rules 36.72.1242

Tax Distribution – 15-36-331(4), MCA; 15-36-332(2&3), MCA

NATURAL RESOURCES PROJECTS ACCOUNT



<https://archive.legmt.gov/content/Publications/fiscal/2025-Biennium/Special-Topics/Energy/Oil-and-Natural-Gas-Production-Tax.pdf>

CULTURAL & AESTHETIC GRANT PROGRAM

Section F

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----Agencies-----

Long-Range Building Program
State Building Energy Conservation Program
Long-Range Information Technology Program
Montana Coal Endowment Program
Montana Coal Regional Water Program

Renewable Resource Grant & Loan Program
Reclamation & Development Grants Program
Cultural & Aesthetic Grant Program
Montana Historic Preservation Grant Program

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CULTURAL AND AESTHETIC GRANT PROGRAM

Program Description

The Cultural and Aesthetic Grant Program (C&A), as provided in Title 22, Chapter 2, part 3, MCA, is administered by the Montana Arts Council (MAC). The C&A program provides appropriation for the protection of works of art in the State Capitol, and grants for cultural and aesthetic projects, including but not limited to: the visual, performing, literary, media arts, and folk arts; history, archaeology, archives, collections, research, and historic preservation; and the construction or renovation of cultural facilities. The executive recommendation for C&A grants is contained in HB 9.

Grant applications for cultural and aesthetic projects are submitted to the MAC on a biennial basis. Eligible applicants include any person, association, or representative of a governing unit. A 16-member Cultural and Aesthetic Projects Advisory Committee, with eight members appointed by the Montana Arts Council and eight appointed by the Montana Historical Society, reviews each application. The committee makes funding recommendations to the legislature as part of the executive budget. All grants require legislative approval in accordance with 22-2-306 through 309, MCA.

Program Budget Comparison

Figure 19 summarizes the proposed executive budget for the program by biennium, type of expenditure, and source of funding.

Figure 19

Program Comparison - Cultural and Aesthetic Trust					
Budget Item	Budget 2025 Biennium	Budget 2027 Biennium	Biennium Change	Biennium % Change	
Number of Grants	65	76	11	16.9%	
	<u>Appropriated</u>	<u>Proposed</u>			
Grants Cost	\$ 558,876	\$ 953,500	\$ 394,624	70.6%	
Capitol Complex Works of Art	\$ 30,000	\$ 30,000	\$ -	0.0%	
Total Costs	\$ 588,876	\$ 983,500	\$ 394,624	67.0%	
State Special	\$ 588,876	\$ 983,500	\$ 394,624	67.0%	
Total Funds	\$ 588,876	\$ 983,500	\$ 394,624	67.0%	

Executive Proposal

The first C&A priority recommended for funding is a \$30,000 appropriation to the Montana Historical Society for the care and conservation of capitol complex artwork, in accordance with 2-17-805, MCA. The second priority is 76 C&A grant awards totaling \$983,500. The recommended awards are prioritized within three categories, which include: special projects, operational support projects, and capital expenditure projects. In the 2027 biennium, appropriations for the grants will be 70.6% more than the amount appropriated for the 2025 biennium., and 67.0% more to the C&A program overall.

CULTURAL AND AESTHETIC GRANT PROGRAM

Provision for revenue shortfalls

In past biennia, the C&A grant program has experienced interest earnings that have not kept pace with legislative appropriations. When revenue shortfalls occur, language contained in HB 9 has provided for a reduction of grants on a pro-rata basis. The language makes it possible for the program to provide all the approved grants with smaller amounts instead of needing to cancel grant awards.

A complete listing of the C&A grants may be seen in appendix A-17 of this report. The details behind the grants requested for the 2027 biennium C&A, along with a status of grants awarded in the 2025 biennium, are presented in Vol. 7 of the Governor's Executive Budget.

Funding

Funding for the C&A program comes from the interest earnings from the cultural trust. The trust receives a statutorily dedicated 0.63% of coal severance tax revenues.

CULTURAL AND AESTHETIC GRANT PROGRAM

Figure 20

Cultural & Aesthetic Grant Fund Balance Analysis - 2027 Biennium					
Funds - 02009					
	FY 2024 Actual	FY 2025 Projected	FY 2026 Projected	FY 2027 Projected	2027 Biennium Projected
Estimated Beginning Fund Balance	\$ 904	\$ 148,654	\$ 253,047	\$ 234,831	\$ 253,047
Revenues					
Interest Earnings Transferred-02009 ¹	\$ 648,340	\$ 651,942	\$ 681,709	\$ 716,918	\$ 1,398,627
Total Revenues	\$ 648,340	\$ 641,590	\$ 681,709	\$ 716,918	\$ 1,398,627
Expenditures					
MAC Administration ²	\$ 221,387	\$ 227,760	\$ 223,176	\$ 223,176	\$ 446,351
Capitol Cmplx Works of Art	\$ -	\$ 30,000	\$ -	\$ 30,000	\$ 30,000
State Fund Dividend	\$ (236)	\$ (178)			\$ -
2027 Biennium Grants	\$ 279,439	\$ 279,437	\$ 476,750	\$ 476,750	\$ 953,500
Total Expenditures/Appropriations	\$ 500,590	\$ 537,197	\$ 699,926	\$ 729,926	\$ 1,429,851
Ending Fund Balance	\$ 148,654	\$ 253,047	\$ 234,831	\$ 221,824	\$ 221,824
¹ HJ 2					
² HB 2					

Figure 20 shows the projected balance of the C&A state special fund for the 2027 biennium. The fund is expected to begin the 2027 biennium with a balance of \$253,047. Revenues in the 2027 biennium are expected to be higher than the 2025 biennium. The projection for total revenue is \$1.4 million. For more information on interest earnings, see page F-4 of this report.

Expenditures for the C&A program, which include both administration costs and grants, are limited by the amount of interest earned from the trust investments. The executive budget proposal includes HB 2 appropriations of \$446,351 for administrative expenses of the C&A program. In the 2027 biennium, HB 2 appropriations are 31.0% of the total program revenues. The HB 9 executive proposal includes \$30,000 for a statutorily required appropriation for capitol complex works of art and an appropriation of \$953,500 for project grants. This results in a projected fund balance of \$221,824 at the end of the 2027 biennium.

MONTANA HISTORIC PRESERVATION GRANT PROGRAM

Section F

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----Agencies-----

Long-Range Building Program
State Building Energy Conservation Program
Long-Range Information Technology Program
Montana Coal Endowment Program
Montana Coal Regional Water Program

Renewable Resource Grant & Loan Program
Reclamation & Development Grants Program
Cultural & Aesthetic Grant Program
Montana Historic Preservation Grant Program

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MONTANA HISTORIC PRESERVATION GRANT PROGRAM

Program Description

The Montana Historic Preservation Grant (MHPG) Program, administered by the Department of Commerce (DOC) and codified in Section 22-3-1305, MCA, provides competitive grants for public or private entities for the preservation of historic sites, historical societies, or history museums in the state. The executive recommendations for MHPG grants are contained in HB 12.

MHPG project grants are available on a competitive basis through statutory criteria established in Section 22-3-1306, MCA. The statutory criteria include the following:

1. Support of economic activity or stimulus
2. Purpose and need of proposed project
3. Project timeline and matching funds
4. State historic or heritage value
5. Experience and capacity to complete proposed project
6. Ongoing and future state economic benefit
7. Local support and contributions
8. Anticipated public benefit and access

The MHPG program received 74 grant applications requesting \$25.8 million in funds. The DOC determined that 63 grant applications were eligible for funding, including 53 historic sites and 10 history museums, for a total of approximately \$23.0 million. If additional revenues become available, additional projects may be contingently funded too. The executive budget recommends 17 projects to be funded for a total of \$6.2 million, including the following project types:

- 14 historic sites
- 3 history museums*

*2 of the history museums are also historic sites

Program Budget Comparison

Figure 21 summarizes the proposed executive budget for the program by biennium, type of expenditure, and source of funding.

Figure 21

Program Comparison -Montana Historic Preservation Grant Program					
Budget Item	Budget 2025 Biennium	Budget 2027 Biennium	Biennium Change	Biennium % Change	
Number of Grants	29	17	(12)	-41.4%	
Grants Cost	<u>Proposed</u> \$ 8,501,314	<u>Proposed</u> \$ 6,229,375	(2,271,939)	-26.7%	
Total Costs	\$ 8,501,314	\$ 6,229,375	(\$2,271,939)	-26.7%	
State Special	\$ 8,501,314	\$ 6,229,375	(2,271,939)	-26.7%	
Total Funds	\$ 8,501,314	\$ 6,229,375	(\$2,271,939)	-26.7%	

MONTANA HISTORIC PRESERVATION GRANT PROGRAM

Executive Proposal

The executive proposal for the MHPG is a 41.4% decrease in the number of projects and 26.7% decrease in total appropriations compared to the 2025 biennium program. The executive recommendation for the MHPG program includes an appropriation of \$6.2 million to fund 17 grants. The executive proposal is contained in HB 12. A complete listing of the MHPG grants may be seen in appendix A-18 of this report. The details behind the grants requested for the 2027 biennium MHPG is presented in Vol. 8 of the Governor's Executive Budget.

Funding

The historic preservation grants account funds appropriations for MHPG projects authorized by the legislature. The account receives revenues as established in 15-68-820, MCA, from the accommodations sales tax. The account will receive the following:

- Until December 31, 2024, 5.0% in the account established in 22-3-1307, MCA, for historic preservation grants
- Starting January 1, 2025, 6.0% in the account established in 22-3-1307, MCA, for historic preservation grants

The allowable uses of the historic preservation account, as provided in 22-3-1307, MCA, "may be used only for historic preservation grants to be administered by the Department of Commerce". Unlike many of the other grant programs of the LRP budget, administrative costs are not allowed to be funded through the account.

Figure 22

Montana Historic Preservation Grants - 2027 Biennium					
Fund 02217					
	FY 2024 Actual	FY 2025 Projected	FY 2026 Projected	FY 2027 Projected	2027 Biennium Projected
Estimated Beginning Fund Balance	\$ 5,421,966	\$ 5,345,241	\$ (2,802,027)	\$ (2,068,095)	\$ (2,802,027)
Revenue Projections ¹					
Accommodation Sales Tax	\$ 2,974,585	\$ 3,425,443	\$ 3,848,620	\$ 4,006,418	\$ 7,855,038
Expenditures					
Prior Biennium	\$ 567,028	\$ 2,688,943			\$ -
2027 Biennium Grants	\$ 2,484,276	\$ 8,883,768	\$ 3,114,688	\$ 3,114,688	\$ 6,229,376
Fund Balance Adjustment	\$ 7	\$ -			\$ -
Total Expenditures/Appropriations	\$ 3,051,310	\$ 11,572,711	\$ 3,114,688	\$ 3,114,688	\$ 6,229,376
Ending Fund Balance	\$ 5,345,241	\$ (2,802,027)	\$ (2,068,095)	\$ (1,176,365)	\$ (1,176,365)

¹HJ 2

Figure 22 shows the projected balance of the historic preservation grants state special fund for the 2027 biennium. The fund is expected to begin the 2027 biennium with a negative fund balance, but realistically, the fund will not go negative since expenses cannot exceed the cash in the fund. The revenues are projected to be \$7.9 million across the biennium. The executive proposal for the MHPG program is \$6.2 million. The balance at the end of the 2027 biennium is projected to be (\$1.2 million).

MONTANA HISTORIC PRESERVATION GRANT PROGRAM

Revenue Description

The state imposes two taxes on room charges collected by lodging facilities and campgrounds: a lodging sales tax and a lodging facility use tax. The taxes only apply for rooms used for lodging which includes hotels, motels, campgrounds, resorts, dormitories, condominium inns, dude ranches, guest ranches, hostels, public lodging houses, and bed and breakfast facilities. Exemptions include facilities for health care, facilities owned by non-profit corporations for use by youth for camping, facilities whose average daily charge is less than 60.0% of the amount the state of Montana reimburses for lodging, and facilities rented for 30 days or more.

The Lodging Facility Use Tax is 4.0% of room charges, and revenues are distributed to a variety of state special revenue funds, with a majority going to the Department of Commerce for tourism promotion. In addition to funding the Department of Commerce, revenues from this tax also fund the Montana heritage preservation and development account, the Montana Historical Society, the university system, Montana Fish, Wildlife and Parks, state tribal economic development, and the aquatic invasive species account. Before being distributed to the state special revenue funds, revenue from lodging facility use tax is first distributed to the Department of Revenue for the costs of collecting and disbursing the proceeds of the tax, next the department will deduct 4.0% of the amount of tax proceeds paid by state agencies and distribute a portion of it to those agencies and then deposit 30.0% of the amount deducted minus the portion paid with federal funds into the general fund. Finally, a set amount of \$400,000 each year is deposited into the Montana heritage preservation and development account.

Statutory Reference

Tax Rate – 15-65-111, MCA (4.0% lodging facility use tax); 15-68-102, MCA (4.0% lodging sales tax)

Tax Distribution – 15-65-121, MCA (4.0% lodging facility use tax), 15-68-820, MCA (4.0% lodging sales tax)

Applicable Tax Rates

The lodging sales tax is 4.0% of the sales price. The lodging facility use tax is 4.0% of room charges.

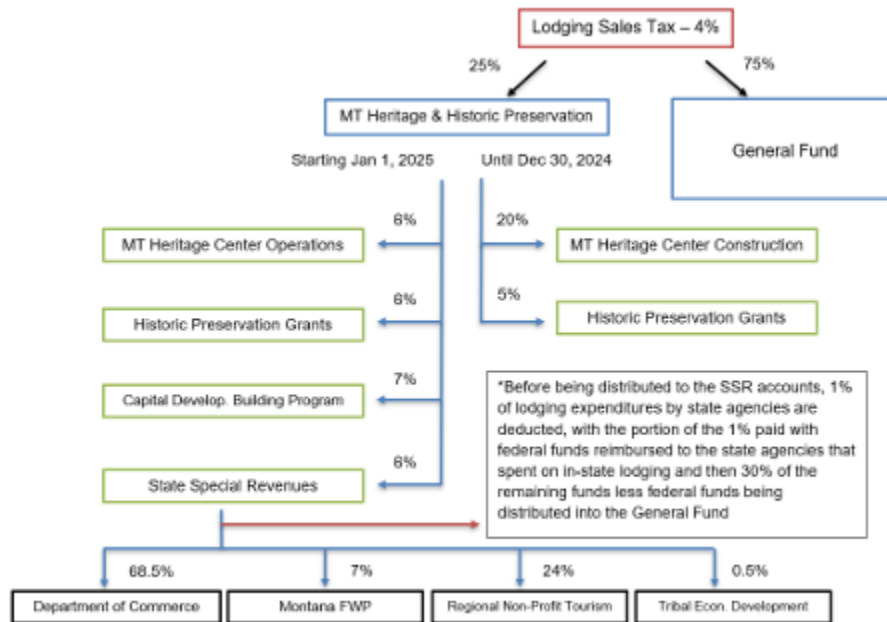
Distribution

- 75.0% of collections from the Lodging Sales Tax are deposited to the General Fund
 - Until Dec 31, 2024, the remaining revenue will be distributed as:
 - 20.0% for funding the construction of the MT Heritage Center administered by the Dept. of Administration's Architecture & Engineering division
 - 5.0% for historic preservation grants administered by the Dept. of Commerce
 - Starting January 1, 2025, the remaining revenue will be distributed as:
 - 6.0% to the Historical Society for the operation and maintenance of the MT Heritage Center
 - 6.0% for historic preservation grants administered by the Dept. of Commerce
 - 7.0% to the Capital developments long-range building program account
 - 6.0% to the Dept. of Commerce for tourism promotion. This is further divided as:
 - 68.5% to be used directly by the Dept. of Commerce
 - 7.0% to Fish Wildlife and Parks for maintenance of facilities in state parks
 - 24.0% to regional nonprofit tourism corporations, conventions, and city visitor bureaus
 - 0.5% to the SSR for use by state-tribal economic development commission

MONTANA HISTORIC PRESERVATION GRANT PROGRAM

Prior to the 2019 Legislative Session, the Lodging Sales Tax was 3.0% of room charges, and all revenue was distributed into the general fund. In 2019, SB 338 added an additional 1.0% to the sales tax to fund the new MT Heritage center and create the Historic Preservation Grant Program, bringing the total Lodging Sales Tax to 4.0%. The original amount of revenue from before SB 338 is still allocated to the state General Fund, which now amounts to 75.0% of the lodging sales tax revenue.

Funding for the construction of the new Heritage Center (overseen by the department of administration) began in 2020 and will run through mid-2025. Beginning January 1st of 2025, the 25.0% of sales tax revenue that goes to Montana Heritage and Historic Preservation will be reallocated in four ways: to the Montana Historical Society for the operations and maintenance of the new Heritage Center, to slightly increase funding to the Historic Preservation Grant Program, to fund the Capital Developments Long-Range Building Program Account which is used for appropriations of the capital fund type, and to fund a variety of State Special Revenue funds, particularly for the Department of Commerce and Fish, Wildlife and Parks. The distributions for the sales tax are outlined in the chart below:



<https://archive.legmt.gov/content/Publications/fiscal/2025-Biennium/Resources-and-Guides/Lodging-Brochure.pdf>

LONG-RANGE APPENDIX TABLES

A1 LRBP LONG-RANGE BUILDING PROGRAM--MAJOR REPAIRS (HB 5)

Long-Range Building Program Major Repairs HB 5 - 2027 Biennium							
Approp Agency / Project Agency / Project	LRBP Major Repairs Fund	Other Capital Projects Funds	State Special	Federal Special	Prop.	Authority	Total
Major Repairs Projects							
A&E Appropriations							
Department of Administration (8 MR Projects)							
1 Aviation & Support Facility Shop Building New Fire Suppression System	\$950,000						950,000
2 Original Govenor's Mansion Heating & Fire Alarm Systems Upgrades	\$300,000						300,000
3 State Print & Mail Building Roof Replacement	\$825,000						825,000
4 Aviation Support Facility Hangar Door Reconstruction & Replacement	\$320,000						320,000
5 Capitol Building Interior Lighting Restoration	\$125,000						125,000
6 Capitol Complex Restroom Renovations	\$625,000						625,000
7 Statewide Facility Condition Assessment Services for Agencies	\$750,000						750,000
8 Statewide Selected Feasibility Studies for Agencies	\$500,000						500,000
Department of Corrections (8 MR Projects)							
9 MCE New Emergency Generators	\$200,000						200,000
10 Continuation of Xanthopoulos Building Repairs	\$2,200,000						2,200,000
11 MCE Roof Replacement	\$1,350,000						1,350,000
12 Completion of Perimeter Security	\$600,000						600,000
13 Utility Tunnel/Heating System Repairs	\$1,200,000						1,200,000
14 Gravel Pit Equipment Generator Replacement	\$180,000						180,000
15 MCE Toilet Room Repairs	\$200,000						200,000
Department of Justice (2 MR Projects)							
16 Boulder Highway Patrol/IBC Campus Heating System Upgrade	\$2,350,000						2,350,000
17 MLEA Air Conditioning Installation	\$300,000						300,000
Department of Labor & Industry (1 MR Project)							
18 New Lab Casework and Fixed Lab Equipment - Combined Labs	\$1,000,000						1,000,000
Department of Public Health and Human Services (3 MR Projects)							
19 Completion of Door Access Controls	\$130,000						130,000
20 Additional Security Cameras	\$300,000						300,000
21 Water Infiltration Investigation & Exterior Envelope Repairs - EMVH	\$1,900,000						1,900,000
Montana School for the Deaf and Blind (2 MR Projects)							
22 Completion of Parking Lot Improvements	\$780,000						780,000
23 Selected HVAC System Upgrades	\$2,000,000						2,000,000
Department of Agriculture (1 MR Projects)							
24 State Grain Lab Heating System Upgrades	\$150,000						150,000
Department of Livestock (1 MR Projects)							
25 Kalispell Job Service Center Renovations	\$325,000						325,000
Office of Public Instruction (1 MR Projects)							
26 Montana Learning Center Site Infrastructure Upgrades	\$700,000						700,000
Montana University System (21 MR Projects)							

LONG-RANGE APPENDIX TABLES

27	Completion of Montana Hall Life-Safety Improvements	\$2,100,000						2,100,000
28	Mechanical, Electrical and Accessibility Upgrades	\$2,200,000						2,200,000
29	Selected Upgrades to Exterior Steps, Stairs, and Ramps	\$710,000						710,000
30	Selected Fire Alarm System Upgrades	\$500,000						500,000
31	Campus Heating Plant Boiler System Upgrade	\$2,400,000						2,400,000
32	Campus Heating & Domestic Hot Water Upgrades	\$400,000						400,000
33	Donaldson Campus Boiler System Replacement - Helena College	\$150,000						150,000
34	Swysgood Technology Center HVAC Cooling System Replacement	\$370,000						370,000
35	Linfield Hall Roof Replacement	\$850,000						850,000
36	Cowan Hall Exterior Envelope Upgrades	\$1,725,000						1,725,000
37	Automotive Technology Building Roof Replacement	\$460,000						460,000
38	Donaldson Campus Roofing Replacement	\$2,400,000						2,400,000
39	Campus Wide Building Electrical System Upgrade	\$1,300,000						1,300,000
40	Selected Sewer Main Repair & Replacement	\$690,000						690,000
41	Steam Distribution System Upgrades	\$475,000						475,000
42	Selected Building Electrical System Upgrades	\$1,100,000						1,100,000
43	South Campus Primary Electrical Distribution Upgrades	\$1,750,000						1,750,000
44	Selected Elevator System Upgrades	\$1,675,000						1,675,000
45	Science & Engineering and ELC Building Elevator Modernization	\$400,000						400,000
46	McCall Hall Demolition	\$1,100,000					\$300,000	1,400,000
47	Mining & Geology Building Temperature Control Replacement	\$300,000						300,000
Department of Military Affairs (8 Projects)								
48	Statewide Indoor Firing Range Remediation				\$2,450,000			2,450,000
49	MTARNG Buildings MEP Repairs				\$1,970,000			1,970,000
50	Fort Harrison Building 1009 New Generator				\$255,000			255,000
51	Helena AFRC New Underground Stormwater Piping System				\$230,000			230,000
52	Fort Harrison New Powered Fire Department Access Gate				\$225,000			225,000
53	Fort Harrison Range Operations Center Sitework				\$380,000			380,000
54	Fort Harrison Building 1017 New Shower Rooms				\$110,000			110,000
55	MTARNG Buildings New PV Solar Arrays & Repairs				\$690,000			690,000
Total A&E Major Repairs Appropriations		\$43,315,000	\$0	\$0	\$6,310,000	\$0	\$300,000	\$49,925,000
Total Major Repairs		\$43,315,000	\$0	\$0	\$6,310,000	\$0	\$300,000	\$49,925,000
¹ If funding appropriated for related capital development projects, funding must be reallocated by the department to other major repair projects.								

LONG-RANGE APPENDIX TABLES

A2 LRBP LONG-RANGE BUILDING PROGRAM CAPITAL DEVELOPMENT (HB 5)

Long-Range Building Program Capital Development HB 5 - 2027 Biennium						
Approp Agency / Project Agency / Project	Capital Dev. Fund	State Special	Federal Special	Prop.	Authority	Total
Capital Development Projects						
A&E Capital Development Projects						
Department of Administration (7 CD Projects)						
1 Capitol Complex Roof Replacements	\$4,100,000					4,100,000
2 Capitol Complex Elevator System Upgrades	\$5,700,000					5,700,000
3 1227 11th Avenue Building Renovation	\$3,600,000					3,600,000
4 1300 11th Avenue Building Renovation	\$4,150,000					4,150,000
5 5 South Last Chance Gulch Building Renovation	\$17,300,000					17,300,000
6 Capital Projects Planning Studies	\$2,000,000					2,000,000
7 Reserve Fund for Market, Supply Chain, and Inflationary Impacts	\$10,000,000					10,000,000
Department of Corrections (4 CD Projects)						
8 MSP Low-Side Housing Expansion	\$150,000,000					150,000,000
9 Site Infrastructure Upgrades	\$21,000,000					21,000,000
10 Comprehensive Mechanical System Replacement	\$4,750,000					4,750,000
11 Construction Education Program Building Renovation	\$4,000,000					4,000,000
Department of Natural Resources and Conservation (4 CD Projects)						
12 Missoula New Forestry & Trust Lands Office Building	\$3,000,000					3,000,000
13 Helena Wildland Firefighter Bunkhouses	\$3,860,000					3,860,000
14 Libby Wildland Firefighter Bunkhouse & Office Addition	\$3,600,000	\$600,000				4,200,000
15 Plains Wildland Firefighter Bunkhouse	\$1,930,000					1,930,000
Department of Military Affairs (4 CD Projects)						
16 SMART Deferred Maintenance Program - Statewide	\$1,500,000		\$4,500,000			6,000,000
17 Billings Limited Army Aviation Support Facility - Phase II	\$23,100,000					23,100,000
18 Montana Air National Guard New Training Drop Zone	\$1,800,000					1,800,000
19 New Internment Processing Center @ MT State Veterans Cemetery	\$1,925,000					1,925,000
Department of Justice (1 CD Project)						
20 MLEA New Indoor Firearms Range	\$10,000,000					10,000,000
Department of Public Health and Human Services (2 CD Projects)						
21 Comprehensive Mechanical System Replacement	\$11,200,000					11,200,000
22 Spratt Building Upgrades for Licensure	\$4,000,000					4,000,000
Montana School for the Deaf and Blind (1 CD Project)						
23 Vocational Building Renovation	\$5,120,000					5,120,000
Montana University System (8 CD Projects)						
24 Selected Classrooms & Teaching Labs Modernization	\$11,600,000					11,600,000
25 Selected Roof Replacement Projects	\$3,000,000					3,000,000
26 Highlands College Roof Replacement	\$5,000,000					5,000,000
27 Cisel Hall HVAC & Plumbing System Upgrades	\$4,000,000					4,000,000
28 Lewis Hall New Elevator & ADA Upgrades	\$4,600,000					4,600,000
29 Music Building Renovation	\$7,250,000				\$7,250,000	14,500,000
30 Mansfield Library Renovation	\$9,000,000				\$9,000,000	18,000,000

LONG-RANGE APPENDIX TABLES

31	Hamilton Hall 3rd & 4th Floor Renovation	\$5,230,000					5,230,000
Governor's Office of Budget and Program Planning (1 CD Project)							
32	Capitol Complex Deferred Maintenance	\$50,000,000					50,000,000
Total A&E Capital Development Appropriations		\$397,315,000	\$600,000	\$4,500,000	\$0	\$16,250,000	418,665,000
Agency Capital Development Appropriations							
Department of Military Affairs (6 Projects)							
33	Fort Harrison Open Bay Barracks			\$18,120,000			18,120,000
34	Fort Harrison Vehicle Paint Shop Construction			\$6,960,000			6,960,000
35	MTARNG Vehicle Maintenance Shop Construction			\$40,600,000			40,600,000
36	Limestone Hills Training Area Target Storage Building Replacement			\$385,000			385,000
37	Veteran's Cemetery Expansion, Statewide			\$1,000,000			1,000,000
Montana Department of Transportation (6 Projects)							
38	Statewide MDT Facility Repairs and Small Projects		\$3,000,000				3,000,000
39	Three Forks Equipment Storage Building		\$3,000,000				3,000,000
40	Wolf Creek Equipment Storage Building		\$2,400,000				2,400,000
41	Lodge Grass Equipment Storage Building		\$2,400,000				2,400,000
42	Conrad Equipment Storage Building		\$3,500,000				3,500,000
43	Miles City Equipment Storage Building		\$4,200,000				4,200,000
Total Agency Capital Development Appropriations		\$0	\$18,500,000	\$67,065,000	\$0	\$0	\$85,565,000
Department of FWP Capital Program Projects							
Department of Fish, Wildlife, & Parks (28 Projects)							
44	Administrative Facility Major Maintenance		\$2,800,000				2,800,000
45	Central Services Site Upgrades Phase II		\$13,350,000				13,350,000
46	Central Services Site Upgrades Phase III		\$16,680,000				16,680,000
47	Region 5 Cooney State Park Storage Building		\$220,000				220,000
48	Region 5 Deadman's Basin FAS Storage Building		\$340,000				340,000
49	Fishing Access Site Major Maintenance		\$1,590,000				1,590,000
50	Statewide Hatchery Maintenance and Repairs		\$2,500,000				2,500,000
51	Fishing Access Site Noxious Weed Control		\$250,000				250,000
52	Wildlife Management Area Maintenance		\$3,380,000				3,380,000
53	State Parks Major Maintenance		\$4,500,000				4,500,000
54	State Parks Noxious Weed Control		\$250,000				250,000
55	Statewide Wildlife Habitat Management Areas Habitat Improvements		\$680,000				680,000
56	Future Fisheries		\$2,000,000				2,000,000
57	FWP Contract Programs		\$2,250,000				2,250,000
58	Habitat Montana		\$12,000,000				12,000,000
59	Fish Connectivity		\$1,635,000	\$1,775,000			3,410,000
60	Lewis & Clark Caverns State Park Water System		\$692,500	\$692,500			1,385,000
61	Community Fishing Ponds		\$200,000				200,000
62	Fishing Access Site Acquisition		\$500,000				500,000
63	Parks & Outdoor Recreation Site Development & Upgrades		\$2,300,000	\$510,000			2,810,000
64	Upland Game Bird Enhancement Program		\$2,000,000				2,000,000
65	Dam Maintenance		\$90,000				90,000
66	Habitat Montana - Enhanced 701 Funding		\$18,000,000				18,000,000
67	Region 5 HQ Pemberton Lane Improvements		\$255,000				255,000
68	FWP Grant Programs		\$5,800,000	\$7,900,000			13,700,000

LONG-RANGE APPENDIX TABLES

69	Bannack State Park Historic Preservation		\$250,000				250,000
70	Forest Management Program		\$250,000				250,000
	Tongue & Yellowstone Canal & Muggli Bypass Channel Fishery		\$1,430,000				1,430,000
71	Infrastructure Improvements						
Total FWP Capital Development Appropriations		\$0	\$96,192,500	\$10,877,500	\$0	\$0	\$107,070,000
AO - Authority only - for amounts that do not require appropriation							
Montana University System (10 AO Projects)							
72	New Art Building					\$13,400,000	13,400,000
73	New Bandy Ranch Field Research Housing					\$2,000,000	2,000,000
74	Bio Research Building Addition					\$8,000,000	8,000,000
75	Instructional Space Modernization					\$4,000,000	4,000,000
76	Law School Interior Remodel					\$3,000,000	3,000,000
77	McGill Hall Addition					\$2,000,000	2,000,000
78	Nopper Building Purchase					\$6,500,000	6,500,000
79	Undergraduate Research Lab Upgrades and Improvements					\$10,000,000	10,000,000
80	South Campus Tennis Court Complex					\$8,300,000	8,300,000
81	Visual Communications Building Classroom Addition					\$2,500,000	2,500,000
Total Authority Only		\$0	\$0	\$0	\$0	\$59,700,000	\$59,700,000
Total Capital Development Appropriations		\$397,315,000	\$115,292,500	\$82,442,500	\$0	\$75,950,000	\$671,000,000

LONG-RANGE APPENDIX TABLES

A3 LRBP OPERATIONS & MAINTENANCE APPROPRIATIONS

	LRBP - HB 5 Operations & Maintenance Appropriations 17-7-210, MCA Required for Future Biennia						
	Agency	Project	General Fund	State Special	Federal Special	Authority Only	Annual Total
1	DOC	MSP Low-Side Housing Expansion (108,560 sqft @ \$4.29/sqft/yr)	\$ 1,300,000				\$ 1,300,000
2	DOC	Site Infrastructure Upgrades					\$ -
3	DPHHS	Comprehensive Mechanical System Replacement					\$ -
4	DOC	Comprehensive Mechanical System Replacement					\$ -
5	DPHHS	Spratt Building Upgrades for Licensure					\$ -
6	MUS	Selected Classrooms & Teaching Labs Modernization					\$ -
7	DNRC	Missoula New Forestry & Trust Lands Office Building (4,600 sqft @ \$5.53/ft/yr)		\$ 50,876			\$ 50,876
8	DNRC	Helena Wildland Firefighter Bunkhouses (6,000 sqft @ \$5.53/ft/yr)		\$ 66,360			\$ 66,360
9	DNRC	Libby Wildland Firefighter Bunkhouse & Office Addition (3,000 sqft @ \$5.53/ft/yr)		\$ 33,180			\$ 33,180
10	DNRC	Plains Wildland Firefighter Bunkhouse (3,000 sqft @ \$5.53/ft/yr)		\$ 33,180			\$ 33,180
11	DOA	Capitol Complex Roof Replacements					\$ -
12	MUS	Selected Roof Replacement Projects					\$ -
13	MUS	Highlands College Roof Replacement					\$ -
14	MUS	Cisel Hall HVAC & Plumbing System Upgrades					\$ -
15	DOA	Capitol Complex Elevator System Upgrades					\$ -
16	MSDB	Vocational Building Renovation					\$ -
17	MUS	Lewis Hall New Elevator & ADA Upgrades (2,100 net new sqft @ \$9/sqft/yr)	\$ 37,800				\$ 37,800
18	MUS	Music Building Renovation					\$ -
19	DOA	1227 11th Avenue Building Renovation					\$ -
20	DOA	1300 11th Avenue Building Renovation					\$ -
21	MUS	Mansfield Library Renovation					\$ -
22	MUS	Hamilton Hall 3rd & 4th Floor Renovation					\$ -
23	DOA	5 South Last Chance Gulch Building Renovation (7,500 sqft of new @ \$11.57/ft/yr)	\$ 173,550				\$ 173,550
24	DMA	SMART Deferred Maintenance Program - Statewide					\$ -
25	DOC	Construction Education Program Building Renovation					\$ -
26	DMA	Billings Limited Army Aviation Support Facility - Phase II (15,500 sqft @ \$6.92/ft)			\$ 107,400		\$ 107,400
27	DMA	Montana Air National Guard New Training Drop Zone					\$ -
28	DOJ	MLEA New Indoor Firearms Range (13,500 sqft @ \$11/ft; was based on \$12M budget)		\$ 150,000			\$ 150,000
29	DMA	New Internment Processing Center @ MT State Veterans Cemetery (1,800 sqft * \$5/ft)	\$ 9,625				\$ 9,625
30	OPBB	Capitol Complex Deferred Maintenance					\$ -
31	DOA	Capital Projects Planning Studies					\$ -
32	DOA	Reserve Fund for Market, Supply Chain, and Inflationary Impacts					\$ -
33	DOA	Governor's Office 720 Madison Avenue	\$ 270,250				\$ 270,250
		General Total	\$ 1,791,225	\$ 333,596	\$ 107,400	\$ -	\$ 2,232,221
		DEPARTMENT OF FISH, WILDLIFE & PARKS					
1	FWP	Administrative Facility Major Maintenance					\$ -
2	FWP	Central Services Site Upgrades Phase II (30,000 sqft @ \$2.22/ft/yr)		\$ 133,468			\$ 133,468
3	FWP	Central Services Site Upgrades Phase III (18,203 sqft @ \$4.58/ft/yr)		\$ 208,545			\$ 208,545
4	FWP	Region 5 Cooney State Park Storage Building (3,000 sqft @ \$0.46/ft/yr)		\$ 2,778			\$ 2,778
5	FWP	Region 5 Deadman's Basin FAS Storage Building (3,200 sqft @ \$066/ft/yr)		\$ 4,250			\$ 4,250

LONG-RANGE APPENDIX TABLES

6	FWP	Fishing Access Site Major Maintenance						\$	-			
7	FWP	Statewide Hatchery Maintenance and Repairs						\$	-			
8	FWP	Fishing Access Site Noxious Weed Control						\$	-			
9	FWP	Wildlife Management Area Maintenance						\$	-			
10	FWP	State Parks Major Maintenance						\$	-			
11	FWP	State Parks Noxious Weed Control						\$	-			
12	FWP	Statewide Wildlife Habitat Management Areas Habitat Improvements						\$	-			
13	FWP	Future Fisheries						\$	-			
14	FWP	FWP Contract Programs						\$	-			
15	FWP	Habitat Montana						\$	-			
16	FWP	Fish Connectivity						\$	-			
17	FWP	Lewis & Clark Caverns State Park Water System						\$	-			
18	FWP	Community Fishing Ponds						\$	-			
19	FWP	Fishing Access Site Acquisition						\$	-			
20	FWP	Parks & Outdoor Recreation Site Development & Upgrades						\$	-			
21	FWP	Upland Game Bird Enhancement Program						\$	-			
22	FWP	Dam Maintenance						\$	-			
23	FWP	Habitat Montana - Enhanced 701 Funding						\$	-			
24	FWP	Region 5 HQ Pemberton Lane Improvements						\$	-			
25	FWP	FWP Grant Programs						\$	-			
26	FWP	Bannack State Park Historic Preservation						\$	-			
27	FWP	Forest Management Program						\$	-			
28	FWP	Tongue & Yellowstone Canal & Muggli Bypass Channel Fishery Infrastructure Improvements						\$	-			
		DEPARTMENT OF TRANSPORTATION						\$	-			
1	MDT	Statewide MDT Facility Repairs and Small Projects						\$	-			
2	MDT	Three Forks Equipment Storage Building (9,000 sqft @ \$2.68/ft/yr)			\$	48,150		\$	48,150			
3	MDT	Wolf Creek Equipment Storage Building (6,500 sqft @ \$2.57/ft/yr)			\$	33,400		\$	33,400			
4	MDT	Lodge Grass Equipment Storage Building (6,500 sqft @ \$2.57/ft/yr)			\$	33,400		\$	33,400			
5	MDT	Conrad Equipment Storage Building (9,700 sqft @ \$2.15/ft/yr)			\$	41,650		\$	41,650			
6	MDT	Miles City Equipment Storage Building (10,800 sqft @ \$2.07/ft/yr)			\$	44,750		\$	44,750			
		DEPARTMENT OF MILITARY AFFAIRS						\$	-			
1	DMA	Fort Harrison Open Bay Barracks (28,559 sqft @ \$3.59/ft/yr)				\$	204,800	\$	204,800			
2	DMA	Fort Harrison Vehicle Paint Shop Construction (3,030 sqft @ \$6.95/ft/yr)					\$	42,100	\$	42,100		
3	DMA	MTARNG Vehicle Maintenance Shop Construction (44,056 sqft @ \$1.53/ft/yr)					\$	134,800	\$	134,800		
4	DMA	Limestone Hills Training Area Target Storage Building Replacement					\$	-	\$	-		
5	DMA	Fort Harrison Facility Maintenance Shop #3 (federal property transfer to state; 1/3rd w/ balance from Warehouse)	\$	31,000				\$	31,000			
6	DMA	Billings Readiness & Innovation Campus, BRIC (omitted in HB 5, 68th; based on sale of BAFRC, see 03/2024 memo)	\$	98,500			\$	98,500	\$	197,000		
		DMA Total	\$	129,500	\$	-	\$	480,200	\$	-	\$	609,700
		MONTANA UNIVERSITY SYSTEM						\$	-			
1	MUS	New Art Building (12,500 sqft @ \$10.31/ft/yr)	\$	257,680				\$	257,680			
2	MUS	New Bandy Ranch Field Research Housing (5,000 sqft @ \$10.87/ft/yr)	\$	108,705				\$	108,705			
3	MUS	Bio Research Building Addition (10,000 sqft @ \$12.30/ft/yr)	\$	246,050				\$	246,050			
4	MUS	Instructional Space Modernization						\$	-			
5	MUS	Law School Interior Remodel						\$	-			
6	MUS	McGill Hall Addition (2,450 sqft @ \$14.69/ft/yr)	\$	71,968				\$	71,968			
7	MUS	Nopper Building Purchase (62,100 sqft @ 10.08/ft/yr)	\$	1,252,186				\$	1,252,186			
8	MUS	Undergraduate Research Lab Upgrades and Improvements						\$	-			

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9	MUS	South Campus Tennis Court Complex (69,500 sqft @ \$4/ft/yr)				\$	359,086	\$	359,086
10	MUS	Visual Communications Building Classroom Addition (2,875 new sqft @ \$10.31/ft/yr)	\$	59,286				\$	59,286
		MSU Total	\$	1,995,875	\$	-	\$	359,086	\$ 2,354,961
83		Total	\$	3,916,600	\$	883,987	\$	587,600	\$ 359,086 \$ 5,747,273

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F11 LONG-RANGE INFORMATION TECHNOLOGY PROGRAM

Long-Range Information Technology Program (LRITP) HB 10 - 2027 Biennium					
Agency / Project	LRITP Capital Projects Funds	State Special	Federal Special	Total	Annual O&M
DOA Department of Administration (11 projects)	\$22,653,700			\$ 22,653,700	\$5,554,749
1 Enterprise Financial Warehouse					
2 Enterprise Data Catalog					
3 Recruiting and Onboarding Modernization					
4 eMACS/Jaegger Replacement					
5 Cybersecurity Enhancements					
6 eGov Modernization					
7 Infrastructure Upgrades & Expansion					
8 Web Site Improvements (my.mt.gov & Prosperity Portal)					
9 AI & Legacy System Modernization (Technical Debt Relief Fund)					
10 Contact Center Technology Replacement					
11 508 Compliance (Web Content Accessibility Rule)					
DOC Department of Corrections (3 projects)	\$3,111,000			\$ 3,111,000	\$1,911,000
1 Comprehensive Safety and Surveillance					
2 Improvements					
3 MCE/Warehouse/Maintenance Enterprise Operations System					
OCHE Commissioner of Higher Ed (1 project)	\$5,018,360			\$ 5,018,360	\$2,091,946
1 CyberMontana (Security Operations Center, Workforce Training Programs, Cyber Policy Clinic)					
2 Security Information & Event Management (SEIM)					
3 Enterprise Resource Planning					
4 System Replacement (Miles Community College & Dawson Community College)					
MTHS Historical Society (1 project)		\$ 947,500		\$ 947,500	\$227,500
1 Museum System Operations & Management					
JUD Judicial (1 project)	\$1,500,000			\$ 1,500,000	\$30,000
1 Courts Electronic Filing System Architecture & Cybersecurity Refresh					
DNRC Department of Natural Resources and Conservation (3 projects)	\$4,965,000			\$ 4,965,000	\$400,000
1 Water Rights Information System Rewrite					
2 GIS Migration					
3 Licensing & Permitting System Replacement					
OPD Office of Public Defender (1 project)	\$124,135			\$ 124,135	\$ -
1 Statewide Courthouse Wi-Fi					
DPHHS Department of Public Health and Human Services (7 projects)	\$1,830,651		\$ 6,065,155	\$ 7,895,806	\$1,942,605
1 Comprehensive Child Welfare Information System Independent Verification & Validation Services					
2 State Directory of New Hires					
3 Montana Child Support Enforcement Automated System Rellacement Independent Verification & Validation Services					
4 Secure Data Connections for Montana Benefit Programs					
5 Public Benefits System Efficiency Modernization					
6 Improving Timeliness of Public Benefit Recipient Notification					
7 Senior and Long-Term Care Legacy System Replacement					
DOR Revenue (1 project)	\$500,000			\$ 500,000	\$300,000
1 GenTax to AWS Hosted Environment					
MDT Transportation (2 projects)		\$ 7,500,000		\$ 7,500,000	\$1,500,000
1 Advanced Transportation Management System					
2 Motor Fuels System					
Total - LRITP Proposed Appropriations	\$ 39,702,846	\$ 8,447,500	\$ 6,065,155	\$ 54,215,501	\$ 13,957,800

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A11 MCEP MONTANA COAL ENDOWMENT PROGRAM (HB 11)

Montana Coal Endowment Program (MCEP) HB 11 - 2027 Biennium								
Rank	Applicant	Project	County	Type of Project	Total Project Cost	Grant Requested	Cumulative Total	Grant % of Total Project Cost
HB 11 - Bridge Program								
1	Lewis & Clark County	Replace Augusta Clemons Road Bridge	Lewis & Clark	Bridge	\$ 1,543,700	\$ 750,000	\$ 750,000	49%
2	Madison County	Replace Silver Springs Bridge	Madison	Bridge	\$ 1,519,100	\$ 750,000	\$ 1,500,000	49%
3	Petroleum County	Replace Horse Creek Road Bridge	Petroleum	Bridge	\$ 837,000	\$ 627,900	\$ 2,127,900	75%
4	Park County	Replace Main Street Bridge	Park	Bridge	\$ 1,225,500	\$ 612,750	\$ 2,740,650	50%
5	Powder River County	Replace Randall/Moorhead Road Bridge	Powder River	Bridge	\$ 727,200	\$ 363,600	\$ 3,104,250	50%
6	Wibaux County	Replace Pine Unit Road Bridge	Wibaux	Bridge	\$ 881,500	\$ 440,500	\$ 3,544,750	50%
Total HB 11 Bridge Projects					\$ 6,734,000	\$ 3,544,750	\$ 3,544,750	53%
HB 11 - Infrastructure Program								
1	Hysham, Town of	Water treatment plant and infiltration gallery improvements	Treasure	W	\$ 2,568,571	\$ 750,000	\$ 4,294,750	29%
2	Roundup, City of	Treatment facility upgrades including new headworks, backup generator, blower and the disposal of sludge from existing lagoons	Musselshell	WW	\$ 4,952,500	\$ 750,000	\$ 5,044,750	15%
3	Twin Bridges, Town of	Distribution system improvements	Madison	W	\$ 2,119,800	\$ 750,000	\$ 5,794,750	35%
4	Harrison Water and Sewer District	Treatment system improvements, Lift Station improvements, and rehabilitate and replace components of irrigation and center pivot	Madison	WW	\$ 3,852,860	\$ 750,000	\$ 6,544,750	19%
5	Wolf Point, City of	Wastewater collection system improvements	Roosevelt	WW	\$ 2,520,303	\$ 625,000	\$ 7,169,750	25%
6	Dutton, Town of	Distribution system improvements and replacing chlorination vault	Teton	W	\$ 1,722,700	\$ 750,000	\$ 7,919,750	44%
7	Alder County Water and Sewer District	New submersible Lift Station pump and flow meter, upgraded Lift Station control panel	Madison	WW	\$ 1,847,000	\$ 750,000	\$ 8,669,750	41%
8	Shelby, City of	Install or rehabilitate approximately 1,750 feet of 8 and 10 inch mains with PVC 8 and 10 inch mains and connect existing services	Toole	WW	\$ 750,000	\$ 375,000	\$ 9,044,750	50%
9	Red Lodge, City of	Cast in place pipe lining of 1,360 feet of 12-inch vitrified clay pipe, 1,015 linear feet of existing 10-inch VC pipe, and 1,200 linear feet of existing 8-inch VC pipe along with miscellaneous manhole replacements, and open-cut replacement of approximately 2,020 linear feet of 8-inch with High Density Polyethylene pipe	Carbon	WW	\$ 2,102,500	\$ 500,000	\$ 9,544,750	24%

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10	White Sulphur Springs, City of	Intake pond improvements and replacement of filter media	Meagher	W	\$ 1,787,080	\$ 625,000	\$ 10,169,750	35%
11	South Wind Crosswinds Community Water and Sewer District	Expand the treated wastewater drain field, new secondary water well, hydrogeologic study and water rights application, and provide fencing for well head protection	Cascade	W&WW	\$ 2,129,588	\$ 750,000	\$ 10,919,750	35%
12	Circle, Town of	Replace water mains, gate valves, and fire hydrants	McCone	W	\$ 2,625,000	\$ 750,000	\$ 11,669,750	29%
13	Arlee/Lake County Water and Sewer District	Installation of new locking manhole rims, extension of sanitary sewer main, re-classification of lagoons, and upgrades to the irrigation pump state	Lake	WW	\$ 655,000	\$ 327,500	\$ 11,997,250	50%
14	Deer Lodge, City of	Repairing and replace sewer lines, manholes, and replacing leaking service connections	Powell	WW	\$ 878,000	\$ 439,000	\$ 12,436,250	50%
15	Willow Creek Sewer District	Wastewater collection system improvements	Gallatin	WW	\$ 2,003,625	\$ 750,000	\$ 13,186,250	37%
16	Hinsdale County Water and Sewer District	Water distribution system improvements	Valley	W	\$ 4,125,400	\$ 500,000	\$ 13,686,250	12%
17	Fairfield, Town of	Two new water supply wells and distribution system improvements	Teton	W	\$ 3,859,700	\$ 500,000	\$ 14,186,250	13%
18	Darby, Town of	Rehab gravity collection mains	Ravalli	WW	\$ 2,084,993	\$ 750,000	\$ 14,936,250	36%
19	Joliet, Town of	Lagoon reconfiguration and upgrades	Carbon	WW	\$ 1,656,685	\$ 625,000	\$ 15,561,250	38%
20	Ronan, City of	Replace the lagoon system with a SAGR operation, miscellaneous upgrades to support the SAGR operation, and sludge removal from existing lagoon	Lake	WW	\$ 10,859,000	\$ 750,000	\$ 16,311,250	7%
21	Bigfork County Water and Sewer District	Install new natural gas generator, distribution system improvements, extend new water supply main	Flathead	W	\$ 4,400,000	\$ 500,000	\$ 16,811,250	11%
22	Richey, Town of	Replace water mains on south side of town, including replacement of gate valves and hydrants	Dawson	W	\$ 2,385,000	\$ 500,000	\$ 17,311,250	21%
23	Malta, City of	Install new water tank	Phillips	W	\$ 3,777,000	\$ 500,000	\$ 17,811,250	13%
24	Big Timber, City of	Construct new water storage tank, new transmission main to connect tank to distribution system, new valve vault, control valves, and bypass piping; and SCADA control improvements	Sweet Grass	W	\$ 2,854,000	\$ 500,000	\$ 18,311,250	18%
25	St. Ignatius, Town of	Replace all clay tile mains, approximately 12,640 LF of the collection system	Lake	WW	\$ 5,752,559	\$ 750,000	\$ 19,061,250	13%
26	Ennis, Town of	Construct new wellhouse, develop 2 new redundant water supply, replace existing water storage tank	Madison	W	\$ 4,008,000	\$ 500,000	\$ 19,561,250	12%
27	Pinesdale, Town of	Improvements to water distribution and treatment systems	Ravalli	W	\$ 2,019,541	\$ 750,000	\$ 20,311,250	37%
28	Basin County Water and/or Sewer District	Replace 2,400 lineal feet of water main and install 4 new hydrants	Jefferson	W	\$ 1,514,240	\$ 500,000	\$ 20,811,250	33%
29	Martinsdale Water and Sewer District	Distribution system improvements including main replacement and service meter replacement	Meagher	W	\$ 1,323,000	\$ 750,000	\$ 21,561,250	57%
30	Sun Prairie Village County Water and Sewer District	Install new security fence, repair clearwell, repair storage tank, and replace pump station	Cascade	W	\$ 2,238,000	\$ 500,000	\$ 22,061,250	22%

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31	Judith Basin County for Geyser Water and Sewer District	Rehabilitation of the lift station, replace piping, valve components and pumps, and lagoon upgrades	Judith Basin	WW	\$ 1,081,783	\$ 520,891	\$ 22,582,141	48%
32	Whitehall, Town of	Construct a 2,300 feet long water main extension to and a 2,200 feet long water main loop. Project includes new hydrants, valves, and appurtenances	Jefferson	W	\$ 1,681,951	\$ 750,000	\$ 23,332,141	45%
33	Libby, City of	Replace Lift Station, install new concrete wet well, and permanent backup generator	Lincoln	WW	\$ 1,059,000	\$ 500,000	\$ 23,832,141	47%
Total HB11 Water & Wastewater Projects					\$ 89,194,379	\$ 20,287,391	\$ 23,832,141	23%
Total MCEP Projects					\$ 95,928,379	\$ 23,832,141	\$ 23,832,141	25%

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A12 RRGL RENEWABLE RESOURCE GRANTS (HB 6)

Renewable Resource Grants (RRGL) HB 6 - 2027 Biennium								
Rank	Applicant	Project	Project Type	County	Total Project Cost	Grant Requested	Cumulative Total	Grant % of Total Project Cost
HB 6 Projects: <u>Water/Wastewater</u>								
1	Arlee Lake County Water and Sewer District	Arlee Lake County Water & Sewer District Wastewater System Upgrades	Wastewater – Infrastructure	Lake	\$ 655,000	\$125,000	\$125,000	19%
2	Whitehall, Town of	Whitehall Drinking Water System Improvements	Drinking Water - Infrastructure	Jefferson	\$ 1,681,951	\$125,000	\$250,000	7%
3	Deer Lodge, City of	Deer Lodge Wastewater Collection System Improvements	Wastewater – Infrastructure	Powell	\$ 878,000	\$125,000	\$375,000	14%
4	Missoula, City of	Missoula Public Library Living Roof Stormwater Control	Stormwater – Infrastructure	Missoula	\$ 512,090	\$125,000	\$500,000	24%
5	Harrison Water and Sewer District	Harrison Wastewater System Improvements	Wastewater – Infrastructure	Madison	\$ 3,879,860	\$125,000	\$625,000	3%
6	Madison County	Madison County Pennington Bridge Big Hole River Restoration	Restoration	Madison	\$ 777,359	\$125,000	\$750,000	16%
7	South Wind County Water and Sewer District	South Wind Drinking Water and Wastewater Improvements, Phase 4	Drinking Water - Infrastructure	Cascade	\$ 2,129,588	\$125,000	\$875,000	6%
8	Willow Creek Sewer District	Willow Creek Sewer District Wastewater System Improvements	Wastewater – Infrastructure	Gallatin	\$ 2,003,625	\$125,000	\$1,000,000	6%
9	Roundup, City of	Roundup Wastewater Lagoon System Upgrades	Wastewater – Infrastructure	Musselshell	\$ 4,952,500	\$125,000	\$1,125,000	3%
10	Judith Basin County	Judith Basin County Geyser Wastewater Treatment System Improvements	Wastewater – Infrastructure	Judith Basin	\$ 1,081,783	\$125,000	\$1,250,000	12%
11	Martinsdale Water and Sewer District	Martinsdale Water and Sewer District Water System Improvements	Drinking Water - Infrastructure	Meagher	\$ 1,323,000	\$125,000	\$1,375,000	9%
12	Alder Water and Sewer District	Alder Water and Sewer District Wastewater System Improvements	Wastewater – Infrastructure	Madison	\$ 1,847,000	\$125,000	\$1,500,000	7%
13	Fairfield, Town of	Fairfield Drinking Water System Improvements	Drinking Water - Infrastructure	Teton	\$ 3,589,700	\$125,000	\$1,625,000	3%
14	Dutton, Town of	Dutton Drinking Water System Improvements, Phase 2	Drinking Water - Infrastructure	Teton	\$ 1,718,700	\$125,000	\$1,750,000	7%
15	Circle, Town of	Circle Water System Improvements, Phase 5	Drinking Water - Infrastructure	McCone	\$ 2,625,000	\$125,000	\$1,875,000	5%
16	Malta, City of	Malta Drinking Water System Improvements	Drinking Water - Infrastructure	Phillips	\$ 3,777,000	\$125,000	\$2,000,000	3%
17	Red Lodge, City of	Red Lodge Wastewater System Improvements, Phases 2 and 3	Wastewater – Infrastructure	Carbon	\$ 2,102,500	\$125,000	\$2,125,000	6%
18	Hysham, Town of	Hysham Drinking Water System Improvements, Phase 2	Drinking Water - Infrastructure	Treasure	\$ 2,568,571	\$125,000	\$2,250,000	5%
19	Darby, Town of	Darby Wastewater System Improvements	Wastewater – Infrastructure	Ravalli	\$ 2,084,993	\$125,000	\$2,375,000	6%
20	Sheridan, Town of	Sheridan Drinking Water System Improvements	Drinking Water - Infrastructure	Madison	\$ 1,185,225	\$125,000	\$2,500,000	11%
21	Richey, Town of	Richey Drinking Water System Improvements, Phase 3	Drinking Water - Infrastructure	Dawson	\$ 2,375,000	\$125,000	\$2,625,000	5%

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22	Ennis, Town of	Ennis Drinking Water System Improvements	Drinking Water - Infrastructure	Madison	\$ 4,008,000	\$125,000	\$2,750,000	3%
23	Basin Water and/or Sewer District	Basin Water and/or Sewer District Drinking Water System Improvements	Drinking Water - Infrastructure	Jefferson	\$ 1,514,240	\$125,000	\$2,875,000	8%
24	Manhattan, Town of	Manhattan Water System Improvements	Drinking Water - Infrastructure	Gallatin	\$ 1,172,000	\$125,000	\$3,000,000	11%
25	Cooke City Water District	Cooke City Drinking Water Infrastructure Improvements	Drinking Water - Infrastructure	Park	\$ 1,794,205	\$125,000	\$3,125,000	7%
26	Treasure State Acres Water and Sewer District	Treasure State Acres Wastewater Treatment System Improvements	Wastewater – Infrastructure	Lewis and Clark	\$ 515,000	\$125,000	\$3,250,000	24%
27	St. Ignatius, Town of	St. Ignatius Wastewater Collection Main Replacement	Wastewater – Infrastructure	Lake	\$ 5,752,559	\$125,000	\$3,375,000	2%
28	Twin Bridges, Town of	Twin Bridges Drinking Water System Improvements	Drinking Water - Infrastructure	Madison	\$ 2,119,800	\$125,000	\$3,500,000	6%
29	Libby, City of	Libby Wastewater System Improvements	Wastewater – Infrastructure	Lincoln	\$ 1,059,000	\$125,000	\$3,625,000	12%
30	Sun Prairie Village County Water and Sewer District	Sun Prairie Village Drinking Water System Upgrades	Drinking Water - Infrastructure	Cascade	\$ 2,238,000	\$125,000	\$3,750,000	6%
31	Plentywood, City of	Plentywood Drinking Water System Improvements	Drinking Water - Infrastructure	Sheridan	\$ 2,333,268	\$125,000	\$3,875,000	5%
32	White Sulphur Springs, City of	White Sulphur Springs Drinking Water System Improvements	Drinking Water - Infrastructure	Meagher	\$ 1,787,080	\$125,000	\$4,000,000	7%
33	Big Timber, City of	Big Timber Drinking Water Storage Improvements	Drinking Water - Infrastructure	Sweet Grass	\$ 2,854,000	\$125,000	\$4,125,000	4%
34	Wolf Point, City of	Wolf Point Wastewater System Improvements, Phase 3	Wastewater – Infrastructure	Roosevelt	\$ 2,500,000	\$125,000	\$4,250,000	5%
35	Bigfork County Water and Sewer District	Bigfork Drinking Water System Improvements	Drinking Water - Infrastructure	Flathead	\$ 4,400,000	\$125,000	\$4,375,000	3%
36	Shelby, City of	Shelby Wastewater System Improvements	Wastewater – Infrastructure	Toole	\$ 1,125,000	\$125,000	\$4,500,000	11%
37	Ronan, City Of	Ronan Wastewater System Improvements	Wastewater – Infrastructure	Lake	\$ 12,484,000	\$125,000	\$4,625,000	1%
38	Bearcreek, Town of	Bearcreek Drinking Water System Improvements, Phase 1	Drinking Water - Infrastructure	Carbon	\$ 1,042,627	\$125,000	\$4,750,000	12%
39	Conrad, City of	Conrad Wastewater System Improvements	Wastewater – Infrastructure	Pondera	\$ 2,528,698	\$125,000	\$4,875,000	5%
40	Pinesdale, Town of	Pinesdale Drinking Water System Improvements	Drinking Water - Infrastructure	Ravalli	\$ 2,019,541	\$125,000	\$5,000,000	6%
41	Hinsdale County Water and Sewer District	Hinsdale County Water and Sewer District Water System Upgrades	Drinking Water - Infrastructure	Valley	\$ 4,000,400	\$125,000	\$5,125,000	3%
42	Joliet, Town of	Joliet Wastewater System Improvements	Wastewater – Infrastructure	Carbon	\$ 1,531,685	\$125,000	\$5,250,000	8%
HB6 Projects: Irrigation								
1	Granite County	Granite County Flint Creek Dam Improvements	Dams	Granite	\$ 125,000	\$125,000	\$5,375,000	100%
2	Pondera County Conservation District	Pondera County Conservation District S-Canal Pipeline Conversion	Irrigation	Pondera	\$ 490,328	\$125,000	\$5,500,000	25%
3	Yellowstone County	Yellowstone County Billings Bench Water Association Rattlesnake Reservoir Water Management Improvements	Irrigation	Yellowstone	\$ 529,150	\$125,000	\$5,625,000	24%
4	Yellowstone Irrigation District	Yellowstone Irrigation District Canal Rehabilitation	Irrigation	Rosebud	\$ 130,700	\$125,000	\$5,750,000	96%
5	Lower Yellowstone Irrigation District #1	Lower Yellowstone Irrigation District Thomas Point Pump Station Rehabilitation, Phase 2	Irrigation	Richland	\$ 415,364	\$125,000	\$5,875,000	30%

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6	Savage Irrigation District	Savage Irrigation District Pumping Plant Rehabilitation, Phase 2	Irrigation	Richland	\$ 411,596	\$125,000	\$6,000,000	30%
7	Clinton Irrigation District	Clinton Irrigation District Schoolhouse Lateral Pipeline Conversion, Phase 4	Irrigation	Missoula	\$ 142,931	\$125,000	\$6,125,000	87%
8	Helena Valley Irrigation District	Helena Valley Irrigation District Lateral 26.6 and Lateral 20.7-3.3 Seepage Mitigation	Irrigation	Lewis and Clark	\$ 181,360	\$125,000	\$6,250,000	69%
9	Helena Valley Irrigation District	Helena Valley Irrigation District Pumping Plant Automation	Irrigation	Lewis and Clark	\$ 397,285	\$125,000	\$6,375,000	31%
10	Greenfields Irrigation District	Greenfields Irrigation District Check Replacement, Phase 2	Irrigation	Teton	\$ 964,632	\$125,000	\$6,500,000	13%
11	Tongue and Yellowstone River Irrigation District	Tongue and Yellowstone River Irrigation District Cowels Creek Flume Replacement	Irrigation	Custer	\$ 649,814	\$125,000	\$6,625,000	19%
12	Tongue and Yellowstone River Irrigation District	Tongue and Yellowstone River Irrigation District Jones Creek Flume and Canal Conversion	Irrigation	Custer	\$ 1,294,637	\$125,000	\$6,750,000	10%
13	Bitterroot Conservation District	Bitterroot Conservation District Union Diversion Resource Improvements	Irrigation	Ravalli	\$ 183,885	\$125,000	\$6,875,000	68%
14	Fort Belknap Irrigation District	Fort Belknap Irrigation District Main Canal Lining Project	Irrigation	Blaine	\$ 334,983	\$125,000	\$7,000,000	37%
15	Petroleum County Conservation District	Petroleum County Conservation District McDonald Creek Diversion Structures Replacement	Irrigation	Petroleum	\$ 825,050	\$125,000	\$7,125,000	15%
16	Malta Irrigation District	Malta Irrigation District Black Coulee Siphon Replacement	Irrigation	Phillips	\$ 431,595	\$125,000	\$7,250,000	29%
17	Yellowstone Irrigation District	Yellowstone Irrigation District Lateral 17.6 Rehabilitation, Phase 1	Irrigation	Rosebud	\$ 130,800	\$125,000	\$7,375,000	96%
18	Sweet Grass Conservation District	Sweet Grass Conservation District Crest Ditch Headgate Rehabilitation	Irrigation	Sweet Grass	\$ 262,452	\$125,000	\$7,500,000	48%
19	Petrolia Irrigation District	Petrolia Irrigation District Main Canal Pipeline Conversion	Irrigation	Petroleum	\$ 258,047	\$125,000	\$7,625,000	48%
20	Glen Lake Irrigation District	Glen Lake Irrigation District Doxie Slough Seepage Mitigation Project	Irrigation	Lincoln	\$ 182,561	\$125,000	\$7,750,000	68%
21	Granite Conservation District	Granite Conservation District Allendale Ditch Rehabilitation	Irrigation	Granite	\$ 125,000	\$125,000	\$7,875,000	100%
22	Hammond Irrigation District	Hammond Irrigation District Big Porcupine Siphon Rehabilitation	Irrigation	Rosebud	\$ 731,131	\$125,000	\$8,000,000	17%
23	Greenfields Irrigation District	Greenfields Irrigation District J-Wasteway Modernization	Irrigation	Teton	\$ 333,476	\$125,000	\$8,125,000	37%
24	Bitter Root Irrigation District	Bitter Root Irrigation District Diversion Control Modernization	Irrigation	Ravalli	\$ 104,500	\$99,500	\$8,224,500	95%
25	Zurich Irrigation District	Zurich Irrigation District Brown Creek Siphon Rehabilitation	Irrigation	Blaine	\$ 1,005,989	\$125,000	\$8,349,500	12%
26	Kinsey Irrigation District	Kinsey Irrigation District Harris Creek Spill Structure Rehabilitation	Irrigation	Custer	\$ 642,660	\$125,000	\$8,474,500	19%
27	Kinsey Irrigation District	Kinsey Irrigation District Hammerbacker Lateral to Pipeline Conversion	Irrigation	Custer	\$ 971,963	\$125,000	\$8,599,500	13%
28	Fort Shaw Irrigation District	Fort Shaw Irrigation District Simms Creek Siphon Replacement	Irrigation	Cascade	\$ 5,320,072	\$125,000	\$8,724,500	2%
Total HB6 Projects					\$ 120,104,509	\$8,724,500	\$8,724,500	7%

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HB6							
Program	Project	Project Type	County	Grant Requested	Cumulative Total	Number from 2025	2025 Budget
RRG Emergency	Grants for local governments to respond to emergency events that impact renewable resources.	Infrastructure, Irrigation, Restoration	Statewide	\$500,000	\$500,000	12	\$ 319,600
RRG Planning	Grants for local governments to plan and design projects that benefit renewable resources.	Infrastructure, Irrigation, Restoration	Statewide	\$2,000,000	\$2,500,000	88	\$ 2,223,889
RRG Irrigation Development	Grants for private individuals to develop irrigation systems to benefit renewable resources.	Irrigation	Statewide	\$500,000	\$3,000,000	7	\$ 225,643
RRG Private	Grants for private individuals to preserve, conserve, develop or manage water resources or other renewable resources.	Infrastructure, Irrigation, Restoration	Statewide	\$150,000	\$3,150,000	36	\$ 100,000
RRG Nonpoint Source Pollution Reduction	Grants for private individuals or local governments to preserve surface or groundwater quality.	Infrastructure, Irrigation, Restoration	Statewide	\$1,000,000	\$4,150,000	7	\$ 279,084
Watershed Management Grants	Watershed related planning and management activities	Management, capacity building & Planning, implementation of projects	Statewide	\$0	\$4,150,000	11	\$ 263,300
Total Program Grants				\$4,150,000	\$4,150,000	161	\$ 3,411,516

LONG-RANGE APPENDIX TABLES

HB6

Applicant	Project	Project Type	County	Grant Requested	Cumulative Total	Number Issued 2025	2025 Budget
RRG Emergency	Grants for local governments to respond to emergency events that impact renewable resources.	Infrastructure, Irrigation, Restoration	Statewide	\$500,000	\$500,000	12	\$ 319,600
RRG Planning	Grants for local governments to plan and design projects that benefit renewable resources.	Infrastructure, Irrigation, Restoration	Statewide	\$2,000,000	\$2,500,000	88	\$ 2,223,889
RRG Irrigation Development	Grants for private individuals to develop irrigation systems to benefit renewable resources.	Irrigation	Statewide	\$500,000	\$3,000,000	7	\$ 225,643
RRG Private	Grants for private individuals to preserve, conserve, develop or manage water resources or other renewable resources.	Infrastructure, Irrigation, Restoration	Statewide	\$150,000	\$3,150,000	36	\$ 100,000
RRG Nonpoint Source Pollution Reduction	Grants for private individuals or local governments to preserve surface or groundwater quality.	Infrastructure, Irrigation, Restoration	Statewide	\$1,000,000	\$4,150,000	7	\$ 279,084
Watershed Management Grants	Watershed related planning and management activities	Management, capacity building & Planning, implementation of projects	Statewide	\$0	\$4,150,000	11	\$ 263,300
			Total Program Grants	\$4,150,000	\$4,150,000	161	\$ 3,411,516

LONG-RANGE APPENDIX TABLES

A15 RRGL RENEWABLE RESOURCE LOANS (HB 8)

Renewable Resource Loans HB 8 - 2027 Biennium					
HB 8 Section/Sponsor/Project			County	Proposal	Cumulative Total
1	DNRC Water Resources Division	DNRC Willow Creek Dam Rehabilitation	Madison	\$ 14,000,000	New
2	DNRC Water Resources Division	DNRC Painted Rocks Dam Rehabilitation, Phase 1	Ravalli	\$ 15,000,000	New
3	Fort Shaw Irrigation District	Fort Shaw Irrigation District Simms Creek Siphon Replacement	Cascade	\$ 5,181,317	New
4	Hammond Irrigation District	Hammond Irrigation District Big Porcupine Siphon Rehabilitation	Rosebud	\$ 241,900	New
5	Kinsey Irrigation District	Kinsey Irrigation District Harris Creek Spill Structure Rehabilitation	Custer	\$ 511,520	New
6	Kinsey Irrigation District	Kinsey Irrigation District Hammerbacker Lateral to Pipeline Conversion	Custer	\$ 840,823	New
7	Zurich Irrigation District	Zurich Irrigation District Brown Creek Siphon Rehabilitation	Blaine	\$ 872,884	New
8	Central Montana Regional Water Authority	Local Match for Central Montana Regional Water Projects	Musselshell, Yellowstone	\$ 5,000,000	Reauthorize
9	DNRC Conservation and Resource Development Division	Refinance Existing Debt or Rehabilitation of Infrastructure Facilities	Statewide	\$ 8,000,000	Reauthorize
10	Dry Prairie Regional Water Authority	Local Match for Dry Prairie Regional Water Projects	Daniels, Roosevelt, Sheridan, Valley	\$ 5,000,000	Reauthorize
11	Dry-Redwater Regional Water Authority	Local Match for Dry-Redwater Regional Water Projects	Dawson, Garfield, McCone, Prairie, Richland	\$ 10,000,000	Reauthorize
12	Greenfields Irrigation District	Hydropower Development	Teton	\$ 1,500,000	Reauthorize
13	Huntley Project Irrigation District	Tunnel 2 and Canal System	Yellowstone	\$ 3,500,000	Reauthorize
14	Lockwood Irrigation District	Box Elder Siphon, Pump Station, and Pump 3	Yellowstone	\$ 1,550,000	Reauthorize
15	North Central Regional Water Authority	Local Match for North Central Regional Water Projects	Chouteau, Hill, Liberty, Pondera, Teton, Glacier, Toole	\$ 10,000,000	Reauthorize
16	St. Mary's Milk River Project Beneficiaries Share	Local Match for St. Mary Milk River Project	Glacier, Hill, Blaine, Phillips	\$ 40,000,000	Reauthorize
	Bond Reserve	10% Total Loans	Statewide	\$ 12,119,844	New
			Total	\$133,318,288	

LONG-RANGE APPENDIX TABLES

A16 RGDP RECLAMATION AND DEVELOPMENT GRANTS (HB 7)

Reclamation and Development Grants (RDGP) HB 7 - 2027 Biennium								
Rank	Applicant	Project Description	Project Type	County	Project Total Cost	Grant Proposed	Cumulative Total	Grant % of Project Total
Grants Funded in HB 7								
1	Powell County	Upper Little Blackfoot Watershed Mine Reclamation Project	Reclamation	Powell	\$ 3,370,123	\$495,123	\$495,123	15%
2	Lewis and Clark County	Upper Blackfoot Mining Complex Water Treatment Plant Upgrades	Reclamation	Lewis and Clark	\$ 493,077	\$479,085	\$974,208	97%
3	Montana Department of Environmental Quality	DEQ Landusky Biological Treatment Plant Improvement	Reclamation	Phillips	\$ 771,425	\$500,000	\$1,474,208	65%
4	Powell County	Milwaukee Roundhouse Soil Remediation Phase 2	Reclamation	Powell	\$ 512,000	\$500,000	\$1,974,208	98%
5	Cooke Pass, Cooke City, Silver Gate Sewer District	Cooke City Wastewater System	Other Crucial State Need	Park	\$ 14,678,996	\$500,000	\$2,474,208	3%
6	Beaverhead Conservation District	Elkhorn Mine and Mill Remedy and Restoration	Reclamation	Beaverhead	\$ 3,044,676	\$300,000	\$2,774,208	10%
7	DNRC Water Resources Division	DNRC Painted Rocks Dam Rehabilitation Phase 1	Crucial State Need - High Hazard Dam	Ravalli	\$ 24,530,000	\$500,000	\$3,274,208	2%
8	DNRC Water Resources Division	DNRC East Fork of Rock Creek Dam Rehabilitation	Crucial State Need - High Hazard Dam	Granite	\$ 21,471,828	\$500,000	\$3,774,208	2%
9	Montana Department of Environmental Quality	DEQ CR Kendall Mine Long-term Seep Water Management	Reclamation	Fergus	\$ 294,830	\$290,352	\$4,064,560	98%
10	Ruby Valley Conservation District	Upper Ruby River Habitat Rehabilitation Demonstration	Crucial State Need - Drought	Madison	\$ 458,700	\$458,700	\$4,523,260	100%
11	DNRC Water Resources Division	DNRC Willow Creek Dam Rehabilitation	Crucial State Need - High Hazard Dam	Madison	\$ 27,335,000	\$500,000	\$5,023,260	2%
12	Granite County	Flint Creek Watershed Resiliency and Drought Mitigation	Crucial State Need - Drought	Granite	\$ 450,000	\$300,000	\$5,323,260	67%
13	Milk River Joint Board of Control	Milk River Joint Board of Control Fresno Dam and Spillway Rehabilitation Project	Crucial State Need - High Hazard Dam	Hill	\$ 2,500,000	\$500,000	\$5,823,260	20%
14	Glasgow, City of	Glasgow Levee Improvements	Other Crucial State Need	Valley	\$ 305,445	\$243,445	\$6,066,705	80%
15	Forsyth, City of	Forsyth Slaughterhouse Creek Flood Mitigation	Other Crucial State Need	Rosebud	\$ 9,379,000	\$500,000	\$6,566,705	5%
16	DNRC Water Resources Division	DNRC Front Range Flood Preparedness	Other Crucial State Need	Teton, Glacier, Pondera, Lewis and Clark	\$ 310,000	\$310,000	\$6,876,705	100%
17	Montana Technological University	Phytomining Remediation and Minerals Recovery Demonstration	Reclamation	Silver Bow	\$ 252,270	\$234,270	\$7,110,975	93%
Total Grants					\$ 110,157,370	\$13,910,975	91,115,223	93%
NA	Reclamation Development Planning Grants	Grants to local governments to plan and design projects eligible for the RDG Program.	Reclamation, Crucial State Need	Statewide		\$1,500,000	\$8,610,975	
NA	Pilot Water Storage Planning and Project Grants	Grants to local governments to plan, design and implement water storage pilot projects to address drought	Crucial State Need	Statewide		\$5,300,000	\$13,910,975	

LONG-RANGE APPENDIX TABLES

APPENDIX A17 CHANGES FROM NOV. 15 TO DEC. 16 EXECUTIVE PROPOSAL

LRP Program	Project	Department	Old Amount	New Amount
LRBP MR	Eastmont Campus Facility Improvements	DOC	\$0	\$1,050,000
LRBP O&M	MSP Low-Side Housing Expansion	DOC	\$931,445	\$1,880,000
LRBP CD	Fort Harrison design	DMA	\$1,880,000	\$0
LRBP O&M	Limestone Hills Target Storage	DMA	\$1,000,000	\$0

NON-BUDGETED PROPRIETARY

Sections A, C, D, & E

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----Agencies-----

SECTION A

Secretary of State
Dept. of Revenue
Dept. of Administration
Dept. of Commerce
Dept. of Labor & Industry

SECTION D

Judicial Branch
Dept. of Justice
Dept. of Corrections

SECTION C

Dept. of Fish, Wildlife, & Parks
Dept. of Environmental Quality
Dept. of Transportation
Dept. of Livestock
Dept. of Natural Resources & Conservation
Dept. of Agriculture

SECTION E

Office of Public Instruction
Office of Commissioner of Higher Education
Montana State Library

SECRETARY OF STATE

Section A

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----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 FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
PB	43.00	43.00	43.00	0.00	0.0%
Proprietary Funds	6,458,037	6,797,097	6,717,280	598,303	4.6%
Total Funds	6,458,037	6,797,097	6,717,280	598,303	4.6%
Personal Services	3,953,146	4,425,819	4,439,372	958,899	12.1%
Operating Expenses	2,504,891	2,371,278	2,277,908	(360,596)	(7.2%)
Total Expenditures	6,458,037	6,797,097	6,717,280	598,303	4.6%
Total Ongoing	6,458,037	6,797,097	6,717,280	598,303	4.6%
Total One-Time-Only					0.0%

Agency Highlights

Secretary of State Major Budget Highlights	
<ul style="list-style-type: none"> The Secretary of State's 2027 biennium non-budgeted proprietary appropriations are approximately \$598,000 or 4.6% higher than the FY 2025 base budget This increase is entirely due to increased statewide present law adjustments for personal services, which is partially offset by a decreased statewide present law adjustment for fixed cost 	

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.

Office of the Secretary of State 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
Base Budget	0	0	0	6,458,037	95.0%	0	0	0	6,458,037	96.1%
Statewide PL										
Personal Services	0	0	0	0	0.0%	0	0	0	0	0.0%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	0	0	0	339,060	5.0%	0	0	0	259,243	3.9%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Adjustments	0	0	0	339,060	5.0%	0	0	0	259,243	3.9%
Total Requested Budget	0	0	0	6,797,097		0	0	0	6,717,280	

Funding

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

Total Secretary of State 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
State Special Revenue Total	-	-	-	-	-	0.0%
Federal Special Revenue Total	-	-	-	-	-	0.0%
06053 Sec of St Business Services			13,514,377		13,514,377	100.0%
Proprietary Fund Total	-	-	13,514,377	-	13,514,377	100.0%
Total of All Funds	-	-	13,514,377	-	13,514,377	
Percent of All Sources of Authority	0.0%	0.0%	100.0%	0.0%		

Non-Budgeted Proprietary

The Secretary of State is entirely funded with non-budgeted proprietary funding. This fund is described in further detail later in this budget analysis.

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	43.00	43.00	43.00	43.00
Personal Services	3,712,645	3,794,921	3,953,146	4,425,819	4,439,372
Operating Expenses	3,218,542	3,516,026	2,504,891	2,371,278	2,277,908
Transfers	106,840	144,000	0	0	0
Total Expenditures	\$7,038,027	\$7,454,947	\$6,458,037	\$6,797,097	\$6,717,280
Proprietary Funds	7,038,027	7,454,947	6,458,037	6,797,097	6,717,280
Total Funds	\$7,038,027	\$7,454,947	\$6,458,037	\$6,797,097	\$6,717,280
Total Ongoing	\$7,038,027	\$7,454,947	\$6,458,037	\$6,797,097	\$6,717,280
Total OTO	\$0	\$0	\$0	\$0	\$0

Agency Description

The Secretary of State conducts its daily operations through a single program, the Business and Government Services Program. The Business and Government Services Program can be further broken down into the following functional divisions:

- The Business Services Division offers a range of services to Montana businesses, including corporations, limited liability companies, and nonprofits. The division assists businesses with the filing of their registration, articles of organization, assumed business name, and trademarks. Additionally, the division is responsible for filing and maintaining records under the Uniformed Commercial Code (UCC)
- The Elections and Voter Services Division assists Montana voters, candidates, and election officials. The division interprets election laws and provides guidance to ensure uniformity across Montana elections
- The Operations Division provides a variety of services both internally to the office and externally to the public. The division's primary functions include human resources, communications, fiscal management, information technology and security, official records, records management, administrative rules, and notary

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

In FY 2024, the Secretary of State expended 94.4% of its \$7.5 million proprietary budget. This is slightly higher than the five-year historical average expenditure of 91.2%. This higher expenditure is largely due to the Secretary of State reducing the total FTE within the agency due to operational efficiencies during the 2023 Legislative Session. In years past, personal service expenditures were lower due to the agency holding these positions vacant. In FY 2024, the agency expended 97.8% of its personal services budget.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The Secretary of State's appropriation authority for FY 2025 is approximately \$997,000, or 13.4%, lower than in FY 2024. This decrease is almost entirely attributed to lower operating expenditure authority in FY 2025. During the 2025 biennium the Secretary of State requested additional operating expenditure authority in FY 2024 due to increased expenditures related to software projects and system maintenance. This increase was not requested for FY 2025.

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium Report on Internal Service and Enterprise Funds						
Fund	Fund Name	Agency #	Program Name			
6053	Business Services	32010	Business Services			
			Actual	Estimated	Proposed	Proposed
			FY 24	FY 25	FY 26	FY 27
Operating Revenues						
Fees and Charges						
	Charges for Service		5,752,240	5,970,779	9,746,942	9,703,744
	Sale of Documents		109,260	109,260	109,260	109,260
	Federal I/D Cost Recovery		-	184,817	184,817	184,817
Other Operating Revenues						
	BOI Investment Earnings		598,618	358,340	399,322	427,434
	SOS Miscellaneous Receipts		207,058	22,241	22,241	22,241
Total Operating Revenues			6,667,176	6,645,437	10,462,582	10,447,496
Expenses						
	Personal Services		3,712,645	3,953,146	4,425,819	4,439,372
	Operating Expense		3,218,542	2,504,891	2,371,278	2,277,908
Total Operating Expense			6,931,187	6,458,037	6,797,097	6,717,280
Operating Income (Loss)			(264,011)	187,400	3,665,485	3,730,216
Nonoperating Revenues						
Nonoperating Expenses						
Total Nonoperating Revenues (Expenses)			-	-	-	-
Income (Loss) Before Contributions and Transfers			(264,011)	187,400	3,665,485	3,730,216
Transfers In			302,113			
Transfers Out			(106,840)			
Change in Net Position			(68,738)	187,400	3,665,485	3,730,216
Beginning Net Position - July 1			14,160,481	13,350,457	13,537,857	17,203,341
Prior Period Adjustments			(741,286)	-	-	-
Change in Net Position			(68,738)	187,400	3,665,485	3,730,216
Ending Net Position - June 30			13,350,457	13,537,857	17,203,341	20,933,557

Expenditures

Proposed expenditures for FY 2026 and FY 2027 show increased personal services and decreased operating expenses due to statewide present law adjustments.

Revenues

Revenue is received from the following sources:

- Fees charged to businesses and corporations for corporate filings and registration of assumed business names and trademarks
- Fees charged to state agencies for publishing the Administrative Rule of Montana and the Montana Administrative Register
- Fees charged to candidates who file for elections
- Fees charged to Montana citizens who apply to be notaries

The program collects the largest amount of revenues on the annual report filings during the annual report season.

In FY 2024 and FY 2025 the Secretary of State waived the annual report filing fee. The Secretary is currently evaluating the agency's financial position and considering additional fee reductions and waivers for the 2027 biennium.

Proprietary Rates

This program is funded with an enterprise fund, which is a type of proprietary fund. As such, the legislature does not appropriate the funds or approve the rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies concerns with the financial position of the fund.

The administrative rule that establishes fees charged to agencies for publication of the Administrative Rules of Montana and notices in the Montana Administrative Register was amended in June 2024. Beginning in FY 2026, an agency will have the option between two methods for paying filing fees.

1. Pay \$60 per page for each notice at the time of publication
2. Pay on an annual basis a fee based on the volume of notice submissions:
 - 1 to 4 notices - \$550
 - 5 to 9 notices - \$1,650
 - 10 to 15 notices - \$3,475
 - 16 to 25 notices - \$4,400
 - 26 to 35 notices - \$8,675
 - 36 or more notices - \$16,750

It should be noted that this does not increase the rate charged to agency's but rather gives the agency the choice between paying per page for each notice as they have been doing previously or to pay on an annual basis.

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.

The decision packages presented are for informational purposes only, offering insights into anticipated changes in expenditure that may affect the rates charged. These decision packages are not approved by the legislature. For internal service funds, the legislature approves the maximum rate that may be charged. For enterprise funds, the legislature reviews the rate and identifies any concerns.

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	472,673	0.00	0	0	0	486,226
DP 2 - Fixed Costs	0.00	0	0	0	(133,613)	0.00	0	0	0	(226,983)
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	\$339,060	0.00	\$0	\$0	\$0	\$259,243

*"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 2023 biennium

Secretary of State	
Business & Government Services	
FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 182,027
Management Changes	304,199
Total Budget Modifications	-
Total	<u><u>\$ 486,226</u></u>

The executive requests an increased statewide present law adjustment for personal services primarily due to management changes for increased pay changes. Legislative changes also increased due to increased benefits. It should be noted that the Secretary of State reduced its PB in the 2023 Legislative Session due to operational efficiencies.

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.

DEPARTMENT OF REVENUE

Section A

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	3.50	3.50	3.50	0.00	0.0%
Proprietary Funds	322,668	349,768	350,898	55,330	8.6%
Total Funds	322,668	349,768	350,898	55,330	8.6%
Personal Services	256,271	273,061	273,062	33,581	6.6%
Operating Expenses	66,397	76,707	77,836	21,749	16.4%
Total Expenditures	322,668	349,768	350,898	55,330	8.6%
Total Ongoing	322,668	349,768	350,898	55,330	8.6%
Total One-Time-Only					0.0%

Agency Highlights

Department of Revenue Major Budget Highlights
<ul style="list-style-type: none"> The Department of Revenue's 2027 biennium proposed non-budgeted proprietary appropriations are approximately \$55,000 or 8.6% higher than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> An increase in personal services authority of \$34,000 because of the statewide present law adjustment for personal services Operating expenses also increased by \$22,000 with this being primarily due to fixed costs associated with administrative costs A proposed increase to the commission rate from 4.75% to 6.00% in FY 2026 and FY 2027

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
Base Budget	0	0	0	322,668	92.3%	0	0	0	322,668	92.0%
Statewide PL										
Personal Services	0	0	0	16,790	4.8%	0	0	0	16,791	4.8%
Fixed Costs	0	0	0	10,310	2.9%	0	0	0	11,439	3.3%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	0	0	0	27,100	7.7%	0	0	0	28,230	8.0%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Adjustments	0	0	0	27,100	7.7%	0	0	0	28,230	8.0%
Total Requested Budget	0	0	0	349,768		0	0	0	350,898	

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
01100 General Fund	137,860,350			352,583,000	490,443,350	37.9%
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%
State Special Revenue Total	200,217,277	-	-	152,937,952	353,155,229	27.3%
03928 Royalty Audit - NRCT	1,006,046				1,006,046	0.1%
Federal Special Revenue Total	1,006,046	-	-	-	1,006,046	0.1%
06005 Liquor Division	449,079,507				449,079,507	34.7%
06554 Bad Debt Collection Services			700,666		700,666	0.1%
Proprietary Fund Total	449,079,507	-	700,666	-	449,780,173	34.7%
Total of All Funds	788,163,180	-	700,666	505,520,952	1,294,384,798	
Percent of All Sources of Authority	60.9%	0.0%	0.1%	39.1%		

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 Program Description Section of this narrative.

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	3.50	3.50	3.50	3.50
Personal Services	239,780	242,234	256,271	273,061	273,062
Operating Expenses	64,348	66,279	66,397	76,707	77,836
Total Expenditures	\$304,128	\$308,513	\$322,668	\$349,768	\$350,898
Proprietary Funds	304,128	308,513	322,668	349,768	350,898
Total Funds	\$304,128	\$308,513	\$322,668	\$349,768	\$350,898
Total Ongoing	\$304,128	\$308,513	\$322,668	\$349,768	\$350,898
Total OTO	\$0	\$0	\$0	\$0	\$0

Agency Description

The Department of Revenue has one non-budgeted proprietary fund. This fund is within the Information Management and Collections Division (IMCD).

Montana law authorizes the Department of Revenue to assist other agencies in the collection of delinquent accounts. The department retains a percentage of these collections for the costs of assistance in conjunction with 17-4-103 (3)(a), MCA. The department established the Collections Services Program, which includes 3.50 PB, to administer its statutory responsibilities. These responsibilities include providing collection services for the purpose of centralizing debt collection for the State of Montana.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

This non-budgeted proprietary fund was 98.6% expended in FY 2024. This is in line with anticipated expenditures at the end of the fiscal year.

FY 2024 Appropriations Compared to FY 2025 Appropriations

In comparing the appropriations for FY 2025 to the FY 2024 appropriations, FY 2025 is 4.6% greater. Within this fund, personal services increased at a larger rate because the pay plan is greater in FY 2025. Within operating expenses, appropriations for this are nearly identical in FY 2025 to the FY 2024 appropriations.

The following table shows the actual and projected expenditures and related revenues associated with this fund.

Fund	Fund Name	Agency #	Agency Name	Program Name
6554	Bad Debt Collection Services	58010	Revenue	Information Mgmt & Collections

	Actual FY 2024	Estimated FY 2025	Proposed FY 2026	Proposed FY 2027
Operating Revenues				
Fees and Charges				
Fee Revenue A	337,170	300,000	350,000	360,000
Other Operating Revenues				
Total Operating Revenues	337,170	300,000	350,000	360,000
Expenses				
Personal Services	239,961	256,271	273,061	273,062
Other Operating Expense				
Expense A	64,685	66,397	76,707	77,836
Total Operating Expense	304,646	322,668	349,768	350,898
Operating Income (Loss)	32,524	(22,668)	232	9,102
Nonoperating Revenues				
Other Revenue A				
Other Revenue B				
Nonoperating Expenses				
Other Expense A				
Other Expense B				
Total Nonoperating Revenues (Expenses)	-	-	-	-
Income (Loss) Before Contributions and Transfers	32,524	(22,668)	232	9,102
Capital Contributions				
Transfers In				
Transfers Out				
Loans and Lease Payments				
Change in Net Position	32,524	(22,668)	232	9,102
Beginning Net Position - July 1	261,177	293,951	271,283	271,515
Prior Period Adjustments	250			
Change in Net Position	32,524	(22,668)	232	9,102
Ending Net Position - June 30	293,951	271,283	271,515	280,617
Net Position (Fund Balance) Analysis				
Restricted Net Position (Enterprise Funds Only)				
Unrestricted Net Position				

Expenditures

The Department of Revenue is currently authorized to charge a commission rate for its collection services, excluding the collection of overpaid child support payments made to custodial parents and collection of delinquent child support payments from noncustodial parents. The commissions collected are used to pay the expenses of the Collection Services Program. Historically, 76.5% of the expenditures from this fund are paid in salary and benefits (personal services) with the remaining expenditures being operating expenses.

Revenues

Administration of this program has required a minimum of a nine-month working capital balance due to the timing of program collections through offset of other state monies, as the program collects the largest amount of revenues on delinquent accounts during the income tax season and the hunting permitting season.

Proprietary Rates

The executive proposes a commission rate of 6.00% in both FY 2026 and FY 2027, which is an increase from the rates approved by the 2023 Legislature. This will provide the department with approximately nine months' worth of working capital. The nine-month working capital balance allows the agency to pay expenses as they are incurred as most of commission revenue is not collected until the income tax filing season each year, which is six to nine months after the start of the fiscal year. The department will continue to evaluate the commission rate as actual revenues and expenditures are received and incurred to maintain the working capital balance at the appropriate level.

Requested Rates for Internal Service or Enterprise Funds				
Fee/Rate Information				
	Approved FY 2024	Approved FY 2025	Proposed FY 2026	Proposed FY 2027
Fee Description:	5.00%	4.75%	6.00%	6.00%

This program is funded with an internal service fund, which is a type of proprietary fund. As such, the legislature approves the maximum rate the program may charge during the biennium. They are not the rates the program must charge.

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.

The decision packages presented are for informational purposes only, offering insights into anticipated changes in expenditure that may affect the rates charged. These decision packages are not approved by the legislature. For internal service funds, the legislature approves the maximum rate that may be charged. For enterprise funds, the legislature reviews the rate and identifies any concerns.

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	16,790	0.00	0	0	0	16,791
DP 2 - Fixed Costs	0.00	0	0	0	10,310	0.00	0	0	0	11,439
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	\$27,100	0.00	\$0	\$0	\$0	\$28,230

*"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 proposes adjustments to the present law personal services budget.

DP 2 - Fixed Costs -

The executive proposes adjustments to provide the funding required in the budget to pay fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates charged for these services are approved in a separate portion of the budget.

DEPARTMENT OF ADMINISTRATION

Section A

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----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 FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
PB	407.81	406.81	406.81	(1.00)	(0.1%)
Proprietary Funds	383,938,114	424,593,460	439,098,776	95,816,008	12.5%
Total Funds	383,938,114	424,593,460	439,098,776	95,816,008	12.5%
Personal Services	40,942,227	41,464,457	41,585,484	1,165,487	1.4%
Operating Expenses	109,240,992	120,532,389	120,654,514	22,704,919	10.4%
Equipment & Intangible Assets	949,236	949,236	949,236		0.0%
Grants	520,113	520,113	520,113		0.0%
Benefits & Claims	230,268,119	258,722,273	273,046,615	71,232,650	15.5%
Transfers	159,000	450,092	387,914	520,006	163.5%
Debt Service	1,858,427	1,954,900	1,954,900	192,946	5.2%
Total Expenditures	383,938,114	424,593,460	439,098,776	95,816,008	12.5%
Total Ongoing	383,938,114	424,593,460	439,098,776	95,816,008	12.5%
Total One-Time-Only					0.0%

Agency Highlights

Department of Administration Major Budget Highlights
<ul style="list-style-type: none"> The Department of Administration's 2027 biennium proposed non-budgeted proprietary appropriations are approximately \$95.8 million or 12.5% higher than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> Approximately \$71.2 million of this increase is due to an increase in benefits and claims for the Health Care and Benefits Division due to projected claims payments A transfer of 5.00 PB and its associated appropriation authority from the State Information Technology Services Division (SITSD) to the Director's Office and 1.00 PB from the Director's Office to SITSD Proposed rate increases for the Management Services Program, SABHRS, Warrant Writer, Facilities Management Bureau, Workers Compensation Management Program, Enterprise Learning and Development, SITSD, and the Human Resources Information System Program

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 Administration 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
Base Budget	0	0	0	383,938,114	90.4%	0	0	0	383,938,114	87.4%
Statewide PL										
Personal Services	0	0	0	658,944	0.2%	0	0	0	781,374	0.2%
Fixed Costs	0	0	0	258,954	0.1%	0	0	0	(35,893)	(0.0%)
Inflation Deflation	0	0	0	(2,313)	(0.0%)	0	0	0	(1,563)	(0.0%)
Total Statewide PL	0	0	0	915,585	0.2%	0	0	0	743,918	0.2%
Present Law (PL)	0	0	0	39,876,475	9.4%	0	0	0	54,554,861	12.4%
New Proposals	0	0	0	(136,714)	(0.0%)	0	0	0	(138,117)	(0.0%)
Total Adjustments	0	0	0	40,655,346	9.6%	0	0	0	55,160,662	12.6%
Total Requested Budget	0	0	0	424,593,460		0	0	0	439,098,776	

Funding

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

Total Department of Administration 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
01100 General Fund	115,192,215			185,649,687	300,841,902	21.0%
02858 Mineral Impact				16,908,187	16,908,187	1.2%
02077 Financial Institutions Div	10,242,995				10,242,995	0.7%
02030 Arch & Engin Construction	6,113,232				6,113,232	0.4%
02211 Procurement Special Revenue	1,207,869				1,207,869	0.1%
02098 Insurance Proceeds - State Bld				91,000	91,000	0.0%
State Special Revenue Total	17,564,096	-	-	16,999,187	34,563,283	2.4%
03425 Forest Reserve Shared Revenue				9,760,900	9,760,900	0.7%
03095 Taylor Grazing Act Dist.				250,000	250,000	0.0%
03369 Flood Control Payments	45,414				45,414	0.0%
03320 CMIA Funds	11,656				11,656	0.0%
Federal Special Revenue Total	57,070	-	-	10,010,900	10,067,970	0.7%
06559 Group Benefits Claims A/C			521,460,701		521,460,701	36.5%
06001 State Lottery Fund	13,530,829			207,292,700	220,823,529	15.4%
06522 ISD Proprietary			158,960,655		158,960,655	11.1%
06532 Agency Insurance Int. Svc.			76,434,524		76,434,524	5.3%
06528 Rent And Maintenance			27,387,789		27,387,789	1.9%
Other Proprietary Fund	175,756		79,448,567		79,624,323	5.6%
Proprietary Fund Total	13,706,585	-	863,692,236	207,292,700	1,084,691,521	75.8%
Total of All Funds	146,519,966	-	863,692,236	419,952,474	1,430,164,676	
Percent of All Sources of Authority	10.2%	0.0%	60.4%	29.4%		

The majority of the Department of Administration is funded with non-budgeted proprietary funds. These funds support the operations of the Director's Office, State Financial Services Division, General Services Division, State Information Technology Services Division, Healthcare and Benefits Division, State Human Resource Division, and Risk Management and Tort Defense Division.

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	407.81	407.81	406.81	406.81
Personal Services	39,640,492	41,226,954	40,942,227	41,464,457	41,585,484
Operating Expenses	101,215,232	115,430,727	109,240,992	120,532,389	120,654,514
Equipment & Intangible Assets	1,507,162	1,511,266	949,236	949,236	949,236
Capital Outlay	208,961	208,849	0	0	0
Grants	467,888	520,113	520,113	520,113	520,113
Benefits & Claims	225,513,642	234,768,119	230,268,119	258,722,273	273,046,615
Transfers	315,856	317,000	159,000	450,092	387,914
Debt Service	10,039,837	2,793,519	1,858,427	1,954,900	1,954,900
Total Expenditures	\$378,909,070	\$396,776,547	\$383,938,114	\$424,593,460	\$439,098,776
Proprietary Funds	378,909,070	396,776,547	383,938,114	424,593,460	439,098,776
Total Funds	\$378,909,070	\$396,776,547	\$383,938,114	\$424,593,460	\$439,098,776
Total Ongoing	\$378,909,070	\$396,776,547	\$383,938,114	\$424,593,460	\$439,098,776
Total OTO	\$0	\$0	\$0	\$0	\$0

Agency Description

The Department of Administration (DOA) is a customer service organization providing centralized enterprise services to Montana state agencies and local governments. A few of the key services that they provide through non-budgeted proprietary funding include:

- Technology Services: IT planning, security, and management of enterprise systems for accounting, payroll, budgeting, and HR
- Facilities & Operations: Capitol complex security, facilities and grounds maintenance, leasing, surplus property, recycling, and centralized printing
- Insurance & Risk Management: Property/casualty insurance, risk management, and Tort Claims Act administration

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

In FY 2024, the Department of Administration expended 95.5% of its \$396.8 million non-budgeted proprietary budget. The majority of agencies expenditures are for benefit and claims for the Health Care and Benefits Division. Further detail regarding FY 2024 expenditures is provided at the program level of this analysis.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The Department of Administrations appropriation authority for FY 2025 is approximately \$12.8 million, or 3.2%, less than that of FY 2024. This is largely due to increased appropriation authority for operating expenses and benefits and claims in FY 2024 to make up for budget short falls. Further detail regarding FY 2025 appropriation authority is provided at the program level of this analysis.

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent		
PB	27.51	31.51	31.51	4.00	7.3%	
Proprietary Funds	3,611,415	4,130,040	4,141,784	1,048,994	14.5%	
Total Funds	3,611,415	4,130,040	4,141,784	1,048,994	14.5%	
Personal Services	3,108,819	3,432,429	3,450,836	665,627	10.7%	
Operating Expenses	502,596	697,611	690,948	383,367	38.1%	
Total Expenditures	3,611,415	4,130,040	4,141,784	1,048,994	14.5%	
Total Ongoing	3,611,415	4,130,040	4,141,784	1,048,994	14.5%	
Total One-Time-Only					0.0%	

Program Highlights

Director's Office Major Budget Highlights	
<ul style="list-style-type: none"> The Director's Office 2027 biennium non-budgeted proprietary appropriations are approximately \$1.0 million or 14.5% higher than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> A transfer of 5.00 PB and its associated appropriation authority from the State Information Technology Services Division (SITSD) and 1.00 PB from the Director's Office to SITSD Statewide present law adjustments for personal services and fixed costs Increased rates for the Management Services Program and the Office of Public Information Requests 	

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 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
Base Budget	0	0	0	3,611,415	87.4%	0	0	0	3,611,415	87.2%
Statewide PL										
Personal Services	0	0	0	(19,882)	(0.5%)	0	0	0	(7,743)	(0.2%)
Fixed Costs	0	0	0	146,929	3.6%	0	0	0	140,173	3.4%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	0	0	0	127,047	3.1%	0	0	0	132,430	3.2%
Present Law (PL)	0	0	0	33,086	0.8%	0	0	0	33,179	0.8%
New Proposals	0	0	0	358,492	8.7%	0	0	0	364,760	8.8%
Total Adjustments	0	0	0	518,625	12.6%	0	0	0	530,369	12.8%
Total Requested Budget	0	0	0	4,130,040		0	0	0	4,141,784	

Funding

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

Department of Administration, 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	101,024,073	0	0	179,583,171	280,607,244	88.8%	
02858 Mineral Impact	0	0	0	16,908,187	16,908,187	100.0%	
State Special Total	\$0	\$0	\$0	\$16,908,187	\$16,908,187	5.4%	
03095 Taylor Grazing Act Dist.	0	0	0	250,000	250,000	2.5%	
03369 Flood Control Payments	45,414	0	0	0	45,414	0.5%	
03425 Forest Reserve Shared Revenue	0	0	0	9,760,900	9,760,900	97.1%	
Federal Special Total	\$45,414	\$0	\$0	\$10,010,900	\$10,056,314	3.2%	
06020 Office of Public Information R	0	0	878,955	0	878,955	10.6%	
06504 Chief Data Office	0	0	1,219,482	0	1,219,482	14.7%	
06534 Management Services	0	0	6,173,387	0	6,173,387	74.6%	
Proprietary Total	\$0	\$0	\$8,271,824	\$0	\$8,271,824	2.6%	
Total All Funds	\$101,069,487	\$0	\$8,271,824	\$206,502,258	\$315,843,569		

Non-Budgeted Proprietary Appropriations

A small portion of the Director's Office functions are supported by non-budgeted proprietary funds. These funds are discussed in the Proprietary Rates section of the narrative.

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	27.51	27.51	31.51	31.51
Personal Services	2,288,555	2,836,310	3,108,819	3,432,429	3,450,836
Operating Expenses	359,297	473,699	502,596	697,611	690,948
Total Expenditures	\$2,647,852	\$3,310,009	\$3,611,415	\$4,130,040	\$4,141,784
Proprietary Funds	2,647,852	3,310,009	3,611,415	4,130,040	4,141,784
Total Funds	\$2,647,852	\$3,310,009	\$3,611,415	\$4,130,040	\$4,141,784
Total Ongoing	\$2,647,852	\$3,310,009	\$3,611,415	\$4,130,040	\$4,141,784
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Director's Office has three proprietary funds:

- Management Services Fund – the management services fund includes the Office of Human Resources, which handles payroll processing, supports recruitment, selection, and onboarding of new employees, oversees position classification, and develops departmental policies. The Office of Legal Services provides legal advice and guidance. The Office of Finance and Budget is responsible for preparing and presenting the biennial budget, managing budget change documents, ensuring compliance with state laws and legislative intent, and providing accounting support
- Office of Public Information Requests – provides support and assistance to agencies by:
 - Establishing common policies, standards, and procedures for handling public information requests
 - Providing centralized intake and initial response to agency record requests
 - Developing cost estimates for records requests, as needed
 - Collecting and allocating costs paid by requesters
 - Tracking the status of record requests
 - Coordinating with requesters
 - Searching enterprise IT systems maintained primarily by State Information Technology Services Division
 - Providing primary legal review and response
 - Coordinating responses for requests involving multiple agencies
 - Providing centralized output to requesters
 - Creating reports or dashboards about record requests
 - Providing and maintaining enterprise-wide tools for tracking public information requests and searching, classifying, and preparing information for release to requesters
 - Assisting in record request litigation
- Chief Data Office - provides expertise to state agencies to enable and lead the digital transformation and data modernization efforts within state government. This office works in close partnership with agency leaders to drive the development and deployment of the enterprise data vision and strategies; oversee data management, data analytics, and data governance; ensure data quality; and recommend best practices in establishing agency performance measures

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Director's Office expended 80.0% of its \$3.3 million non-budgeted proprietary budget in FY 2024. Personal services were 80.7% expended due to vacant positions and position turnover. Operating expenses were 75.8% expended due to the division's conservative spending efforts to ensure it had the ability to cover potential budget deficits in the Office of Public Information Requests.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The Director's Office appropriation authority for FY 2025 is approximately \$301,000, or 9.1%, higher than that of FY 2024. The majority of this increase is in personal services for the Office of Public Information Requests. Due to this program being relatively new, lower authority was granted in FY 2024 with the assumption that additional authority would be needed in FY 2025 as the program would be fully up and running.

Management Services Fund – Fund 06534*Proprietary Program Revenues and Expenses*

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06534	Management Services	61010	Department of Administration	Director's Office

	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
Operating Revenues				
Fees and Charges				
Legal and Management Services Fees	1,723,220	1,675,818	2,200,000	2,200,000
Personnel Unit Cost	812,782	820,000	860,000	870,000
Grants/Transfers/Misc.	478	-		
Total Operating Revenues	2,536,480	2,495,818	3,060,000	3,070,000
Expenses				
Personal Services	1,892,332	2,356,524	2,711,206	2,725,609
Operating Expense	274,495	358,596	370,930	365,642
Total Operating Expenses	2,166,827	2,715,120	3,082,136	3,091,251
Operating Income (Loss)	369,653	(219,302)	(22,136)	(21,251)
Nonoperating Revenues				
Other Revenue A	-	12	12	12
Nonoperating Expenses				
Other Expense A	-	-	-	-
Total Nonoperating Revenues (Expenses)	-	12	12	12
Income (Loss) Before Contributions and Transfers	369,653	(219,290)	(22,124)	(21,239)
Capital Contributions				
Transfers In				
Transfers Out				
Loans and Lease Payments				
Change in Net Position	369,653	(219,290)	(22,124)	(21,239)
Beginning Net Position - July 1	321,811	690,211	470,921	448,797
Prior Period Adjustments	(1,253)			
Change in Net Position	369,653	(219,290)	(22,124)	(21,239)
Ending Net Position - June 30	690,211	470,921	448,797	427,558

Expenses

The executive proposes increasing expenses in the management services fund by approximately \$367,000 in FY 2026 and \$376,000 in FY 2027 when compared to the FY 2025 base budget. The following figure shows the changes as proposed by the executive by function as reflected in the budgeting system.

Department of Administration		
Director's Office		
Management Services Fund		
Proposed Changes for the 2027 Biennium in the Budgeting System		
	FY 2026	FY 2027
Director's Office		
Statewide Present Law Adjustment - Personal Services	\$ (22,226)	\$ (22,225)
Statewide Present Law Adjustment - Fixed Costs	(27,892)	(29,109)
Total	(50,118)	(51,334)
Office of Legal Services		
Statewide Present Law Adjustment - Personal Services	18,348	19,929
Statewide Present Law Adjustment - Fixed Costs	2,110	1,643
Transfer of Financial Positions	(144,431)	(144,432)
Total	(123,973)	(122,860)
Office of Human Resources		
Statewide Present Law Adjustment - Personal Services	13,134	16,422
Statewide Present Law Adjustment - Fixed Costs	27,488	25,756
Total	40,622	42,178
Office of Finance and Budget		
Statewide Present Law Adjustment - Personal Services	1,934	5,199
Statewide Present Law Adjustment - Fixed Costs	(4,372)	(6,244)
Transfer of Financial Positions	502,923	509,192
Total	500,485	508,147
Total Proposed Change	\$ 367,016	\$ 376,131

The proposed increase is primarily attributed to the transfer of 5.00 PB financial positions from the State Information Technology Services Division (SITSD) to the Office of Finance and Budget. This request also transfers 1.00 PB from the Office of Legal Services to the SITSD, leading to the reduction in that office.

Revenues

The Director's Office and the Office of Legal Services' total costs are allocated based on total PB by division. The Office of Human Resources costs are charged on a per PB rate based on the number of PB within a program. The Office of Finance and Budget's costs are allocated to divisions in the department based on estimated PB support. The allocations may be realigned if there are changes to the customer base.

Proprietary Rates

The figure below shows the rates proposed by the executive for the 2027 biennium. The executive is proposing a 77.6% increase in FY 2026 and a 78.2% increase in FY 2027 to the total allocation of costs when compared to the FY 2025 base rates. The portion of unit for HR charges per FTE of user programs is proposed to increase by 5.4% in FY 2026 and 6.6% in FY 2027.

**Requested Rates for Internal Service or Enterprise Funds
Fee/Rate Information**

Approved FY 24	Approved FY 25	Proposed FY 26	Proposed FY 27
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Fee Description:

Total Allocation of Costs	\$ 1,723,224	\$ 1,723,224	\$ 3,060,000	\$ 3,070,000
Portion of unit for HR charges per FTE of user programs	\$ 1,265	\$ 1,265	\$ 1,333	\$ 1,349

This program is funded with an internal service fund, which is a type of a proprietary fund. As such, the legislature approves the maximum rate the program may charge during the biennium. They are not the rates the program must charge.

Chief Data Office – Fund 06504

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06504	Chief Data Office	61010	Dept, of Administration	Director's Office - Chief Data Office

	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
Operating Revenues				
Fees and Charges				
Charges for Services	500,000	500,000	500,000	500,000
Total Operating Revenues	500,000	500,000	500,000	500,000
Expenses				
Personal Services	251,823	428,000	391,937	394,397
Other Operating Expense	64,054	72,000	216,903	216,245
Total Operating Expense	315,877	500,000	608,840	610,642
Operating Income (Loss)	184,123	-	(108,840)	(110,642)
 Nonoperating Revenues				
Miscellaneous Revenue		12	12	12
Nonoperating Expenses				
Total Nonoperating Revenues (Expenses)	-	12	12	12
 Income (Loss) Before Contributions and Transfers	184,123	12	(108,828)	(110,630)
 Capital Contributions				
Transfers In				
Transfers Out				
Loans and Lease Payments				
 Change in Net Position	184,123	12	(108,828)	(110,630)
 Beginning Net Position - July 1	-	184,123	184,135	75,307
Prior Period Adjustments				
Change in Net Position	184,123	12	(108,828)	(110,630)
 Ending Net Position - June 30	184,123	184,135	75,307	(35,323)

Expenses

The executive proposes increasing expenses in the Chief Data Office by approximately \$109,000 in FY 2026 and \$111,000 in FY 2027 when compared to the FY 2025 base budget. The following figure shows the changes as proposed by the executive by function as reflected in the budgeting system.

Department of Administration		
Director's Office		
Chief Data Office Fund		
Proposed Changes for the 2027 Biennium in the Budgeting System		
Chief Data Office	FY 2026	FY 2027
Statewide Present Law Adjustment - Personal Services	\$ (36,063)	\$ (33,603)
Statewide Present Law Adjustment - Fixed Costs	131,182	130,478
Allocate Department Indirect/Administrative Costs	13,721	13,767
Total	\$ 108,840	\$ 110,642

The proposed increase is primarily attributed to statewide present law adjustments for SITSD fixed costs.

Revenues

Revenue is generated for this program by charging each participating agency a fee based on the participating agency's base budget for technology services.

Proprietary Rates

The figure below shows the rates proposed by the executive for the 2027 biennium. The executive is not proposing a rate increase in the 2027 biennium for the Chief Data Office.

Requested Rates for Internal Service or Enterprise Funds				
Fee/Rate Information				
	Approved FY 24	Approved FY 25	Proposed FY 26	Proposed FY 27
Fee Description:	500,000	500,000	500,000	500,000

This program is funded with an internal service fund, which is a type of proprietary fund. As such, the legislature approves the maximum rate the program may charge during the biennium. They are not the rates the program must charge.

Office of Public Information Requests – Fund 06020

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06020	OFFICE OF PUBLIC INFO REQ	61010	Department of Administration	Office of Public Information Requests

	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
Operating Revenues				
Fees and Charges				
Charge to requestor	10,496	20,000	33,800	33,800
Rate to agencies			218,400	260,000
transaction fee			90,800	115,200
Total Operating Revenues	10,496	20,000	343,000	409,000
Expenses				
Personal Services	175,881	324,295	329,286	330,830
Other Operating Expense	19,572	72,000	109,778	109,061
Total Operating Expense	195,453	396,295	439,064	439,891
Operating Income (Loss)	(184,957)	(376,295)	(96,064)	(30,891)
Nonoperating Revenues				
Miscellaneous Revenue	26	12	12	12
Nonoperating Expenses				
Total Nonoperating Revenues (Expenses)	26	12	12	12
Income (Loss) Before Contributions and Transfers	(184,931)	(376,283)	(96,052)	(30,879)
Capital Contributions				
Transfers In	202,319	240,000		
Transfers Out				
Loans and Lease Payments				
Change in Net Position	17,388	(136,283)	(96,052)	(30,879)
Beginning Net Position - July 1	-	17,388	(118,895)	(214,947)
Prior Period Adjustments				
Change in Net Position	17,388	(136,283)	(96,052)	(30,879)
Ending Net Position - June 30	17,388	(118,895)	(214,947)	(245,826)

Expenses

The executive proposes increasing expenses in the Office of Public Information Requests by approximately \$43,000 in FY 2026 and \$44,000 in FY 2027 when compared to the FY 2025 base budget. The following figure shows the changes as proposed by the executive by function as reflected in the budgeting system.

Department of Administration		
Director's Office		
Office of Public Information Requests		
Proposed Changes for the 2027 Biennium in the Budgeting System		
Office of Public Information Requests	FY 2026	FY 2027
Statewide Present Law Adjustment - Personal Services	\$ 4,991	\$ 6,536
Statewide Present Law Adjustment - Fixed Costs	18,413	17,649
Allocate Department Indirect/Administrative Costs	19,365	19,412
Total	\$ 42,769	\$ 43,597

The proposed increase is attributed to statewide present law adjustments for personal service and fixed costs as well as indirect administrative costs.

Revenues

Revenue is generated by charging a fee for each public information request.

Proprietary Rates

The figure below shows the rates proposed by the executive for the 2027 biennium. Due to the Office of Public Information Requests being created in the 2025 biennium no rates were approved in the 2025 biennium.

Requested Rates for Internal Service or Enterprise Funds			
Fee/Rate Information			
	Approved FY 24	Approved FY 25	Proposed FY 26
			Proposed FY 27
Fee Description:	\$ -	\$ -	\$ 421,000
			\$ 421,000

This program is funded with an enterprise fund, which is a type of proprietary fund. As such, the legislature does not appropriate the funds or approve the rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies concerns with the financial position of the fund.

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.

The decision packages presented are for informational purposes only, offering insights into anticipated changes in expenditure that may affect the rates charged. These decision packages are not approved by the legislature. For internal service funds, the legislature approves the maximum rate that may be charged. For enterprise funds, the legislature reviews the rate and identifies any concerns.

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	(19,882)	0.00	0	0	0	(7,743)
DP 2 - Fixed Costs	0.00	0	0	0	146,929	0.00	0	0	0	140,173
DP 4 - Allocate Department Indirect/Administrative Costs	0.00	0	0	0	33,086	0.00	0	0	0	33,179
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	\$160,133	0.00	\$0	\$0	\$0	\$165,609

**"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 proposes adjustments to the present law personal services budget.

DP 2 - Fixed Costs -

The executive proposes 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 4 - Allocate Department Indirect/Administrative Costs -

The executive proposes an adjustment to provide the funding to pay the Department of Administration's (DOA) indirect costs. These costs are charged to the department's programs for services provided by DOA employees, including accounting, human resources, and legal issues.

New Proposals

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

The decision packages presented are for informational purposes only, offering insights into anticipated changes in expenditure that may affect the rates charged. These decision packages are not approved by the legislature. For internal service funds, the legislature approves the maximum rate that may be charged. For enterprise funds, the legislature reviews the rate and identifies any concerns.

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 1701 - Transfer of Financial Positions	4.00	0	0	0	358,492	4.00	0	0	0	364,760
Total	4.00	\$0	\$0	\$0	\$358,492	4.00	\$0	\$0	\$0	\$364,760

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

DP 1701 - Transfer of Financial Positions -

The executive proposes a transfer of 5.00 PB from the State Information Technology Services Division (SITSD) to the Director's Office. In April 2024, the chief financial officer position in SITSD was eliminated as part of a reorganization within the department. The five financial positions residing in SITSD will now report to the department's chief financial officer in the Director's Office. The reorganization was completed to eliminate a duplicative position and to continue to drive efficiencies within the department's accounting and financial functions.

Also proposed, is the transfer of 1.00 PB attorney position from the Director's Office to SITSD. Due to the increase in enterprise contracts, policy reviews, and other legal work, SITSD will utilize this attorney full time, which permits the division to more efficiently and cost effectively provide enterprise procurement.

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	31.33	31.33	31.33	0.00	0.0%
Proprietary Funds	7,095,509	7,454,237	7,386,273	649,492	4.6%
Total Funds	7,095,509	7,454,237	7,386,273	649,492	4.6%
Personal Services	3,201,892	3,254,767	3,264,005	114,988	1.8%
Operating Expenses	3,887,013	4,192,866	4,115,664	534,504	6.9%
Equipment & Intangible Assets	6,604	6,604	6,604		0.0%
Total Expenditures	7,095,509	7,454,237	7,386,273	649,492	4.6%
Total Ongoing	7,095,509	7,454,237	7,386,273	649,492	4.6%
Total One-Time-Only					0.0%

Program Highlights

State Financial Services Division Major Budget Highlights	
<ul style="list-style-type: none"> The State Financial Services Division's 2027 biennium non-budgeted proprietary appropriations are approximately \$649,000 or 4.6% higher than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> Increased warrant writer costs for postage and paper Statewide present law adjustments for personal services and fixed costs Increased rates for all warrant writer fees and an approximate 8.0% increase in FY 2026 and 10.2% in FY 2027 for the SABHRS program 	

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.

State Financial Services Division 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
Base Budget	0	0	0	7,095,509	95.2%	0	0	0	7,095,509	96.1%
Statewide PL										
Personal Services	0	0	0	52,875	0.7%	0	0	0	62,113	0.8%
Fixed Costs	0	0	0	149,118	2.0%	0	0	0	47,473	0.6%
Inflation Deflation	0	0	0	(66)	(0.0%)	0	0	0	(45)	(0.0%)
Total Statewide PL	0	0	0	201,927	2.7%	0	0	0	109,541	1.5%
Present Law (PL)	0	0	0	156,801	2.1%	0	0	0	181,223	2.5%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Adjustments	0	0	0	358,728	4.8%	0	0	0	290,764	3.9%
Total Requested Budget	0	0	0	7,454,237		0	0	0	7,386,273	

Funding

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

Department of Administration, 03-State Financial 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	4,880,167	0	0	6,066,516	10,946,683	42.1%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
03320 CMIA Funds	11,656	0	0	0	11,656	100.0%
Federal Special Total	\$11,656	\$0	\$0	\$0	\$11,656	0.0%
06042 Local Govt Svcs AuditRportng	0	0	1,915,188	0	1,915,188	12.8%
06511 SABHRS	0	0	10,716,699	0	10,716,699	71.4%
06527 Investment Division	175,756	0	0	0	175,756	1.2%
06564 Warrant Writing	0	0	2,208,623	0	2,208,623	14.7%
Proprietary Total	\$175,756	\$0	\$14,840,510	\$0	\$15,016,266	57.8%
Total All Funds	\$5,067,579	\$0	\$14,840,510	\$6,066,516	\$25,974,605	

Non-budgeted Proprietary Appropriations

Non-budgeted proprietary funds include Local Government Services Audit Reporting, the State Accounting, Budgeting, and Human Resources System (SABHRS), and Warrant Writing. These funds are discussed in the Proprietary Rates section of this narrative.

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	31.33	31.33	31.33	31.33
Personal Services	2,745,211	2,925,640	3,201,892	3,254,767	3,264,005
Operating Expenses	3,982,529	4,323,801	3,887,013	4,192,866	4,115,664
Equipment & Intangible Assets	592,978	592,979	6,604	6,604	6,604
Debt Service	0	11,600	0	0	0
Total Expenditures	\$7,320,718	\$7,854,020	\$7,095,509	\$7,454,237	\$7,386,273
Proprietary Funds	7,320,718	7,854,020	7,095,509	7,454,237	7,386,273
Total Funds	\$7,320,718	\$7,854,020	\$7,095,509	\$7,454,237	\$7,386,273
Total Ongoing	\$7,320,718	\$7,854,020	\$7,095,509	\$7,454,237	\$7,386,273
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The State Financial Services Division provides the following functions with proprietary funds:

- **Statewide Accounting, Budgeting, and Human Resources Systems (SABHRS):** the Financial Services Technology Bureau is responsible for operational support and maintenance of the enterprise financial (SABHRS Financials) and budget development (IBARS) information systems and for supporting the enterprise acquisition and contracting system (eMACS). The bureau is also responsible for providing database administration services, system architecture, and maintenance for the SABHRS HR information system for the HR Information Systems Bureau
- **Warrant Writer:** the Warrant Writer Unit provides payment processing services for most state agencies, including the university system. Services include direct deposit, warrant consolidation, stopping of payments, warrant cancellations, emergency warrants, duplicate warrants, warrant certification, warrant reissues, warrant research, supplier file maintenance, stale-dated payment processing, and IRS 1099-MISC and 1042 tax reporting. The unit also generates, tracks, and reconciles each approved agency payment generated in SABHRS
- **Local Government Audit and Reporting:** The Local Government Auditing and Reporting Program is responsible for administering the provisions of the Montana Single Audit Act, which specifies the financial reporting and audit requirements for all Montana local government entities. The program collects and publishes local government financial reports, budgets, and audits on a transparency website, provides technical assistance on accounting, auditing, and compliance matters, and maintains the roster of authorized auditors as well as the legal compliance supplement used in audits. It ensures that required audits are conducted in compliance with standards, reviews audit findings, and follows up on corrective actions as needed

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The State Financial Services Division expended 93.2% of its \$7.9 million non-budgeted proprietary authority in FY 2024. Personal services were 93.8% expended, operating expenses were 92.1%. In FY 2024, the Local Government Audit and Reporting Services Division transferred authority to equipment and intangible assets to properly record expenditures related to the purchase of the customer relationship management (CRM) system, Hike2.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The State Financial Services Division non-budgeted proprietary appropriation authority for FY 2025 is approximately \$759,000, or 9.7%, less than that of FY 2024. This decrease is primarily in operating expenses and equipment and intangible assets. In FY 2024, the division requested additional authority for the purchase of a new CRM system and to send property tax rebate warrants to Montana citizens.

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium

Expenses

The executive proposes increasing expenses in SABHRS by approximately \$169,000 in FY 2026 and \$77,000 in FY 2027 when compared to the FY 2025 base budget. The following figure shows the changes as proposed by the executive by function as reflected in the budgeting system.

Department of Administration State Financial Services Division State Accounting, Budgeting, and Human Resources System (SABHRS) Proposed Changes for the 2027 Biennium in the Budgeting System		
	FY 2026	FY 2027
Statewide Present Law Adjustment - Personal Services	\$ 17,348	\$ 24,689
Statewide Present Law Adjustment - Fixed Costs	160,526	61,410
Statewide Present Law Adjustment - Inflation/Deflation	(26)	(18)
Allocate Department Indirect/Administrative Costs	(8,971)	(8,645)
Total	\$ 168,877	\$ 77,436

The proposed increase is primarily attributed to statewide present law adjustments for fixed costs including audit fees in FY 2026 and increased SITSD fixed costs.

Revenues

All state agencies are required to use the SABHRS program to ensure consistent, accurate, and transparent financial and budgeting information. Revenues are based on the costs to operate.

Proprietary Rates

The figure below shows the rates proposed by the executive for the 2027 biennium. The executive proposes an increase in SABHRS rates of 8.0% in FY 2026 and 10.2% in FY 2027 as compared to the 2025 base rate.

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information				
	Approved FY 24	Approved FY 25	Proposed FY 26	Proposed FY 27
Fee Description:				
SABHRS Rates	4,793,865	4,570,860	4,936,529	5,035,259

This program is funded with an internal service fund, which is a type of a proprietary fund. As such, the legislature approves the maximum rate the program may charge during the biennium. They are not the rates the program must charge.

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

Fund	Fund Name	Agency #	Agency Name	Program Name
6564	Warrant Writing	61010	Dept of Administration	State Financial Services Division

	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
Operating Revenues				
Fees and Charges				
Warrant Writer Revenue	1,264,026	1,035,652	1,270,918	1,270,918
Total Operating Revenues	1,264,026	1,035,652	1,270,918	1,270,918
Expenses				
Personal Services	296,946	302,708	325,992	326,517
Other Operating Expense	1,012,879	597,530	759,981	782,925
Equipment & Intangible Assets		6,604	6,604	6,604
Total Operating Expense	1,309,825	906,842	1,092,577	1,116,046
Operating Income (Loss)	(45,799)	128,810	178,341	154,872
Nonoperating Revenues				
Miscellaneous Revenue	24			
Nonoperating Expenses				
Total Nonoperating Revenues (Expenses)	24	-	-	-
Income (Loss) Before Contributions and Transfers	(45,775)	128,810	178,341	154,872
Capital Contributions				
Transfers In				
Transfers Out				
Loans and Lease Payments				
Change in Net Position	(45,775)	128,810	178,341	154,872
Beginning Net Position - July 1	85,263	39,585	168,395	346,736
Prior Period Adjustments	97			
Change in Net Position	(45,775)	128,810	178,341	154,872
Ending Net Position - June 30	39,585	168,395	346,736	501,608

Expenses

The executive proposes increasing expenses in the Warrant Writer Program by approximately \$186,000 in FY 2026 and \$209,000 in FY 2027 when compared to the FY 2025 base budget. The following figure shows the changes as proposed by the executive by function as reflected in the budgeting system.

Department of Administration State Financial Services Division Warrant Writer Proposed Changes for the 2027 Biennium in the Budgeting System		
	FY 2026	FY 2027
Statewide Present Law Adjustment - Personal Services	\$ 23,284	\$ 23,809
Statewide Present Law Adjustment - Fixed Costs	1,933	874
WWU Increase in Operating Costs	156,435	180,372
Allocate Department Indirect/Administrative Costs	4,083	4,149
Total	\$185,735	\$209,204

The proposed increase is primarily attributed to the Warrant Writer Unit increase in operating costs to account for the increase in cost for postage rates and paper.

Revenues

Revenues are derived from monthly billing based on the number of actual warrants issued. Budget authority to pay the costs is a fixed cost item in state agency budgets.

Proprietary Rates

The figure below shows the rates proposed by the executive for the 2027 biennium. The executive proposes an increase to all warrant writer rates for the 2027 biennium.

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information				
	Approved FY 24	Approved FY 25	Proposed FY 26	Proposed FY 27
Fee Description:				
Mailer	0.88432	0.88432	1.30	1.30
Non-Mailer	0.38241	0.38241	0.60	0.60
Emergency	14.34045	14.34045	15.00	15.00
Duplicate	9.56030	9.56030	12.00	12.00
Payroll - Printed Warrants	0.16126	0.16126	0.40	0.40
External - University System	0.12907	0.12907	0.40	0.40
Direct Deposit Mailer	1.05163	1.05163	1.30	1.30
Direct Deposit Non-mailer	0.14340	0.14340	0.20	0.20
UI - Warrant Printing Only	0.12564	0.12564	0.40	0.40
UI - Direct Deposit	0.03162	0.03162	0.10	0.10

This program is funded with an internal service fund, which is a type of proprietary fund. As such, the legislature approves the maximum rate the program may charge during the biennium. They are not the rates the program must charge.

Local Government Audit and Reporting – Fund 06042

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06042	Local Govt Svcs	61010	DOA	SFSD

	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
Operating Revenues				
Fees and Charges				
Charges for Services	789,479	790,000	815,000	815,000
Fines/Forfeits	12,391	12,500	12,500	12,500
Total Operating Revenues	801,870	802,500	827,500	827,500
Expenses				
Personal Services	414,008	597,345	609,588	610,960
Other Operating Expense	164,123	356,129	348,002	346,638
Equipment & Intangible Assets	592,978			
Total Operating Expense	1,171,109	953,474	957,590	957,598
Operating Income (Loss)	(369,239)	(150,974)	(130,090)	(130,098)
Nonoperating Revenues				
Misc. Revenue	40	10	10	10
Nonoperating Expenses				
Total Nonoperating Revenues (Expenses)	40	10	10	10
Income (Loss) Before Contributions and Transfers	(369,199)	(150,964)	(130,080)	(130,088)
Capital Contributions				
Transfers In				
Transfers Out				
Loans and Lease Payments				
Change in Net Position	(369,199)	(150,964)	(130,080)	(130,088)
Beginning Net Position - July 1	798,519	927,206	776,242	646,162
Prior Period Adjustments				
Change in Net Position	(369,199)	(150,964)	(130,080)	(130,088)
Ending Net Position - June 30	927,206	776,242	646,162	516,074

Expenses

The executive proposes increasing expenses in the Local Government Audit and Reporting Program by approximately \$4,000 in FY 2026 and in FY 2027 when compared to the FY 2025 base budget. The following figure shows the changes as proposed by the executive by function as reflected in the budgeting system.

Department of Administration State Financial Services Division Local Government Services Proposed Changes for the 2027 Biennium in the Budgeting System		
	FY 2026	FY 2027
Statewide Present Law Adjustment - Personal Services	\$ 12,243	\$ 13,615
Statewide Present Law Adjustment - Fixed Costs	(13,341)	(14,811)
Statewide Present Law Adjustment - Inflation/Deflation	(40)	(27)
Allocate Department Indirect/Administrative Costs	5,254	5,347
Total	\$ 4,116	\$ 4,124

The proposed increase is attributed to statewide present law adjustments for personal service and indirect administrative costs adjustments. Statewide present law adjustments for fixed costs are negative due to a reduction in fixed costs charges for SITSD services.

Revenues

The program is funded with enterprise funds, as it serves entities outside of state government. The fund receives revenues from the following:

- A report filing fee as required by 2-7-514, MCA, and defined in ARM 2.4.402. All local government entities that are required to submit audits pay the filing fee
- As provided by 2-7-503, MCA, a fee is collected from local governments that are required to submit financial revenues. The fee has been adopted in ARM 2.4.410. The current fee in the rule is \$75
- A roster fee is collected from certified public accountants for inclusion on a roster of independent auditors who are authorized to audit local government entities in Montana. The annual auditor roster fee has been adopted as ARM 2.4.406. The current fee in the rule is \$100 per year
- As provided by 2-7-517, MCA, when a local government entity fails to file a report as required by 2-7-503, MCA, they are required to make a payment within 60 days per 2-7-514, MCA, the department may charge a late payment penalty. The penalty has been adopted in ARM 2.4.404 and is currently 10.0% of the filing fee per month
- A fine for failure to file audits or reports required by 2-7-503, MCA, is also provided by 2-7-517, MCA. When a local government entity fails to file an audit or report within 180 days of the required date, the department must notify the entity of the fine due and provide public notice of the delinquent report. The fine has been adopted in ARM 2.4.403. The current fine in rule is \$75 per publication

Proprietary Rates

The figure below shows the rates proposed by the executive for the 2027 biennium. The executive is not proposing rate increases for the program.

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information				
	Approved FY 24	Approved FY 25	Proposed FY 26	Proposed FY 27
Fee Description:				
Annual revenues equal to or greater than \$750,000 but less than \$1,000,000	\$550	\$550		
Annual revenues equal to or greater than \$1,000,000 but less than \$1,500,000	\$800	\$800	\$800	\$800
Annual revenues equal to or greater than \$1,500,000 but less than \$2,500,000	\$950	\$950	\$950	\$950
Annual revenues equal to or greater than \$2,500,000 but less than \$5,000,000	\$1,300	\$1,300	\$1,300	\$1,300
Annual revenues equal to or greater than \$5,000,000 but less than \$10,000,000	\$1,700	\$1,700	\$1,700	\$1,700
Annual revenues equal to or greater than \$10,000,000 but less than \$50,000,000	\$2,500	\$2,500	\$2,500	\$2,500
Annual revenues equal to or greater than \$50,000,000	\$3,000	\$3,000	\$3,000	\$3,000
Local Government Financial Review Fee	\$75	\$75	\$75	\$75
Roster Fee	\$100	\$100	\$100	\$100

This program is funded with an enterprise fund, which is a type of proprietary fund. As such, the legislature does not appropriate the funds or approve the rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies concerns with the financial position of the fund.

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.

The decision packages presented are for informational purposes only, offering insights into anticipated changes in expenditure that may affect the rates charged. These decision packages are not approved by the legislature. For internal service funds, the legislature approves the maximum rate that may be charged. For enterprise funds, the legislature reviews the rate and identifies any concerns.

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	52,875		0.00	0	0	0	62,113
DP 2 - Fixed Costs										
0.00	0	0	0	149,118		0.00	0	0	0	47,473
DP 3 - Inflation Deflation										
0.00	0	0	0	(66)		0.00	0	0	0	(45)
DP 4 - Allocate Department Indirect/Administrative Costs										
0.00	0	0	0	366		0.00	0	0	0	851
DP 303 - WWU - Increase in Operating Costs										
0.00	0	0	0	156,435		0.00	0	0	0	180,372
Grand Total All Present Law Adjustments										
0.00	\$0	\$0	\$0	\$358,728		0.00	\$0	\$0	\$0	\$290,764

*"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 proposes adjustments to the present law personal services budget.

DP 2 - Fixed Costs -

The executive proposes 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 proposes 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 4 - Allocate Department Indirect/Administrative Costs -

The executive proposes an adjustment to provide the funding to pay the Department of Administration's (DOA) indirect costs. These costs are charged to the department's programs for services provided by DOA employees, including accounting, human resources, and legal issues.

DP 303 - WWU - Increase in Operating Costs -

The executive proposes an increase in proprietary fund authority to adjust for increases in postage rates and the cost of paper.

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	72.35	72.35	72.35	0.00	0.0%
Proprietary Funds	26,013,072	27,800,208	27,766,726	3,540,790	6.8%
Total Funds	26,013,072	27,800,208	27,766,726	3,540,790	6.8%
Personal Services	5,732,472	5,734,124	5,744,520	13,700	0.1%
Operating Expenses	18,938,974	20,336,893	20,355,193	2,814,138	7.4%
Equipment & Intangible Assets	571,771	571,771	571,771		0.0%
Transfers	159,000	450,092	387,914	520,006	163.5%
Debt Service	610,855	707,328	707,328	192,946	15.8%
Total Expenditures	26,013,072	27,800,208	27,766,726	3,540,790	6.8%
Total Ongoing	26,013,072	27,800,208	27,766,726	3,540,790	6.8%
Total One-Time-Only					0.0%

Program Highlights

General Services Division Major Budget Highlights	
<ul style="list-style-type: none"> The General Services Division's 2027 biennium proposed non-budgeted proprietary appropriations are approximately \$3.5 million or 6.8% higher than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> Increased postage and mail costs in the Print and Mail Services Bureau Increased contract service costs in the Facilities Management Bureau Increase in lease liability in the Facilities Management Bureau A proposed rent increase and consolidation of the rental rate for office and non-office space for the Rent and Maintenance Program A proposed increased rate for interagency mail of 8.8% compared to the FY 2025 base rate in the State Print and Mail Services 	

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.

General Services Division 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
Base Budget	0	0	0	26,013,072	93.6%	0	0	0	26,013,072	93.7%
Statewide PL										
Personal Services	0	0	0	1,652	0.0%	0	0	0	12,048	0.0%
Fixed Costs	0	0	0	(232,479)	(0.8%)	0	0	0	(315,016)	(1.1%)
Inflation Deflation	0	0	0	(6)	0.0%	0	0	0	(4)	0.0%
Total Statewide PL	0	0	0	(230,833)	(0.8%)	0	0	0	(302,972)	(1.1%)
Present Law (PL)	0	0	0	2,017,969	7.3%	0	0	0	2,056,626	7.4%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Adjustments	0	0	0	1,787,136	6.4%	0	0	0	1,753,654	6.3%
Total Requested Budget	0	0	0	27,800,208		0	0	0	27,766,726	

Funding

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

Department of Administration, 06-General Services 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%	
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%	
06066 Surplus Property	0	0	1,743,106	0	1,743,106	3.1%	
06528 Rent And Maintenance	0	0	27,387,789	0	27,387,789	49.3%	
06530 Print & Mail Services	0	0	26,436,039	0	26,436,039	47.6%	
Proprietary Total	\$0	\$0	\$55,566,934	\$0	\$55,566,934	100.0%	
Total All Funds	\$0	\$0	\$55,566,934	\$0	\$55,566,934		

Non-Budgeted Proprietary Funds

The General Services Division is entirely supported through proprietary funds. These funds are discussed in the Proprietary Rates section of the narrative.

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	72.35	72.35	72.35	72.35
Personal Services	6,980,883	6,966,416	5,732,472	5,734,124	5,744,520
Operating Expenses	18,597,833	18,726,422	18,938,974	20,336,893	20,355,193
Equipment & Intangible Assets	666,668	670,771	571,771	571,771	571,771
Capital Outlay	208,961	208,849	0	0	0
Transfers	315,856	317,000	159,000	450,092	387,914
Debt Service	540,337	540,855	610,855	707,328	707,328
Total Expenditures	\$27,310,538	\$27,430,313	\$26,013,072	\$27,800,208	\$27,766,726
Proprietary Funds	27,310,538	27,430,313	26,013,072	27,800,208	27,766,726
Total Funds	\$27,310,538	\$27,430,313	\$26,013,072	\$27,800,208	\$27,766,726
Total Ongoing	\$27,310,538	\$27,430,313	\$26,013,072	\$27,800,208	\$27,766,726
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The General Services Division is composed of two bureaus and one program responsible for providing certain internal services to government agencies and the public:

- Capitol Facilities Management (CFM) manages the following services for state agencies in the Capitol complex and several state-owned buildings in the Helena area, either directly or through the administration of service contracts: repair, maintenance, construction, energy consumption, disaster response and recovery, space allocation, security, janitorial, pest control, grounds maintenance, and garbage collection. CFM manages lease negotiation and administration for state agencies throughout the state
- State Print and Mail provides print and mail services to state agencies. Services include internal and external (contracted) printing, marketing and outreach, managed print services, mail preparation, central mail operations, inter-agency (deadhead) mail, and digitization of records. The bureau also operates the United States Post Office in the Capitol
- In addition to the two bureaus, the division manages the State and Federal Surplus Property and Recycling programs

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The General Services Division expended 99.6% of its \$27.4 million non-budgeted proprietary authority in FY 2024. Personal services were 100.2% expended, operating expenses were 99.3%, equipment and intangible assets were 99.4%, capital outlay was 100.1%, transfers were 99.6% expended, and debt service was 99.9% expended.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The General Services Division's non-budgeted proprietary appropriation authority for FY 2025 is approximately \$1.4 million or 5.2%, less than that of FY 2024. In FY 2024, the General Services Division requested additional appropriation authority due to higher costs incurred for print and mail services as well as personal services costs. This request has not been made for FY 2025.

Capitol Facilities Management Rent and Maintenance – Fund 06528**Proprietary Program Revenues and Expenses**

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06528	Rent and Maintenance	61010	Administration	General Services Division

	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
Operating Revenues				
Fees and Charges				
Charges for Services				
Facilities Management Rate	10,106,701	10,135,578	12,617,367	12,652,564
Non - Office Rental Rate	850,657	851,567	-	-
Maintenance Charges	257,499	257,499	257,499	257,499
Project Work	704,211	459,471	459,471	459,471
Construction Supervisory Fees	46,417	28,396	28,396	28,396
Access and ID Card Revenue	26,050	25,530	25,530	25,530
Other Operating Revenues	62,989	59,485	59,485	59,485
Total Operating Revenues	12,054,524	11,817,526	13,447,748	13,482,945
Expenses				
Personal Services	3,947,401	2,880,981	2,744,329	2,749,881
Operating Expense	7,611,484	9,368,081	9,538,688	9,564,061
Equipment	492,701	300,000	300,000	300,000
Capital Outlay	82,617	-	-	-
Total Operating Expense	12,134,203	12,549,062	12,583,017	12,613,942
Operating Income (Loss)	(79,679)	(731,536)	864,731	869,003
Nonoperating Revenues	3,182	1,500	1,500	1,500
Gain on the sale of a fixed Asset	48,307			
Nonoperating Expenses				
Total Nonoperating Revenues (Expenses)	51,489	1,500	1,500	1,500
Income (Loss) Before Contributions and Transfers	(28,190)	(730,036)	866,231	870,503
Capital Contributions	-	200,000	300,000	300,000
Transfers In	358,801	562,400	562,400	562,400
Transfers Out	(315,855)	(159,000)	(450,092)	(387,914)
Loans and Lease Payments	(509,421)	(579,939)	(676,412)	(676,412)
Change in Net Position	(123,423)	(706,575)	602,127	668,577
Beginning Net Position - July 1	2,551,592	2,468,672	1,762,097	2,364,224
Prior Period Adjustments	40,503	-	-	-
Change in Net Position	(123,423)	(706,575)	602,127	668,577

Ending Net Position - June 30

2,468,672	1,762,097	2,364,224	3,032,801
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Expenses

The executive proposes increasing expenses in the Capitol Facilities Management Bureau by \$422,000 in FY 2026 and \$390,000 in FY 2027 when compared to the FY 2025 base budget. The following figure shows the changes as proposed by the executive by function as reflected in the budgeting system.

Department of Administration General Services Division Capitol Facilities Management - Rent and Maintenance Proposed Changes for the 2027 Biennium in the Budgeting System		
	FY 2026	FY 2027
Statewide Present Law Adjustment - Personal Services	\$(136,652)	\$(131,100)
Statewide Present Law Adjustment - Fixed Costs	(355,210)	(430,015)
Allocate Department Indirect/Administrative Costs	(28,435)	(27,644)
Contracted Services Increase	845,344	882,553
Increase to Lease Liability	96,473	96,473
Total	\$ 421,520	\$ 390,267

This increase is primarily attributed to increased contracted services for State Capitol security, janitorial services, software maintenance, and building access control. The executive also proposes an increase due to lease liabilities.

Revenues

Revenues are based on square footage rental rates charged for office and non-office space billed to agencies occupying space in state owned buildings overseen by the Department of Administration.

Proprietary Rates

The figure below shows the rates proposed by the executive for the 2027 biennium. The executive proposes a 2.9% increase in FY 2026 and a 3.2% increase in FY 2027 for the single rate rent cost as compared to the FY 2025 base rate. Additionally, the executive proposes to switch to a single rate rent fee. Historically, the program has charged a separate fee for office versus non-office space. The proposed rates are to consolidate this rate into one for the 2027 biennium.

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information				
Fee Description:	Approved	Approved	Proposed	Proposed
	FY24	FY25	FY26	FY27
Office Rent (per sq. ft.)	11.415	11.421		
Nonoffice Rent (per sq. ft.)	7.599	7.605		
Single Rate Rent (per sq. ft.)			11.757	11.790
Grounds Maintenance (per sq. ft. - only one building)	0.615	0.615		
Project Mgmt. (In-house)	15%	15%	15%	15%
Project Mgmt. (Consultation)	Actual Cost	Actual Cost	Actual Cost	Actual Cost
State Employee Access ID Card	Actual Cost	Actual Cost	Actual Cost	Actual Cost

This program is funded with an internal service fund, which is a type of proprietary fund. As such, the legislature approves the maximum rate the program may charge during the biennium. They are not the rates the program must charge.

Print and Mail Bureau – Fund 06530

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06530	Print & Mail Services	61010	Administration	General Services Division

	Actual	Estimated	Proposed	
		Proposed FY 24	FY 27	FY
	25	FY 26	FY 27	
Operating Revenues				
Fees and Charges				
Charges for Services	13,554,623	11,820,000	13,250,000	13,250,000
Total Operating Revenues	13,554,623	11,820,000	13,250,000	13,250,000
Expenses				
Personal Services	2,495,780	2,303,856	2,518,136	2,521,457
Other Operating Expense	10,662,200	9,223,281	10,409,365	10,404,007
Equipment	165,967	260,621	260,621	260,621
Capital Outlay	126,344	-	-	-
Total Operating Expense	13,450,291	11,787,758	13,188,122	13,186,085
Operating Income (Loss)	104,332	32,242	61,878	63,915
Nonoperating Revenues				
Misc. Revenue	101	12	12	12
Nonoperating Expenses				
Other Expense A				
Total Nonoperating Revenues (Expenses)	101	12	12	12
Income (Loss) Before Contributions and Transfers	104,433	32,254	61,890	63,927
Capital Contributions	2,506			
Transfers In	13,101			
Transfers Out				
Loans and Lease Payments	(30,916)	(30,916)	(30,916)	(30,916)
Change in Net Position	89,124	1,338	30,974	33,011
Beginning Net Position - July 1	3,657,885	3,875,387	3,876,725	3,907,699
Prior Period Adjustments				
Change in Net Position	89,124	1,338	30,974	33,011
Ending Net Position - June 30	3,875,387	3,876,725	3,907,699	3,940,710

Expenses

The executive proposes an increase to the Print and Mail Services of \$1.4 million in FY 2026 and FY 2027 when compared to the FY 2025 base budget. The following figure shows the changes as proposed by the executive by function as reflected in the budgeting system.

Department of Administration General Services Division Print and Mail Services Proposed Changes for the 2027 Biennium in the Budgeting System		
	FY 2026	FY 2027
Statewide Present Law Adjustment - Personal Services	\$ 214,280	\$ 217,601
Statewide Present Law Adjustment - Fixed Costs	90,517	84,607
Statewide Present Law Adjustment - Inflation/Deflation	(6)	(4)
Allocate Department Indirect/Administrative Costs	36,277	36,827
Increase in Postage	1,059,296	1,059,296
Total	\$ 1,400,364	\$ 1,398,327

The majority of this increase is due to an increase in postage costs. Other increases are for statewide present law adjustments and administrative indirect costs for support services.

Revenues

All state agencies in Helena use the services of the State Print and Mail depending on their printing and mail needs. Printing revenues are based on the actual type and volume of printing provided and mail services is based on agency specified service frequency.

Proprietary Rates

All Print and Mail Services projects are unique and have many rates to provide services to agencies. Direct and administrative overhead is allocated to each program, and costs are recovered by charging for each unit of service provided. External printing and the Managed Print Program recover costs by charging a percentage markup on the invoice for the printing job and/or multi-function device.

The figure below shows the rates proposed by the executive for the 2027 biennium. The only rate that the executive is proposing to increase is the interagency mail rate, which is proposed to increase by 8.8% when compared to the FY 2025 base rate.

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information					
	Approved FY 24	Approved FY 25	Proposed FY 26	Proposed FY 27	
Fee Description:					
Internal Printing					
Impressions	Cost + 25%	Cost + 25%	Cost + 25%	Cost + 25%	
Ink	Cost + 25%	Cost + 25%	Cost + 25%	Cost + 25%	
Bindery work	Cost + 25%	Cost + 25%	Cost + 25%	Cost + 25%	
Pre-Press work	Cost + 25%	Cost + 25%	Cost + 25%	Cost + 25%	
CD/DVD duplicating	Cost + 25%	Cost + 25%	Cost + 25%	Cost + 25%	
Variable data printing	Cost + 25%	Cost + 25%	Cost + 25%	Cost + 25%	
Large Format Color per ft.	Cost + 25%	Cost + 25%	Cost + 25%	Cost + 25%	
Scan	Cost + 25%	Cost + 25%	Cost + 25%	Cost + 25%	
Pick and Pack Fulfillment	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	
Overtime	\$ 30.00	\$ 30.00			
Desktop	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	
IT Programming	\$ 95.00	\$ 95.00	\$ 95.00	\$ 95.00	
File Transfer	\$ 25.00	\$ 25.00			
Mainframe Print	\$ 0.07	\$ 0.07			
Warrant Printing	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.30	
Inventory Mark Up	20.00%	20.00%	20.00%	20.00%	
External Printing					
Percent of Invoice Mark-Up	8.80%	8.80%	8.80%	8.80%	
Managed Print					
Percent of Invoice Mark-Up	15.90%	15.90%	15.90%	15.90%	
Mail Preparation					
Tabbing	\$ 0.023	\$ 0.023	Cost + 25%	Cost + 25%	
Labeling	\$ 0.023	\$ 0.023	Cost + 25%	Cost + 25%	
Ink Jet	\$ 0.036	\$ 0.036	Cost + 25%	Cost + 25%	
Inserting	\$ 0.045	\$ 0.045	Cost + 25%	Cost + 25%	
Waymark	\$ 0.069	\$ 0.069	Cost + 25%	Cost + 25%	
Permit mailings	\$ 0.069	\$ 0.069	Cost + 25%	Cost + 25%	
Mail Operations					
Machinable	\$ 0.043	\$ 0.043	Cost + 25%	Cost + 25%	
Non-Machinable	\$ 0.110	\$ 0.110	Cost + 25%	Cost + 25%	
Seal Only	\$ 0.020	\$ 0.020	Cost + 25%	Cost + 25%	
Post cards	\$ 0.070	\$ 0.070	Cost + 25%	Cost + 25%	
Certified Mail	\$ 0.620	\$ 0.620	Cost + 25%	Cost + 25%	
Registered Mail	\$ 0.614	\$ 0.614	Cost + 25%	Cost + 25%	
Internatl Mail	\$ 0.510	\$ 0.510	Cost + 25%	Cost + 25%	
Flats	\$ 0.150	\$ 0.150	Cost + 25%	Cost + 25%	

Priority	\$	0.614	\$	0.614	Cost + 25%	Cost + 25%
Express Mail	\$	0.614	\$	0.614	Cost + 25%	Cost + 25%
USPS Parcels	\$	0.510	\$	0.510	Cost + 25%	Cost + 25%
Insured mail	\$	0.614	\$	0.614	Cost + 25%	Cost + 25%
Media Mail	\$	0.320	\$	0.320	Cost + 25%	Cost + 25%
Standard Mail	\$	0.200	\$	0.200	Cost + 25%	Cost + 25%
Postage Due	\$	0.061	\$	0.061	Cost + 25%	Cost + 25%
Fee Due	\$	0.061	\$	0.061	Cost + 25%	Cost + 25%
Tapes	\$	0.245	\$	0.245	Cost + 25%	Cost + 25%
Express Services	\$	0.500	\$	0.500	Cost + 25%	Cost + 25%
Mail tracking	\$	0.250	\$	0.250	Cost + 25%	Cost + 25%
Cass letters/postcards	\$	0.047	\$	0.047	Cost + 25%	Cost + 25%
Cass flats	\$	0.100	\$	0.100	Cost + 25%	Cost + 25%
Flat sorter	\$	0.250	\$	0.250	Cost + 25%	Cost + 25%
Inter-agency Mail						
Dollars-yearly	\$	365,550	\$	365,550	\$	397,635
Postal Contract (Capitol)						
Dollars-yearly	\$	38,976	\$	38,976	\$	38,976

This program is funded with an internal service fund, which is a type of proprietary fund. As such, the legislature approves the maximum rate the program may charge during the biennium. They are not the rates the program must charge.

Surplus Property – Fund 06066*Proprietary Program Revenues and Expenses*

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium Report on Internal Service and Enterprise Funds							
Fund	Fund Name	Agency #	Agency Name	Program Name			
06066	Surplus Property	61010	Administration	Surplus Property			
				Actual	Estimated	Proposed	Proposed
				FY 24	FY 25	FY 26	FY 27
Operating Revenues							
Fees and Charges							
Surplus Property Handling Fee				916,410	841,000	920,000	920,000
Total Operating Revenues				916,410	841,000	920,000	920,000
Expenses							
Personal Services				537,702	547,635	471,659	473,182
Other Operating Expense				324,149	347,612	388,840	387,125
Equipment				8,000	11,150	11,150	11,150
Total Operating Expense				869,851	906,397	871,649	871,457
Operating Income (Loss)				46,559	(65,397)	48,351	48,543
Nonoperating Revenues							
Sale of Documents				42,381			
Nonoperating Expenses							
Total Nonoperating Revenues (Expenses)				42,381	-	-	-
Income (Loss) Before Contributions and Transfers				88,940	(65,397)	48,351	48,543
Capital Contributions				1,394,783	1,425,000	800,000	800,000
Transfers In							
Transfers Out							
Loans and Lease Payments							
Change in Net Position				1,483,723	1,359,603	848,351	848,543
Beginning Net Position - July 1				1,228,613	2,712,336	4,071,939	4,920,290
Prior Period Adjustments							
Change in Net Position				1,483,723	1,359,603	848,351	848,543
Ending Net Position - June 30				2,712,336	4,071,939	4,920,290	5,768,833

Expenses

The executive proposes a decrease to the Surplus Property and Recycling of \$35,000 in FY 2026 and FY 2027 when compared to the FY 2025 base budget. The following figure shows the changes as proposed by the executive by function as reflected in the budgeting system.

Department of Administration General Services Division Surplus Property and Recycling Proposed Changes for the 2027 Biennium in the Budgeting System		
	FY 2026	FY 2027
Statewide Present Law Adjustment - Personal Services	\$ (75,976)	\$ (74,453)
Statewide Present Law Adjustment - Fixed Costs	32,214	30,392
Allocate Department Indirect/Administrative Costs	9,014	9,121
Total	\$ (34,748)	\$ (34,940)

This decrease is primarily attributed to a reduction in the statewide present law adjustment for personal services. This decrease is partially offset by an increase for statewide present law adjustments in fixed costs and indirect administrative costs for support services.

Revenues

The Surplus Property and Recycling Program is an enterprise fund which sells property to the general public. The program operates by charging up to \$750 plus 5.0% per item sold. The fee was raised from \$500 to \$750 at the beginning of FY 2020.

Proprietary Rates

The figure below shows the rates proposed by the executive for the 2027 biennium. The executive is not proposing a rate increase in the 2027 biennium.

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information			
Approved FY 24	Approved FY 25	Proposed FY 26	Proposed FY 27
Fee Description: The State Surplus handling fees are: If property is sold for less than \$750, the program retains the proceeds. The program retains \$750 plus 5.0% and unusual expenses for property sold for more than \$750. The Federal Surplus Property program fees are an allocation of freight expense and 14.0% of acquisition cost. This is included in the Federal Plan of Operation, which has been approved by the Federal General Services Administration.			

This program is funded with an enterprise fund, which is a type of a proprietary fund. As such, the legislature does not appropriate the funds or approve the rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies concerns with the financial position of the fund.

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.

The decision packages presented are for informational purposes only, offering insights into anticipated changes in expenditure that may affect the rates charged. These decision packages are not approved by the legislature. For internal service funds, the legislature approves the maximum rate that may be charged. For enterprise funds, the legislature reviews the rate and identifies any concerns.

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	1,652	0.00	0	0	0	12,048
DP 2 - Fixed Costs	0.00	0	0	0	(232,479)	0.00	0	0	0	(315,016)
DP 3 - Inflation Deflation	0.00	0	0	0	(6)	0.00	0	0	0	(4)
DP 4 - Allocate Department Indirect/Administrative Costs	0.00	0	0	0	16,856	0.00	0	0	0	18,304
DP 601 - Increase in Postage	0.00	0	0	0	1,059,296	0.00	0	0	0	1,059,296
DP 602 - Contracted Services Increase	0.00	0	0	0	845,344	0.00	0	0	0	882,553
DP 604 - Increase to Lease Liability	0.00	0	0	0	96,473	0.00	0	0	0	96,473
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	\$1,787,136	0.00	\$0	\$0	\$0	\$1,753,654

*"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 proposes adjustments to the present law personal services budget.

DP 2 - Fixed Costs -

The executive proposes 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 proposes 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 4 - Allocate Department Indirect/Administrative Costs -

The executive proposes adjustments in FY 2026 and FY 2027 to provide the funding to pay the Department of Administration's indirect costs. These costs are charged to the department's programs for services provided by DOA employees, including accounting, human resources, and legal issues.

DP 601 - Increase in Postage -

The executive proposes an increase in proprietary funding for FY 2026 and FY 2027 to adjust for increased postage expense for the State Print & Mail Bureau. Postage is purchased by the bureau with the cost billed to utilizing agencies through monthly billing.

DP 602 - Contracted Services Increase -

The executive proposes an increase in proprietary funding for the Capitol Facilities Management Bureau to reflect increases in contracted services cost. These contracted services include contracts for State Capitol security, janitorial services, software maintenance, and building access control.

DP 604 - Increase to Lease Liability -

The executive proposes an increase in proprietary funding for lease liabilities to align with the new lease parameters. This proposal is due to recent changes in accounting guidance requiring leases that meet certain criteria to be classified as a financing (debt service) transaction.

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	213.00	208.00	208.00	(5.00)	(1.2%)
Proprietary Funds	71,297,437	80,074,788	80,185,867	17,665,781	12.4%
Total Funds	71,297,437	80,074,788	80,185,867	17,665,781	12.4%
Personal Services	22,351,981	22,538,138	22,602,401	436,577	1.0%
Operating Expenses	47,404,595	55,995,789	56,042,605	17,229,204	18.2%
Equipment & Intangible Assets	370,861	370,861	370,861		0.0%
Debt Service	1,170,000	1,170,000	1,170,000		0.0%
Total Expenditures	71,297,437	80,074,788	80,185,867	17,665,781	12.4%
Total Ongoing	71,297,437	80,074,788	80,185,867	17,665,781	12.4%
Total One-Time-Only					0.0%

Program Highlights

State Information Technology Services Division Major Budget Highlights	
<ul style="list-style-type: none"> The State Information Technology Services Division's 2027 biennium appropriations are approximately \$17.7 million or 12.4% higher than the FY 2025 base budget Significant proposed biennial increases in rates include: <ul style="list-style-type: none"> \$11.9 million for rated services \$6.8 million for general pass thru services \$3.1 million for a new rate for the Tanium enterprise agreement \$8.6 million for the enterprise services allocation, Microsoft enterprise agreement, cybersecurity enterprise rate, and ServiceNow enterprise agreement 	

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.

State Information Technology Services Div 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
Base Budget	0	0	0	71,297,437	89.0%	0	0	0	71,297,437	88.9%
Statewide PL										
Personal Services	0	0	0	666,363	0.8%	0	0	0	738,297	0.9%
Fixed Costs	0	0	0	(119,937)	(0.1%)	0	0	0	(113,371)	(0.1%)
Inflation Deflation	0	0	0	(1,218)	(0.0%)	0	0	0	(823)	(0.0%)
Total Statewide PL	0	0	0	545,208	0.7%	0	0	0	624,103	0.8%
Present Law (PL)	0	0	0	8,727,349	10.9%	0	0	0	8,767,204	10.9%
New Proposals	0	0	0	(495,206)	(0.6%)	0	0	0	(502,877)	(0.6%)
Total Adjustments	0	0	0	8,777,351	11.0%	0	0	0	8,888,430	11.1%
Total Requested Budget	0	0	0	80,074,788		0	0	0	80,185,867	

Funding

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

Department of Administration, 07-State Information Technology Services Div 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%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
06004 Electronic Government Services	0	0	1,300,000	0	1,300,000	0.8%
06522 ISD Proprietary	0	0	158,960,655	0	158,960,655	99.2%
Proprietary Total	\$0	\$0	\$160,260,655	\$0	\$160,260,655	100.0%
Total All Funds	\$0	\$0	\$160,260,655	\$0	\$160,260,655	

The functions within the State Information Technology Services Division are funded with nonbudgeted proprietary funds. The executive has an internal services fund that receives revenues from information technology costs charged to state agencies. Additionally, SITSD has an enterprise fund for eGovernment services. These proprietary funds are discussed in more detail in the Proprietary Rates section of the narrative.

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	213.00	213.00	208.00	208.00
Personal Services	22,073,903	22,234,940	22,351,981	22,538,138	22,602,401
Operating Expenses	38,335,391	47,852,204	47,404,595	55,995,789	56,042,605
Equipment & Intangible Assets	247,516	247,516	370,861	370,861	370,861
Debt Service	9,421,928	2,163,492	1,170,000	1,170,000	1,170,000
Total Expenditures	\$70,078,738	\$72,498,152	\$71,297,437	\$80,074,788	\$80,185,867
Proprietary Funds	70,078,738	72,498,152	71,297,437	80,074,788	80,185,867
Total Funds	\$70,078,738	\$72,498,152	\$71,297,437	\$80,074,788	\$80,185,867
Total Ongoing	\$70,078,738	\$72,498,152	\$71,297,437	\$80,074,788	\$80,185,867
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The State Information Technology Services Division (SITSD) is a proprietary program that provides central computing, data network, and telecommunications services to more than 100 government customers throughout the state. SITSD manages two data centers, a statewide data network, and provides information technology services to all branches of state government, the Office of Public Instruction, and various city and county municipalities.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The State Information Technology Services Division is funded entirely with nonbudgeted proprietary funds. The budget of approximately \$72.5 million was 96.7% expended as of the end of FY 2024. There are two nonbudgeted proprietary funds in this program: the SITSD proprietary fund and the electronic government services proprietary fund.

The SITSD proprietary fund made up 97.5% of the State Information Technology Services Division's budget in FY 2024. Appropriations of \$70.7 million were 98.7% expended at the end of the fiscal year. Operating expenses of \$46.0 million were 82.5% expended and debt service appropriations of \$2.2 million were over expended by \$7.3 million. This was due to the reclassification of contracts as subscription-based information technology arrangements (SBITA) due to new accounting requirements.

The electronic government services proprietary fund had appropriations of \$1.8 million, which were 19.6% expended at the end of FY 2024. According to SITSD, appropriations from this fund were set too high in the 2025 biennium. Expenses for support and maintenance are approximately \$700,000.

FY 2024 Appropriations Compared to FY 2025 Appropriations

Overall, the FY 2025 appropriation is approximately \$1.2 million or 1.7% lower than the FY 2024 appropriation. There are two primary reasons for the difference:

- The State Information Technology Services Division increased the FY 2024 budget by \$2.1 million. Personal services were increased by \$819,000 because of overtime, termination payouts, increases in wages, and funding 5.00 modified positions. Operating expenses increased by \$405,000 for pass through costs to the agency for services provided by vendors. Debt service increased by \$993,000, in part because estimates for debt service were low and in part due to new accounting requirements for SBITA. These increases are slightly offset by a decrease of \$123,000 for equipment and intangible assets. Although the FY 2024 budget was increased by \$2.1 million, approximately \$1.0 million remained unspent in the budget
- The decreases in FY 2025 appropriations are slightly offset by the allocation of HB 13, which includes the pay plan, between FY 2024 and FY 2025. HB 13 was \$824,000 greater in FY 2025

SITSD Proprietary Fund – 06522*Proprietary Program Description*

Under the direction of the state chief information officer, the division supports and manages the following key information technology programs and services:

- Information Systems Security
 - Manages solutions and services to ensure continuity of enterprise operations and security of data through risk assessment and mitigation, planning and monitoring, detailed recovery planning, incident response, and periodic testing
 - Coordinates security policies and procedures
- Network and Communications
 - Manages the statewide network that connects over 22,000 devices across more than 600 locations, delivering prioritized voice, video, data, and wireless services
 - Develops and implements network solutions that address customer needs for bandwidth and connectivity
- Enterprise Infrastructure
 - Specializes in the design, implementation, and management of shared IT hardware and software infrastructure within a virtualized environment
 - Provides platforms for application and database hosting, utilizing enterprise-class computing and storage capabilities and maintaining load balancing hardware and security policy configuration for externally facing agency applications
 - Supports and maintains the infrastructure responsible for DNS, DHCP, and IP addressing for the enterprise
- Database Services
 - Deploys, manages, and maintains the integrity, performance, and security of SQL Server and Oracle databases, ensuring these systems are available, reliable, and optimized to meet the needs of various agencies
- Montana Data Centers
 - Oversees the state's primary data center in Helena and a disaster recovery facility in Miles City.
 - Maintains the reliability, efficiency, security, and availability of computer processing and storage resources for all customers
- Operations
 - Manages the service desk, network operations and security center, IT asset management, and customer success managers to assist customers regarding hardware and software applications as well as any other IT questions and/or issues from the enterprise.
- Enterprise Platforms
 - Implements and manages large scale enterprise platforms for state use
 - Builds, deploys, and patches endpoints for the Department of Administration and supported agencies
- Application Technology Services
 - Supports the state's mt.gov websites
 - Assists customers with designing and deploying customized applications and online services, including eGovernment applications
- Strategic Planning Services
 - Ensures IT operations are conducted in an organized, deliberative, and cost-effective manner through planning, periodic performance reports, and oversight of agency IT procurements and plans
 - Publishes the state IT strategic plan and biennial report
- State IT Project Management Services
 - Provides expertise, assistance, tools, methodologies, and training to customers to ensure IT projects are conducted in an organized, deliberative, and cost-effective manner
- Financial Management Services
 - Manages budget, billing, acquisition, and contract management services for SITSD.
 - Sets rates and manages the revenues and expenses for more than 200 enterprise services provided to state and local government IT customers

- IT Contract, Procurement, and Vendor Management Services
 - Manages the full lifecycle of IT contracts and procurement activities, ensuring compliance with the Department of Administration, State Procurement Division, and applicable regulations and maximizing value for the state
 - Oversees vendor relationships, performance, and risk while driving cost efficiency and strategic partnerships to support operational and programmatic goals
- Change Enablement
 - Provides comprehensive support for organizational change through strategic communications, event planning, end-user training
 - Provides organizational change management practices to prepare, equip, and support people adopting changes
- State IT Enterprise Architecture
 - Oversees and guides the development, implementation, and management of the state's IT enterprise architecture (EA). The EA provides a strategic blueprint that aligns the business processes, data, applications, and technology infrastructure with strategic objectives
- Portfolio Operations
 - Provides support for long-range planning and funding by collecting and analyzing data, reporting to the Legislative Finance and Interim Budget committees, and ensuring alignment with strategic goals
 - Supports the State CIO by overseeing IT project portfolio operations and management, ensuring projects are prioritized, resourced, and executed

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Program Name
06522	SITSD Proprietary	State Information Technology Services

	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
Operating Revenues				
Fees and Charges				
Charges for Services - Agency	68,243,497	54,123,818	79,679,603	79,291,001
Security Consolidation		1,528,032		
Cybersecurity		10,300,097		
Other Operating Revenues				
Revenue A - External Users		619,470	809,607	809,607
Revenue B - eGOV Receipts		700,000	-	-
Revenue C - Projected Growth		728,583		
Total Operating Revenues	68,243,497	68,000,000	80,489,210	80,100,608
Expenses				
Personal Services	22,418,151	22,351,981	22,538,138	22,602,401
Other Operating Expense	46,728,317	45,579,884	55,390,262	55,390,262
Equipment and Intangible Assets	-	370,861	370,861	370,861
Total Operating Expense	69,146,468	68,302,726	78,299,261	78,363,524
Operating Income (Loss)	(902,971)	(302,726)	2,189,949	1,737,084
Nonoperating Revenues				
Other Revenue A	29,267	-	-	-
Total Nonoperating Revenues (Expenses)	29,267	-	-	-
Income (Loss) Before Contributions and Transfers	(873,704)	(302,726)	2,189,949	1,737,084
Capital Contributions				
Transfers In	-	770,000	770,000	770,000
Transfers Out				
Loans and Lease Payments	(396,629)	(1,170,000)	(1,170,000)	(1,170,000)
Change in Net Position	(1,270,333)	(702,726)	1,789,949	1,337,084
Beginning Net Position - July 1	2,926,295	1,655,962	953,236	2,743,185
Prior Period Adjustments				
Change in Net Position	(1,270,333)	(702,726)	1,789,949	1,337,084
Ending Net Position - June 30	1,655,962	953,236	2,743,185	4,080,269

Budget authority to pay the SITSD allocation is a fixed cost item in each agency's budget. The statewide fixed costs for information technology included in the executive proposal are \$15.4 million higher in FY 2026 and \$15.0 million higher in FY 2027 when compared to the FY 2025 base year. The table below shows the overall amount proposed, by agency, for FY 2026 and FY 2027 and the change when compared the FY 2025 base appropriation.

Department of Administration State Information Technology Services Division State Agency Fixed Costs for Information Technology					
	Budgeted	Requested	Change	Requested	Change
	FY 2025	FY 2026	Between FY 2025 and FY 2026	FY 2027	Between FY 2025 and FY 2027
Legislative Branch	\$ 1,596,524	\$ 849,505	\$ (747,019)	\$ 745,094	\$ (851,430)
Consumer Counsel	20,764	20,422	(342)	20,436	(328)
Judiciary	3,240,425	4,176,303	935,878	4,156,457	916,031
Governor's Office	558,534	459,034	(99,500)	456,826	(101,708)
Secretary of State's Office	1,005,066	770,462	(234,603)	741,547	(263,518)
Commissioner of Political Practice	119,825	101,980	(17,844)	97,762	(22,063)
State Auditor's Office	345,273	410,404	65,130	471,253	125,980
Office of Public Instruction	952,778	1,491,643	538,865	1,515,785	563,007
Department of Justice	4,260,479	4,646,776	386,297	4,598,101	337,622
Public Service Regulation	212,144	265,794	53,651	258,291	46,147
Board of Public Education	44,480	20,342	(24,138)	20,253	(24,227)
Commissioner of Higher Education	2,455	127,788	125,333	126,788	124,333
University of Montana	942	971	29	971	29
Montana State University	154	291	138	291	138
School for the Deaf & Blind	158,547	257,597	99,050	256,544	97,998
Montana Arts Council	71,123	43,250	(27,872)	42,822	(28,301)
Library Commission	658,905	769,663	110,758	768,806	109,901
Historical Society	557,531	617,738	60,207	634,571	77,041
Department of Fish, Wildlife & Parks	2,956,411	4,030,499	1,074,089	3,993,117	1,036,706
Department of Environmental Quality	1,894,343	2,667,638	773,295	2,621,631	727,288
Department of Transportation	7,125,883	10,005,923	2,880,040	9,794,244	2,668,360
Department of Livestock	618,469	788,082	169,614	779,857	161,388
Natural Resource & Conservation	3,140,335	4,677,824	1,537,489	4,691,089	1,550,754
Department of Revenue	3,145,467	3,709,892	564,425	3,791,999	646,532
Department of Administration	3,174,505	3,861,865	687,361	3,783,428	608,924
Montana State Fund	1,203,541	1,240,994	37,453	1,181,069	(22,472)
MT Public Employee Retirement	365,329	581,449	216,121	575,160	209,831
Teachers Retirement Board	171,260	213,497	42,237	216,790	45,529
Public Defender	1,101,274	1,333,258	231,984	1,337,634	236,360
Department of Agriculture	610,318	710,712	100,393	711,758	101,439
Department of Corrections	4,187,630	4,932,766	745,136	4,905,722	718,092
Department of Commerce	1,054,320	1,429,303	374,983	1,441,903	387,583
Board of Investments	-	126,110	126,110	126,110	126,110
Department Labor & Industry	5,154,877	4,756,721	(398,156)	4,741,219	(413,658)
Department of Military Affairs	335,065	398,077	63,012	382,623	47,558
Public Health & Human Services	14,263,624	19,185,027	4,921,402	19,303,051	5,039,427
Total	<u>\$ 64,308,597</u>	<u>\$ 79,679,603</u>	<u>\$ 15,371,005</u>	<u>\$ 79,291,001</u>	<u>\$ 14,982,403</u>

In the 2027 biennium, services the State Information Technology Services provides can be rolled up to seven high-level categories, which include:

- Cybersecurity enterprise rate (CESA)
- ServiceNow enterprise agreement
- Rated Services
- General pass thru
- Tanium enterprise agreement

The table below shows the FY 2025 base year information technology rates to the requested FY 2026 and FY 2027 rates. The executive is requesting an increase of revenues of \$30.4 million or 23.6% when comparing the FY 2025 base year to the 2027 biennium.

Department of Administration State Information Technology Services Division State Agency Fixed Costs for Information Technology by Service					
	FY 2025	FY 2026	FY 2027	FY 2025 to 2027 Biennium Change	
				Amount	Percent
Enterprise Services Allocation	\$ 5,964,003	\$ 6,703,302	\$ 6,703,302	\$ 1,478,597	12.4%
Microsoft Enterprise Agreement	4,813,944	5,528,448	5,542,950	1,443,509	15.0%
Cybersecurity Enterprise Rate	11,828,129	13,272,399	13,272,399	2,888,539	12.2%
ServiceNow Enterprise Agreement	3,573,587	4,949,820	4,949,828	2,752,473	38.5%
Rated Services	32,916,519	38,797,918	38,898,033	11,862,913	18.0%
General Pass Thru	5,212,415	8,869,823	8,366,597	6,811,590	65.3%
Tanium Enterprise Agreement	-	1,557,894	1,557,894	3,115,788	100.0%
Grand Total	<u>\$ 64,308,597</u>	<u>\$ 79,679,603</u>	<u>\$ 79,291,001</u>	<u>\$ 30,353,408</u>	<u>23.6%</u>

The following sections will provide additional information on each of these rates.

Enterprise Service Allocation

Enterprise services are information technology services and staff time provided by SITSD that are used by and benefit at least 90.0% of the enterprise (state agencies). State agencies are charged for their portion of the enterprise services allocation (ESA) based on the active directory (user profiles) within an agency. The enterprise allocation totaled \$6.0 million in the FY 2025 base year. The executive is proposing that the ESA rate will be \$6.7 million in each fiscal year of the biennium, which is a 12.4% increase in the rate.

Department of Administration State Information Technology Services Division Enterprise Service Allocation					
Service	FY 2025	FY 2026	FY 2027	FY 2025 to 2027 Biennium Change	
				Amount	Percent
Adlib Maintenance	\$ 26,588	\$ 20,470	\$ 20,470	\$ (12,236)	-23.0%
Adobe ETLA	467,609			(935,219)	-100.0%
Application Development	1,305,840	1,610,993	1,610,993	610,305	23.4%
Application Hosting	101,423	130,628	130,628	58,410	28.8%
Communications Cloud	294,494	322,500	322,500	56,011	9.5%
Database Hosting	18,413	23,837	23,837	10,847	29.5%
DBA Professional Services	15,420	20,150	20,150	9,460	30.7%
Directory Services	216,670	425,106	425,106	416,872	96.2%
DNS DHCP IPAM	77,963	85,758	85,758	15,591	10.0%
Enterprise Infrastructure / ESA	260,563	637,641	637,641	754,158	144.7%
Enterprise Website/Web Content Hosting	344,996	415,439	415,439	140,887	20.4%
ESPER License Agreement	315,000			(630,000)	-100.0%
Expert Time	1,742,165	2,413,869	2,413,869	1,343,407	38.6%
Montana.gov and MINE	226,859	96,911	96,911	(259,896)	-57.3%
MS Support Contract	550,000	500,000	500,000	(100,000)	-9.1%
Total Enterprise Service Allocation	<u>\$ 5,964,003</u>	<u>\$ 6,703,302</u>	<u>\$ 6,703,302</u>	<u>\$ 1,478,597</u>	<u>12.4%</u>

Significant biennial changes from the FY 2025 base rate include:

- Expert time is proposed to increase \$1.3 million or 38.6%. This increase is due to the increase in hours and rates for the various expert time services. Additionally, expert time for Tableau and the chief innovation and transformation officer were added to this rate for the 2027 biennium
- Enterprise infrastructure is proposed to increase \$754,000 or 144.7%. This increase is due to SITSD moving some data from on-premises to the cloud
- Application development is proposed to increase \$610,000 or 23.4% because the rates increased from \$120 per hour to \$155 per hour
- Directory services is proposed to increase \$417,000 or 96.2% because the number of personal service hours dedicated to this service increased
- Adobe ETLA is proposed to decrease \$935,000 because it is included in the pass thru rate in the 2027 biennium
- ESPER license agreement is proposed to decrease \$630,000 it is included in the pass thru rate in the 2027 biennium

Microsoft Enterprise Agreement

The Microsoft enterprise agreement is the cost of the licensing agreement for Microsoft services. The Microsoft enterprise agreement totaled \$4.8 million in the FY 2025 base year. The executive is proposing a rate of \$5.5 million in each fiscal year of the 2027 biennium, which is a 15.0% increase in the rate. SITSD has negotiated contract extensions for the past 5 years, in which there have been grandfathered discounts. Microsoft will not allow SITSD to extend again, which is resulting in increased costs.

Cybersecurity Enterprise Rate

The cybersecurity enterprise rate provides revenue to pay for cybersecurity services and staff time provided by SITSD that are used by and benefit at least 90.0% of the enterprise. The cybersecurity enterprise rate totaled \$11.8 million in the FY 2025 base year (including IT security consolidation). The executive is proposing that the rate will be \$13.3 million in each fiscal year of the 2027 biennium, which is a 12.2% increase. The table below shows the FY 2025 base year cybersecurity enterprise rate, the requested FY 2026 and FY 2027 rate, and the change between the FY 2025 rate and the 2027 biennium.

Department of Administration State Information Technology Services Division Cybersecurity Enterprise Rate					
Service	FY 2025	FY 2026	FY 2027	FY 2025 to 2027 Biennium Change	
				Amount	Percent
Cybersecurity Enterprise Services - ESP	\$ 1,346,852	\$ 3,383,514	\$ 3,383,514	\$ 4,073,323	151.2%
Cybersecurity Enterprise Services - IRTS	2,158,495	2,254,300	2,254,300	191,610	4.4%
Directory Services - Identity Management	651,265	811,469	811,469	320,408	24.6%
eGov Identity Management	391,497	407,624	407,624	32,255	4.1%
Expert Time	3,376,013	3,626,065	3,626,065	500,105	7.4%
File and Object Storage	28,529	35,821	35,821	14,585	25.6%
IT Security Consolidation	1,528,032			(3,056,064)	-100.0%
Live Storage	8,705	8,216	8,216	(976)	-5.6%
MFA Service	375,694	378,270	378,270	5,151	0.7%
Network Security	1,499,038	1,642,580	1,642,580	287,083	9.6%
Software Configuration Management	77,052	92,317	92,317	30,530	19.8%
Splunk Service	310,208	556,438	556,438	492,459	79.4%
Virtual Server	76,749	75,784	75,784	(1,930)	-1.3%
Total Cybersecurity Enterprise Rate	<u>\$ 11,828,129</u>	<u>\$ 13,272,399</u>	<u>\$ 13,272,399</u>	<u>\$ 2,888,539</u>	<u>12.2%</u>

There are several services that are contributing to the increase in rates. Biennial increases in the rates when compared to the FY 2025 base rate include:

- Cybersecurity enterprise services – enterprise risk management section (ESP) is proposed to increase by \$4.1 million or 151.2%. Of this increase, A significant portion is due to moving the information technology security consolidation rate from the 2025 session into the cybersecurity enterprise rate. Additionally, there was an increase of approximately \$862,000 for overhead
- Expert time is proposed to increase by \$500,000 or 7.4% because the rates and number of hours increased for application hosting section (AHS) and enterprise security risk management. The additional AHS hours are for support of the web application firewall that AHS supports for the enterprise that covers creating new policies, updating existing policies, monitoring and migrating blocks, etc. The enterprise security risk management hours were from IT security consolidation
- Splunk service is proposed to increase by \$492,000 because the annual maintenance contract increased

ServiceNow Enterprise Agreement

ServiceNow is the enterprise platform for service ticketing for the state as well as a platform for forms for business processes. It also includes IT asset management, policy hosting, and application portfolio management.

The ServiceNow enterprise rate totaled \$3.6 million in the FY 2025 base year. The executive is proposing that the rate will be approximately \$4.9 million in each fiscal year of the 2027 biennium, which is a 38.5% increase. According to SITSD, the increase is primarily due to:

- The ServiceNow contract is increasing \$2.1 million or 30.0% over the biennium, which includes:
 - The public sector digital services (PSDS), which delivers government specific workflows, is an increase of \$800,000. This product includes features specific to licensing, permitting, social benefits and eligibility
 - Impact, which provides insights, guidance, recommendations and technical support and tools, is an increase of \$246,000
- An increase in 2.50 PB to assist with maintaining and supporting the health of the platform as use and adoption of ServiceNow has grown

Rated Services

The State Information Technology Services Division uses an activity-based budgeting model that allocates costs to individual services. This model employs a separate unit for each service and the unit is the increment in which the agency buys the service or product. There are 54 services included in the budget for rated services for the 2025 biennium. The number of units budgeted is based on the planned utilization of each agency.

The following table shows the FY 2025 base budget, requests for FY 2026 and FY 2027, and the change between the 2027 biennium and the base year by service.

Department of Administration State Information Technology Services Division Rated Services					
Service	FY 2025	FY 2026	FY 2027	FY 2025 to 2027 Biennium Change	
				Amount	Percent
Additional Line	339,243	432,378	432,378	186,270	27.5%
Contact Center	1,389,269	1,426,546	1,433,584	81,592	2.9%
Application Development	981,720	1,326,413	1,239,690	602,663	30.7%
Application Hosting	952,371	541,319	524,692	(838,730)	-44.0%
Backup Service	515,086	853,623	903,903	727,354	70.6%
Data Center Rack Space - MCDC	74,205	8,166	8,166	(132,077)	-89.0%
Data Center Rack Space - SMDC	23,039	40,326	40,326	34,573	75.0%
Data Warehousing		276,830	276,830	553,660	100.0%
Database Hosting	1,000,505	1,155,580	1,144,932	299,503	15.0%
DBA Professional Services	111,360	89,978	88,738	(44,005)	-19.8%
Directory Services - AD Authentication	68,539	121,954	124,841	109,716	80.0%
Dynamic 365	76,398	98,531	98,531	44,266	29.0%
Enterprise Content Management	126,402	157,499	146,500	51,195	20.3%
Email	123,280	138,431	138,429	30,300	12.3%
Expert Time	3,302,044	2,614,535	2,595,988	(1,393,565)	-21.1%
File & Print Shared Server	54,621	92,317	96,823	79,897	73.1%
File and Object Storage	234,809	286,712	289,663	106,757	22.7%
Firewall Administration - Advanced	55,470	40,010	40,010	(30,920)	-27.9%
Job Scheduling Distribution	457,608	479,868	485,866	50,517	5.5%
Live Storage	1,370,383	2,292,158	2,312,820	1,864,213	68.0%
Long Distance - Toll Free	1,448,522	1,905,799	1,906,244	914,998	31.6%
MFT Service	5,826	6,796	6,796	1,940	16.6%
Mobile Device	135,059	112,302	112,266	(45,549)	-16.9%
Network Access	11,222,862	11,228,611	11,274,352	57,240	0.3%
Network Connection	401,876	185,153	185,153	(433,445)	-53.9%
O365	1,335,222	1,764,232	1,775,649	869,437	32.6%
RDP		70,200	71,646	141,846	100.0%
SCCM as a Service	194,204			(388,408)	-100.0%
Service Desk as a Service		674,502	754,431	1,428,934	100.0%
Service Now	121,928	250,073	231,288	237,505	97.4%
Splunk Service	328,909	597,874	607,740	547,797	83.3%
VDI as a Service	466,200	642,313	641,809	351,722	37.7%
Video Conference	635,601	748,418	749,875	227,090	17.9%
Virtual Server	2,970,231	4,960,500	4,973,718	3,993,757	67.2%
VoIP Phone Service	2,182,691	2,998,835	3,003,392	1,636,844	37.5%
VPN Client	211,036	179,134	180,963	(61,975)	-14.7%
Total Rated Services	<u>32,916,519</u>	<u>38,797,918</u>	<u>38,898,033</u>	<u>11,862,913</u>	<u>18.0%</u>

The rated services totaled \$32.9 million in the FY 2025 base year. The executive is proposing that the rate will be \$38.8 million in FY 2026 and \$38.9 million in FY 2027, which is an increase of 18.0%. Significant biennial changes in rates when compared to the base rate include:

- Virtual servers increased \$4.0 million and live storage increased \$1.9 million. This increase is because the virtual server platform (VSP) service was discontinued and moved to the shared private cloud. At the time of transition, virtual machines were split with approximately 60.0% using the shared private cloud and 40.0% using VSP. With the new model virtual machines and live storage are now tracked at the individual level. According to SITSD, this allows for improved standardization of servers, enhanced compliance with policies, and enhanced supportability
- VoIP phone service increased \$1.6 million. The rate per phone increased by \$58 annually per phone because of the support and maintenance costs paid to the contractor as well as the amount budgeted for phones
- Long distance – toll free increased \$915,000 because of the cloud contact center. In order to maintain the current phone numbers for the state, call routing requires a transfer from the local state telephone number to the cloud contact center, which results in a long distance charge
- O365 increased \$869,000 due to increased personal services and the Proofpoint Secure Email Relay contract. This contract allows for 3rd party cloud solutions to send emails (with @mt.gov) from a State of Montana managed cloud platform so that the citizen customer experience is not impacted
- Backup service increased \$727,000. Approximately half of this increase is due to increased usage. The remaining increase is related to new infrastructure that will enable the service for the remaining 40% of agency servers moving to the shared private cloud
- Application development increased \$603,000 because the application development rate increased from \$120 to \$155
- Expert time decreased \$1.4 million. There are two types of expert time that are primarily contributing to the reduction, which include ServiceNow and the service desk. ServiceNow was reduced because there were too many hours allocated and SITSD didn't have the resources to fulfill those hours, so there is a reduction in the 2027 biennium. The service desk was reduced because this is eliminated in the expert hours rates and is its own rate in the 2027 biennium
- Application hosting decreased \$839,000 because Citrix was discontinued

General Pass Thru

The general pass thru rate is for additional services that state agencies have requested where the cost of the service is passed directly on to the agency.

The general pass thru had rates that totaled \$5.2 million in the FY 2025 base year. The executive is proposing that the rate will be \$8.9 million in FY 2026 and \$8.4 million in FY 2027, which is a 65.3% increase. The table below shows the FY 2025 base year rate, the requested FY 2026 and FY 2027 rate, and the change between the FY 2025 rate and the 2027 biennium for each pass thru.

Department of Administration State Information Technology Services Division General Pass Thru					
Service	FY 2025	FY 2026	FY 2027	FY 2025 to 2027 Biennium Change	
				Amount	Percent
Adobe	32,760	836,198	877,895	1,648,573	2516.1%
Amplifund Pass-Thru	236,340	-	-	(472,681)	-100.0%
CDO Product Pass Thru	610,500	774,171	774,171	327,341	26.8%
ESPER Pass Thru	530,500	1,341,625	1,341,625	1,622,251	152.9%
ESRI Enterprise Agreement	998,834	1,999,754	2,000,000	2,002,086	100.2%
Grant System Pass Thru	-	238,183	269,411	507,594	100.0%
Hyland	699,784	1,456,722	1,571,078	1,628,232	116.3%
Microsoft Direct Pass Thru	501,211	150,712	150,712	(700,998)	100.0%
Monarch Report Analysis Software	11,841	36,618	42,565	55,501	234.4%
Network Cabling Pass-Thru	304,047	-	-	(608,094)	-100.0%
Oracle	1,097,237	981,301	682,401	(530,771)	-24.2%
RSA Token	82,960	877,100	470,500	1,181,680	712.2%
SAS	106,400	176,043	184,845	148,088	69.6%
SSL Certificate	-	1,395	1,395	2,789	100.0%
Total Pass Thru	<u>5,212,415</u>	<u>8,869,823</u>	<u>8,366,597</u>	<u>6,811,590</u>	<u>65.3%</u>

There are several services that are contributing to the increase in rates. Significant biennial changes in rates when compared to the base rate include:

- ESRI increased \$2.0 million or 100.2%. This increase is based on estimated agency license increases as well as cost increases and license option changes
- Adobe increased \$1.6 million. Approximately \$935,000 of this increase is because this service was included in the enterprise service allocation and has moved to the pass thru rate. Adobe changed their licensing model from unlimited to usage based so agencies are now charged for their direct usage
- ESPER, which is a software that is used to support the review and rulemaking needs of state agencies, increased \$1.6 million or 152.9%. Approximately \$630,000 of this increase is because this service was included in the enterprise service allocation and has moved to the pass thru rate. The additional \$1.0 million for the 2027 biennium is because this service was underbudgeted for the 2025 biennium
- Hyland, which enables users to capture documents, automate workflows, and access information securely, increased \$1.6 million or 116.3%. According to SITSD, they learned that Hyland allows offshore resources to access state data. SITSD negotiated that all access must be conducted using onshore resources, which resulted in an increase in costs
- RSA token increased \$1.2 million because of tokens expiring. Each token costs \$100 per token

Tanium Enterprise Agreement

The 2023 Legislature approved the Montana cybersecurity enhancement project in HB 10. Included in this project was funding for Tanium. This project has ongoing costs of \$3.1 million, which are included in the proposed rates for the 2027 biennium.

eGovernment Services – 06522*Proprietary Program Description*

Digital government (eGovernment) services include permitting, registration, licensing, inspections, financial reconciliation, reporting, point of sale card swipe devices and mobile payments, monthly billing, and management and collection of customer accounts. The State Information Technology Services Division has established an enterprise fund for the management of these fees.

Proprietary Program Narrative

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium Report on Internal Service and Enterprise Funds				
Fund	Fund Name	Program Name		
06004	eGovernment	Electronic Government Services		
	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
Operating Revenues				
Fees and Charges				
Fee	713,126	700,000	809,607	809,607
Total Operating Revenues	713,126	700,000	809,607	809,607
Expenses				
Personal Services	-	-	-	-
Operating Expense	357,213	650,000	650,000	650,000
Total Operating Expense	357,213	650,000	650,000	650,000
Operating Income (Loss)	355,913	50,000	159,607	159,607
Income (Loss) Before Contributions and Transfers	355,913	50,000	159,607	159,607
Change in Net Position	355,913	50,000	159,607	159,607
Beginning Net Position - July 1	(2,142,335)	(1,786,422)	(1,736,422)	(1,576,815)
Prior Period Adjustments				
Change in Net Position	355,913	50,000	159,607	159,607
Ending Net Position - June 30	(1,786,422)	(1,736,422)	(1,576,815)	(1,417,208)

Revenues are earned through a fee that is charged to each eGovernment transaction. Fees earned will be used to help offset the costs for the payment processing vendor, as well as for costs to administer the program and other expenses associated with the development of enterprise electronic government services.

Proprietary Rate

Transaction fees are a set rate per transaction or the cost of application development and maintenance.

The eGovernment services program is funded with an enterprise fund, which is a type of a proprietary fund. As such, the legislature does not appropriate the funds or approve the rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies concerns with the financial position of the fund.

**LFD
COMMENT**

The Governor's Office will update the proprietary rate for the eGovernment services proprietary fund in the December 15th Governor's budget submission.

**LFD
COMMENT**

In December 2020, the contract with the vendor providing eGovernment services expired. When this contract expired, the State Information Technology Services Division took over the responsibility for managing these services. During this time, SITSD took out a general fund loan of \$2.5 million. There is currently \$1.8 million remaining on the general fund loan.

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.

The decision packages presented are for informational purposes only, offering insights into anticipated changes in expenditure that may affect the rates charged. These decision packages are not approved by the legislature. For internal service funds, the legislature approves the maximum rate that may be charged. For enterprise funds, the legislature reviews the rate and identifies any concerns.

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	666,363	0.00	0	0	0	738,297
DP 2 - Fixed Costs	0.00	0	0	0	(119,937)	0.00	0	0	0	(113,371)
DP 3 - Inflation Deflation	0.00	0	0	0	(1,218)	0.00	0	0	0	(823)
DP 4 - Allocate Department Indirect/Administrative Costs	0.00	0	0	0	438,075	0.00	0	0	0	441,530
DP 701 - SITSD - Contracted Services Increase	0.00	0	0	0	9,463,985	0.00	0	0	0	9,500,385
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	\$10,447,268	0.00	\$0	\$0	\$0	\$10,566,018

**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 proposes adjustments to the present law personal services budget. Part of the increase in the statewide present law adjustment for personal services is due to management changes to pay rates for retention, promotions, and reclassifications. Also, the median market rate for vacant positions increased in the personal services snapshot. In addition to the management changes, there were also increases in benefits associated with current positions budgeted (PB).

DP 2 - Fixed Costs -

The executive proposes 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 proposes 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 4 - Allocate Department Indirect/Administrative Costs -

The executive proposes an adjustment to provide the funding to pay the Department of Administration's indirect costs. These costs are charged to the department's programs for services provided by DOA employees, including accounting, human resources, and legal issues.

DP 701 - SITSD - Contracted Services Increase -

The executive proposes an increase in proprietary funding for additional operating expenses due to increases in information technology contract costs.

New Proposals

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

The decision packages presented are for informational purposes only, offering insights into anticipated changes in expenditure that may affect the rates charged. These decision packages are not approved by the legislature. For internal service funds, the legislature approves the maximum rate that may be charged. For enterprise funds, the legislature reviews the rate and identifies any concerns.

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 703 - Eliminate CFO Position										
(1.00)	0	0	0	(138,605)		(1.00)	0	0	0	(138,606)
DP 1701 - Transfer of Financial Positions										
(4.00)	0	0	0	(356,601)		(4.00)	0	0	0	(364,271)
Total	(5.00)	\$0	\$0	\$0	(\$495,206)	(5.00)	\$0	\$0	\$0	(\$502,877)

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

DP 703 - Eliminate CFO Position -

The executive proposes a decrease in proprietary funding for 1.00 PB for a chief financial officer position. This position was eliminated as part of a reorganization within the department.

DP 1701 - Transfer of Financial Positions -

The executive proposes a decrease in proprietary funding for 4.00 PB. This proposal involves transferring 5.00 FTE from the SITSD to the Director's Office. In April 2024, the chief financial officer position in SITSD was eliminated as part of a reorganization within the department. The five financial positions residing in SITSD are now report to the department's chief financial officer in the Director's Office. The reorganization was completed to eliminate a duplicative position and to increase efficiencies within the department's accounting and financial functions.

Also proposed is the transfer of 1.00 PB attorney position from the Director's Office to SITSD. Due to the increase in enterprise contracts, policy reviews, and other legal work, SITSD will utilize this attorney full time.

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	21.87	21.87	21.87	0.00	0.0%
Proprietary Funds	233,076,725	261,494,436	275,817,894	71,158,880	15.3%
Total Funds	233,076,725	261,494,436	275,817,894	71,158,880	15.3%
Personal Services	2,077,746	2,029,203	2,033,627	(92,662)	(2.2%)
Operating Expenses	16,188,427	16,200,527	16,195,219	18,892	0.1%
Benefits & Claims	214,810,552	243,264,706	257,589,048	71,232,650	16.6%
Total Expenditures	233,076,725	261,494,436	275,817,894	71,158,880	15.3%
Total Ongoing	233,076,725	261,494,436	275,817,894	71,158,880	15.3%
Total One-Time-Only					0.0%

Program Highlights

Health Care & Benefits Division Major Budget Highlights	
<ul style="list-style-type: none"> • The Health Care & Benefits Division's 2027 biennium proposed non-budgeted proprietary appropriations are approximately \$71.2 million or 15.3% higher than the FY 2025 base budget • This increase is almost entirely attributed to increased proprietary authority for estimated claims expenses for the State of Montana Benefit Plan (State Plan) • Fixed cost rates for the Workers Compensation Program are proposed to increase by 27.6% in FY 2026 and 27.1% in FY 2027 	

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.

Health Care & Benefits Div 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
Base Budget	0	0	0	233,076,725	89.1%	0	0	0	233,076,725	84.5%
Statewide PL										
Personal Services	0	0	0	(48,543)	(0.0%)	0	0	0	(44,119)	(0.0%)
Fixed Costs	0	0	0	3,354	0.0%	0	0	0	(2,365)	(0.0%)
Inflation Deflation	0	0	0	(223)	(0.0%)	0	0	0	(151)	(0.0%)
Total Statewide PL	0	0	0	(45,412)	(0.0%)	0	0	0	(46,635)	(0.0%)
Present Law (PL)	0	0	0	28,463,123	10.9%	0	0	0	42,787,804	15.5%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Adjustments	0	0	0	28,417,711	10.9%	0	0	0	42,741,169	15.5%
Total Requested Budget	0	0	0	261,494,436		0	0	0	275,817,894	

Funding

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

Department of Administration, 21-Health Care & Benefits Div 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%	
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%	
06027 Flexible Spending Funds	0	0	15,782,452	0	15,782,452	2.9%	
06559 Group Benefits Claims A/C	0	0	520,764,659	0	520,764,659	96.9%	
06575 Workers Comp Mgmt Program	0	0	765,219	0	765,219	0.1%	
Proprietary Total	\$0	\$0	\$537,312,330	\$0	\$537,312,330	100.0%	
Total All Funds	\$0	\$0	\$537,312,330	\$0	\$537,312,330		

Non-Budgeted Proprietary

The Health Care and Benefits Division (HCBD) is funded entirely with non-budgeted proprietary funds which are not appropriated in HB 2. These funds are discussed in greater detail in the Proprietary Rates section of this narrative.

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	21.87	21.87	21.87	21.87
Personal Services	1,397,923	1,986,608	2,077,746	2,029,203	2,033,627
Operating Expenses	20,775,165	21,451,688	16,188,427	16,200,527	16,195,219
Benefits & Claims	219,488,119	219,310,552	214,810,552	243,264,706	257,589,048
Total Expenditures	\$241,661,207	\$242,748,848	\$233,076,725	\$261,494,436	\$275,817,894
Proprietary Funds	241,661,207	242,748,848	233,076,725	261,494,436	275,817,894
Total Funds	\$241,661,207	\$242,748,848	\$233,076,725	\$261,494,436	\$275,817,894
Total Ongoing	\$241,661,207	\$242,748,848	\$233,076,725	\$261,494,436	\$275,817,894
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Health Care and Benefits Division provides group benefits to state employees, retirees, legislators, judges, and their dependents by administering a benefits program. Services include health, dental, vision, life, long-term care, long-term disability, flexible spending accounts, employee assistance, and health promotion. The division also oversees workers' compensation matters for the state.

Employee benefits are governed by several Montana Code Annotated statutes, and the Montana Safety Culture Act applies to state government.

The division is funded entirely by proprietary funds not appropriated in HB 2 and includes three main functions:

1. Health Care Benefits Bureau: Administers the employee group benefit plan, funded by the Group Benefits Claims Account
2. Workers' Compensation Management Bureau: Serves as a resource for state agencies to enhance worker safety, implement loss-prevention strategies, and manage workers compensation coverage
3. Flexible Spending Funds: Manages employee deductions for medical and childcare expenses

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Health Care and Benefits Division expended 99.6% of its FY 2024 appropriation authority. The majority of the expenditures are made in benefits and claims, which were over 100.0% expended. Personal services were only 70.4% expended due to employee turnover.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The Health Care and Benefits Division's FY 2025 appropriation authority is approximately \$9.7 million or 4.1% lower than FY 2024. In FY 2024, the division requested an increase of \$10.0 million in appropriation authority, allocated between operating expenses and benefits and claims, due to a higher volume of claims. However, this additional authority was not requested for FY 2025.

Employee Benefits Program – Group Benefits and Claims – Fund 06559

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06559	Group Benefits and Claims	61010	DOA	HCBD

	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
Operating Revenues				
Fees and Charges				
Charges for Services	225,923,326	226,063,596	234,890,000	245,420,000
BOI Investment Earnings	7,296,617	4,970,000	4,120,000	2,750,000
Other Operating Revenues				
Federal	3,172,470	4,607,894	4,725,000	4,725,000
Total Operating Revenues	236,392,413	235,641,490	243,735,000	252,895,000
Expenses				
Personal Services	1,164,334	1,776,100	1,703,683	1,707,988
Other Operating Expense	20,574,234	15,951,861	15,959,186	15,954,508
Benefits and Claims	211,918,533	207,103,322	235,557,476	249,881,818
Total Operating Expense	233,657,101	224,831,283	253,220,345	267,544,314
Operating Income (Loss)	2,735,312	10,810,207	(9,485,345)	(14,649,314)
Nonoperating Revenues				
Fines/Forfeits	67,049	61,000	61,000	61,000
Nonoperating Expenses				
Total Nonoperating Revenues (Expenses)	67,049	61,000	61,000	61,000
Income (Loss) Before Contributions and Transfers	2,802,361	10,871,207	(9,424,345)	(14,588,314)
Capital Contributions				
Transfers In				
Transfers Out				
Loans and Lease Payments				
Change in Net Position	2,802,361	10,871,207	(9,424,345)	(14,588,314)
Beginning Net Position - July 1	169,966,705	172,753,078	183,624,285	161,128,742
Prior Period Adjustments	(15,988)			
Change in Net Position	2,802,361	10,871,207	(9,424,345)	(14,588,314)
Ending Net Position - June 30	172,753,078	183,624,285	161,128,742	146,540,428

Expenses

The executive proposes an increase to the Group Benefit and Claims Program of \$28.5 million in FY 2026 and \$42.7 million in FY 2027 when compared to the FY 2025 base budget. The following figure shows the changes as proposed by the executive by function as reflected in the budgeting system.

Department of Administration Health Care and Benefits Division Group Benefit and Claims Proposed Changes for the 2027 Biennium in the Budgeting System		
	FY 2026	FY 2027
Statewide Present Law Adjustment - Personal Services	\$ (72,417)	\$ (68,112)
Statewide Present Law Adjustment - Fixed Costs	2,495	(2,489)
Statewide Present Law Adjustment - Inflation	(41)	(28)
Allocate Department Indirect/Administrative Costs	4,871	5,164
HCBD Increase in Estimated Claims Expense	28,454,154	42,778,496
Total	\$ 28,389,062	\$ 42,713,031

The majority of this increase is due to greater projected benefit and claims payments in the 2027 biennium. This increase is based on a projected increase of 6.0% in medical claims and 9.0% in prescription claims, year over year.

Revenues

The state employee group benefit plan (SEGBP) is self-funded, and as such is responsible for medical costs incurred by its members. SEGBP is funded through a combination of state share paid by the State of Montana as an employer and member (employee and retiree) contribution payments. The state share is \$1,054 per month and is established in 2-18-703(2), MCA. As a component of employee compensation, the state share contribution amount is a subject of collective bargaining and is negotiated as part of the overall pay package for state employees.

Proprietary Rates

The figure below shows the rates as the currently appear in statute for the 2027 biennium.

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information				
	Approved FY 24	Approved FY 25	Proposed FY 26	Proposed FY 27
Fee Description:				
State Share Contribution	\$ 1,054	\$ 1,054	\$ 1,054	\$ 1,054
Rates are established to maintain adequate reserves. Actual state share rates are set for each calendar year as opposed to a fiscal year. This table shows the average month state share rate for each fiscal year.				

The amounts shown as rates above are the state share contribution for each state employee each month. The state share contribution amounts are contained in statute. The various contribution costs for the program are not limited through the legislative process but are determined by the division based on actuarial estimates of the claim costs for each insurance type. Any difference between the state share contribution and actual costs are made up by employee and retiree contributions and investment income. As the plan year for the state employee health insurance is a calendar year, the revenues for the plans are a combination of contributions for two years.

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

Fund	Fund Name	Agency #	Agency Name	Program Name
06575	Workers Comp Mgmt. Program	61010	Dept. of Administration	HCBD

	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
Operating Revenues				
Fees and Charges				
Charges for Services	296,414	349,312	443,485	443,485
Total Operating Revenues	296,414	349,312	443,485	443,485
Expenses				
Personal Services	233,589	301,646	325,520	325,639
Other Operating Expense	51,929	52,570	57,345	56,715
Total Operating Expense	285,518	354,216	382,865	382,354
Operating Income (Loss)	15,260	(4,904)	60,620	61,131
Nonoperating Revenues				
Nonoperating Expenses				
Total Nonoperating Revenues (Expenses)	-	-	-	-
Income (Loss) Before Contributions and Transfers	15,260	(4,904)	60,620	61,131
Capital Contributions				
Transfers In				
Transfers Out				
Loans and Lease Payments				
Change in Net Position	15,260	(4,904)	60,620	61,131
Beginning Net Position - July 1	(24,643)	(9,383)	(14,287)	46,333
Prior Period Adjustments				
Change in Net Position	15,260	(4,904)	60,620	61,131
Ending Net Position - June 30	(9,383)	(14,287)	46,333	107,464

Expenses

The executive proposes an increase to the Workers Compensation Management Program of \$29,000 in FY 2026 and \$28,000 in FY 2027 when compared to the FY 2025 base budget. The following figure shows the changes as proposed by the executive by function as reflected in the budgeting system.

Department of Administration Health Care and Benefits Division Workers Compensation Management Program Proposed Changes for the 2027 Biennium in the Budgeting System		
	FY 2026	FY 2027
Statewide Present Law Adjustment - Personal Servi	\$ 23,874	\$ 23,993
Statewide Present Law Adjustment - Fixed Costs	859	124
Statewide Present Law Adjustment - Inflation	(182)	(123)
Allocate Department Indirect/Administrative Costs	4,098	4,144
Total	\$ 28,649	\$ 28,138

The majority of this increase is due to statewide present law adjustments for personal services due to pay and benefit increases. Statewide present law adjustments for fixed costs and indirect administrative costs adjustments for support services also increased.

Revenues

The Workers' Compensation Management Program fees are composed of a fixed cost rate allocated to each state agency based on the average number of payroll warrants issued each pay period.

Proprietary Rates

The figure below shows the rates proposed by the executive for the 2027 biennium. The executive proposes an increase to the fixed cost rate of 27.6% in FY 2026 and 27.1% in FY 2027.

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information				
	Approved FY 24	Approved FY 25	Proposed FY 26	Proposed FY 27
Fee Description:	\$ 0.9700	\$ 0.9700	\$ 1.24	\$ 1.23

This program is funded with an internal service fund, which is a type of proprietary fund. As such, the legislature approves the maximum rate the program may charge during the biennium. They are not the rates the program must charge.

Flexible Spending Account Program – Fund 06027*Proprietary Program Revenues and Expenses*

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06027	Flexible Spending	61010	Dept. of Administration	HCBD

	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
Operating Revenues				
Fees and Charges				
Charges for Services	7,869,631	7,741,250	7,800,000	7,800,000
BOI Investment Earnings	168,495	100,000	100,000	100,000
Total Operating Revenues	8,038,126	7,841,250	7,900,000	7,900,000
Expenses				
Personal Services	-	-	-	-
Other Operating Expense	149,002	183,996	183,996	183,996
Expense A	7,569,586	7,707,230	7,707,230	7,707,230
Total Operating Expense	7,718,588	7,891,226	7,891,226	7,891,226
Operating Income (Loss)	319,538	(49,976)	8,774	8,774
Nonoperating Revenues				
Nonoperating Expenses				
Total Nonoperating Revenues (Expenses)	-	-	-	-
Income (Loss) Before Contributions and Transfer	319,538	(49,976)	8,774	8,774
Capital Contributions				
Transfers In				
Transfers Out				
Loans and Lease Payments				
Change in Net Position	319,538	(49,976)	8,774	8,774
Beginning Net Position - July 1	3,587,838	3,893,523	3,843,547	3,852,321
Prior Period Adjustments	(13,853)			
Change in Net Position	319,538	(49,976)	8,774	8,774
Ending Net Position - June 30	3,893,523	3,843,547	3,852,321	3,861,095

Expenses

Expenses are not projected to increase in the Flexible Spending Program for the 2027 biennium as compared to the FY 2025 base budget.

Revenues

The flexible spending account program is funded from an administrative fee of \$2.16 per month on each account participating in the program. This fee is charged per participant whether the participant has a medical account, a dependent care account, or both.

Proprietary Rates

The figure below shows the rates proposed by the executive for the 2027 biennium.

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information				
	Approved FY 24	Approved FY 25	Proposed FY 26	Proposed FY 27
Fee Description: \$	2.16	\$ 2.16	\$ 2.16	\$ 2.16

This program is funded with an enterprise fund, which is a type of proprietary fund. As such, the legislature does not appropriate the funds or approve the rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies concerns with the financial position of the fund.

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.

The decision packages presented are for informational purposes only, offering insights into anticipated changes in expenditure that may affect the rates charged. These decision packages are not approved by the legislature. For internal service funds, the legislature approves the maximum rate that may be charged. For enterprise funds, the legislature reviews the rate and identifies any concerns.

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	(48,543)	0.00	0	0	0	(44,119)
DP 2 - Fixed Costs	0.00	0	0	0	3,354	0.00	0	0	0	(2,365)
DP 3 - Inflation Deflation	0.00	0	0	0	(223)	0.00	0	0	0	(151)
DP 4 - Allocate Department Indirect/Administrative Costs	0.00	0	0	0	8,969	0.00	0	0	0	9,308
DP 2101 - HCBF - Increase in Estimated Claims Expense	0.00	0	0	0	28,454,154	0.00	0	0	0	42,778,496
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	\$28,417,711	0.00	\$0	\$0	\$0	\$42,741,169

*"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 proposes adjustments to the present law personal services budget.

DP 2 - Fixed Costs -

The executive proposes 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 proposes 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 4 - Allocate Department Indirect/Administrative Costs -

The executive proposes adjustments to provide the funding to pay the Department of Administration's indirect costs. These costs are charged to the department's programs for services provided by DOA employees, including accounting, human resources, and legal issues.

DP 2101 - HCBF - Increase in Estimated Claims Expense -

The executive proposes additional proprietary authority to pay estimated claims expenses for the State of Montana Benefit Plan (State Plan).

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	24.75	24.75	24.75	0.00	0.0%
Proprietary Funds	4,807,779	5,422,380	5,583,079	1,389,901	14.5%
Total Funds	4,807,779	5,422,380	5,583,079	1,389,901	14.5%
Personal Services	2,609,746	2,622,321	2,632,807	35,636	0.7%
Operating Expenses	1,975,553	2,577,579	2,727,792	1,354,265	34.3%
Benefits & Claims	222,480	222,480	222,480		0.0%
Total Expenditures	4,807,779	5,422,380	5,583,079	1,389,901	14.5%
Total Ongoing	4,807,779	5,422,380	5,583,079	1,389,901	14.5%
Total One-Time-Only					0.0%

Program Highlights

State Human Resources Division Major Budget Highlights	
<ul style="list-style-type: none"> The State Human Resources Division's 2027 biennium proposed non-budgeted proprietary appropriations are approximately \$1.4 million or 14.5% higher than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> Approximately \$1.1 million of this increase is due to increased contract costs for human resources systems and enterprise learning and development programs Increased authority due to statewide present law adjustments for fixed costs and personal services An increase of 17.0% in FY 2026 and 22.7% in FY 2027 for the HRIS fees An increase of 45.7% in each fiscal year of the 2027 biennium for the Enterprise Learning and Development Program along with two additional rates for Linked-In Learning and Roberts Rules of Order 	

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.

State Human Resources Division 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
Base Budget	0	0	0	4,807,779	88.7%	0	0	0	4,807,779	86.1%
Statewide PL										
Personal Services	0	0	0	12,575	0.2%	0	0	0	23,061	0.4%
Fixed Costs	0	0	0	125,171	2.3%	0	0	0	24,997	0.4%
Inflation Deflation	0	0	0	(9)	(0.0%)	0	0	0	(6)	(0.0%)
Total Statewide PL	0	0	0	137,737	2.5%	0	0	0	48,052	0.9%
Present Law (PL)	0	0	0	476,864	8.8%	0	0	0	727,248	13.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Adjustments	0	0	0	614,601	11.3%	0	0	0	775,300	13.9%
Total Requested Budget	0	0	0	5,422,380		0	0	0	5,583,079	

Funding

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

Department of Administration, 23-State Human Resources 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	4,808,906	0	0	0	4,808,906	30.4%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
06525 Enterprise Learning and Develo	0	0	1,338,821	0	1,338,821	12.2%
06559 Group Benefits Claims A/C	0	0	696,042	0	696,042	6.3%
06563 HR Info Services	0	0	8,970,596	0	8,970,596	81.5%
Proprietary Total	\$0	\$0	\$11,005,459	\$0	\$11,005,459	69.6%
Total All Funds	\$4,808,906	\$0	\$11,005,459	\$0	\$15,814,365	

Non-Budgeted Proprietary Appropriations

The majority of the State Human Resources Division's operations are supported by proprietary funds. This includes:

- Enterprise Learning and Development
- Human Resource Information Services (HRIS) Bureau

The Enterprise Learning and Development generates revenue by charging a fee for services to each agency that utilizes its services. The Human Resource Information Services Bureau (HRIS) is funded through a fee charged to state agencies for each employee payroll processed in a pay period. Both funds are considered and approved as rates charged to other state agencies and are discussed in greater detail in the Proprietary Rates section of this narrative.

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	24.75	24.75	24.75	24.75
Personal Services	2,417,526	2,498,920	2,609,746	2,622,321	2,632,807
Operating Expenses	1,696,545	2,030,981	1,975,553	2,577,579	2,727,792
Benefits & Claims	0	222,480	222,480	222,480	222,480
Total Expenditures	\$4,114,071	\$4,752,381	\$4,807,779	\$5,422,380	\$5,583,079
Proprietary Funds	4,114,071	4,752,381	4,807,779	5,422,380	5,583,079
Total Funds	\$4,114,071	\$4,752,381	\$4,807,779	\$5,422,380	\$5,583,079
Total Ongoing	\$4,114,071	\$4,752,381	\$4,807,779	\$5,422,380	\$5,583,079

Program Description

The State Human Resources Division provides statewide human resource services and programs under the authority of Title 2, Chapter 18, and 39-31-301, MCA. The division houses:

- The Human Resources Policy and Programs Bureau, which establishes the human resource rules, policies, and standards for Montana's executive branch
- The Human Resources Information Systems Bureau, which processes the biweekly payroll, and administers other human resources information systems, for all branches of state government
- Enterprise Learning and Development Bureau, which coordinates professional development and leadership training for the enterprise
- Labor Relations Bureau, which provides labor relations service on behalf of all executive branch agencies

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The State Human Resources Division expended 86.6% of its FY 2024 non-budgeted proprietary appropriation authority. Personal services were 96.7% expended while operating expenses were 83.5% expended. This expenditure falls within the typical spending range for this division.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The State Human Resources Division's FY 2025 appropriation authority is \$55,000, or 1.2%, higher than FY 2024's non-budgeted proprietary authority. This increase is entirely due to greater personal services costs from statewide present law adjustments and a higher pay plan appropriation in FY 2025.

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

Fund	Fund Name	Agency #	Agency Name	Program Name
06563	HR Info Services	61010	Department of Administration	State Human Resources Division

	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
Operating Revenues				
Fees and Charges				
Charges for Services	3,849,451	3,849,451	4,344,873	4,561,663
Other Operating Revenues				
Misc. Revenue	341	100	100	100
Total Operating Revenues	3,849,792	3,849,551	4,344,973	4,561,763
Expenses				
Personal Services	2,215,707	2,290,295	2,336,441	2,346,581
Other Operating Expense	1,410,732	1,736,727	2,068,361	2,219,213
Total Operating Expense	3,626,439	4,027,022	4,404,802	4,565,794
Operating Income (Loss)	223,353	(177,471)	(59,829)	(4,031)
Nonoperating Revenues				
Nonoperating Expenses				
Total Nonoperating Revenues (Expenses)	-	-	-	-
Income (Loss) Before Contributions and Transfers	223,353	(177,471)	(59,829)	(4,031)
Capital Contributions				
Transfers In				
Transfers Out				
Loans and Lease Payments				
Change in Net Position	223,353	(177,471)	(59,829)	(4,031)
Beginning Net Position - July 1	549,718	773,071	595,600	535,771
Prior Period Adjustments				
Change in Net Position	223,353	(177,471)	(59,829)	(4,031)
Ending Net Position - June 30	773,071	595,600	535,771	531,740

Expenses

The executive proposes increasing expenses in the Human Resources Information Services Program by approximately \$378,000 in FY 2026 and \$539,000 in FY 2027 when compared to the FY 2025 base budget. The following figure shows the changes as proposed by the executive by function as reflected in the budgeting system.

Department of Administration State Human Resources Division Human Resources Info Services Proposed Changes for the 2027 Biennium in the Budgeting System		
	FY 2026	FY 2027
Statewide Present Law Adjustment - Personal Services	\$ 46,146	\$ 56,286
Statewide Present Law Adjustment - Fixed Costs	94,359	(5,129)
Statewide Present Law Adjustment - Inflation/Deflation	(9)	(6)
Allocate Department Indirect/Administrative Costs	5,278	5,615
HRIS - Contracted Services Increase	232,006	482,006
Total	\$ 377,780	\$ 538,772

The majority of the proposed increase is attributed to increased contract costs for current human resource systems, which are estimated to increase by an additional 3.0%. Statewide present law adjustments for fixed costs and personal services are also proposed to increase. Greater fixed costs in FY 2026 are due to audit fees.

Revenues

HRIS fees charged to state agencies are determined by projecting the cost of operating the HRIS program through the next biennium. HRIS rates are set as a fixed cost and allocated out to each agency based on the number of paychecks processed during the two prior fiscal years.

Proprietary Rates

The figure below shows the rates proposed by the executive for the 2027 biennium. The executive proposes increased HRIS fees of 17.0% in FY 2026 and 22.7% in FY 2027 when compared to the FY 2025 base rates.

Requested Rates for Internal Service or Enterprise Funds				
Fee/Rate Information				
	Approved FY 24	Approved FY 25	Proposed FY 26	Proposed FY 27
Fee Description:	\$ 10.12	\$ 10.10	\$ 11.82	\$ 12.39

This program is funded with an internal service fund, which is a type of proprietary fund. As such, the legislature approves the maximum rate the program may charge during the biennium. They are not the rates the program must charge.

Enterprise Learning and Development – Fund 06525*Proprietary Program Revenues and Expenses*

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06525	Enterprise Learning and Development	61010	Department of Administration	State Human Resources Division

	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
Operating Revenues				
Fees and Charges				
ELD Program Fees	409,131	406,856	492,684	492,684
Linked-In Learning			146,285	146,285
Robert's Rules			63,495	63,495
Other Operating Revenues				
Misc. Revenue	373			
Total Operating Revenues	409,504	406,856	702,464	702,464
Expenses				
Personal Services	99,777	194,658	180,748	180,748
Other Operating Expense	264,148	219,770	488,868	488,457
Total Operating Expense	363,925	414,428	669,616	669,205
Operating Income (Loss)	45,579	(7,572)	32,848	33,259
Nonoperating Revenues				
Nonoperating Expenses				
Total Nonoperating Revenues (Expenses)	-	-	-	-
Income (Loss) Before Contributions and Transfers	45,579	(7,572)	32,848	33,259
Capital Contributions				
Transfers In				
Transfers Out				
Loans and Lease Payments				
Change in Net Position	45,579	(7,572)	32,848	33,259
Beginning Net Position - July 1	163,878	209,457	201,885	234,733
Prior Period Adjustments				
Change in Net Position	45,579	(7,572)	32,848	33,259
Ending Net Position - June 30	209,457	201,885	234,733	267,992

Expenses

The executive proposes increasing expenses in the Enterprise Learning and Development Program by approximately \$255,000 in FY 2026 and in FY 2027 when compared to the FY 2025 base budget. The following figure shows the changes as proposed by the executive by function as reflected in the budgeting system.

Department of Administration State Human Resources Division Enterprise Learning and Development Proposed Changes for the 2027 Biennium in the Budgeting System		
	FY 2026	FY 2027
Statewide Present Law Adjustment - Personal Services	\$ (13,910)	\$ (13,910)
Statewide Present Law Adjustment - Fixed Costs	30,679	30,237
Allocate Department Indirect/Administrative Costs	8,515	8,546
ELD - Contracted Services Increase	229,904	229,904
Total	\$255,188	\$254,777

The majority of the proposed increase is due to Enterprise Learning and Development contract cost increases, including the contract with Linked-In Learning.

Revenues

The Enterprise Learning and Development Program (ELD) generates revenue through charging fees for the services provided based on the average PB that utilize the service within each agency.

Proprietary Rates

The figure below shows the rates proposed by the executive for the 2027 biennium. The executive proposes increased ELD Program fees of 45.7% in FY 2026 and in FY 2027 when compared to the FY 2025 base rates. The executive also proposes separate fees for Linked-In Learning and Robert's Rules of Order services.

Requested Rates for Internal Service or Enterprise Funds				
Fee/Rate Information				
	Approved FY 24	Approved FY 25	Proposed FY 26	Proposed FY 27
Fee Description:				
ELD Program Fees	\$ 33.2965	\$ 33.2965	\$ 48.5044	\$ 48.5044
Linked-In Learning			\$ 9.9830	\$ 9.9830
Robert's Rules			\$ 60.3565	\$ 60.3565

This program is funded with an internal service fund, which is a type of proprietary fund. As such, the legislature approves the maximum rate the program may charge during the biennium. They are not the rates the program must charge.

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.

The decision packages presented are for informational purposes only, offering insights into anticipated changes in expenditure that may affect the rates charged. These decision packages are not approved by the legislature. For internal service funds, the legislature approves the maximum rate that may be charged. For enterprise funds, the legislature reviews the rate and identifies any concerns.

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	12,575	0.00	0	0	0	23,061
DP 2 - Fixed Costs	0.00	0	0	0	125,171	0.00	0	0	0	24,997
DP 3 - Inflation Deflation	0.00	0	0	0	(9)	0.00	0	0	0	(6)
DP 4 - Allocate Department Indirect/Administrative Costs	0.00	0	0	0	14,954	0.00	0	0	0	15,338
DP 2301 - HRIS - Contracted Services Increase	0.00	0	0	0	232,006	0.00	0	0	0	482,006
DP 2302 - ELD - Contracted Services Increase	0.00	0	0	0	229,904	0.00	0	0	0	229,904
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	\$614,601	0.00	\$0	\$0	\$0	\$775,300

***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 proposes adjustments to the present law personal services budget.

DP 2 - Fixed Costs -

The executive proposes 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 proposes 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 4 - Allocate Department Indirect/Administrative Costs -

The executive proposes adjustments to provide the funding to pay the Department of Administration's (DOA) indirect costs. These costs are charged to the department's programs for services provided by DOA employees, including accounting, human resources, and legal issues.

DP 2301 - HRIS - Contracted Services Increase -

The executive proposes increased non-budgeted proprietary funding for increased contract costs related to current human resource systems. The State Human Resources Division currently contracts with Oracle for five human resource systems: Service Cloud, Taleo, Fusion, People Soft, and Oracle Analytics Cloud. These contracts are renewed annually, except Fusion, which is currently on a two-year contract. The division's current budget allows for up to a 5.0% annual increase

per system. However, the renewal rates for the system have increased, and the division is anticipating the renewal rate to increase by another 3.0%, which will bring the increase up to 8.0% annually.

Additionally, the executive proposes additional authority for an estimated contract increase due to the transition to a new enterprise recruiting system as the old recruiting system will no longer be supported. This annual increase is dependent on the new enterprise recruiting software application approval in HB 10.

DP 2302 - ELD - Contracted Services Increase –

The executive proposes increased non-budgeted proprietary funding for the Enterprise Learning and Development Program (ELD). ELD maintains an annual Robert's Rules of Order training subscription that all board and commission members complete annually at the direction of the Lieutenant Governor. State Human Resources Division (SHRD) currently has a three-year contract with LinkedIn Learning for 12,500 seats for enterprise training. The current contract ends June 30, 2026. The State Human Resources Division will need to renew the contract to retain LinkedIn Learning for enterprise training. The renewal contract would span FY 2027 through FY 2029 and is expected to increase in cost.

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	17.00	17.00	17.00	0.00	0.0%
Proprietary Funds	38,036,177	38,217,371	38,217,153	362,170	0.5%
Total Funds	38,036,177	38,217,371	38,217,153	362,170	0.5%
Personal Services	1,859,571	1,853,475	1,857,288	(8,379)	(0.2%)
Operating Expenses	20,343,834	20,531,124	20,527,093	370,549	0.9%
Grants	520,113	520,113	520,113		0.0%
Benefits & Claims	15,235,087	15,235,087	15,235,087		0.0%
Debt Service	77,572	77,572	77,572		0.0%
Total Expenditures	38,036,177	38,217,371	38,217,153	362,170	0.5%
Total Ongoing	38,036,177	38,217,371	38,217,153	362,170	0.5%
Total One-Time-Only					0.0%

Program Highlights

Risk Management & Tort Defense Division Major Budget Highlights

- The Risk Management & Tort Defense Division's 2027 biennium proposed non-budgeted proprietary appropriations are approximately \$362,000 or 0.5% higher than the FY 2025 base budget
- This increase is almost entirely due to statewide present law adjustments for fixed costs

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.

Risk Mgmt & Tort Defense Div 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
Base Budget	0	0	0	38,036,177	99.5%	0	0	0	38,036,177	99.5%
Statewide PL										
Personal Services	0	0	0	(6,096)	(0.0%)	0	0	0	(2,283)	(0.0%)
Fixed Costs	0	0	0	186,798	0.5%	0	0	0	182,216	0.5%
Inflation Deflation	0	0	0	(791)	(0.0%)	0	0	0	(534)	(0.0%)
Total Statewide PL	0	0	0	179,911	0.5%	0	0	0	179,399	0.5%
Present Law (PL)	0	0	0	1,283	0.0%	0	0	0	1,577	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Adjustments	0	0	0	181,194	0.5%	0	0	0	180,976	0.5%
Total Requested Budget	0	0	0	38,217,371		0	0	0	38,217,153	

Funding

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

Department of Administration, 24-Risk Mgmt & Tort Defense Div 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%
02098 Insurance Proceeds - State Bld	0	0	0	91,000	91,000	100.0%
State Special Total	\$0	\$0	\$0	\$91,000	\$91,000	0.1%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
06532 Agency Insurance Int. Svc.	0	0	76,434,524	0	76,434,524	100.0%
Proprietary Total	\$0	\$0	\$76,434,524	\$0	\$76,434,524	99.9%
Total All Funds	\$0	\$0	\$76,434,524	\$91,000	\$76,525,524	

Non-Budgeted Proprietary Appropriations

The majority of the Risk Management and Tort Defense Division's (RMTD) budget is comprised of proprietary funds that are derived from premium assessments on insurance risks paid by state agencies and the Montana University System. These funds are considered and approved as rates charged to the other state agencies are discussed in the Proprietary Rates budget analysis.

Statutory Appropriations

Statutory appropriations comprise less than 1.0% of the total appropriations for RMTD. The statutory appropriation is for the receipt of insurance proceeds for claims that fall above the amount that the state self-insures.

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	17.00	17.00	17.00	17.00
Personal Services	1,736,491	1,778,120	1,859,571	1,853,475	1,857,288
Operating Expenses	17,468,472	20,571,932	20,343,834	20,531,124	20,527,093
Grants	467,888	520,113	520,113	520,113	520,113
Benefits & Claims	6,025,523	15,235,087	15,235,087	15,235,087	15,235,087
Debt Service	77,572	77,572	77,572	77,572	77,572
Total Expenditures	\$25,775,946	\$38,182,824	\$38,036,177	\$38,217,371	\$38,217,153
Proprietary Funds	25,775,946	38,182,824	38,036,177	38,217,371	38,217,153
Total Funds	\$25,775,946	\$38,182,824	\$38,036,177	\$38,217,371	\$38,217,153
Total Ongoing	\$25,775,946	\$38,182,824	\$38,036,177	\$38,217,371	\$38,217,153
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Risk Management and Tort Defense Division oversees the state's property and casualty insurance. The division purchases commercial coverage for catastrophic losses while self-insuring most risks below \$2.0 million. Insured areas include aircraft, cybersecurity, medical malpractice, and liability, among others. The division also provides training, inspections, and legal support to mitigate loss risks and handles the investigation and resolution of tort and property damage claims. It operates under MCA 2-9-101 through 2-9-305, MCA.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Risk Management and Tort Defense Division expended 67.5% of its FY 2024 appropriation authority. Lower expenditures were driven by lower expenditures in benefits and claims. Appropriation authority was increased in FY 2022 due to a historically high payout year because of a liability settlement. Appropriation authority has remained high; however, expenditures have not reached the level seen in FY 2022.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The Risk Management and Tort Defense Division's FY 2025 appropriation is approximately \$147,000, or less than 1.0%, lower than its FY 2024 appropriation. This decrease is entirely within operating expenses. In FY 2024, the division requested additional operating authority to cover increased insurance premiums that were due and pending; however, this additional authority was not requested for FY 2025. Meanwhile, personal services funding increased in FY 2025 due to statewide present law adjustments.

The following table shows the actual and projected expenditures and related revenues associated with this fund.

Fund	Fund Name	Agency #	Agency Name	Program Name
06532	Agency Insurance	61010	Dept. of Administration	Risk Management & Tort Defense Division

	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
Operating Revenues				
Fees and Charges				
Premium	-	-	12,075,506	12,075,506
Other Operating Revenue - Motorcycle Training	5,974	-	-	-
Investment Earnings	6,674,126	4,680,337	3,744,269	2,995,415
Total Operating Revenues	6,680,099	4,680,337	15,819,775	15,070,921
Expenses				
Personal Services	1,736,491	1,859,571	1,853,475	1,857,288
Other Operating Expense	2,975,908	5,990,545	6,177,835	6,173,804
Insurance Premiums	14,960,452	14,873,402	14,873,402	14,873,402
Claims	6,025,523	15,235,087	15,235,087	15,235,087
Total Operating Expense	25,698,374	37,958,605	38,139,799	38,139,581
Operating Income (Loss)	(19,018,275)	(33,278,268)	(22,320,024)	(23,068,660)
Nonoperating Revenues				
Other Revenue A - Subrogation Proceeds	347,022	178,145	178,159	178,159
Nonoperating Expenses				
Other Expense A - A&E expenses	(838,394)	-	-	-
Total Nonoperating Revenues (Expenses)	(491,372)	178,145	178,159	178,159
Income (Loss) Before Contributions and Transfers	(19,509,646)	(33,100,123)	(22,141,865)	(22,890,501)
Capital Contributions				
Transfers In - Insurance Proceeds Transfer	507,607	98,950	98,950	98,950
Transfers Out	-	-	-	-
Loans and Lease Payments	(77,572)	(77,572)	(77,572)	(77,572)
Change in Net Position	(19,079,611)	(33,078,745)	(22,120,487)	(22,869,123)
Beginning Net Position - July 1	117,396,487	98,316,876	68,058,980	45,938,493
Prior Period Adjustments				
Change in Net Position	(19,079,611)	(33,078,745)	(22,120,487)	(22,869,123)
Ending Net Position - June 30	98,316,876	68,058,980	45,938,493	23,069,370

Expenses

The executive proposes increasing expenses in the Risk Management and Tort Defense Program by approximately \$181,000 in FY 2026 and in FY 2027 when compared to the FY 2025 base budget. The majority of the proposed increase is due to statewide present law adjustments for information technology fixed costs.

Revenue

Montana self-insures its insurance risks for automobile, aviation, general liability and property via the Risk Management and Tort Defense Division (RMTD). All agencies pay insurance premiums to the division.

Premium amounts for state agencies are determined based on the predicted costs of losses the state may incur as a result of claims and the costs for operating the division. The division utilizes reasonable industry standards and practices employed by other municipalities and municipal risk pools in setting rates. Budgeted authority to pay insurance premiums is a fixed cost item in agency budgets.

Premiums for the 2027 biennium are apportioned based upon exposure and loss experience as

follows: Automobile – comprised of two separate components:

- Comprehensive and collision based upon total value of reported vehicles
- Auto liability premium based on agency losses over the past four years and number of vehicles reported
- Aviation – allocated to those agencies that have aircraft based on charges on commercial insurance carriers for each aircraft, depending on the year, make, model, and value of the aircraft. Airport premium is apportioned to those agencies that have airports based upon the number of airports
- General Liability – comprised of commercial coverage negotiated with commercial insurance carriers and self- insurance for those risks that are not insurable through commercial coverage based on number of exposures
- Property – allocated to each agency based on its percentage of reported expenses (e.g., building replacement cost values, boilers, and machinery, etc.)

Payments for claims and the operational expenses incurred by the division are expended from the state property/casualty insurance fund. In addition, reserves for each insurance risk are maintained within the fund. Reserves are used for higher than anticipated claim costs, unexpected large losses, and increases in the costs of commercial excess insurance from catastrophic events, and incurred, but not yet reported, claims as determined by actuarial opinion and input from industry peer groups.

Proprietary Rates

The figure below shows the rates proposed by the executive for the 2027 biennium.

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information				
	Approved FY 24	Approved FY 25	Proposed FY 26	Proposed FY 27
Fee Description:				
Auto Comprehensive/Collision	1,820,313	1,820,313	1,820,313	1,820,313
Aviation	169,961	169,961	169,961	169,961
General Liability	13,151,738	13,151,738	13,151,738	13,151,738
Property/Miscellaneous	9,009,000	9,009,000	9,009,000	9,009,000
	\$ 24,151,012	\$ 24,151,012	\$ 24,151,012	\$ 24,151,012

This program is funded with an internal service fund, which is a type of a proprietary fund. As such, the legislature approves the maximum rate the program may charge during the biennium. They are not the rates the program must charge.

In FY 2022, the amount of the reserves in the RMTD fund increased significantly. The Risk Management and Tort Defense Division won a judgement of approximately \$78.6 million against the state's former insurance carrier for recovery of expenses incurred in defense and settlement of Libby asbestos claims. Additionally, in the same fiscal year, the former insurance carrier agreed to pay the state \$62.5 million in another settlement involving Libby asbestos claims.

The 2023 Legislature approved a premium holiday for the 2025 biennium in order to reduce the level of reserves in the state insurance fund to fall within an acceptable range of target funding ratios that are commonly used by public entities and higher education. The results of the premium holiday are that the excess reserves are reduced over time and those agencies that are federally funded are beneficiaries of lower costs over time as opposed to transferring the excess to the general fund, which would necessitate a payment to the federal government. For the 2027 biennium, the executive proposes a partial premium holiday, reducing the premium by half, to continue to reduce the reserves.

The rates being proposed are a placeholder, the legislature may wish to approve this rate holiday as one-time-only in order for the executive to not have to rebuild this program in 2029 biennium budget. State agencies and universities that do not continue to participate in risk management, mitigation initiatives, and insurance premiums discount programs may be billed an insurance premium during the 2027 biennium.

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.

The decision packages presented are for informational purposes only, offering insights into anticipated changes in expenditure that may affect the rates charged. These decision packages are not approved by the legislature. For internal service funds, the legislature approves the maximum rate that may be charged. For enterprise funds, the legislature reviews the rate and identifies any concerns.

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	(6,096)	0.00	0	0	0	(2,283)
DP 2 - Fixed Costs	0.00	0	0	0	186,798	0.00	0	0	0	182,216
DP 3 - Inflation Deflation	0.00	0	0	0	(791)	0.00	0	0	0	(534)
DP 4 - Allocate Department Indirect/Administrative Costs	0.00	0	0	0	1,283	0.00	0	0	0	1,577
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	\$181,194	0.00	\$0	\$0	\$0	\$180,976

**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 proposes adjustments to the present law personal services budget.

DP 2 - Fixed Costs -

The executive proposes 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 proposes 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 4 - Allocate Department Indirect/Administrative Costs -

The executive proposes an adjustment to provide the funding to pay the Department of Administration's indirect costs. These costs are charged to the department's programs for services provided by DOA employees, including accounting, human resources, and legal issues.

DEPARTMENT OF COMMERCE

Section A

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	115.33	115.33	115.33	0.00	0.0%
Proprietary Funds	79,475,160	79,488,967	79,205,991	(255,362)	(0.2%)
Total Funds	79,475,160	79,488,967	79,205,991	(255,362)	(0.2%)
Personal Services	13,319,898	12,959,876	12,989,834	(690,086)	(2.6%)
Operating Expenses	10,246,780	10,629,750	10,298,347	434,537	2.1%
Equipment & Intangible Assets	312,000	312,000	312,000		0.0%
Grants	150,000	150,000	150,000		0.0%
Benefits & Claims	54,789,200	54,789,200	54,789,200		0.0%
Transfers	35,000			(70,000)	(100.0%)
Debt Service	622,282	648,141	666,610	70,187	5.6%
Total Expenditures	79,475,160	79,488,967	79,205,991	(255,362)	(0.2%)
Total Ongoing	79,475,160	79,488,967	79,205,991	(255,362)	(0.2%)
Total One-Time-Only					0.0%

Agency Highlights

Department of Commerce Major Budget Highlights
<ul style="list-style-type: none"> The Department of Commerce's 2027 biennium proposed non-budgeted proprietary appropriations are approximately \$255,000 or 0.2% less than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> Decreased statewide present law adjustments for personal services The removal of indirect administrative costs from the Board of Investments budget Increased statewide present law adjustments for fixed costs and administrative cost adjustments for all other divisions

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 Commerce 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
Base Budget	0	0	0	79,475,160	100.0%	0	0	0	79,475,160	100.3%
Statewide PL										
Personal Services	0	0	0	(362,522)	(0.5%)	0	0	0	(332,564)	(0.4%)
Fixed Costs	0	0	0	605,402	0.8%	0	0	0	269,071	0.3%
Inflation Deflation	0	0	0	(1,048)	(0.0%)	0	0	0	(708)	(0.0%)
Total Statewide PL	0	0	0	241,832	0.3%	0	0	0	(64,201)	(0.1%)
Present Law (PL)	0	0	0	(228,025)	(0.3%)	0	0	0	(204,968)	(0.3%)
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Adjustments	0	0	0	13,807	0.0%	0	0	0	(269,169)	(0.3%)
Total Requested Budget	0	0	0	79,488,967		0	0	0	79,205,991	

Funding

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

Total Department of Commerce 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
01100 General Fund	12,917,365			3,600,000	16,517,365	4.4%
02116 Accommodation Tax Account	1,066,544			32,568,041	33,634,585	8.9%
02254 Regional Accommodation Tax				31,079,986	31,079,986	8.2%
02771 Big Sky Economic Dev Program	1,061,903			17,656,815	18,718,718	4.9%
02279 Accom. Tax - Tourism Grants				17,328,778	17,328,778	4.6%
02277 Accom. Tax - Rural Tourism				16,950,821	16,950,821	4.5%
Other State Special Revenue	18,828,579			10,991,645	29,820,224	7.9%
State Special Revenue Total	20,957,026	-	-	126,576,086	147,533,112	38.9%
03059 Community Development Block	15,065,588				15,065,588	4.0%
03585 HTF	12,576,811				12,576,811	3.3%
03300 Home Grants	11,560,174				11,560,174	3.0%
03092 Distressed Woods Federal				2,001,273	2,001,273	0.5%
03207 Small Business Dev. Centers	1,776,703				1,776,703	0.5%
Other Federal Special Revenue	2,712,206				2,712,206	0.7%
Federal Special Revenue Total	43,691,482	-	-	2,001,273	45,692,755	12.1%
06074 SEC 8 Project Based			57,291,463		57,291,463	15.1%
06054 Section 8 HAP			48,101,012		48,101,012	12.7%
06527 Investment Division			15,395,558		15,395,558	4.1%
06014 BOI Municipal Finance Programs			1,085,546	10,600,000	11,685,546	3.1%
06075 Section 8 Vouchers			8,265,595		8,265,595	2.2%
Other Proprietary Fund			28,555,784		28,555,784	7.5%
Proprietary Fund Total	-	-	158,694,958	10,600,000	169,294,958	44.7%
Total of All Funds	77,565,873	-	158,694,958	142,777,359	379,038,190	
Percent of All Sources of Authority	20.5%	0.0%	41.9%	37.7%		

Non-Budgeted Proprietary Funds

Non-budgeted proprietary funds are primarily for the Housing MT Division but also includes authority for the Board of Investments, Facility Finance Authority, and the Director's Office. These funds are discussed in further detail at the program level analysis.

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	115.33	115.33	115.33	115.33
Personal Services	12,864,003	13,160,709	13,319,898	12,959,876	12,989,834
Operating Expenses	9,477,268	10,844,197	10,246,780	10,629,750	10,298,347
Equipment & Intangible Assets	0	0	312,000	312,000	312,000
Grants	50,000	100,000	150,000	150,000	150,000
Benefits & Claims	52,605,429	55,670,725	54,789,200	54,789,200	54,789,200
Transfers	0	35,000	35,000	0	0
Debt Service	374,809	625,282	622,282	648,141	666,610
Total Expenditures	\$75,371,509	\$80,435,913	\$79,475,160	\$79,488,967	\$79,205,991
Proprietary Funds	75,371,509	80,435,913	79,475,160	79,488,967	79,205,991
Total Funds	\$75,371,509	\$80,435,913	\$79,475,160	\$79,488,967	\$79,205,991
Total Ongoing	\$75,371,509	\$80,435,913	\$79,475,160	\$79,488,967	\$79,205,991
Total OTO	\$0	\$0	\$0	\$0	\$0

Agency Description

The Department of Commerce non-budgeted proprietary funds includes authority in the Board of Housing, Board of Investments, Facility Finance Authority, and Director's Office. These funds will be discussed in detail at the program level.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

In FY 2024, the Department of Commerce expended 93.7% of its \$80.4 million nonbudgeted proprietary budget. The majority of these expenditures are in the Housing Division for benefits and claims for various housing programs. These expenditures will be discussed in more detail at the program level.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The Department of Commerce's appropriation authority for FY 2025 is approximately \$961,000, or 1.2%, less than in FY 2024. This decrease is primarily due to lower benefits and claims as well as operating expenditures in the Housing MT Division due to greater than anticipated rental assistance payments and administrative costs in FY 2024.

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	3.00	3.00	3.00	0.00	0.0%
Proprietary Funds	985,339	948,522	898,414	(123,742)	(6.3%)
Total Funds	985,339	948,522	898,414	(123,742)	(6.3%)
Personal Services	495,094	386,388	388,092	(215,708)	(21.8%)
Operating Expenses	276,189	383,078	331,266	161,966	29.3%
Grants	150,000	150,000	150,000		0.0%
Transfers	35,000			(70,000)	(100.0%)
Debt Service	29,056	29,056	29,056		0.0%
Total Expenditures	985,339	948,522	898,414	(123,742)	(6.3%)
Total Ongoing	985,339	948,522	898,414	(123,742)	(6.3%)
Total One-Time-Only					0.0%

Program Highlights

Montana Facility Finance Authority Major Budget Highlights	
<ul style="list-style-type: none"> The Montana Facility Finance Authority's 2027 biennium non-budgeted proprietary appropriations are approximately \$124,000 or 6.3% less than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> A decrease in personal services appropriations is due to statewide present law adjustments This decrease is partially offset by statewide present law adjustments for fixed cost and administrative cost adjustments 	

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.

Montana Facility Finance Authority 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
Base Budget	0	0	0	985,339	103.9%	0	0	0	985,339	109.7%
Statewide PL										
Personal Services	0	0	0	(111,206)	(11.7%)	0	0	0	(109,502)	(12.2%)
Fixed Costs	0	0	0	55,505	5.9%	0	0	0	1,826	0.2%
Inflation Deflation	0	0	0	(33)	(0.0%)	0	0	0	(22)	(0.0%)
Total Statewide PL	0	0	0	(55,734)	(5.9%)	0	0	0	(107,698)	(12.0%)
Present Law (PL)	0	0	0	18,917	2.0%	0	0	0	20,773	2.3%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	0	0	0	(36,817)	(3.9%)	0	0	0	(86,925)	(9.7%)
Total Requested Budget	0	0	0	948,522		0	0	0	898,414	

Funding

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

Department of Commerce, 71-Montana Facility Finance Authority 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%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
06015 Facilities Finance Authority	0	0	1,718,348	0	1,718,348	93.0%
06017 C-PACE Commercial Property Ass	0	0	128,588	0	128,588	7.0%
Proprietary Total	\$0	\$0	\$1,846,936	\$0	\$1,846,936	100.0%
Total All Funds	\$0	\$0	\$1,846,936	\$0	\$1,846,936	

Non-Budgeted Proprietary Appropriations

The Montana Facility Finance Authority is entirely supported through non-budgeted proprietary funds. These funds are discussed in more detail in the program discussion.

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	3.00	3.00	3.00	3.00
Personal Services	489,055	550,158	495,094	386,388	388,092
Operating Expenses	223,481	270,162	276,189	383,078	331,266
Grants	50,000	100,000	150,000	150,000	150,000
Transfers	0	35,000	35,000	0	0
Debt Service	25,588	29,056	29,056	29,056	29,056
Total Expenditures	\$788,124	\$984,376	\$985,339	\$948,522	\$898,414
Proprietary Funds	788,124	984,376	985,339	948,522	898,414
Total Funds	\$788,124	\$984,376	\$985,339	\$948,522	\$898,414
Total Ongoing	\$788,124	\$984,376	\$985,339	\$948,522	\$898,414
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Facility Finance Authority (FFA) supports healthcare and community development in Montana by providing access to cost-effective capital financing and development services. Created by the 1983 Legislature, the FFA offers low-cost, tax-exempt debt financing for healthcare facilities, community pre-release centers, and for-profit manufacturing projects to help manage costs and reduce fees.

In 2021, the FFA was designated as the statewide administrator of the Commercial Property Assessed Capital Enhancement (C-PACE) Program, which facilitates private financing for energy efficiency, water conservation, and renewable energy projects. The FFA operates entirely on proprietary funds generated from interest, fees, and charges, with no direct appropriations from HB 2. Its responsibilities are outlined in Title 90, Chapter 7, and Title 2, Chapter 15, MCA.

Department of Commerce Facility Finance Authority Reserve Requirements as of the Beginning of FY 2025		
	Required	Funded
Capital Reserve Account A (a)	\$ 10,913,340	\$ 778,397
Capital Reserve Account B (b)	4,905,556	6,002,274
Direct Loan Program (c)	1,029,153	1,033,903
Working Capital Fund (d)	1,669,926	1,669,926
Total	\$ 18,517,975	\$ 9,484,500
Percent Funded		51.2%
Policy Guidelines - Minimum Funding Requirements		
(a) Up to 10.0% of the outstanding BOI enhanced bond balance as of 7/1/2022		109,133,401
(b) \$4,905,556 as of 7/1/2021 plus YTD loan payments, account investment earnings		6,000,000
(c) 10.0% of the Trust Fund Loan Pool Balance as of 7/1/2024		10,291,527
(d) Twice the current fiscal year operating expense budget		834,963
**Transfer from 06015 to 06012 to match policy occurred on July 9, 2024		

As shown in the figure, the amount of the reserves as of the beginning of FY 2025 is 51.2% of the reserve requirements established by the authority. This is a slight decline from the November 2023 funded ratio of 52.2%.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Facility Finance Authority expended 80.1% of its \$984,000 proprietary authority in FY 2024. Personal services were 88.9% expended while operating expenses were 82.7%, grants 50.0%, transfers 0.0%, and debt services 88.1% expended. Lower expenditures for personal services and operating expenses were primarily due to low expenditures for the C-PACE program, which is in its infancy stages. Lower expenditures for grants were due to the division receiving less demand for planning grants. Lower transfer expenditures were due to the agency no longer paying the Board of Investments for shared services as they no longer occupy the same office building.

FY 2024 Appropriations Compared to FY 2025 Appropriation

The Facility Finance Authorities total appropriation authority for FY 2025 is not significantly different than FY 2024.

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06012	FFA Loan Program	65010	Dept of Commerce	MT Facility Finance Authority
06015	Facilities Finance Authority	65010	Dept of Commerce	MT Facility Finance Authority
06017	C-PACE Commercial Property	65010	Dept of Commerce	MT Facility Finance Authority

	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
Operating Revenues				
Fees and Charges				
Charges For Services	669,345	800,000	827,000	835,000
Grants	9,544	-	-	-
Total Operating Revenues	678,889	800,000	827,000	835,000
Expenses				
Personal Services	489,055	495,094	386,388	388,092
Operating Expense	223,581	276,189	383,078	331,266
Total Operating Expense	712,636	771,283	769,466	719,358
Operating Income (Loss)	(33,747)	28,717	57,534	115,642
Nonoperating Revenues				
BOI Investment Earnings	435,985	87,500	285,000	265,000
Nonoperating Expenses				
Grants	(50,000)	(150,000)	(150,000)	(150,000)
Total Nonoperating Revenues (Expenses)	385,985	(62,500)	135,000	115,000
Income (Loss) Before Contributions and Transfers	352,238	(33,783)	192,534	230,642
Capital Contributions				
Transfers In				
Transfers Out		(35,000)		
Loans and Lease Payments	(25,588)	(29,056)	(29,056)	(29,056)
Change in Net Position	326,650	(97,839)	163,478	201,586
Beginning Net Position - July 1	9,845,229	10,171,904	10,074,065	10,237,543
Prior Period Adjustments	25			
Change in Net Position	326,650	(97,839)	163,478	201,586
Ending Net Position - June 30	10,171,904	10,074,065	10,237,543	10,439,129
Net Position (Fund Balance) Analysis				
Restricted Net Position (Enterprise Funds Only)				
Unrestricted Net Position	10,171,904	10,074,065	10,237,543	10,439,129

Expenses

Personal services are projected to decrease due to statewide present law adjustments for personal services. Operating expenses are projected to increase in the 2027 biennium due statewide present law adjustments and administrative cost adjustments.

Revenues

Revenues are projected to increase in the Facility Finance Authority in the 2027 biennium. These projections were made due to the higher market rates and greater activity in the revolving loan program.

Proprietary Rates

The executive does not propose any rate changes in the 2027 biennium. The figure below shows the rates proposed by the executive for the 2027 biennium.

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information	
Application Fee:	
Conduit Bonds	
Loan Amount	Fee
Up to \$5,000,000	30 basis points (bp) (.0030)
Up to \$10,000,000	the > of 25 bp or \$ 15,000
Up to \$25,000,000	the > of 15 bp or \$ 25,000
Up to \$50,000,000	the > of 12.5 bp or \$ 37,500
Up to \$100,000,000	the > of 7.5 bp or \$ 62,500
Over \$100,000,000	the > of 6.5 bp or \$ 75,000
C-PACE Financings	
1.25% of the par amount of the financing.	
Annual Fee:	
Stand Alone Bond Issues	5 bp X the outstanding principal amount
Private Placement bond issues	5 bp X the outstanding principal amount
Master Loan Program	10 bp X the outstanding principal amount
C-PACE	Lesser of 100 bp X the amount of the annual payment or \$3,000
Monthly fee:	
Trust Fund Loan Program	50 bp X the outstanding principal amount
Authority:	
Fee revenues: 90-7-202 and 90-7-211, MCA; Investment Earnings: 90-7-202, MCA	

This program is funded with an enterprise fund, which is a type of a proprietary fund. As such, the legislature does not appropriate the funds or approve the rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies concerns with the financial position of the fund.

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.

The decision packages presented are for informational purposes only, offering insights into anticipated changes in expenditure that may affect the rates charged. These decision packages are not approved by the legislature. For internal service funds, the legislature approves the maximum rate that may be charged. For enterprise funds, the legislature reviews the rate and identifies any concerns.

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	(111,206)		0.00	0	0	0	(109,502)
DP 2 - Fixed Costs										
0.00	0	0	0	55,505		0.00	0	0	0	1,826
DP 3 - Inflation Deflation										
0.00	0	0	0	(33)		0.00	0	0	0	(22)
DP 7105 - FFA ADMINISTRATIVE COSTS ADJUSTMENTS										
0.00	0	0	0	18,917		0.00	0	0	0	20,773
Grand Total All Present Law Adjustments										
0.00	\$0	\$0	\$0	(\$36,817)		0.00	\$0	\$0	\$0	(\$86,925)

*"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 proposes adjustments to the present law personal services budget.

DP 2 - Fixed Costs -

The executive proposes 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 proposes 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 7105 - FFA ADMINISTRATIVE COSTS ADJUSTMENTS -

The executive proposes adjustments for additional board member per diem, and increased costs for travel, as well as indirect costs paid to the Director's Office for support services provided to supported divisions, bureaus, and programs. There are reductions for support services previously paid to the Board of Investments that are no longer required.

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	58.33	58.33	58.33	0.00	0.0%
Proprietary Funds	66,875,288	67,342,089	67,217,726	809,239	0.6%
Total Funds	66,875,288	67,342,089	67,217,726	809,239	0.6%
Personal Services	5,111,734	4,956,241	4,969,810	(297,417)	(2.9%)
Operating Expenses	6,209,412	6,813,862	6,663,185	1,058,223	8.5%
Equipment & Intangible Assets	312,000	312,000	312,000		0.0%
Benefits & Claims	54,789,200	54,789,200	54,789,200		0.0%
Debt Service	452,942	470,786	483,531	48,433	5.3%
Total Expenditures	66,875,288	67,342,089	67,217,726	809,239	0.6%
Total Ongoing	66,875,288	67,342,089	67,217,726	809,239	0.6%
Total One-Time-Only					0.0%

Program Highlights

Housing MT Division Major Budget Highlights
<ul style="list-style-type: none"> The Housing MT Division's 2027 biennium proposed non-budgeted proprietary appropriations are approximately \$809,000 or 0.6% higher than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> Increased indirect administrative costs for support services provided by the Director's Office Increased statewide present law adjustments fixed costs

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.

Housing M T 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
Base Budget	0	0	0	66,875,288	99.3%	0	0	0	66,875,288	99.5%
Statewide PL										
Personal Services	0	0	0	(155,493)	(0.2%)	0	0	0	(141,924)	(0.2%)
Fixed Costs	0	0	0	214,720	0.3%	0	0	0	61,017	0.1%
Inflation Deflation	0	0	0	(907)	(0.0%)	0	0	0	(613)	(0.0%)
Total Statewide PL	0	0	0	58,320	0.1%	0	0	0	(81,520)	(0.1%)
Present Law (PL)	0	0	0	408,481	0.6%	0	0	0	423,958	0.6%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Adjustments	0	0	0	466,801	0.7%	0	0	0	342,438	0.5%
Total Requested Budget	0	0	0	67,342,089		0	0	0	67,217,726	

Funding

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

Department of Commerce, 74-Housing M T 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%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
03300 Home Grants	11,560,174	0	0	0	11,560,174	47.9%
03585 HTF	12,576,811	0	0	0	12,576,811	52.1%
Federal Special Total	\$24,136,985	\$0	\$0	\$0	\$24,136,985	15.2%
06028 Emergency Housing Vouchers-Adm	0	0	318,668	0	318,668	0.2%
06029 Emergency Housing Vouchers-HAP	0	0	1,440,000	0	1,440,000	1.1%
06030 BOH Financial Program Fund	0	0	7,757,547	0	7,757,547	5.8%
06031 Housing Trust Fund	0	0	20,000	0	20,000	0.0%
06032 Mortgage Loan Servicing	0	0	4,750,646	0	4,750,646	3.5%
06037 Sect 8 Mod Rehab HAP	0	0	4,934,016	0	4,934,016	3.7%
06044 Mainstream HCVP-Admin	0	0	150,000	0	150,000	0.1%
06045 Mainstream HCVP-HAP	0	0	800,000	0	800,000	0.6%
06054 Section 8 HAP	0	0	48,101,012	0	48,101,012	35.7%
06074 SEC 8 Project Based	0	0	57,291,463	0	57,291,463	42.6%
06075 Section 8 Vouchers	0	0	8,265,595	0	8,265,595	6.1%
06078 Housing Montana Fund	0	0	20,000	0	20,000	0.0%
06079 Revolving Loan Fund - TANF	0	0	20,000	0	20,000	0.0%
06085 Section 8 Mod Rehab	0	0	690,868	0	690,868	0.5%
Proprietary Total	\$0	\$0	\$134,559,815	\$0	\$134,559,815	84.8%
Total All Funds	\$24,136,985	\$0	\$134,559,815	\$0	\$158,696,800	

Non-Budgeted Proprietary

The majority of the Housing MT Division's funding is from proprietary funds. These funds are discussed in the program discussion.

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	58.33	58.33	58.33	58.33
Personal Services	4,746,246	4,916,180	5,111,734	4,956,241	4,969,810
Operating Expenses	5,279,083	6,391,360	6,209,412	6,813,862	6,663,185
Equipment & Intangible Assets	0	0	312,000	312,000	312,000
Benefits & Claims	52,605,429	55,670,725	54,789,200	54,789,200	54,789,200
Debt Service	240,980	452,942	452,942	470,786	483,531
Total Expenditures	\$62,871,738	\$67,431,207	\$66,875,288	\$67,342,089	\$67,217,726
Proprietary Funds	62,871,738	67,431,207	66,875,288	67,342,089	67,217,726
Total Funds	\$62,871,738	\$67,431,207	\$66,875,288	\$67,342,089	\$67,217,726
Total Ongoing	\$62,871,738	\$67,431,207	\$66,875,288	\$67,342,089	\$67,217,726
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Housing MT Division supports Montana communities by facilitating access to safe, affordable, and sustainable housing for residents whose needs are unmet by the private market. There are three main proprietary programs within the Housing MT Division:

- **Montana Board of Housing:** Governed by a seven-member board appointed by the Governor, the board manages programs aimed at promoting affordable housing, including the Homeownership Program, Multifamily Loan Program, Low Income Housing Tax Credit Program, Housing Montana Fund, and the Reverse Annuity Mortgage Program
- **Project-Based Section 8 Program:** Administered by the U.S. Department of Housing and Urban Development (HUD), this program provides rental assistance to fixed-location properties for low-income tenants. Responsibilities include overseeing property management, making rent subsidy payments, performing property reviews, and ensuring compliance with fair housing laws. The program earns performance-based fees and renews rent contracts as they expire
- **Tenant-Based Section 8 Program and Housing Choice Vouchers:** This program helps very low-income families, elderly, and disabled individuals secure safe, sanitary housing through HUD's Housing Choice Vouchers and Moderate Rehabilitation Programs. Operated statewide via contracted field agencies, tenants pay 30.0% of their income toward rent and utilities, with subsidies covering the rest. Leases are established on the open market between tenants and private landlords

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Housing MT Division expended 93.2% of its \$67.4 million non-budgeted proprietary authority in FY 2024. The Housing MT Division primarily funds multi-year projects through benefits and claims. Therefore, it is not uncommon to have lower expenditures.

FY 2024 Appropriations Compared to FY 2025 Appropriation

The Housing MT Division's total appropriation authority for FY 2025 is \$556,000 or 0.8% less than FY 2024. This decrease is due to lower benefits and claims and operating expense authority. In FY 2024, the Section 8 Housing programs had higher than anticipated rental assistance payments and administrative costs. Therefore, the division requested additional authority, primarily in benefits and claims and operating expense authority, to meet the needs of this program.

Montana Board of Housing – Funds 06030, 06031, 06032, 06078, 06079

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06030	BOH Financial Program	65010	Dept. of Commerce	Housing Division - Board of Housing
06031	Housing Trust Fund			
06032	BOH Loan Servicing			
06078	Affordable Housing Revolving			
06079	Revolving Loan - TANF			

	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
Operating Revenues				
Fees and Charges				
Charges For Services	4,932,435	5,104,928	5,283,601	5,468,527
Total Operating Revenues	4,932,435	5,104,928	5,283,601	5,468,527
Expenses				
Personal Services	2,944,357	3,185,633	2,992,817	3,002,953
Other Operating Expense	7,565,675	2,760,009	3,116,707	3,047,735
Total Operating Expense	10,510,032	5,945,642	6,109,524	6,050,688
Operating Income (Loss)	(5,577,597)	(840,714)	(825,923)	(582,161)
Nonoperating Revenues				
BOI Investment Earnings Class	29,099,433	30,117,913	31,172,040	32,263,062
Nonoperating Expenses				
Grants				
Total Nonoperating Revenues (Expenses)	29,099,433	30,117,913	31,172,040	32,263,062
Income (Loss) Before Contributions and Transfers	23,521,836	29,277,199	30,346,117	31,680,901
Capital Contributions				
Transfers In	350,000	387,070	400,618	414,639
Transfers Out	(350,000)	(387,070)	(400,618)	(414,639)
Loans and Lease Payments	(19,673,223)	(20,846,345)	(21,889,895)	(22,982,029)
Change in Net Position	3,848,613	8,430,854	8,456,222	8,698,872
Beginning Net Position - July 1	165,754,763	169,603,376	178,034,230	186,490,452
Prior Period Adjustments				
Change in Net Position	3,848,613	8,430,854	8,456,222	8,698,872
Ending Net Position - June 30	169,603,376	178,034,230	186,490,452	195,189,324

The executive proposes a decrease in personal services due to statewide present law adjustments. Operating expenses are proposed to increase due to statewide present law adjustments for fixed costs as well as administrative cost increases for indirect support service costs.

Revenues

The Board of Housing's income is derived primarily from mortgage investment income. Mortgage income is the interest people pay on Board of Housing loans and is limited by the Internal Revenue Service as a condition of using tax-free bonds as a financing source. Mortgage income is also controlled by the national markets, which set both mortgage rates and bond financing rates. Investment income comes from interest earned in investing reserves that the Board of Housing is required to hold as well as bond and program moneys not yet used to buy mortgages and pay bondholders. Both future mortgage and investment income depend on the interest rate environment, which is determined by the national financial markets.

Proprietary Rates

The Board of Housing recovers costs from charging application and compliance fees for the Low-Income Tax Credit Program and from charging a spread on loan programs. The figure below shows the rates proposed by the executive for the 2025 biennium. Several fees have been added this biennium including the 42M letter fee, additional credit request, board legal fees, underwriting fees 10.0% test, underwriting fees – average income, compliance fees – average income. These new fee options are specific to the Low-Income Housing Tax Credit. This executive proposal is not an increase in fee charges but an expansion of fee options.

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information					
		Approved FY 24	Approved FY 25	Proposed FY 26	Proposed FY 27
Fee Description:					
Pre 1980 Single Family Programs	% spread between mortgage interest rate and bond yield. No limit on investment earnings	1.50%	1.50%	1.50%	1.50%
Post Single Family Programs	% spread between mortgage interest rate and bond yield. Investment earnings limited to the bond yield	1.125%	1.125%	1.125%	1.125%
Pre 1986 Multifamily Program	% spread between the mortgage interest rate and the bond yield. No limit on investment earnings	1.50%	1.50%	1.50%	1.50%
Post 1986 Multifamily Program	% spread between the mortgage interest rate and the bond yield. Investment earnings limited to the bond yield	1.50%	1.50%	1.50%	1.50%
Multifamily Reservation Fee	up to a % of the loan amount reserved	1.00%	1.00%	1.00%	1.00%
Letter of Intent - Housing Credits	per submission	\$3,000	\$3,000	\$3,000	\$3,000
Application - Housing Credits	% of the tax credit amount requested (4% and 9%)	1.00%	1.00%	1.00%	1.00%
42M letter fee	4% of the tax credit amount requested	4.00%	4.00%	4.00%	4.00%
Additional credit request	sum of application (\$3,000) and 10% reservation fee (9%)	\$3,000 + 10%	\$3,000 + 10%	\$3,000 + 10%	\$3,000 + 10%
Board legal fees	invoiced amount based on actual hours	invoiced amount	invoiced amount	invoiced amount	invoiced amount
Reservation fees-Housing Credits	% of the tax credit amount reserved	10.00%	10.00%	10.00%	10.00%
Underwriting Fees - Housing Credits (8609)	per application	\$3,000	\$3,000	\$3,000	\$3,000
Underwriting Fees - 10% Test	per application	\$1,500	\$1,500	\$1,500	\$1,500
Underwriting Fees - Average Income	applicable only to Average Income LIHTC projects	\$2,000	\$2,000	\$2,000	\$2,000
Compliance fees-Housing Credit Program	per unit	\$45	\$45	\$45	\$45
Compliance fees - Average Income	additional \$20/each non-market unit	\$20	\$20	\$20	\$20
Interest income on reverse annuity mortgage loans	4-5% (new) 5% (old) loans	3-5%	3-5%	3-5%	3-5%
Housing Revolving Loan Fund (HRLA)	variable rates ranging from 2% to 6%	2-6%	2-6%	2-6%	2-6%
Interest on Investments	STIP investment rate	varies	varies	varies	varies
*-There are various extension, late and cancelation fees for both multifamily and homeownership programs not listed but applied a case by case basis					

This program is funded with an enterprise fund, which is a type of a proprietary fund. As such, the legislature does not appropriate the funds or approve the rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies concerns with the financial position of the fund.

HUD Section 8 (Project Based Housing) – Fund 06074*Proprietary Program Revenues and Expenses*

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name			
06074	SEC 8 Project Based	65010	Dept. of Commerce	Housing MT - PB Section 8			
				Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
Operating Revenues							
Fees and Charges							
Fines/Forfeits				61			
Federal				30,011,661	31,512,244	33,087,856	34,742,249
Total Operating Revenues				30,011,722	31,512,244	33,087,856	34,742,249
Expenses							
Personal Services				923,061	960,426	871,307	873,672
Other Operating Expense				410,034	384,499	494,304	453,359
Equipment & Intangible Assets				-	156,000	156,000	156,000
Total Operating Expense				1,333,095	1,500,925	1,521,611	1,483,031
Operating Income (Loss)				28,678,627	30,011,319	31,566,245	33,259,218
Nonoperating Revenues							
BOI Investment Earnings Class				207,653	218,036	228,938	240,385
Nonoperating Expenses							
Benefits & Claims				(28,757,640)	(27,076,686)	(27,076,686)	(27,076,686)
Total Nonoperating Revenues (Expenses)				(28,549,987)	(26,858,650)	(26,847,748)	(26,836,301)
Income (Loss) Before Contributions and Transfers				128,640	3,152,669	4,718,497	6,422,917
Capital Contributions							
Transfers In							
Transfers Out							
Loans and Lease Payments				(13,073)	(61,881)	(65,450)	(67,999)
Change in Net Position				115,567	3,090,788	4,653,047	6,354,918
Beginning Net Position - July 1				4,417,432	4,532,999	7,623,787	12,276,834
Prior Period Adjustments							
Change in Net Position				115,567	3,090,788	4,653,047	6,354,918
Ending Net Position - June 30				4,532,999	7,623,787	12,276,834	18,631,752

Expenses

The executive proposes a decrease in personal services due to statewide present law adjustments. Operating expenses are proposed to increase due to statewide present law adjustments for fixed costs as well as administrative cost increases for indirect support service costs.

Revenue

Revenues are generated in the Project Based Section 8 Contract Administration under a HUD performance-based contract using 17 incentive-based performance standards, which are calculated by HUD monthly, quarterly, and annually. Revenues generated are required to be used for contract administration. Rental assistance payments are made based on contracts negotiated by program staff and tenant income data. Payments are paid and reimbursed monthly by HUD, based on actual program benefits paid to owners.

Proprietary Rates

The Project Based Section 8 Contract Administration is funded through a performance-based contract with HUD, based on a five-year renewable request for proposals. Retained earnings are to be used for operations of this program. Funding for rents is paid by HUD, based on actual contracts negotiated between the department and the individual owners of the projects, set up on the procedure dictated by HUD. The figure below shows the rates proposed by the executive for the 2025 biennium.

Requested Rates for Internal Service or Enterprise Funds				
Fee/Rate Information				
	Approved FY 24	Approved FY 25	Proposed FY 26	Proposed FY 27
Fee Description:				
Administration Contract				
	2.5%	2.5%	2.5%	2.5%
Base fee rate paid by HUD = 2.5% times the two bedroom Fair Market Rent for all projects under ACC contract for standard performance, as judged by HUD monthly, quarterly, and annually.				
Administration Contract				
	1.0%	1.0%	1.0%	1.0%
Performance fee incentive rate based on 17 Incentive Based Performance Standards (IBPS), graded monthly, quarterly, and annually by HUD. Can be either positive or negative, based on whether time standards and performance requirements are met on each of the 17 IBPS standards. Rate 3 (per unit).				
Rents Contract				
	100.0%	100.0%	100.0%	100.0%
Amounts for rentals are based on 100.0% of contracted amounts per unit each month, less tenant share of rents.				

This program is funded with an enterprise fund, which is a type of a proprietary fund. As such, the legislature does not appropriate the funds or approve the rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies concerns with the financial position of the fund.

HUD Section 8 – Fund 06037 (Mod Rehab HAP), 06054 (Section 8 HAP), 06075 (Tenant Based), 06085 (Mod Rehab)

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06037	Sect 8 Mod Rehab HAP	65010	Dept. of Commerce	Housing MT - TB Section 8
06054	Section 8 HAP			
06075	Section 8 Vouchers			
06085	Section 8 Mod Rehab			

	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
Operating Revenues				
Fees and Charges				
Charges For Services	114			
Federal	26,262,401	28,701,447	30,014,359	31,392,916
Total Operating Revenues	26,262,515	28,701,447	30,014,359	31,392,916
Expenses				
Personal Services	877,586	963,175	1,085,824	1,086,860
Other Operating Expense	2,640,570	2,914,904	3,049,829	3,009,063
Equipment & Intangible Assets		156,000	156,000	156,000
Total Operating Expense	3,518,156	4,034,079	4,291,653	4,251,923
Operating Income (Loss)	22,744,359	24,667,368	25,722,706	27,140,993
Nonoperating Revenues				
BOI Investment Earnings Class	354,694	363,942	382,135	401,238
Nonoperating Expenses				
Benefits & Claims	(22,916,797)	(26,517,514)	(26,457,764)	(26,395,026)
Total Nonoperating Revenues (Expenses)	(22,562,103)	(26,153,572)	(26,075,629)	(25,993,788)
Income (Loss) Before Contributions and Transfers	182,256	(1,486,204)	(352,923)	1,147,205
Capital Contributions				
Transfers In				
Transfers Out				
Loans and Lease Payments	(13,073)	(201,600)	(205,169)	(207,718)
Change in Net Position	169,183	(1,687,804)	(558,092)	939,487
Beginning Net Position - July 1	6,606,139	6,775,322	5,087,518	4,529,426
Prior Period Adjustments				
Change in Net Position	169,183	(1,687,804)	(558,092)	939,487
Ending Net Position - June 30	6,775,322	5,087,518	4,529,426	5,468,913

Expenses

The executive proposes an increase in personal services and operating costs due to statewide present law adjustments and administrative cost adjustments for indirect support service costs paid to the Director's Office.

Revenue

The Tenant Based Section 8 Program is supported by an enterprise fund with revenues derived from performance-based Annual Contribution Contracts with HUD. Revenues for the Tenant Based Section 8 Program are generated per unit for each rental unit under lease each month.

Proprietary Rates

Fund revenues are derived from competitively awarded, performance-based annual contribution contracts with HUD. The program is completely self-supporting. The department is the only statewide housing authority in Montana and specifically budgeted for in HUD's ongoing appropriation for Tenant Based Section 8. The figure below shows the rates proposed by the executive for the 2025 biennium.

Requested Rates for Internal Service or Enterprise Funds				
Fee/Rate Information				
	Approved FY 24	Approved FY 25	Proposed FY 26	Proposed FY 27
Fee Description:				
Administration Contract	\$91.90	\$95.12	\$98.45	\$101.90
Base fee rate paid by HUD = \$91.90 (before proration) per unit per month under lease, which is HUD's column B rate for units beyond the first 600 Housing Choice Vouchers (or 7,200 unit months per year) for the majority of leases. Mod Rehab earned fee rate is \$98.46 per lease per month (HUD's column A rate, no proration). Estimate increases of 3.5% per year for FY 2023, FY 2024 and FY 2025.				
Rents Contract	100.00%	100.00%	100.00%	100.00%
Amounts for rentals are based on 100% of contracted amounts per unit each month, less tenant share of rents.				

This program is funded with an enterprise fund, which is a type of a proprietary fund. As such, the legislature does not appropriate the funds or approve the rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies concerns with the financial position of the fund.

HUD Emergency Housing Vouchers and Mainstream Housing Choice Vouchers – Fund 06028 (Emergency Housing Vouchers – Administration), 06029 (Emergency Housing Vouchers – Housing Assistance Payments), 06044 (Mainstream Housing Choice Voucher Program – Administration), 06045 (Mainstream Housing Choice Voucher Program – Housing Assistance Payments)

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06028	Emergency Housing Vouchers-Adm	65010	Dept. of Commerce	Housing MT - TB Section 8
06029	Emergency Housing Vouchers-HAP			
06044	Mainstream HCVP-Admin			
06045	Mainstream HCVP-HAP			

	Actuals FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
Operating Revenues				
Fees and Charges				
Federal	1,117,534	1,173,411	1,232,081	1,293,686
Total Operating Revenues	1,117,534	1,173,411	1,232,081	1,293,686
Expenses				
Personal Services	2,645	2,500	6,293	6,325
Other Operating Expense	103,829	150,000	153,022	153,028
Total Operating Expense	106,474	152,500	159,315	159,353
Operating Income (Loss)	1,011,060	1,020,911	1,072,766	1,134,333
Nonoperating Revenues				
BOI Investment Earnings Class	26,115	27,422	28,793	30,233
Nonoperating Expenses				
Benefits & Claims	(918,147)	(1,195,000)	(1,254,750)	(1,317,488)
Total Nonoperating Revenues (Expenses)	(892,032)	(1,167,578)	(1,225,957)	(1,287,255)
Income (Loss) Before Contributions and Transfers	119,028	(146,667)	(153,191)	(152,922)
Capital Contributions				
Transfers In	486,885	546,626	573,957	602,655
Transfers Out				
Loans and Lease Payments				
Change in Net Position	605,913	399,959	420,766	449,733
Beginning Net Position - July 1	-	605,913	1,005,872	1,426,638
Prior Period Adjustments				
Change in Net Position	605,913	399,959	420,766	449,733
Ending Net Position - June 30	605,913	1,005,872	1,426,638	1,876,371

Expenses

Expenses are projected to increase in the 2027 biennium for personal services and operating expenses due to statewide present law adjustments.

Revenues

The Mainstream Housing Choice Voucher Program is supported by an enterprise fund with revenues derived from performance-based Annual Contribution Contracts with HUD. Revenues for the Mainstream Housing Choice Voucher Program are generated per unit for each rental unit under lease each month.

Proprietary Rates

Fund revenues are derived from competitively awarded, performance-based annual contribution contracts with HUD. The program is completely self-supporting. The department is the only statewide housing authority in Montana and specifically budgeted for in HUD’s ongoing appropriation for Tenant Based Section 8. The figure below shows the rates proposed by the executive for the 2025 biennium.

Requested Rates for Internal Service or Enterprise Funds				
Fee/Rate Information				
	Approved FY 24	Approved FY 25	Proposed FY 26	Proposed FY 27
Fee Description:				
Administration Contract	\$91.90	\$95.12	\$98.45	\$101.90
Base fee rate paid by HUD = \$91.90 (before proration) per unit per month under lease, which is HUD's column B rate for units beyond the first 600 Housing Choice Vouchers (or 7,200 unit months per year) for the majority of leases. Mod Rehab earned fee rate is \$98.46 per lease per month (HUD's column A rate, no proration). Estimate increases of 3.5% per year for FY 2023, FY 2024 and FY 2025.				
Rents Contract	100.00%	100.00%	100.00%	100.00%
Amounts for rentals are based on 100% of contracted amounts per unit each month, less tenant share of rents.				

This program is funded with an enterprise fund, which is a type of a proprietary fund. As such, the legislature does not appropriate the funds or approve the rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies concerns with the financial position of the fund.

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.

The decision packages presented are for informational purposes only, offering insights into anticipated changes in expenditure that may affect the rates charged. These decision packages are not approved by the legislature. For internal service funds, the legislature approves the maximum rate that may be charged. For enterprise funds, the legislature reviews the rate and identifies any concerns.

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	(155,493)		0.00	0	0	0	(141,924)
DP 2 - Fixed Costs										
0.00	0	0	0	214,720		0.00	0	0	0	61,017
DP 3 - Inflation Deflation										
0.00	0	0	0	(907)		0.00	0	0	0	(613)
DP 7405 - HMT ADMINISTRATIVE COSTS ADJUSTMENTS										
0.00	0	0	0	408,481		0.00	0	0	0	423,958
Grand Total All Present Law Adjustments										
0.00	\$0	\$0	\$0	\$466,801		0.00	\$0	\$0	\$0	\$342,438

*"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 proposes adjustments to the present law personal services budget.

DP 2 - Fixed Costs -

The executive proposes 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 proposes 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 7405 - HMT ADMINISTRATIVE COSTS ADJUSTMENTS -

The executive proposes adjustments for non-state rent increases per the terms of the negotiated lease, and indirect costs paid to the Director's Office for support services provided to supported divisions, bureaus, and programs. The decision package increases appropriations for grants in the HOME and HTF programs for the amount of federal funds projected to be available in the 2027 Biennium.

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	33.00	33.00	33.00	0.00	0.0%
Proprietary Funds	8,628,255	8,304,731	8,176,373	(775,406)	(4.5%)
Total Funds	8,628,255	8,304,731	8,176,373	(775,406)	(4.5%)
Personal Services	5,166,689	5,295,753	5,300,465	262,840	2.5%
Operating Expenses	3,461,010	3,008,422	2,875,352	(1,038,246)	(15.0%)
Debt Service	556	556	556		0.0%
Total Expenditures	8,628,255	8,304,731	8,176,373	(775,406)	(4.5%)
Total Ongoing	8,628,255	8,304,731	8,176,373	(775,406)	(4.5%)
Total One-Time-Only					0.0%

Program Highlights

Board of Investments Major Budget Highlights	
<ul style="list-style-type: none"> The Board of Investment's 2027 biennium proposed non-budgeted proprietary appropriations are approximately \$775,000 or 4.5% less than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> A decreased statewide present law adjustment for personal services This decrease is partially offset by a statewide present law adjustment for fixed cost and an administrative cost adjustment 	

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.

Board of Investments 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
Base Budget	0	0	0	8,628,255	103.9%	0	0	0	8,628,255	105.5%
Statewide PL										
Personal Services	0	0	0	129,064	1.6%	0	0	0	133,776	1.6%
Fixed Costs	0	0	0	210,953	2.5%	0	0	0	77,849	1.0%
Inflation Deflation	0	0	0	(103)	(0.0%)	0	0	0	(69)	(0.0%)
Total Statewide PL	0	0	0	339,914	4.1%	0	0	0	211,556	2.6%
Present Law (PL)	0	0	0	(663,438)	(8.0%)	0	0	0	(663,438)	(8.1%)
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	0	0	0	(323,524)	(3.9%)	0	0	0	(451,882)	(5.5%)
Total Requested Budget	0	0	0	8,304,731		0	0	0	8,176,373	

Funding

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

Department of Commerce, 75-Board of Investments 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%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
06014 BOI Municipal Finance Programs	0	0	1,085,546	10,600,000	11,685,546	43.2%
06527 Investment Division	0	0	15,395,558	0	15,395,558	56.8%
Proprietary Total	\$0	\$0	\$16,481,104	\$10,600,000	\$27,081,104	100.0%
Total All Funds	\$0	\$0	\$16,481,104	\$10,600,000	\$27,081,104	

Statutory Authority

Section 17-7-502, MCA provides funding to the Board of Investments related to the debt services for the Intermediate Term Capital (INTERCAP) Program. Statutory authority provides funding for legal and marketing fees related to these debt services.

Non-Budgeted Proprietary Fund

The majority of the Board of Investments funding comes from non-budgeted proprietary funding. These funds are discussed in the Proprietary Rates section of this narrative.

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	5,203,495	5,241,267	5,166,689	5,295,753	5,300,465
Operating Expenses	3,213,297	3,480,143	3,461,010	3,008,422	2,875,352
Debt Service	0	556	556	556	556
Total Expenditures	\$8,416,792	\$8,721,966	\$8,628,255	\$8,304,731	\$8,176,373
Proprietary Funds	8,416,792	8,721,966	8,628,255	8,304,731	8,176,373
Total Funds	\$8,416,792	\$8,721,966	\$8,628,255	\$8,304,731	\$8,176,373
Total Ongoing	\$8,416,792	\$8,721,966	\$8,628,255	\$8,304,731	\$8,176,373
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Montana Board of Investments, established under Article VIII, Section 13 of the Montana Constitution, manages the Unified Investment Program, which includes approximately \$28.4 billion in state and local government funds. Investments are managed through pools and separate accounts, with un-pooled funds categorized as "All Other Funds–Direct Holdings."

Investment Pools:

- Consolidated Asset Pension Pool – Retirement system funds
- Trust Funds Investment Pool – State trust funds
- Short Term Investment Pool – Local and state agencies
- All Other Funds–Direct Holdings – Non-pool investments

The Board also supports economic development through tailored loan programs, including commercial loans, low-interest home loans for Montana veterans, and housing development loans for low- and moderate-income applicants. Additionally, the Board issues bonds for state and local government projects.

Funded by proprietary revenues without direct appropriations, the Board's responsibilities are defined by the Montana Constitution and state law (MCA Titles 2 and 17).

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Board of Investments expended 96.5% of its \$8.4 million proprietary authority in FY 2024. Personal services were 99.3% expended while operating expenses were 92.3% expended. This expenditure is in line with historical expenditures for the division.

FY 2024 Appropriations Compared to FY 2025 Appropriation

The Board of Investments total appropriation authority for FY 2025 is approximately \$94,000 or 1.1% less than FY 2024. In FY 2024, the Board of Investments received additional authority to make dividend payments.

Industrial Revenue Bond 1-95 – 06014

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06014	BOI Municipal Finance Programs	65010	Dept. of Commerce	Board of Investments

	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
Operating Revenues				
Fees and Charges				
Charges For Service	-	-		
Total Operating Revenues	-	-	-	-
Expenses				
Personal Services	474,011	469,317	400,155	401,006
Other Operating Expense	145,978	205,583	145,513	138,872
Total Operating Expense	619,989	674,900	545,668	539,878
Operating Income (Loss)	(619,989)	(674,900)	(545,668)	(539,878)
Nonoperating Revenues				
BOI Investment Earnings Class	4,347,027	1,211,901	5,914,586	5,914,586
Nonoperating Expenses				
Total Nonoperating Revenues (Expenses)	4,347,027	1,211,901	5,914,586	5,914,586
Income (Loss) Before Contributions and Transfers	3,727,038	537,001	5,368,918	5,374,708
Capital Contributions				
Transfers In				
Transfers Out				
Loans and Lease Payments	(3,571,186)	(5,185,244)	(5,300,000)	(5,300,000)
Change in Net Position	155,852	(4,648,243)	68,918	74,708
Beginning Net Position - July 1	5,765,478	5,921,330	1,273,087	1,342,005
Prior Period Adjustments				
Change in Net Position	155,852	(4,648,243)	68,918	74,708
Ending Net Position - June 30	5,921,330	1,273,087	1,342,005	1,416,713

Expenses

The executive is proposing a decrease in personal services due to employee turnover and hiring new employees at lower wages. Decreases in operating expenses are primarily due to a decrease in indirect administrative costs and statewide present law adjustments for fixed costs and inflation.

Revenues

Nearly all bond program revenues are generated by the difference between interest rates on bonds sold and the interest rate charged on loans to borrowers. Since these revenues are only received from the trustee on an annual basis, a 270-day fund balance is required to provide adequate funding for the bond program between draws. Remaining revenues are received monthly from the board's contract with the Montana Facility Finance Authority.

Proprietary Rates

The Board of Investments recovers its costs from the entities that use its services. Typically, this has been done by requesting a maximum level of expenditures and setting a fee at that level. The executive proposes an increased rate for the 2027 biennium due to increased loan activity and increased interest rates charged to borrowers. Fees proposed for the INTERCAP Program are shown below.

Requested Rates for Internal Service or Enterprise Funds				
Fee/Rate Information				
	Actual	Estimated	Proposed	Proposed
	FY 24	FY 25	FY 26	FY 27
Fee Description:				
Fees & Investment Revenues	\$ 1,211,901	\$ 1,211,901	\$ 5,914,586	\$ 5,914,586

This program is funded with an enterprise fund, which is a type of proprietary fund. As such, the legislature does not appropriate the funds or approve the rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies concerns with the financial position of the fund.

Investment Division – 06527

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06527	Investment Division	65010	Dept. of Commerce	Board of Investments

	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
Operating Revenues				
Fees and Charges				
Charges For Services	7,826,576	7,826,543	8,079,321	8,079,321
Total Operating Revenues	7,826,576	7,826,543	8,079,321	8,079,321
Expenses				
Personal Services	4,833,770	4,785,250	4,895,598	4,899,459
Other Operating Expense	2,786,242	3,178,008	2,863,465	2,737,036
Total Operating Expense	7,620,012	7,963,258	7,759,063	7,636,495
Operating Income (Loss)	206,564	(136,715)	320,258	442,826
Nonoperating Revenues				
Nonoperating Expenses				
Total Nonoperating Revenues (Expenses)	-	-	-	-
Income (Loss) Before Contributions and Transfers	206,564	(136,715)	320,258	442,826
Capital Contributions				
Transfers In	3,500			
Transfers Out				
Loans and Lease Payments	(298,997)	-	-	-
Change in Net Position	(88,933)	(136,715)	320,258	442,826
Beginning Net Position - July 1	90,817	1,884	(134,831)	185,427
Prior Period Adjustments				
Change in Net Position	(88,933)	(136,715)	320,258	442,826
Ending Net Position - June 30	1,884	(134,831)	185,427	628,253

Expenses

The executive is proposing an increase in statewide present law adjustments for personal services. Decreases in operating expenses are due to a reduction in indirect costs for support services.

Revenues

Nearly all Investment Program revenues are generated from charges to each account that the board invests. The revenue objective of the Investment Program is to fairly assess the costs of operations while maintaining a 60-day working capital reserve.

Proprietary Rates

The Board of Investments recovers its costs from the entities that use its services. Typically, this has been done by requesting a maximum level of expenditures and setting the fee at that level.

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information				
	Approved FY 24	Approved FY 25	Proposed FY 26	Proposed FY 27
BOI Administrative Fee				
Rate	\$ 7,826,543	\$ 7,826,543	\$ 8,079,321	\$ 8,079,321

This program is funded with an internal service fund, which is a type of proprietary fund. As such, the legislature approves the maximum rate the program may charge during the biennium. They are not the rates the program must charge.

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.

The decision packages presented are for informational purposes only, offering insights into anticipated changes in expenditure that may affect the rates charged. These decision packages are not approved by the legislature. For internal service funds, the legislature approves the maximum rate that may be charged. For enterprise funds, the legislature reviews the rate and identifies any concerns.

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	129,064	0.00	0	0	0	133,776
DP 2 - Fixed Costs	0.00	0	0	0	210,953	0.00	0	0	0	77,849
DP 3 - Inflation Deflation	0.00	0	0	0	(103)	0.00	0	0	0	(69)
DP 7505 - BOI ADMINISTRATIVE COSTS ADJUSTMENTS	0.00	0	0	0	(663,438)	0.00	0	0	0	(663,438)
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	(\$323,524)	0.00	\$0	\$0	\$0	(\$451,882)

*"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 proposes adjustments to the present law personal services budget.

DP 2 - Fixed Costs -

The executive proposes 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 proposes 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 7505 - BOI ADMINISTRATIVE COSTS ADJUSTMENTS -

The executive proposes an adjustment to ongoing appropriations for a decrease in the indirect costs paid to the Director's Office for support services provided to supported divisions, bureaus, and programs.

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent		
PB	21.00	21.00	21.00	0.00		0.0%
Proprietary Funds	2,986,278	2,893,625	2,913,478	(165,453)		(2.8%)
Total Funds	2,986,278	2,893,625	2,913,478	(165,453)		(2.8%)
Personal Services	2,546,381	2,321,494	2,331,467	(439,801)		(8.6%)
Operating Expenses	300,169	424,388	428,544	252,594		42.1%
Debt Service	139,728	147,743	153,467	21,754		7.8%
Total Expenditures	2,986,278	2,893,625	2,913,478	(165,453)		(2.8%)
Total Ongoing	2,986,278	2,893,625	2,913,478	(165,453)		(2.8%)
Total One-Time-Only						0.0%

Program Highlights

Director's Office Major Budget Highlights	
<ul style="list-style-type: none"> The Director's Offices 2027 biennium proposed non-budgeted proprietary appropriations are approximately \$165,000 or 2.8% less than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> A decreased statewide present law adjustment for personal services This decrease is partially offset by a statewide present law adjustment for fixed cost and an administrative cost adjustment 	

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 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
Base Budget	0	0	0	2,986,278	103.2%	0	0	0	2,986,278	102.5%
Statewide PL										
Personal Services	0	0	0	(224,887)	(7.8%)	0	0	0	(214,914)	(7.4%)
Fixed Costs	0	0	0	124,224	4.3%	0	0	0	128,379	4.4%
Inflation Deflation	0	0	0	(5)	(0.0%)	0	0	0	(4)	(0.0%)
Total Statewide PL	0	0	0	(100,668)	(3.5%)	0	0	0	(86,539)	(3.0%)
Present Law (PL)	0	0	0	8,015	0.3%	0	0	0	13,739	0.5%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Adjustments	0	0	0	(92,653)	(3.2%)	0	0	0	(72,800)	(2.5%)
Total Requested Budget	0	0	0	2,893,625		0	0	0	2,913,478	

Funding

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

Department of Commerce, 81-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	2,154,973	0	0	0	2,154,973	23.5%	
02324 Community Reinvestment	17,950	0	0	0	17,950	100.0%	
State Special Total	\$17,950	\$0	\$0	\$0	\$17,950	0.2%	
03441 MCDD	1,200,000	0	0	0	1,200,000	100.0%	
Federal Special Total	\$1,200,000	\$0	\$0	\$0	\$1,200,000	13.1%	
06542 Commerce Centralized Services	0	0	5,807,103	0	5,807,103	100.0%	
Proprietary Total	\$0	\$0	\$5,807,103	\$0	\$5,807,103	63.3%	
Total All Funds	\$3,372,923	\$0	\$5,807,103	\$0	\$9,180,026		

Non-Budgeted Proprietary Funding

The Director's Office is also funded by an internal service type proprietary fund from indirect costs charged to programs in the Department of Commerce. This fund will be discussed in further detail in the Proprietary Rates section of this analysis.

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	21.00	21.00	21.00	21.00
Personal Services	2,425,207	2,453,104	2,546,381	2,321,494	2,331,467
Operating Expenses	761,407	702,532	300,169	424,388	428,544
Debt Service	108,241	142,728	139,728	147,743	153,467
Total Expenditures	\$3,294,855	\$3,298,364	\$2,986,278	\$2,893,625	\$2,913,478
Proprietary Funds	3,294,855	3,298,364	2,986,278	2,893,625	2,913,478
Total Funds	\$3,294,855	\$3,298,364	\$2,986,278	\$2,893,625	\$2,913,478
Total Ongoing	\$3,294,855	\$3,298,364	\$2,986,278	\$2,893,625	\$2,913,478
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Director's Office oversees the Department of Commerce, providing leadership, administrative support, and policy guidance to its staff, programs, and attached boards. It coordinates services in accounting, legal affairs, human resources, information technology, and public information, while serving as a liaison with businesses, governments, communities, and other stakeholders to support economic development and public engagement.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

In FY 2024, the Director's Office expended 99.9% of its approximately \$3.3 million non-budgeted proprietary authority.

FY 2024 Appropriations Compared to FY 2025 Appropriation

The Director's Office non-budgeted proprietary appropriation authority for FY 2025 is approximately \$312,000, or 9.5%, less than in FY 2024. The decrease is primarily in operating expense authority. A budget modification was made in the 2025 interim due to greater than anticipated operating expenditures. This budget modification increased operating expense authority only in FY 2024.

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium Report on Internal Service and Enterprise Funds						
Fund	Fund Name	Agency #	Agency Name	Program Name		
06542	Commerce Centralized Services	65010	Dept. of Commerce	Director's Office		
					Actual	Estimated
					FY 24	FY 25
					Proposed	Proposed
					FY 26	FY 27
Operating Revenues						
Fees and Charges						
	Charges For Services				2,146,819	2,316,805
	Grants/Transfers/Misc				617,061	518,131
Total Operating Revenues					2,763,880	2,834,936
Expenses						
	Personal Services				2,425,207	2,546,381
	Operating Expense				761,407	300,169
Total Operating Expense					3,186,614	2,846,550
Operating Income (Loss)					(422,734)	(11,614)
Nonoperating Revenues						
Nonoperating Expenses						
Total Nonoperating Revenues (Expenses)					-	-
Income (Loss) Before Contributions and Transfers					(422,734)	(11,614)
Capital Contributions						
Transfers In						
Transfers Out						
	Loans and Lease Payments				(108,241)	(139,728)
Change in Net Position					(615,249)	(151,342)
Beginning Net Position - July 1					688,913	87,952
	Prior Period Adjustments				14,288	(63,390)
	Change in Net Position				(615,249)	(151,342)
Ending Net Position - June 30					87,952	(63,390)

Expenses

Overall, the executive is proposing slight decreases in personal services due to statewide present law adjustments. Operating expenses and debt services are proposed to increase due to statewide present law adjustments and administrative cost adjustments.

Revenues

The Director's Office is funded by revenues from charges allocated to all divisions, bureaus, and programs supported by the division's indirect cost plan. Indirect costs are allocated to supported programs based upon federally calculated, and legislatively approved, indirect cost rates applied to actual personal services expenditures.

Proprietary Rates

Indirect costs for the Director's Office are allocated to supported programs via a federally calculated indirect cost plan for federally funded programs and a legislatively approved rate for state funded programs. Indirect cost rates are charged to supported programs based upon actual personal services expenditures.

The Director's Office calculates a federal indirect cost rate on an annual basis. This rate is a fixed rate for federally funded programs, which is applied against actual federally funded personal services expenditures within the department. The federally calculated rate requires that a carry-forward amount be built into the rate. This carry-forward amount represents the amount the Director's Office under-recovered or over-recovered in a given fiscal year. This computation compares what was originally calculated to what actually occurred. The difference is then carried forward into the following year's rate.

Requested Rates for Internal Service or Enterprise Funds				
Fee/Rate Information				
	Approved FY 24	Approved FY 25	Proposed FY 26	Proposed FY 27
Fee Description:	13.47%	13.47%	19.89%	19.89%

This program is funded with an internal service fund, which is a type of proprietary fund. As such, the legislature approves the maximum rate the program may charge during the biennium. They are not the rates the program must charge.

Due to the proposed rate change, the following table shows the estimated change in cost to each division using the Department of Commerce's centralized services.

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.

The decision packages presented are for informational purposes only, offering insights into anticipated changes in expenditure that may affect the rates charged. These decision packages are not approved by the legislature. For internal service funds, the legislature approves the maximum rate that may be charged. For enterprise funds, the legislature reviews the rate and identifies any concerns.

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	(224,887)		0.00	0	0	0	(214,914)
DP 2 - Fixed Costs										
0.00	0	0	0	124,224		0.00	0	0	0	128,379
DP 3 - Inflation Deflation										
0.00	0	0	0	(5)		0.00	0	0	0	(4)
DP 8105 - DO ADMINISTRATIVE COSTS ADJUSTMENTS										
0.00	0	0	0	8,015		0.00	0	0	0	13,739
Grand Total All Present Law Adjustments										
0.00	\$0	\$0	\$0	(\$92,653)		0.00	\$0	\$0	\$0	(\$72,800)

*"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 proposes adjustments to the present law personal services budget.

DP 2 - Fixed Costs -

The executive proposes 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 proposes 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 8105 - DO ADMINISTRATIVE COSTS ADJUSTMENTS -

The executive proposes adjustments for increased non-state building rent per the terms of the lease agreement, and indirect costs paid to the Director's Office's Centralized Services for support services provided to supported divisions, bureaus, and programs.

DEPARTMENT OF LABOR & INDUSTRY

Section A

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	93.75	93.75	93.75	0.00	0.0%
Proprietary Funds	156,245,909	158,886,125	165,410,711	11,805,018	3.8%
Total Funds	156,245,909	158,886,125	165,410,711	11,805,018	3.8%
Personal Services	10,033,219	10,049,837	10,074,616	58,015	0.3%
Operating Expenses	9,738,762	9,372,692	9,231,908	(872,924)	(4.5%)
Benefits & Claims	135,503,328	138,492,996	145,133,587	12,619,927	4.7%
Transfers	25,048	25,048	25,048		0.0%
Debt Service	945,552	945,552	945,552		0.0%
Total Expenditures	156,245,909	158,886,125	165,410,711	11,805,018	3.8%
Total Ongoing	156,245,909	158,886,125	165,410,711	11,805,018	3.8%
Total One-Time-Only					0.0%

Agency Highlights

Department of Labor and Industry Major Budget Highlights	
<ul style="list-style-type: none"> The Department of Labor and Industry's 2027 biennium proposed non-budgeted proprietary appropriations are approximately \$11.8 million or 3.8% higher than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> An increase in the Unemployment Insurance Division of \$12.6 million to pay additional benefits and claims from the unemployment insurance benefit trust A decrease in fixed costs across various divisions of \$857,000 for the upcoming biennium Along with this, there are also proposed increases in two internal services funds <ul style="list-style-type: none"> The technical services fund within the Technology Services Division. This fund supports staff in development and testing department applications The technical services direct fund within the Technology Services Division. The increase is within the enterprise services rate that is transferred to the State Information Technology Services Division 	

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 Labor and Industry 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
Base Budget	0	0	0	156,245,909	98.3%	0	0	0	156,245,909	94.5%
Statewide PL										
Personal Services	0	0	0	16,618	0.0%	0	0	0	41,397	0.0%
Fixed Costs	0	0	0	(358,133)	(0.2%)	0	0	0	(499,225)	(0.3%)
Inflation Deflation	0	0	0	(950)	(0.0%)	0	0	0	(642)	(0.0%)
Total Statewide PL	0	0	0	(342,465)	(0.2%)	0	0	0	(458,470)	(0.3%)
Present Law (PL)	0	0	0	2,982,681	1.9%	0	0	0	9,623,272	5.8%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Adjustments	0	0	0	2,640,216	1.7%	0	0	0	9,164,802	5.5%
Total Requested Budget	0	0	0	158,886,125		0	0	0	165,410,711	

Funding

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

Total Department of Labor and Industry 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
01100 General Fund	1,671,517				1,671,517	0.3%
02258 Employment Security Account	54,114,829	100,000			54,214,829	10.3%
02448 Building Codes State Spec Rev	12,929,002				12,929,002	2.5%
02455 Workers' Comp Regulation	12,246,207				12,246,207	2.3%
02347 Safety Administration Fund	5,019,319				5,019,319	1.0%
02805 Weights & Measures Bureau	4,421,971				4,421,971	0.8%
Other State Special Revenue	36,729,770			1,407,247	38,137,017	7.3%
State Special Revenue Total	125,461,098	100,000	-	1,407,247	126,968,345	24.2%
03954 UI Administrative Grants	21,893,398				21,893,398	4.2%
03124 Employment Trng Grants	15,650,553				15,650,553	3.0%
03682 Wagner Peyser	12,305,441				12,305,441	2.3%
03322 MT Community Service FSR	8,091,201				8,091,201	1.5%
03982 RESEA	2,133,719				2,133,719	0.4%
Other Federal Special Revenue	11,423,034				11,423,034	2.2%
Federal Special Revenue Total	71,497,346	-	-	-	71,497,346	13.6%
06069 UI Tax Benefit Fund			280,619,927		280,619,927	53.4%
06578 Technical Services Direct			14,633,532		14,633,532	2.8%
06546 Commissioner's Office/CSD			10,338,593		10,338,593	2.0%
06552 Legal Admin Services			7,882,590		7,882,590	1.5%
06568 Technical Services			7,761,942		7,761,942	1.5%
Other Proprietary Fund			3,060,252	614,578	3,674,830	0.7%
Proprietary Fund Total	-	-	324,296,836	614,578	324,911,414	61.9%
Total of All Funds	198,629,961	100,000	324,296,836	2,021,825	525,048,622	
Percent of All Sources of Authority	37.8%	0.0%	61.8%	0.4%		

Non-Budgeted Proprietary Funds

Within the Department of Labor and Industry are numerous proprietary funds, both enterprise and internal service funds. The description, revenue, and expenditures of these funds are all unique. More detail on these aspects will be provided at the program level of this report.

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	93.75	93.75	93.75	93.75
Personal Services	8,194,124	9,611,296	10,033,219	10,049,837	10,074,616
Operating Expenses	11,883,514	13,307,150	9,738,762	9,372,692	9,231,908
Benefits & Claims	140,261,554	143,499,728	135,503,328	138,492,996	145,133,587
Transfers	29,368	28,648	25,048	25,048	25,048
Debt Service	866,916	875,938	945,552	945,552	945,552
Total Expenditures	\$161,235,476	\$167,322,760	\$156,245,909	\$158,886,125	\$165,410,711
Proprietary Funds	161,235,476	167,322,760	156,245,909	158,886,125	165,410,711
Total Funds	\$161,235,476	\$167,322,760	\$156,245,909	\$158,886,125	\$165,410,711
Total Ongoing	\$161,235,476	\$167,322,760	\$156,245,909	\$158,886,125	\$165,410,711
Total OTO	\$0	\$0	\$0	\$0	\$0

Agency Description

The Department of Labor and Industry (DOLI) serves a number of functions. In part, the department:

- Fosters a robust Montana workforce by connecting job seekers with employment opportunities and upskilling programs, assisting individuals in preparing for and finding jobs while assisting employers in finding workers
- Oversees federal and state training and apprenticeship programs
- Conducts economic research and collects economic data
- Administers the Unemployment Insurance Program, disburses unemployment benefits and facilitates employer UI contributions
- Enforces state and federal labor standards, anti-discrimination laws, and state and federal safety-occupational health laws
- Provides adjudicative services in labor-management disputes
- Licenses, inspects, tests, and certifies all weighing or measuring devices used in making commercial transactions in the State of Montana
- Provides administrative and clerical services to the professional boards of licensure and occupational licensing programs authorized by state statutes
- Establishes and enforces minimum building codes
- Administers the federal AmeriCorps, Campus Corps, and Volunteer Montana programs through the Office of Community Service
- Oversees and regulates the Montana workers' compensation system

Organizationally, the department is divided into five divisions: 1) Workforce Services; 2) Unemployment Insurance; 3) Commissioner's Office/Centralized Services; 4) Employment Standards; and 5) Technology Services Division. The Office of Community Service, Workers' Compensation Court, Board of Personnel Appeals, and Board of Labor Appeals are administratively attached. Under statute the Human Rights Commission is allocated to the Department of Labor and Industry for administrative purposes.

FY 2024 Appropriations Compared to the FY 2024 Expenditures

The appropriations within non-budgeted proprietary funds were 96.4% expended through the end of FY 2024. The primary expenditure was within benefits and claims, as the largest fund is the Unemployment Insurance (UI) Tax Benefit fund, more details on this fund and all other non-budgeted proprietary funds will be found at the program level of this report.

closely mirrors its five-year Olympic average percent expended of 91.3%.

FY 2024 Appropriations Compared to FY 2025 Appropriations

Appropriations within non-budgeted proprietary funds decrease by 6.6% in comparing the FY 2025 appropriations to that of FY 2024. This decrease is primarily driven by the UI Tax Benefit fund as the major aspect of this change is within benefits and claims. As the UI Tax Benefit fund encapsulates 88.5% of the total FY 2025 appropriation, any change in this fund has a large impact on non-budgeted proprietary funds within the agency.

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 FY 2025	Requested Budget FY 2026	Budget FY 2027	Biennium Change from Base Amount	Percent
Proprietary Funds	8,737	1,750	1,750	(13,974)	(80.0%)
Total Funds	8,737	1,750	1,750	(13,974)	(80.0%)
Operating Expenses	8,737	1,750	1,750	(13,974)	(80.0%)
Total Expenditures	8,737	1,750	1,750	(13,974)	(80.0%)
Total Ongoing	8,737	1,750	1,750	(13,974)	(80.0%)
Total One-Time-Only					0.0%

Program Highlights

Workforce Services Division Major Budget Highlights
<ul style="list-style-type: none"> The Workforce Services Division's 2027 biennium proposed non-budgeted proprietary appropriations are approximately \$14,000 or 80.0% lower than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> A decrease of \$14,000 in proprietary authority within the Montana Career Information System fund Proposed increase in the enterprise rates for the Montana Career Information System fund from \$1,625 to \$1,750

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.

Workforce Services Division 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
Base Budget	0	0	0	8,737	499.3%	0	0	0	8,737	499.3%
Statewide PL										
Personal Services	0	0	0	0	0.0%	0	0	0	0	0.0%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	0	0	0	0	0.0%	0	0	0	0	0.0%
Present Law (PL)	0	0	0	(6,987)	(399.3%)	0	0	0	(6,987)	(399.3%)
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Adjustments	0	0	0	(6,987)	(399.3%)	0	0	0	(6,987)	(399.3%)
Total Requested Budget	0	0	0	1,750		0	0	0	1,750	

Funding

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

Department of Labor and Industry, 01-Workforce 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	556,072	0	0	0	556,072	0.8%
02067 Montana HELP Act	1,350,000	0	0	0	1,350,000	4.5%
02258 Employment Security Account	28,837,139	0	0	0	28,837,139	95.5%
State Special Total	\$30,187,139	\$0	\$0	\$0	\$30,187,139	44.9%
03124 Employment Trng Grants	15,650,553	0	0	0	15,650,553	43.0%
03128 L & I Federal Funding	685,498	0	0	0	685,498	1.9%
03194 Research & Analysis BLS	1,537,411	0	0	0	1,537,411	4.2%
03297 Labor and Industry Veteran Gra	1,597,549	0	0	0	1,597,549	4.4%
03660 SAA	246,555	0	0	0	246,555	0.7%
03682 Wagner Peyser	12,305,441	0	0	0	12,305,441	33.8%
03692 Alien Labor Certification(ALC)	981,071	0	0	0	981,071	2.7%
03693 Wrk Opportunities Tx Crdt/WOTC	189,051	0	0	0	189,051	0.5%
03694 Trade Adjustment Assist/NAFTA	1,049,473	0	0	0	1,049,473	2.9%
03954 UI Administrative Grants	47,302	0	0	0	47,302	0.1%
03982 RESEA	2,133,719	0	0	0	2,133,719	5.9%
Federal Special Total	\$36,423,623	\$0	\$0	\$0	\$36,423,623	54.2%
06051 Montana Career Info System	0	0	3,500	0	3,500	100.0%
Proprietary Total	\$0	\$0	\$3,500	\$0	\$3,500	0.0%
Total All Funds	\$67,166,834	\$0	\$3,500	\$0	\$67,170,334	

Non-Budgeted Proprietary

The Montana Career Information System (MCIS) has been active in Montana since 1980. The purpose of MCIS is to deliver current career and labor market information to Montanans in an easy-to-use and easy-to-understand format. The MCIS is the only career information delivery system in the country that has specific Montana labor market information included in each file.

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
Operating Expenses	875	8,594	8,737	1,750	1,750
Total Expenditures	\$875	\$8,594	\$8,737	\$1,750	\$1,750
Proprietary Funds	875	8,594	8,737	1,750	1,750
Total Funds	\$875	\$8,594	\$8,737	\$1,750	\$1,750
Total Ongoing	\$875	\$8,594	\$8,737	\$1,750	\$1,750
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

MCIS is funded primarily by the Employment Standards Administration (ESA), with federal Workforce Information Grants (WIG) from the Employment and Training Administration to support the update of data and job projections. In addition to data and system support, the MCIS unit also offers training and outreach direct to schools and through partnerships with nonprofit organizations to support a wide variety of users:

- Job services offices
- Vocational rehabilitation offices
- Middle schools
- High schools
- Community colleges
- Universities
- Tribal colleges
- Educational and training agencies
- Home use
- Adult education programs

There are currently optional components of MCIS not funded by ESA or WIG funds, such as the interest determination, exploration and assessment System (IDEAS) (an interest inventory) and Peterson practice tests that requires the program to collect fees associated with each optional component.

FY 2024 Appropriations Compared to FY 2024 Expenditures

The MCIS fund was 10.2% expended in FY 2024. As shown in the above chart, all of these expenditures for operating expenses. The lower percent expended is due to fewer schools utilizing the optional aspects of this fund. A more detailed breakdown of the expenditures for this fund can be found below.

FY 2024 Appropriations Compared to FY 2025 Appropriations

When looking at the FY 2025 appropriations compared to that of FY 2024, FY 2025 is 1.7% higher. Similar to FY 2024, all of the FY 2025 appropriations are in operating expenses.

The following table shows the actual and projected expenditures and related revenues associated with this fund.

Proprietary Rates

The executive proposes an increase in the MCIS proprietary rate when compared to the FY 2025 base rates. The increase in the proposed revenues for FY 2026 and FY 2027 is due an increase the agency experienced in FY 2024. The figure below shows the rates proposed by the executive for the 2027 biennium.

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information				
Fee Description:	Reviewed FY 2024	Reviewed FY 2025	Proposed FY 2026	Proposed FY 2027
Fees are collected from schools and transferred to MCIS contractor on a 1:1 ratio				
IDEAS Assessment @ \$125/test	\$ 375	\$ 375	\$ 500	\$ 500
Peterson's Academic Practice Tests - Pkg 1 @\$250/test	1,250.00	1,250.00	1,250.00	1,250.00
Peterson's Academic Practice Tests - Pkg 2 @\$200/test				
Peterson's Civil Service Practice Tests @ \$200/test				
Peterson's College Placement Skills @ \$225/test				
Total	\$ 1,625	\$ 1,625	\$ 1,750	\$ 1,750

This program is funded with an enterprise fund, which is a type of proprietary fund. As such, the legislature does not appropriate the funds or approve the rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies concerns with the financial position of the fund.

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.

The decision packages presented are for informational purposes only, offering insights into anticipated changes in expenditure that may affect the rates charged. These decision packages are not approved by the legislature. For internal service funds, the legislature approves the maximum rate that may be charged. For enterprise funds, the legislature reviews the rate and identifies any concerns.

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 3 - Inflation Deflation	0.00	0	0	0	0.00	0	0	0	0
DP 103 - MCIS Proprietary Authority Adjustment	0.00	0	0	(6,987)	0.00	0	0	0	(6,987)
Grand Total All Present Law Adjustments	0.00	\$0	\$0	(\$6,987)	0.00	\$0	\$0	\$0	(\$6,987)

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

DP 103 - MCIS Proprietary Authority Adjustment -

The executive proposes adjustments to the appropriation of this fund to align with the estimated revenues more closely.

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 FY 2025	Requested Budget FY 2026	FY 2027	Biennium Change from Base Amount	Percent
Proprietary Funds	134,000,000	136,989,668	143,630,259	12,619,927	4.7%
Total Funds	134,000,000	136,989,668	143,630,259	12,619,927	4.7%
Benefits & Claims	134,000,000	136,989,668	143,630,259	12,619,927	4.7%
Total Expenditures	134,000,000	136,989,668	143,630,259	12,619,927	4.7%
Total Ongoing	134,000,000	136,989,668	143,630,259	12,619,927	4.7%
Total One-Time-Only					0.0%

Program Highlights

Unemployment Insurance Division Major Budget Highlights
<ul style="list-style-type: none"> The Unemployment Insurance Division's 2027 biennium proposed non-budgeted proprietary appropriations are approximately \$12.6 million, or 4.7% higher than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> An increase in benefits and claims authority within the unemployment insurance tax benefit trust fund in the amount of \$12.6 million

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.

Unemployment Insurance Division 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
Base Budget	0	0	0	134,000,000	97.8%	0	0	0	134,000,000	93.3%
Statewide PL										
Personal Services	0	0	0	0	0.0%	0	0	0	0	0.0%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	0	0	0	0	0.0%	0	0	0	0	0.0%
Present Law (PL)	0	0	0	2,989,668	2.2%	0	0	0	9,630,259	6.7%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Adjustments	0	0	0	2,989,668	2.2%	0	0	0	9,630,259	6.7%
Total Requested Budget	0	0	0	136,989,668		0	0	0	143,630,259	

Funding

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

Department of Labor and Industry, 02-Unemployment Insurance 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%
02067 Montana HELP Act	652,763	0	0	0	652,763	4.1%
02258 Employment Security Account	15,177,110	0	0	0	15,177,110	95.9%
State Special Total	\$15,829,873	\$0	\$0	\$0	\$15,829,873	5.0%
03278 UI Penalty & Interest	2,088,695	0	0	0	2,088,695	9.2%
03954 UI Administrative Grants	20,703,324	0	0	0	20,703,324	90.8%
Federal Special Total	\$22,792,019	\$0	\$0	\$0	\$22,792,019	7.1%
06069 UI Tax Benefit Fund	0	0	280,619,927	0	280,619,927	100.0%
Proprietary Total	\$0	\$0	\$280,619,927	\$0	\$280,619,927	87.9%
Total All Funds	\$38,621,892	\$0	\$280,619,927	\$0	\$319,241,819	

Non-Budgeted Proprietary Funds

The Unemployment Insurance Tax Benefit fund (UI fund) is a proprietary account to fund unemployment benefits to claimants through state unemployment taxes. The tax amount depends on the ratio of the unemployment insurance trust fund balance to the total covered wages in Montana and the employer's experience. Montana uses 11 schedules with 10 contribution rates in each schedule to assess SUTA.

During the interim, the agency contracted an actuary to study the UI fund, the revenues to this fund, and the fund balance. With that, the actuary concluded that the agency may be able to make changes to the revenue structure of the fund while maintaining a sufficient fund balance. There is currently legislation, LC 463, that includes the recommended changes.

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
Benefits & Claims	139,248,071	142,000,000	134,000,000	136,989,668	143,630,259
Total Expenditures	\$139,248,071	\$142,000,000	\$134,000,000	\$136,989,668	\$143,630,259
Proprietary Funds	139,248,071	142,000,000	134,000,000	136,989,668	143,630,259
Total Funds	\$139,248,071	\$142,000,000	\$134,000,000	\$136,989,668	\$143,630,259
Total Ongoing	\$139,248,071	\$142,000,000	\$134,000,000	\$136,989,668	\$143,630,259
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Department of Labor and Industry collects the contributions paid by employers, based on their industry or individual experience rate, to pay for their unemployment insurance. The department expends the funds by paying unemployment insurance benefit claims.

FY 2024 Appropriations Compared to FY 2024 Expenditures

The UI fund was 98.1% expended in FY 2024, with all of these expenditures being from benefits and claims. This is in line with anticipated expenditures for the fiscal year. Expenditures out of this fund are dependent on the number of UI claims filed and the amount in benefits to be paid. Further detail on the expenditures of this fund can be found below.

FY 2024 Appropriations Compared to FY 2025 Appropriations

Appropriations in FY 2025 are 5.6% less than FY 2024. This is due to a pair of budget modifications made in FY 2024 to increase the authority in that fiscal year. These modifications were to pay benefits to claimants throughout the fiscal year.

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
6069	UI Trust Fund	66020	Labor and Industry	Unemployment Insurance

	Actual FY 2024	Estimated FY 2025	Proposed FY 2026	Proposed FY 2027
Operating Revenues				
Fees and Charges				
Fee Revenue A Investment Earnings	15,195,166	14,569,552	13,231,399	11,040,703
Fee Revenue B Contributions/Premium	161,878,065	180,217,905	184,022,299	188,818,261
Fee Revenue C Other Revenues	3,487,915	8,238,853	7,840,715	7,246,324
Fee Revenue D Penalty	125,699	238,466	255,269	268,294
Other Operating Revenues				
Total Operating Revenues	180,686,845	203,264,776	205,349,682	207,373,582
Expenses				
Personal Services				
Other Operating Expense				
Expense A Benefits	138,871,162	128,614,224	136,989,668	143,630,259
Total Operating Expense	138,871,162	128,614,224	136,989,668	143,630,259
Operating Income (Loss)	41,815,683	74,650,552	68,360,014	63,743,323
Nonoperating Revenues				
Other Revenue A				
Nonoperating Expenses				
Other Expense A Bad Debt	11,271,237			
Total Nonoperating Revenues (Expenses)	11,271,237	-	-	-
Income (Loss) Before Contributions and Transfers	53,086,920	74,650,552	68,360,014	63,743,323
Capital Contributions				
Transfers In	37,046			
Transfers Out				
Loans and Lease Payments				
Change in Net Position	53,123,966	74,650,552	68,360,014	63,743,323
Beginning Net Position - July 1	543,624,850	600,091,665	674,742,217	743,102,231
Prior Period Adjustments	3,342,849			
Change in Net Position	53,123,966	74,650,552	68,360,014	63,743,323
Ending Net Position - June 30	600,091,665	674,742,217	743,102,231	806,845,554
Net Position (Fund Balance) Analysis				
Restricted Net Position (Enterprise Funds Only)				
Unrestricted Net Position				

Expenditures

Significant costs for the program consist of unemployment insurance benefits paid to claimants while unemployed, including federal withholding tax and child support payments the claimants have elected to be taken out of their benefit check. The expenditures in this account are entirely dependent on the benefit payments that are to be made.

Revenues

The revenues received in the proprietary fund are from unemployment insurance tax collections, federal reimbursement for claims on federal employees, military personnel, claimants in other states, and interest earnings to the unemployment insurance trust fund.

Proprietary Rates

The Unemployment Insurance Division administers the state unemployment insurance law. There is no proprietary rate but rather a collection of contributions from employers that are used to pay the unemployment insurance benefits to claimants who have involuntarily become unemployed. The rate calculation is set in statute under 39-51-1217, MCA.

This program is funded with an enterprise fund, which is a type of proprietary fund. As such, the legislature does not appropriate the funds or approve the rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies concerns with the financial position of the fund.

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.

The decision packages presented are for informational purposes only, offering insights into anticipated changes in expenditure that may affect the rates charged. These decision packages are not approved by the legislature. For internal service funds, the legislature approves the maximum rate that may be charged. For enterprise funds, the legislature reviews the rate and identifies any concerns.

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 202 - UI Proprietary Adjustment										
0.00	0	0	0	2,989,668	0.00	0	0	0	9,630,259	
Grand Total All Present Law Adjustments										
0.00	\$0	\$0	\$0	\$2,989,668	0.00	\$0	\$0	\$0	\$9,630,259	

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

DP 202 - UI Proprietary Adjustment -

The executive proposes an adjustment in non-budgeted proprietary funding due to projected revenue and benefit levels for the upcoming biennium.

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 FY 2025	Requested Budget FY 2026	Requested Budget FY 2027	Biennium Change from Base	
				Amount	Percent
PB	64.75	64.75	64.75	0.00	0.0%
Proprietary Funds	9,550,104	9,171,214	9,049,969	(879,025)	(4.6%)
Total Funds	9,550,104	9,171,214	9,049,969	(879,025)	(4.6%)
Personal Services	6,878,508	6,856,118	6,875,747	(25,151)	(0.2%)
Operating Expenses	2,581,921	2,225,421	2,084,547	(853,874)	(16.5%)
Debt Service	89,675	89,675	89,675		0.0%
Total Expenditures	9,550,104	9,171,214	9,049,969	(879,025)	(4.6%)
Total Ongoing	9,550,104	9,171,214	9,049,969	(879,025)	(4.6%)
Total One-Time-Only					0.0%

Program Highlights

Commissioner's Office and Centralized Services Division (CSD)	
Major Budget Highlights	
<ul style="list-style-type: none"> The Commissioners Office and CSD's 2027 biennium proposed non-budgeted proprietary appropriations are approximately \$879,000 or 4.6% lower than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> A decrease in fixed costs of \$852,000 in the Commissioner's Office/CSD non-budgeted proprietary fund 	

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.

Commissioner's Office & C.s.d. 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
Base Budget	0	0	0	9,550,104	104.1%	0	0	0	9,550,104	105.5%
Statewide PL										
Personal Services	0	0	0	(22,390)	(0.2%)	0	0	0	(2,761)	(0.0%)
Fixed Costs	0	0	0	(355,550)	(3.9%)	0	0	0	(496,732)	(5.5%)
Inflation Deflation	0	0	0	(950)	(0.0%)	0	0	0	(642)	(0.0%)
Total Statewide PL	0	0	0	(378,890)	(4.1%)	0	0	0	(500,135)	(5.5%)
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Adjustments	0	0	0	(378,890)	(4.1%)	0	0	0	(500,135)	(5.5%)
Total Requested Budget	0	0	0	9,171,214		0	0	0	9,049,969	

Funding

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

Department of Labor and Industry, 03-Commissioner's Office & C.s.d. Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	691,011	0	0	0	691,011	3.2%
02233 BSD Hearings	151,223	0	0	0	151,223	9.1%
02258 Employment Security Account	1,395,405	100,000	0	0	1,495,405	89.7%
02315 DLI Info Exchange/Rental	2,142	0	0	0	2,142	0.1%
02941 Uninsured Employer Fund	18,568	0	0	0	18,568	1.1%
State Special Total	\$1,567,338	\$100,000	\$0	\$0	\$1,667,338	7.7%
03122 EEOC	63,288	0	0	0	63,288	5.2%
03954 UI Administrative Grants	1,142,772	0	0	0	1,142,772	94.8%
Federal Special Total	\$1,206,060	\$0	\$0	\$0	\$1,206,060	5.5%
06546 Commissioner's Office/CSD	0	0	10,338,593	0	10,338,593	56.7%
06552 Legal Admin Services	0	0	7,882,590	0	7,882,590	43.3%
Proprietary Total	\$0	\$0	\$18,221,183	\$0	\$18,221,183	83.6%
Total All Funds	\$3,464,409	\$100,000	\$18,221,183	\$0	\$21,785,592	

Non-Budgeted Proprietary Funds

The Commissioner's Office and Centralized Services Division provides two functions funded with non-budgeted proprietary funds. These programs are described separately along with a discussion of the program expenses, revenues, and rates being proposed to finance the program.

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	64.75	64.75	64.75	64.75
Personal Services	5,683,783	6,212,841	6,878,508	6,856,118	6,875,747
Operating Expenses	2,192,407	2,525,656	2,581,921	2,225,421	2,084,547
Debt Service	68,737	77,425	89,675	89,675	89,675
Total Expenditures	\$7,944,927	\$8,815,922	\$9,550,104	\$9,171,214	\$9,049,969
Proprietary Funds	7,944,927	8,815,922	9,550,104	9,171,214	9,049,969
Total Funds	\$7,944,927	\$8,815,922	\$9,550,104	\$9,171,214	\$9,049,969
Total Ongoing	\$7,944,927	\$8,815,922	\$9,550,104	\$9,171,214	\$9,049,969
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Commissioner's Office and the Centralized Services Division has two proprietary funds:

- Commissioner's Office/CSD – provides supportive services including human resources, accounting, and other administrative duties through an indirect service charge
- Office of Legal Services – provides legal assistance to the department's five programs and two administratively attached entities, whereby an hourly rate for attorney fees is established

FY 2024 Appropriations Compared to FY 2024 Expenditures

When looking at the two non-budgeted proprietary funds together, these funds were 90.1% expended in FY 2024, which is in line with expectation. These expenditures were centralized in personal services with these expenditures encapsulating 70.5% of the total expenditures for the fiscal year. A more detailed description of the expenditures within each individual fund can be found below.

FY 2024 Appropriations Compared to FY 2025 Appropriations

Appropriations are 8.3% higher in FY 2025 when compared to FY 2024. Similar to FY 2024, appropriations in FY 2025 are centralized in personal services with \$6.9 million of the \$9.6 million in appropriations within this expenditure type. The increase in appropriations from FY 2024 to FY 2025 is in line with the proposed expenditures from the 2023 Session. More details surrounding the revenues and expenditures of these funds can be found below.

Commissioner’s Office/CSD – Fund 06546

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name			
06546	Commissioner's Office/CSD	66020	Department of Labor & Industry	CSD - CAP - NAPROP			
				Actual FY 2024	Estimated FY 2025	Proposed FY 2026	Proposed FY 2027
Operating Revenues							
Fees and Charges							
Non Federal Ind Cost Recovery				4,170,573	4,124,440	4,124,440	4,124,440
CSD Draws - CAP				988,320	1,025,560	1,025,560	1,025,560
Other Operating Revenues							
Total Operating Revenues				5,158,893	5,150,000	5,150,000	5,150,000
Expenses							
Personal Services				3,096,237	3,625,840	3,705,001	3,714,870
Other Operating Expense				1,676,984	1,959,240	1,517,449	1,377,085
Expense A							
Expense B							
Expense C							
Total Operating Expense				4,773,221	5,585,080	5,222,450	5,091,955
Operating Income (Loss)				385,672	(435,080)	(72,450)	58,045
Nonoperating Revenues							
Nonoperating Expenses							
Total Nonoperating Revenues (Expenses)				-	-	-	-
Income (Loss) Before Contributions and Transfers				385,672	(435,080)	(72,450)	58,045
Capital Contributions							
Transfers In							
Transfers Out				-			
Loans and Lease Payments				(128)	(12,094)	(12,094)	(12,094)
Change in Net Position				385,544	(447,174)	(84,544)	45,951
Beginning Net Position - July 1				(67,742)	318,062	(129,112)	(213,656)
Prior Period Adjustments				260			
Change in Net Position				385,544	(447,174)	(84,544)	45,951
Ending Net Position - June 30				318,062	(129,112)	(213,656)	(167,705)
Net Position (Fund Balance) Analysis							
Restricted Net Position (Enterprise Funds Only)							
Unrestricted Net Position							

Expenditures

Major expenditures for this fund consist of the personal services costs for the Commissioner’s Office and CSD, as well as other operating expenses. Significant expenses within this fund include:

- Personal services costs for 34.00 PB, which accounts for \$3.6 million in estimated expenses in FY 2025
- Operating expenses, including:
 - Department-wide fixed costs, such as the statewide cost allocation plan (SWCAP), legislative audit fees, and the Human Resources Information System service fees
 - Charges for legal services that benefit the entire agency
 - Charges for information technology (IT) application that benefit the entire agency

Revenues

The Commissioner’s Office and CSD is funded by revenues from charges allocated to all divisions, bureaus, and programs supported by the division’s indirect cost plan. Revenue for this fund is collected through an indirect cost rate that is charged against personal services expenses within the agency. The services provided for the fee that is collected include:

- Human resources
- Accounting
- Budgeting
- Payroll processing
- Mail processing
- Other department-wide management and administration

If the rate approved by the legislature differs from the rate proposed, program budgets will need to be adjusted accordingly to maintain alignment with decisions made for this program.

Proprietary Rates

The executive proposes no change to the Commissioner’s Office / CSD proprietary rate when compared to the FY 2025 base rates. The figure below shows the rates proposed by the executive for the 2027 biennium. The rates proposed by the division for this fund are the same as the estimated rates for FY 2024 and FY 2025.

Requested Rates for Internal Service or Enterprise Funds				
Fee/Rate Information				
	Approved FY 2024	Approved FY 2025	Proposed FY 2026	Proposed FY 2027
Fee Description:	9.50%	9.50%	9.50%	9.50%

This program is funded with an internal service fund, which is a type of proprietary fund. As such, the legislature approves the maximum rate the program may charge during the biennium. They are not the rates the program must charge.

Legal Administrative Services – Fund 06552

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06552	Office of Legal Services	66020	Department of Labor & Industry	Centralized Services

	Actual FY 2024	Budget FY 2025	Proposed FY 2026	Proposed FY 2027
Operating Revenues				
Fees and Charges				
Fee Revenue	3,067,215	4,050,000	4,050,000	4,050,000
Other Operating Revenues				
Total Operating Revenues	3,067,215	4,050,000	4,050,000	4,050,000
Expenses				
Personal Services	2,681,658	3,252,668	3,151,117	3,160,877
Other Operating Expense	518,817	622,681	707,972	707,462
Total Operating Expense	3,200,475	3,875,349	3,859,089	3,868,339
Operating Income (Loss)	(133,259)	174,651	190,911	181,661
Nonoperating Revenues				
Other Revenue A				
Other Revenue B				
Nonoperating Expenses				
Other Expense A				
Other Expense B				
Total Nonoperating Revenues (Expenses)	-	-	-	-
Income (Loss) Before Contributions and Transfers	(133,259)	174,651	190,911	181,661
Capital Contributions				
Transfers In				
Transfers Out				
Loans and Lease Payments	(38,527)	(77,581)	(77,581)	(77,581)
Change in Net Position	(171,787)	97,070	113,330	104,080
Beginning Net Position - July 1	206,547	38,033	135,103	248,433
Prior Period Adjustments	3,273			
Change in Net Position	(171,787)	97,070	113,330	104,080
Ending Net Position - June 30	38,033	135,103	248,433	352,513
Net Position (Fund Balance) Analysis				
Restricted Net Position (Enterprise Funds Only)				
Unrestricted Net Position				

Expenditures

Within this fund, expenditures include personal services in form of salaries and overhead costs of agency legal staff, as well as other operating costs. Regarding personal services, this includes funding for 20.75 PB, with \$3.3 million in expenditures, or 83.4% of the total budgeted for FY 2025.

Revenues

Revenues for the Office of Legal Services are derived from charges for attorney time incurred by Department of Labor and Industry divisions. The rate is a direct hourly rate, charged to each division based on number of hours of legal service they receive. The rate per hour is calculated on actual costs of services divided by actual direct hours of service provided in FY 2024.

Proprietary Rates

The executive proposes no change to the Office of Legal Services proprietary rate when compared to the FY 2025 base rates. The figure below shows the rates proposed by the executive for the 2027 biennium.

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information					
	Approved FY 2024	Approved FY 2025	Proposed FY 2026	Proposed FY 2027	
Fee Description: All					
Attorneys	\$ 132	\$ 132	\$ 132	\$ 132	
Paralegals & Other	\$ 97	\$ 97	\$ 97	\$ 97	

This program is funded with an internal service fund, which is a type of proprietary fund. As such, the legislature approves the maximum rate the program may charge during the biennium. They are not the rates the program must charge.

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.

The decision packages presented are for informational purposes only, offering insights into anticipated changes in expenditure that may affect the rates charged. These decision packages are not approved by the legislature. For internal service funds, the legislature approves the maximum rate that may be charged. For enterprise funds, the legislature reviews the rate and identifies any concerns.

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	(22,390)	0.00	0	0	0	(2,761)
DP 2 - Fixed Costs	0.00	0	0	0	(355,550)	0.00	0	0	0	(496,732)
DP 3 - Inflation Deflation	0.00	0	0	0	(950)	0.00	0	0	0	(642)
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	(\$378,890)	0.00	\$0	\$0	\$0	(\$500,135)

***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 proposes adjustments to the present law personal services budget.

DP 2 - Fixed Costs -

The executive proposes adjustments to provide the funding required in the budget to pay fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates charged for these services are approved in a separate portion of the budget.

DP 3 - Inflation Deflation -

The executive proposes 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.

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount	Percent
Proprietary Funds	1,528,376	1,528,376	1,528,376		0.0%
Total Funds	1,528,376	1,528,376	1,528,376		0.0%
Benefits & Claims	1,503,328	1,503,328	1,503,328		0.0%
Transfers	25,048	25,048	25,048		0.0%
Total Expenditures	1,528,376	1,528,376	1,528,376		0.0%
Total Ongoing	1,528,376	1,528,376	1,528,376		0.0%
Total One-Time-Only					0.0%

Program Highlights

Employment Standards Division Major Budget Highlights	
<ul style="list-style-type: none"> The Employment Standards Division's 2027 biennium proposed non-budgeted proprietary appropriations are the same as the FY 2025 base budget 	

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.

Employment Standards Division 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
Base Budget	0	0	0	1,528,376	100.0%	0	0	0	1,528,376	100.0%
Statewide PL										
Personal Services	0	0	0	0	0.0%	0	0	0	0	0.0%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	0	0	0	0	0.0%	0	0	0	0	0.0%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Adjustments	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Requested Budget	0	0	0	1,528,376		0	0	0	1,528,376	

Funding

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

Department of Labor and Industry, 05-Employment Standards 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	80,295	0	0	0	80,295	0.1%
02024 Blasters	29,974	0	0	0	29,974	0.0%
02078 Occupational Therapists	162,135	0	0	0	162,135	0.2%
02079 Fire Prevention	124,976	0	0	0	124,976	0.2%
02080 Prescription Drug Registry	686,852	0	0	0	686,852	0.9%
02109 Outfitters	938,657	0	0	0	938,657	1.2%
02155 Boilers	1,545,782	0	0	0	1,545,782	2.0%
02207 Cranes Operators	427,021	0	0	0	427,021	0.6%
02258 Employment Security Account	8,115,175	0	0	0	8,115,175	10.5%
02263 Subsequent Injury Admin	152,845	0	0	0	152,845	0.2%
02315 DLI Info Exchange/Rental	12,178	0	0	0	12,178	0.0%
02346 Contractor Registration	4,275,300	0	0	0	4,275,300	5.5%
02347 Safety Administration Fund	5,019,319	0	0	0	5,019,319	6.5%
02446 Psychologists	227,204	0	0	0	227,204	0.3%
02448 Building Codes State Spec Rev	12,929,002	0	0	0	12,929,002	16.7%
02455 Workers' Comp Regulation	10,792,330	0	0	0	10,792,330	14.0%
02460 Underground Facility Protect	0	0	0	256,879	256,879	0.3%
02580 Athletic Trainers	59,852	0	0	0	59,852	0.1%
02679 Massage Therapists	357,436	0	0	0	357,436	0.5%
02767 Elevators	1,603,693	0	0	0	1,603,693	2.1%
02805 Weights & Measures Bureau	4,421,971	0	0	0	4,421,971	5.7%
02809 Speech Pathologists	228,110	0	0	0	228,110	0.3%
02810 Radiologic Technologists	405,686	0	0	0	405,686	0.5%
02811 Clinical Laboratory Practition	196,658	0	0	0	196,658	0.3%
02812 Physical Therapists	394,211	0	0	0	394,211	0.5%
02813 Nursing Home Admin	123,370	0	0	0	123,370	0.2%
02814 Hearing Aid Dispensers	77,886	0	0	0	77,886	0.1%
02816 Sanitarians	72,489	0	0	0	72,489	0.1%
02818 Electrical	1,004,846	0	0	0	1,004,846	1.3%
02819 Realty Regulations	1,275,822	0	0	0	1,275,822	1.7%
02820 Architects/Landscape Architect	373,018	0	0	0	373,018	0.5%
02821 Funeral Service	396,230	0	0	0	396,230	0.5%
02822 Chiropractors	203,229	0	0	0	203,229	0.3%
02823 Professional Engineers	602,097	0	0	0	602,097	0.8%
02824 Medical Examiners	2,967,259	0	0	0	2,967,259	3.8%
02826 Barbers & Cosmetologists	2,613,115	0	0	0	2,613,115	3.4%
02828 Plumbers	667,350	0	0	0	667,350	0.9%
02829 Private Investigator	533,187	0	0	0	533,187	0.7%
02830 Dentistry	748,238	0	0	0	748,238	1.0%
02831 Optometrists	94,683	0	0	0	94,683	0.1%
02832 Pharmacy	1,855,032	0	0	0	1,855,032	2.4%
02833 Nursing	4,005,280	0	0	0	4,005,280	5.2%
02834 Veterinarians	380,328	0	0	0	380,328	0.5%
02840 Behavioral Health	1,825,350	0	0	0	1,825,350	2.4%
02852 Alternative Health Care	130,168	0	0	0	130,168	0.2%
02854 Real Estate Appraisers	444,572	0	0	200,000	644,572	0.8%
02855 Respiratory Care	212,980	0	0	0	212,980	0.3%
02859 Genetic Counselors	71,723	0	0	0	71,723	0.1%
02870 Property Manager Licensing	259,083	0	0	0	259,083	0.3%
02941 Uninsured Employer Fund	1,789,169	0	0	950,368	2,739,537	3.5%
State Special Total	\$75,832,871	\$0	\$0	\$1,407,247	\$77,240,118	92.0%
03122 EEOC	506,173	0	0	0	506,173	17.0%
03130 Coal Mine Safety	450,500	0	0	0	450,500	15.1%
03131 OSHA Stat Prgm Fed.St Sdy	280,717	0	0	0	280,717	9.4%
03195 On-Site Consultation	1,392,751	0	0	0	1,392,751	46.7%
03293 Country of Origin Labeling	41,344	0	0	0	41,344	1.4%
03985 Data Management Unit Grant	312,958	0	0	0	312,958	10.5%
Federal Special Total	\$2,984,443	\$0	\$0	\$0	\$2,984,443	3.6%
06040 Subsequent Injury-Trust Fund	0	0	3,056,752	0	3,056,752	83.3%
06086 Public Accountants	0	0	0	614,578	614,578	16.7%
Proprietary Total	\$0	\$0	\$3,056,752	\$614,578	\$3,671,330	4.4%
Total All Funds	\$78,897,609	\$0	\$3,056,752	\$2,021,825	\$83,976,186	

Non-Budgeted Proprietary Funds

Within the Employment Standards Division (ESD), there is one non-budgeted proprietary fund. The subsequent injury fund is a proprietary account that assists disabled persons in becoming employed by offering a financial incentive to employers who hire them. The fund rate is based on the total amount of paid losses reimbursed by the fund in the preceding calendar year. Although the board of public accountants is a proprietary fund, it is statutorily appropriated and discussed within the HB 2 budget analysis.

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
Benefits & Claims	1,013,483	1,499,728	1,503,328	1,503,328	1,503,328
Transfers	29,368	28,648	25,048	25,048	25,048
Total Expenditures	\$1,042,851	\$1,528,376	\$1,528,376	\$1,528,376	\$1,528,376
Proprietary Funds	1,042,851	1,528,376	1,528,376	1,528,376	1,528,376
Total Funds	\$1,042,851	\$1,528,376	\$1,528,376	\$1,528,376	\$1,528,376
Total Ongoing	\$1,042,851	\$1,528,376	\$1,528,376	\$1,528,376	\$1,528,376
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The subsequent injury fund (SIF) was established in 1973 to assist disabled persons in becoming employed by offering a financial incentive to the employers who hire them. In the event a SIF certified individual is injured on the job, their employer's workers' compensation carrier is only liable for the first 104 weeks of benefits paid. Any benefits paid after that point are reimbursed by the fund, thus minimizing the workers' compensation expenses for the employer's insurer. Beginning July 1, 1999, the fund is maintained by an annual assessment of all Montana employers, including self-insured employers, private insurers, and the State Fund.

FY 2024 Appropriations Compared to FY 2024 Expenditures

The subsequent injury fund utilized 68.2% of its FY 2024 appropriations with the majority of these being within benefits and claims, with a small portion being in transfers. Non-budgeted proprietary funds often experience a lower percent expended due to the expenditures being based upon the amount in benefits needing to be paid. More detail on the expenditures being paid from this fund can be found below.

FY 2024 Appropriations Compared to FY 2025 Appropriations

Appropriations within FY 2025 are identical to that of FY 2024.

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name				
06040	Subsequent Injury- Trust Fund	66020	Dept of Labor and Industry	Employment Standards Division				
					Actual	Budget	Proposed	Proposed
					FY 2024	FY 2025	FY 2026	FY 2027
Operating Revenues								
Fees and Charges								
Fee Revenue A	Subsequent Injury Fund Assessment (and Surcharge)				1,826,448	1,543,376	1,543,376	1,543,376
Other Operating Revenues								
Revenue A	Investment Earnings				67,979	25,000	25,000	25,000
Revenue B	Securities Lending Income							
Revenue C	Other Operating Revenues							
Total Operating Revenues					1,894,426	1,568,376	1,568,376	1,568,376
Expenses								
Personal Services								
Other Operating Expense								
Expense A	Benefits and Claims				680,858	1,528,376	1,528,376	1,528,376
Total Operating Expense					680,858	1,528,376	1,528,376	1,528,376
Operating Income (Loss)					1,213,568	40,000	40,000	40,000
Nonoperating Revenues								
Other Revenue A								
Nonoperating Expenses								
Other Expense A								
Total Nonoperating Revenues (Expenses)					-	-	-	-
Income (Loss) Before Contributions and Transfers					1,213,568	40,000	40,000	40,000
Capital Contributions								
Transfers In								
Transfers Out					(29,368)	(25,048)	(25,048)	(25,048)
Loans and Lease Payments								
Change in Net Position					1,184,201	14,952	14,952	14,952
Beginning Net Position - July 1					(1,198,661)	(14,460)	492	15,444
Prior Period Adjustments								
Change in Net Position					1,184,201	14,952	14,952	14,952
Ending Net Position - June 30					(14,460)	492	15,444	30,396
Net Position (Fund Balance) Analysis								
Restricted Net Position (Enterprise Funds Only)								
Unrestricted Net Position								

Expenditures

The expenses of the program consist of administration costs and benefits for certified workers. Expenses are paid out when reimbursement requests are submitted to the department if there are sufficient monies in the fund to cover those expenses.

Revenues

The program is funded through an annual assessment on Plan 1 (self-insured) workers' compensation employers and a surcharge premium paid for Plan 2 (private sector) and Plan 3 (Montana State Fund) employers. The assessment is based on a percentage of the compensation and medical benefits paid in Montana by each insurer the preceding calendar year (39-71-915, MCA) and amounts actually paid out from SIF. The revenue to the fund is collected five times throughout the year.

Proprietary Rates

The executive proposes changes to Plan 1 and Plan 3 of the SIF proprietary rates when compared to the FY 2025 base rates. These changes are based upon the estimated rates for FY 2025. The figure below shows the rates proposed by the executive for the 2027 biennium. The SIF rate is set by the Employment Standards Division based on the total amount of paid losses reimbursed by the fund in the preceding year. Because the rate is based upon the previous years' experience, future rates beyond one year are unknown. The estimated rates for the program are shown below:

This program is funded with an enterprise fund, which is a type of a proprietary fund. As such, the legislature does not appropriate the funds or approve the rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies concerns with the financial position of the fund.

Requested Rates for Internal Service or Enterprise Funds
Fee/Rate Information

	Reviewed FY 2024	Reviewed FY 2025	Proposed FY 2026	Proposed FY 2027
Plan I - Insureds	\$ 250,566	\$ 250,566	\$ 231,048	\$ 231,048
(Admin costs & benefits paid to certified claimants)				
Plan III - Old Insureds	20,033	20,033	9,619	9,619
(Admin costs & benefits paid to certified claimants)				
Plan II & III - (surcharge)	\$ 1,232,729	\$ 1,232,729	\$ 1,327,709	\$ 1,327,709
(Admin costs & benefits paid to certified claimants)				

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent		
PB	29.00	29.00	29.00	0.00	0.0%	
Proprietary Funds	11,158,692	11,195,117	11,200,357	78,090	0.3%	
Total Funds	11,158,692	11,195,117	11,200,357	78,090	0.3%	
Personal Services	3,154,711	3,193,719	3,198,869	83,166	1.3%	
Operating Expenses	7,148,104	7,145,521	7,145,611	(5,076)	(0.0%)	
Debt Service	855,877	855,877	855,877		0.0%	
Total Expenditures	11,158,692	11,195,117	11,200,357	78,090	0.3%	
Total Ongoing	11,158,692	11,195,117	11,200,357	78,090	0.3%	
Total One-Time-Only					0.0%	

Program Highlights

Technology Services Division Major Budget Highlights	
<ul style="list-style-type: none"> The Technology Services Division's 2027 biennium proposed non-budgeted proprietary appropriations are approximately \$78,000 or 0.3% higher than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> An increase in personal services funding of \$83,000 in the upcoming biennium for the statewide present law adjustment for personal services Proposed increase in the internal services fund rates for the technical services fund and the technical services direct fund <ul style="list-style-type: none"> The technical services fund provides support for staff developing and testing department applications The technical services direct fund increase is all within the enterprise rate for fund passed through to the State Information Technology Services Division 	

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 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
Base Budget	0	0	0	11,158,692	99.7%	0	0	0	11,158,692	99.6%
Statewide PL										
Personal Services	0	0	0	39,008	0.3%	0	0	0	44,158	0.4%
Fixed Costs	0	0	0	(2,583)	(0.0%)	0	0	0	(2,493)	(0.0%)
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	0	0	0	36,425	0.3%	0	0	0	41,665	0.4%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Adjustments	0	0	0	36,425	0.3%	0	0	0	41,665	0.4%
Total Requested Budget	0	0	0	11,195,117		0	0	0	11,200,357	

Funding

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

Department of Labor and Industry, 06-Technology Services 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%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
06568 Technical Services	0	0	7,761,942	0	7,761,942	34.7%
06578 Technical Services Direct	0	0	14,633,532	0	14,633,532	65.3%
Proprietary Total	\$0	\$0	\$22,395,474	\$0	\$22,395,474	100.0%
Total All Funds	\$0	\$0	\$22,395,474	\$0	\$22,395,474	

Non-Budgeted Proprietary Funds

The Technology Services Division is funded entirely with proprietary rates. The two proprietary funds utilized by the division are the technical services account and the technical services direct account. These funds will be discussed in further detail in the proprietary rates section below.

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	29.00	29.00	29.00	29.00
Personal Services	2,510,341	3,398,455	3,154,711	3,193,719	3,198,869
Operating Expenses	9,690,232	10,772,900	7,148,104	7,145,521	7,145,611
Debt Service	798,179	798,513	855,877	855,877	855,877
Total Expenditures	\$12,998,752	\$14,969,868	\$11,158,692	\$11,195,117	\$11,200,357
Proprietary Funds	12,998,752	14,969,868	11,158,692	11,195,117	11,200,357
Total Funds	\$12,998,752	\$14,969,868	\$11,158,692	\$11,195,117	\$11,200,357
Total Ongoing	\$12,998,752	\$14,969,868	\$11,158,692	\$11,195,117	\$11,200,357
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Technology Services Division has two non-budgeted proprietary funds:

- Technical and Application Services - provides services related to staff who program, test, and analyze the department's applications
- Technical Services Direct – has two rates that are direct pass thru costs to the department divisions. The rate for enterprise services provided by State Information Technology Services Division (SITSD) is allocated on total cost by division PB. The other direct rate is for actual cost of contracted and SITSD services that are directly attributable to a specific division

FY 2024 Appropriations Compared to FY 2024 Expenditures

The TSD is funded solely through non-budgeted proprietary funding. The division expended 86.8% of their \$15.0 million appropriations. Expenditures within this division are concentrated within personal services and operating expenses with personal services being 73.9% expended and operating expenses being 90.0%. As the agency experienced vacancies in information technology (IT) positions due to difficulty in hiring, this caused a lower percent expended within personal services. Personal services expenditures for this division are all in the technical services fund with the majority of the operating expenses being in the technical services direct fund.

FY 2024 Appropriations Compared to FY 2025

Appropriations within the Technology Services Division are 25.5% less in FY 2025 compared to the of FY 2024. This difference is largely due to the division requesting an increase in operating expenses budget throughout FY 2024 to properly record expenses. This increase in operating expenses in FY 2024 was to record accrued IT contract expenditures within the technical services direct fund.

Technical and Application Services – Fund 06568*Proprietary Program Revenues and Expenses*

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06568	Technical Services	66020	Department of Labor & Industry	Technology Services

	Actual FY 2024	Estimated FY 2025	Proposed FY 2026	Proposed FY 2027
Operating Revenues				
Fees and Charges				
Non Federal Ind Cost Recovery	3,053,938	3,325,488	3,980,720	3,922,610
Federal Indirect Cost Recoveries	25,520	175,026	315,000	315,000
Other Operating Revenues				
Total Operating Revenues	3,079,458	3,500,514	4,295,720	4,237,610
Expenses				
Personal Services	2,539,617	3,154,711	3,193,719	3,198,869
Other Operating Expense	453,259	585,321	582,738	582,828
Expense A				
Expense B				
Expense C				
Total Operating Expense	2,992,876	3,740,032	3,776,457	3,781,697
Operating Income (Loss)	86,582	(239,518)	519,263	455,913
Nonoperating Revenues				
Other Revenue A				
Other Revenue B				
Nonoperating Expenses				
Other Expense A				
Other Expense B				
Total Nonoperating Revenues (Expenses)	-	-	-	-
Income (Loss) Before Contributions and Transfers	86,582	(239,518)	519,263	455,913
Capital Contributions				
Transfers In				
Transfers Out				
Loans and Lease Payments	(710)	(101,894)	(101,894)	(101,894)
Change in Net Position	85,872	(341,412)	417,369	354,019
Beginning Net Position - July 1	107,071	194,125	(147,287)	270,082
Prior Period Adjustments	1,182			
Change in Net Position	85,872	(341,412)	417,369	354,019
Ending Net Position - June 30	194,125	(147,287)	270,082	624,101
Net Position (Fund Balance) Analysis				
Restricted Net Position (Enterprise Funds Only)				
Unrestricted Net Position				

Expenditures

The major expenses for this fund consist of the personal services for 34.00 PB, with an estimated \$3.2 million in personal services expense proposed in FY 2026 and FY 2027. The remaining \$583,000 in expenditures lies within operating expenses.

Revenues

The rate for application services is assessed based on a direct hourly charge to the benefiting division. Revenues for the Application Section are billed to divisions also approved by the legislature and the U.S. Department of Labor.

All programs which utilize these services have a present law adjustment in the proposed budget to account for the proposed rate. If the rate approved by the legislature differs from the rate proposed, program budgets will need to be adjusted accordingly to maintain alignment with decisions made for this program.

Proprietary Rates

The executive proposes an increase to the technical services proprietary rate when compared to the FY 2025 base rates. The figure below shows the rates proposed by the executive for the 2027 biennium.

Requested Rates for Internal Service or Enterprise Funds							
Fee/Rate Information							
		Approved FY 2024	Approved FY 2025	Proposed FY 2026	Proposed FY 2027		
Fee Description:							
Application Rate	\$	104	\$ 104	\$ 120	\$ 120		
Technical Services Rate		0	0	0	0		

This program is funded with an internal service fund, which is a type of proprietary fund. As such, the legislature approves the maximum rate the program may charge during the biennium. They are not the rates the program must charge.

Technical Services Direct – Fund 06578

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06578	Technical Services	66020	Department of Labor and Industry	Technology Services

	Actual FY 2024	Estimated FY 2025	Proposed FY 2026	Proposed FY 2027
Operating Revenues				
Fees and Charges				
Non Federal Ind Cost Recovery	7,899,228	6,267,002	6,267,002	6,267,002
Federal Indirect Cost Recovery	1,323,172	1,049,764	1,049,764	1,049,764
Other Operating Revenues				
Total Operating Revenues	9,222,400	7,316,766	7,316,766	7,316,766
Expenses				
Personal Services				
Other Operating Expense	9,210,152	7,316,766	7,316,766	7,316,766
Total Operating Expense	9,210,152	7,316,766	7,316,766	7,316,766
Operating Income (Loss)	12,247	-	-	-
Nonoperating Revenues				
Other Revenue A				
Other Revenue B				
Nonoperating Expenses				
Other Expense A				
Other Expense B				
Total Nonoperating Revenues (Expenses)	-	-	-	-
Income (Loss) Before Contributions and Transfers	12,247	-	-	-
Capital Contributions				
Transfers In				
Transfers Out				
Loans and Lease Payments	(12,247)			
Change in Net Position	0	-	-	-
Beginning Net Position - July 1	(0)	0	0	0
Prior Period Adjustments				
Change in Net Position	0	-	-	-
Ending Net Position - June 30	0	0	0	0
Net Position (Fund Balance) Analysis				
Restricted Net Position (Enterprise Funds Only)				
Unrestricted Net Position				

Expenditures

The technical services direct fund includes expenses for pass through information technology expenditures that could be directly related to a division. These include SITSD charges, software purchases, and contract payments.

Revenues

The enterprise services rate is all State Information Technology Services Division (SITSD) charges that directly benefit the department. Those total costs are distributed based on department PB. The direct rate includes actual expenditures that can be identified as directly benefiting a specific program such as contracts and specific SITSD services.

All programs that utilize these services have a present law adjustment in the proposed budget to account for the proposed rate. If the rate approved by the legislature differs from the rate proposed, program budgets will need to be adjusted accordingly to maintain alignment with decisions made for this program.

Proprietary Rates

The executive proposes an increase to the technical services direct proprietary rate when compared to the FY 2025 base rates. This increase is within the enterprise rate of funding passed through to SITSD The figure below shows the rates proposed by the executive for the 2027 biennium.

Requested Rates for Internal Service or Enterprise Funds				
Fee/Rate Information				
	Approved FY 2024	Approved FY 2025	Proposed FY 2026	Proposed FY 2027
Fee Description:				
Enterprise	\$ 3,098,763	\$ 3,104,826	\$ 3,546,886	\$ 3,513,016
Direct Services	Actual Cost	Actual Cost	Actual Cost	Actual Cost

This program is funded with an internal service fund, which is a type of proprietary fund. As such, the legislature approves the maximum rate the program may charge during the biennium. They are not the rates the program must charge.

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.

The decision packages presented are for informational purposes only, offering insights into anticipated changes in expenditure that may affect the rates charged. These decision packages are not approved by the legislature. For internal service funds, the legislature approves the maximum rate that may be charged. For enterprise funds, the legislature reviews the rate and identifies any concerns.

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	39,008	0.00	0	0	0	44,158
DP 2 - Fixed Costs	0.00	0	0	0	(2,583)	0.00	0	0	0	(2,493)
DP 3 - Inflation Deflation	0.00	0	0	0	0	0.00	0	0	0	0
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	\$36,425	0.00	\$0	\$0	\$0	\$41,665

*"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 proposes adjustments to the present law personal services budget.

DP 2 - Fixed Costs -

The executive proposes adjustments to provide the funding required in the budget to pay fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates charged for these services are approved in a separate portion of the budget.

DP 3 - Inflation Deflation -

The executive proposes 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.

DEPARTMENT OF FISH, WILDLIFE, & PARKS

Section C

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----Agencies-----

Dept. of Fish, Wildlife, & Parks
Dept. of Environmental Quality
Dept. of Transportation

Dept. of Livestock
Dept. of Natural Resources & Conservation
Dept. of Agriculture

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

House

Representative Jerry Schillinger (Chair)
Representative Eric Albus
Representative Debo Powers

Senate

Senator Mike Cuffe (Vice Chair)
Senator Kenneth Bogner
Senator Jane Ellis

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

Rob Miller
Alice Hecht
Barb Wagner

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	82.08	98.66	98.66	16.58	10.1%
Proprietary Funds	11,600,219	13,110,638	13,129,621	3,039,821	13.1%
Total Funds	11,600,219	13,110,638	13,129,621	3,039,821	13.1%
Personal Services	5,507,851	7,018,270	7,037,253	3,039,821	27.6%
Operating Expenses	4,481,602	4,481,602	4,481,602		0.0%
Equipment & Intangible Assets	1,177,766	1,177,766	1,177,766		0.0%
Benefits & Claims	5,000	5,000	5,000		0.0%
Debt Service	428,000	428,000	428,000		0.0%
Total Expenditures	11,600,219	13,110,638	13,129,621	3,039,821	13.1%
Total Ongoing	11,600,219	13,110,638	13,129,621	3,039,821	13.1%
Total One-Time-Only					0.0%

Agency Highlights

Department of Fish, Wildlife, and Parks	
Major Budget Highlights	
The non-budgeted proprietary appropriations for the department total about \$3.0 million. This is a 13.1% increase above base funding. Increases include:	
<ul style="list-style-type: none"> • Proprietary maintenance program: \$1.6 million • Statewide present law adjustments for personal services: \$1.1 million • Aircraft and vehicle fleet rates: \$315,700 	

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 Fish, Wildlife, and Parks 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
Base Budget	0	0	0	11,600,219	88.5%	0	0	0	11,600,219	88.4%
Statewide PL										
Personal Services	0	0	0	549,560	4.2%	0	0	0	565,617	4.3%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	0	0	0	549,560	4.2%	0	0	0	565,617	4.3%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	960,859	7.3%	0	0	0	963,785	7.3%
Total Adjustments	0	0	0	1,510,419	11.5%	0	0	0	1,529,402	11.6%
Total Requested Budget	0	0	0	13,110,638		0	0	0	13,129,621	

Funding

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

Total Department of Fish, Wildlife, and Parks 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
02409 General License	156,157,397	601,426		1,114,826	157,873,649	47.8%
02334 Hunting Access	25,262,385				25,262,385	7.6%
02411 State Parks Miscellaneous	18,303,409	149,500		124,702	18,577,611	5.6%
02274 FWP Accommodations Tax				9,625,508	9,625,508	2.9%
02061 Nongame Wildlife Account	6,678,990				6,678,990	2.0%
Other State Special Revenue	17,222,361			226,298	17,448,659	5.3%
State Special Revenue Total	223,624,542	750,926	-	11,091,334	235,466,802	71.2%
03097 Fish(WB)-Wildl(Pr) Restor Gmt	51,937,867			625,400	52,563,267	15.9%
03403 Misc Federal Funds	14,388,437				14,388,437	4.4%
03408 State Wildlife Grants	1,616,845				1,616,845	0.5%
03098 Parks Federal Revenue	225,816				225,816	0.1%
03129 USFWS Section 6	80,522				80,522	0.0%
Federal Special Revenue Total	68,249,487	-	-	625,400	68,874,887	20.8%
06513 FWP Maintenance Fund			15,798,287		15,798,287	4.8%
06502 FWP Fleet Fund			7,767,210		7,767,210	2.3%
06540 DFWP Aircraft			1,349,034		1,349,034	0.4%
06068 MFWP Visitor Services			1,117,356		1,117,356	0.3%
06503 F & G Warehouse Inventory			208,372		208,372	0.1%
Proprietary Fund Total	-	-	26,240,259	-	26,240,259	7.9%
Total of All Funds	291,874,029	750,926	26,240,259	11,716,734	330,581,948	
Percent of All Sources of Authority	88.3%	0.2%	7.9%	3.5%		

Non-Budgeted Proprietary Funds

The non-budgeted proprietary funds include all internal service and enterprise funds.

Internal service funds account for operations that provide services within the agency, or other agencies of state government, on a cost reimbursement basis. They include the use of department statewide facilities maintenance program, aircraft, vehicles, and the state warehouse.

Enterprise funds are revenues generated from goods or services to the public. For the department these are primarily from the sales of merchandise at the Montana Fish, Wildlife, and Parks (FWP) visitor centers.

Descriptions of all other funds in the table above can be found in the 2027 biennium budget analysis.

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	82.08	82.08	98.66	98.66
Personal Services	6,033,354	6,075,056	5,507,851	7,018,270	7,037,253
Operating Expenses	5,398,017	6,582,063	4,481,602	4,481,602	4,481,602
Equipment & Intangible Assets	7,978,839	8,087,766	1,177,766	1,177,766	1,177,766
Benefits & Claims	3,000	5,000	5,000	5,000	5,000
Debt Service	89,228	428,000	428,000	428,000	428,000
Total Expenditures	\$19,502,438	\$21,177,885	\$11,600,219	\$13,110,638	\$13,129,621
Proprietary Funds	19,502,438	21,177,885	11,600,219	13,110,638	13,129,621
Total Funds	\$19,502,438	\$21,177,885	\$11,600,219	\$13,110,638	\$13,129,621
Total Ongoing	\$19,502,438	\$21,177,885	\$11,600,219	\$13,110,638	\$13,129,621
Total OTO	\$0	\$0	\$0	\$0	\$0

Agency Description

Montana Fish, Wildlife & Parks, through its employees and citizen commission, provides for the stewardship of the fish, wildlife, parks, and recreational resources of Montana, while contributing to the quality of life for present and future generations.

Additional information is included in the agency profile.

FY 2024 Appropriations Compared to FY 2024 Expenditures.

The department utilized 92.1% of its projected proprietary fund expenditure, amounting to \$1.7 million being unexpended. Of this unexpended portion:

- Operations accounted for the largest share at 70.7% or \$1.2 million of the unexpended amount, primarily within the Administration Department's maintenance program.
- Debt services related to the department's aviation and vehicle programs comprised 20.2% or \$338,800 of the unexpended amount.
- The remaining unexpended authority was distributed as follows:
 - \$108,900 for equipment
 - \$41,700 for personal services

FY 2024 Appropriations Compared to FY 2025 Appropriations

Anticipated expenditures in FY 2025 are 45.0% percent or \$9.6 million lower than FY 2024. Lower spending was anticipated primarily for equipment and intangibles which was budgeted \$6.9 million lower in FY 2025. Operating expenses were budgeted \$2.1 million lower and personal services \$567,200 lower.

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 FY 2025	Requested Budget FY 2026	Budget FY 2027	Biennium Change from Base		
				Amount	Percent	
PB	5.18	5.18	5.18	0.00	0.0%	
Proprietary Funds	560,155	558,249	559,107	(2,954)	(0.3%)	
Total Funds	560,155	558,249	559,107	(2,954)	(0.3%)	
Personal Services	360,283	358,377	359,235	(2,954)	(0.4%)	
Operating Expenses	199,872	199,872	199,872		0.0%	
Total Expenditures	560,155	558,249	559,107	(2,954)	(0.3%)	
Total Ongoing	560,155	558,249	559,107	(2,954)	(0.3%)	
Total One-Time-Only					0.0%	

Program Highlights

Parks and Outdoor Recreation Division	
Major Budget Highlights	
The non-budgeted proprietary funds decrease slightly compared to base funding. The entire decrease of about \$3,000 is due to statewide present law adjustments for personal services.	

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.

Parks and Outdoor Recreation 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
Base Budget	0	0	0	560,155	100.3%	0	0	0	560,155	100.2%
Statewide PL										
Personal Services	0	0	0	(1,906)	(0.3%)	0	0	0	(1,048)	(0.2%)
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	0	0	0	(1,906)	(0.3%)	0	0	0	(1,048)	(0.2%)
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Adjustments	0	0	0	(1,906)	(0.3%)	0	0	0	(1,048)	(0.2%)
Total Requested Budget	0	0	0	558,249		0	0	0	559,107	

Funding

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

Department of Fish, Wildlife, and Parks, 06-Parks and Outdoor Recreation 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%
02055 Snowmobile Trail Pass	126,588	0	0	0	126,588	0.2%
02057 OHV Noxious Weeds	56,308	0	0	0	56,308	0.1%
02171 Smith R. Corridor Enhancement	540,426	0	0	0	540,426	0.8%
02213 Off Highway Vehicle Gas Tax	165,278	0	0	0	165,278	0.2%
02239 Off Hwy Vehicle Acct (Parks)	77,262	0	0	0	77,262	0.1%
02273 Motorboat Fees	410,878	0	0	0	410,878	0.6%
02274 FWP Accommodations Tax	0	0	0	9,625,508	9,625,508	14.5%
02328 Parks OHV Fuel Safety/Educ	39,230	0	0	0	39,230	0.1%
02330 Parks Snomo Fuel Tax Sfty/Educ	100,580	0	0	0	100,580	0.2%
02332 Snowmobile Registration-Parks	778,152	0	0	0	778,152	1.2%
02333 Fishing Access Site Maint	841,568	0	0	0	841,568	1.3%
02334 Hunting Access	23,680,317	0	0	0	23,680,317	35.6%
02407 Snowmobile Fuel Tax	1,523,028	0	0	0	1,523,028	2.3%
02408 Coal Tax Trust Account	1,893,422	0	0	0	1,893,422	2.8%
02409 General License	8,534,142	0	0	0	8,534,142	12.8%
02411 State Parks Miscellaneous	16,893,352	149,500	0	0	17,042,852	25.6%
02412 Motorboat Fuel Tax	517,720	0	0	0	517,720	0.8%
02558 FAS - Vehicle Registration	517,886	0	0	0	517,886	0.8%
State Special Total	\$56,696,137	\$149,500	\$0	\$9,625,508	\$66,471,145	84.7%
03097 Fish(WB)-Wldlf(Pr) Restor Gmt	10,849,128	0	0	0	10,849,128	99.3%
03403 Misc Federal Funds	75,308	0	0	0	75,308	0.7%
Federal Special Total	\$10,924,436	\$0	\$0	\$0	\$10,924,436	13.9%
06068 MFWP Visitor Services	0	0	1,117,356	0	1,117,356	100.0%
Proprietary Total	\$0	\$0	\$1,117,356	\$0	\$1,117,356	1.4%
Total All Funds	\$67,620,573	\$149,500	\$1,117,356	\$9,625,508	\$78,512,937	

Proprietary revenues are generated from the sale of services and merchandise at FWP visitor centers.

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	5.18	5.18	5.18	5.18
Personal Services	166,751	199,731	360,283	358,377	359,235
Operating Expenses	329,873	339,587	199,872	199,872	199,872
Total Expenditures	\$496,624	\$539,318	\$560,155	\$558,249	\$559,107
Proprietary Funds	496,624	539,318	560,155	558,249	559,107
Total Funds	\$496,624	\$539,318	\$560,155	\$558,249	\$559,107
Total Ongoing	\$496,624	\$539,318	\$560,155	\$558,249	\$559,107
Total OTO	\$0	\$0	\$0	\$0	\$0

Proprietary Program Description

Section 23-1-105 (5), MCA, authorizes the Parks Division of Montana Fish, Wildlife and Parks to establish an enterprise fund for the purpose of managing state park visitor services revenue.

The fund is used by the department to provide inventory through purchase, production, or donation and for the sale of educational, commemorative, and interpretive merchandise and other related goods and services at department sites and facilities.

The fund was established primarily to better manage Montana State Parks visitor centers that sell books, clothing, and commemorative items at parks like First Peoples Buffalo Jump, Makoshika, and Chief Plenty Coups as well as parks that sell items like firewood and ice. Monies generated go back into the purchase of inventory and the improvement of visitor services in state parks and FWP overall.

Revenues and Expenses

Revenues are generated by the sales of interpretive and educational merchandise at park visitor centers and regional offices. The expenses associated with the enterprise fund include personal services, office supplies, merchandising materials, and the purchase of inventory to replenish stock. In FY 2020, personal services were increased for positions that manage and promote educational, commemorative, and interpretive services.

Rates and Rate Explanation

A markup of 40.0% - 50.0% on goods sold is applied to ensure sufficient revenues are collected to cover expenses, and projected fund balance, including cash fluctuations. The objective is to maintain an adequate fund balance to cover the costs of promoting and managing the visitor centers. The cash balances are highest in the winter after the parks season ends and lowest in the spring when stock is purchased to replenish inventory.

Proprietary Rates

This program is funded with an enterprise fund, which is a type of proprietary fund. As such, the legislature does not appropriate the funds or approve the rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies concerns with the financial position of the fund.

DP 1 - Personal Services -

The executive proposes 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

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 FY 2025	Requested Budget FY 2026	Budget FY 2027	Biennium Change from Base Amount	Percent
PB	76.90	93.48	93.48	16.58	10.8%
Proprietary Funds	11,040,064	12,552,389	12,570,514	3,042,775	13.8%
Total Funds	11,040,064	12,552,389	12,570,514	3,042,775	13.8%
Personal Services	5,147,568	6,659,893	6,678,018	3,042,775	29.6%
Operating Expenses	4,281,730	4,281,730	4,281,730		0.0%
Equipment & Intangible Assets	1,177,766	1,177,766	1,177,766		0.0%
Benefits & Claims	5,000	5,000	5,000		0.0%
Debt Service	428,000	428,000	428,000		0.0%
Total Expenditures	11,040,064	12,552,389	12,570,514	3,042,775	13.8%
Total Ongoing	11,040,064	12,552,389	12,570,514	3,042,775	13.8%
Total One-Time-Only					0.0%

Program Highlights

Administration Division
Major Budget Highlights
<p>The non-budgeted proprietary funds increase by 13.8% or \$3.0 million compared to base funding. Increases in the anticipated expenditures include:</p> <ul style="list-style-type: none"> Statewide present law adjustments for personal services: \$1.1 million Aircraft and vehicle proprietary rates: \$315,700 Facilities maintenance proprietary program: \$1.6 million

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.

Administration 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
Base Budget	0	0	0	11,040,064	88.0%	0	0	0	11,040,064	87.8%
Statewide PL										
Personal Services	0	0	0	551,466	4.4%	0	0	0	566,665	4.5%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	0	0	0	551,466	4.4%	0	0	0	566,665	4.5%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	960,859	7.7%	0	0	0	963,785	7.7%
Total Adjustments	0	0	0	1,512,325	12.0%	0	0	0	1,530,450	12.2%
Total Requested Budget	0	0	0	12,552,389		0	0	0	12,570,514	

Funding

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

Department of Fish, Wildlife, and Parks, 09-Administration 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%
02061 Nongame Wildlife Account	186,718	0	0	0	186,718	0.3%
02086 Mountain Sheep Account	64,000	0	0	0	64,000	0.1%
02112 Moose Auction	4,666	0	0	0	4,666	0.0%
02176 Mountain Goat Auction	3,000	0	0	0	3,000	0.0%
02334 Hunting Access	271,440	0	0	0	271,440	0.5%
02408 Coal Tax Trust Account	10,000	0	0	0	10,000	0.0%
02409 General License	52,663,247	0	0	1,114,826	53,778,073	96.0%
02411 State Parks Miscellaneous	1,071,054	0	0	124,702	1,195,756	2.1%
02469 Habitat Trust Interest	77,998	0	0	226,298	304,296	0.5%
02543 Search and Rescue - General	10,168	0	0	0	10,168	0.0%
02559 Mule Deer Auction	2,800	0	0	0	2,800	0.0%
02560 Elk Auction	6,666	0	0	0	6,666	0.0%
02600 Hunters Against Hunger	160,000	0	0	0	160,000	0.3%
State Special Total	\$54,531,757	\$0	\$0	\$1,465,826	\$55,997,583	65.7%
03097 Fish(WB)-Wildlf(Pr) Restor Gmt	3,292,438	0	0	625,400	3,917,838	94.6%
03098 Parks Federal Revenue	225,816	0	0	0	225,816	5.4%
Federal Special Total	\$3,518,254	\$0	\$0	\$625,400	\$4,143,654	4.9%
06502 FWP Fleet Fund	0	0	7,767,210	0	7,767,210	30.9%
06503 F & G Warehouse Inventory	0	0	208,372	0	208,372	0.8%
06513 FWP Maintenance Fund	0	0	15,798,287	0	15,798,287	62.9%
06540 DFWP Aircraft	0	0	1,349,034	0	1,349,034	5.4%
Proprietary Total	\$0	\$0	\$25,122,903	\$0	\$25,122,903	29.5%
Total All Funds	\$58,050,011	\$0	\$25,122,903	\$2,091,226	\$85,264,140	

Internal service funds account for operations that provide services within the agency, or other agencies of state government, on a cost reimbursement basis. This includes the use of department statewide facilities maintenance program, aircraft, vehicles, and the state warehouse.

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	76.90	76.90	93.48	93.48
Personal Services	5,866,603	5,875,325	5,147,568	6,659,893	6,678,018
Operating Expenses	5,068,144	6,242,476	4,281,730	4,281,730	4,281,730
Equipment & Intangible Assets	7,978,839	8,087,766	1,177,766	1,177,766	1,177,766
Benefits & Claims	3,000	5,000	5,000	5,000	5,000
Debt Service	89,228	428,000	428,000	428,000	428,000
Total Expenditures	\$19,005,814	\$20,638,567	\$11,040,064	\$12,552,389	\$12,570,514
Proprietary Funds	19,005,814	20,638,567	11,040,064	12,552,389	12,570,514
Total Funds	\$19,005,814	\$20,638,567	\$11,040,064	\$12,552,389	\$12,570,514
Total Ongoing	\$19,005,814	\$20,638,567	\$11,040,064	\$12,552,389	\$12,570,514
Total OTO	\$0	\$0	\$0	\$0	\$0

*Program Description***06502 FWP Fleet Fund**

The department's equipment fund provides a fleet of vehicles to department employees.

Revenues and Expenses

Users are charged a usage rate for the number of miles driven and an assigned rate for the number of days a vehicle is used. The assigned rates are calculated to recover the costs of administration to operate the program (personal services and fixed operational costs) and replacement of fleet vehicles. The usage rates are calculated to recover the costs of fuel, supplies, repairs, and maintenance of the fleet. This fund supports a total of 4.56 PB.

In order to serve the specialized vehicle needs for the department, the fleet program has experienced an increase in workload to maintain vehicles and install necessary specialized modifications (for game warden trucks). In the previous biennium, the department added an additional modified PB fleet technician to meet this increased workload. The department requests to make the position permanent.

In FY 2024, department employees drove a total of 7.6 million miles in department-owned vehicles. The number of miles driven is expected to remain consistent over the next biennium. The department currently has a fleet of 638 vehicles. The department's request for vehicle replacement is for 56 vehicles in FY 2026 and 60 in FY 2027. This is based on replacing vehicles after a minimum of 180,000 miles. For the additional cost to the programs, the department submitted a decision package request, DP911. The department will also be managing this fund to ensure that the fiscal year end (FYE) balance will not exceed the 60-day working capital requirement.

Rates and Rate Explanation

The vehicle usage rate recovers the direct costs of fuel, supplies, repairs, and maintenance of the fleet. The assigned rates for vehicles are calculated to recover the costs of administration of the program (personal services, vehicle licensing, insurance and title work, utilities, etc) and replacement of fleet vehicles.

The executive proposes an increase to the Vehicle Usage proprietary rate when compared to the FY 2025 base rates. The figure below shows the rates proposed by the executive for the 2027 biennium.

FY 2026 Vehicle Usage Rate				
<u>Vehicle Class</u>	<u>Assigned Cost Rate per Day:</u>	<u>Tier 1 \$4.50/gal</u>	<u>Tier 2 \$5.00/gal</u>	<u>Tier 3 \$5.50/gal</u>
210 Sedan	\$17.30	\$0.25	\$0.25	\$0.27
310 Van	\$23.30	\$0.31	\$0.32	\$0.34
410 Utility	\$19.00	\$0.40	\$0.41	\$0.43
610 1/2 Ton Pickup	\$17.80	\$0.50	\$0.52	\$0.55
710 3/4 Ton Pickup	\$17.90	\$0.58	\$0.60	\$0.64
1 Ton	\$17.90	\$0.58	\$0.60	\$0.64

FY 2027 Vehicle Usage Rate				
<u>Vehicle Class</u>	<u>Assigned Cost Rate per Day:</u>	<u>Tier 1 \$4.50/gal</u>	<u>Tier 2 \$5.00/gal</u>	<u>Tier 3 \$5.50/gal</u>
210 Sedan	\$17.30	\$0.25	\$0.26	\$0.27
310 Van	\$23.40	\$0.32	\$0.33	\$0.35
410 Utility	\$19.80	\$0.40	\$0.41	\$0.44
610 1/2 Ton Pickup	\$18.40	\$0.51	\$0.53	\$0.56
710 3/4 Ton Pickup	\$18.40	\$0.59	\$0.61	\$0.65
1 Ton	\$18.40	\$0.59	\$0.61	

This program is funded with an internal service fund, which is a type of proprietary fund. As such, the legislature approves the maximum rate the program may charge during the biennium. They are not the rates the program must charge.

Changes in Level of Fees and Charges

The assigned rate for vehicles in this fund has increased in order to recoup the cost of annual replacement vehicle purchases. The usage rate for vehicles in this fund has increased in order to recoup the increased cost of fuel. A decision package, PL911 was submitted to request the necessary funds to cover the increased cost to the programs.

Projected Fund Balance, Including Cash Fluctuations

At FYE 2024, the vehicle fleet fund had a cash balance of \$912,362 and the book value (original cost less accumulated depreciation) of the fleet was \$11,024,516. The fund's cash balance fluctuates during the year for two reasons. The first is that more miles are driven in the summer and fall than during the winter and spring. The second reason is that new vehicles are purchased in the spring. Thus, the cash balance is normally highest just before purchasing the replacement vehicles and lowest in the spring after purchasing the vehicles. The department was unable to purchase all requested replacement vehicles in FY 2022 and FY 2023 due to a supply shortage. The department reserved this cash balance until the purchase orders were fulfilled in FY 2024. All purchase orders have now been fulfilled and the department aims to resume regular cash balances in future years.

Working Capital and Fees Commensurate Analysis

The department attempts to manage this fund with a 60-day working capital Balance will be available when the cash balance is at its lowest level. Most replacement vehicles are purchased and received in the spring.

2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 52010	Agency Name: Department of Fish, Wildlife, and Parks			Program Name: Administration			
	Fund	Fund Name					
	06502	FWP Fleet Fund					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A		4,180,561	4,205,049	6,441,977	6,441,977	7,951,829	8,130,552
Total Operating Revenues		4,180,561	4,205,049	6,441,977	6,441,977	7,951,829	8,130,552
Expenses:							
Personal Services		362,043	297,692	321,690	347,357	350,614	357,626
Other Operating Expenses		3,608,317	3,495,908	4,029,315	3,025,579	4,465,214	4,454,925
Expense B		-	-	-	1,380,000	3,210,000	3,318,000
Loans and Lease Payments		-	-	-	1,700,000	-	-
Total Operating Expenses		3,970,360	3,793,600	4,351,005	6,452,936	8,025,828	8,130,551
Operating Income (Loss)		210,201	411,449	2,090,972	(10,959)	(73,999)	1
Nonoperating Revenues:							
Other Revenue A		69,858	56	22,194	-	-	-
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)		69,858	56	22,194	-	-	-
Income (Loss) Before Contributions and Transfers		280,059	411,505	2,113,166	(10,959)	(73,999)	1
Change in Net Position		280,059	411,505	2,113,166	(10,959)	(73,999)	1
Beginning Net Position - July 1		7,362,701	7,642,760	8,054,265	10,167,431	10,156,472	10,082,473
Change in Net Position		280,059	411,505	2,113,166	(10,959)	(73,999)	1
Ending Net Position - June 30		7,642,760	8,054,265	10,167,431	10,156,472	10,082,473	10,082,474
Net Position (Fund Balance) Analysis							
Unrestricted Net Position		7,642,760	8,054,266	10,167,431	10,156,472	10,082,472	10,082,472

Fund 06540 - Aircraft Fund*Program Description*

The department's aircraft fund provides specialized flying services using fixed-wing and helicopter aircraft to department employees to survey fish and wildlife, plant fish, monitor radio telemetry locations, etc. The users are department employees.

Revenues and Expenses

The Aircraft Fund charges a rate per hour by aircraft type for hours flown. The largest costs of the aircraft fleet are replacement aircraft, fuel, and repairs.

In FY 2024, the department flew approximately 2,154 hours in department aircraft. In FY 2024, the aircraft fleet generated \$1,336,802 in revenue. The department expects flight hours to remain steady for FY 2026 and FY 2027.

The aircraft unit has experienced an increase in the amount of time aircraft are grounded awaiting services such as repairs and routine maintenance when seeking these services in the private sector. The department requests to add 1.00 FTE aircraft mechanic to the aircraft unit in order to reduce the amount of time an aircraft is grounded for repairs or maintenance in order to better serve department employees.

Rates and Rate Explanation

The hourly rates requested are calculated to recoup the projected operating costs of the Aircraft Fund. The cost drivers for each rate includes fuel, repairs, supplies, rent, insurance, and other general operational costs as well as previously authorized loan payments for the purchase of replacement aircraft.

The executive proposes an increase to the Aircraft proprietary rates when compared to the FY 2025 base rates. The figure below shows the rates proposed by the executive for the 2027 biennium.

Aircraft Hourly Rate	Proposed FY 2026	Proposed FY 2027
Two place single-engine plane	\$454	\$558
Four place single-engine plane	\$454	\$558
Turbine helicopter	\$1,095	\$1,102

This program is funded with an internal service fund, which is a type of proprietary fund. As such, the legislature approves the maximum rate the program may charge during the biennium. They are not the rates the program must charge.

Changes in Level of Fees and Charges

The anticipated increase in the hourly rates to the aircraft unit for FY 2026 and FY 2027 are due to routine aircraft inspections and repairs as well as the loan payments from the previous biennia for aircraft replacements. A decision package, PL912 was submitted to request the necessary funds to cover the increased cost to the programs.

Projected Fund Balance, Including Cash Fluctuations

The book value (original cost less accumulated depreciation) of department aircraft was \$2,722,120 at FYE 2024. The cash balance has fluctuated in the in the last four years as the department was preparing to make large purchases when replacing aircraft—the purchasing process for which is quite unique and time-sensitive—while also working to maintain an appropriate working capital balance and establishing loans for these large aircraft purchases to minimize sudden increased costs to the department's base programs.

Working Capital and Fees Commensurate Analysis

The department attempts to manage this account so that a 60-day working capital amount of cash is available when the cash balance is at its lowest level. Cash balances fluctuate during the year for two reasons. Monthly flight hours vary due to optimum times to do species counts, and major repairs and scheduled maintenance occur sporadically throughout the year.

2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 52010	Agency Name: Department of Fish, Wildlife, and Parks			Program Name: Administration			
	Fund	Fund Name					
	06540	DFWP Aircraft					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
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Operating Revenues:							
Fee and Charges							
Fee Revenue A							
		1,039,514	1,285,701	1,336,802	1,319,544	1,669,744	1,780,606
Total Operating Revenues							
		1,039,514	1,285,701	1,336,802	1,319,544	1,669,744	1,780,606
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Expenses:							
Personal Services							
		-	-	-	-	90,639	90,639
Other Operating Expenses							
		989,204	1,062,892	1,384,153	1,318,338	996,377	1,107,605
Total Operating Expenses							
		989,204	1,062,892	1,384,153	1,318,338	1,087,016	1,198,244
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Operating Income (Loss)							
		50,310	222,809	(47,351)	1,206	582,728	582,362
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Nonoperating Revenues:							
Nonoperating Expenses:							
		20,573	28,126	118,293	609,967	581,921	581,921
Other Expense A							
Total Nonoperating Revenues (Expenses)							
		20,573	28,126	118,293	609,967	581,921	581,921
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Income (Loss) Before Contributions and Transfers							
		70,883	250,935	70,942	611,173	1,164,649	1,164,283
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Change in Net Position							
		70,883	250,935	70,942	611,173	1,164,649	1,164,283
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Beginning Net Position - July 1							
		868,426	939,309	1,190,244	1,261,186	1,872,359	3,037,008
Change in Net Position							
		70,883	250,935	70,942	611,173	1,164,649	1,164,283
Ending Net Position - June 30							
		939,309	1,190,244	1,261,186	1,872,359	3,037,008	4,201,291
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Net Position (Fund Balance) Analysis							
Unrestricted Net Position							
		898,163	1,092,846	927,202	318,441	319,248	319,690

Fund 06513 – FWP Maintenance Fund*Program Description*

The maintenance fund provides internal maintenance services to department-owned and/or maintained lands. This fund supports a total of 72.34 FTE and associated maintenance operations costs such as tools, supplies, and equipment.

The maintenance unit has experienced an increase in workload to address maintenance backlogs and implement more consistent routine and preventative maintenance activities on all department-owned and/or maintained lands. In the previous biennium the department added 7.58 modified FTE maintenance staff to meet this increased workload. The department requests to make these positions permanent as well as add 7.00 FTE in addition for a total increase of 14.58 FTE.

Revenues and Expenses

Revenue is generated from the hourly rate charged for hours worked performing maintenance at a department-maintained property. The expenses to this fund include personal services and operations costs such as tools, supplies, and equipment.

Rates and Rate Explanation

The hourly rate for maintenance services provided is billed to the corresponding program.

The executive proposes a decrease to the maintenance proprietary rate when compared to the FY 2025 base rates. The figure below shows the rates proposed by the executive for the 2027 biennium.

Maintenance	FY 2025	Proposed FY 2026	Proposed FY 2027
Hourly Rate	\$78.50	\$76.50	\$76.50

This program is funded with an internal service fund, which is a type of proprietary fund. As such, the legislature approves the maximum rate the program may charge during the biennium. They are not the rates the program must charge.

Changes in Level of Fees and Charges

This fund was approved by the legislature beginning in the 2025 Biennium. The department's rate for the 2025 Biennium included costs to establish a working capital balance for the fund. Now that the working capital balance is established, the department aims to maintain a sufficient fund balance in future years. This biennium the agency is proposing a reduction in the hourly rate to reflect this change.

Working Capital and Fees Commensurate Analysis

The department aims to maintain a 60-day working capital fund balance over the biennium and does not anticipate any large cash fluctuations from year to year.

Projected Fund Balance, Including Cash Fluctuations

The department attempts to manage this account so that a 60-day working capital amount of cash is available when the cash balance is at its lowest level.

2027 Biennium Report on Internal Service and Enterprise Funds						
Agency # 52010	Agency Name: Department of Fish, Wildlife, and Parks		Program Name: Administration			
	Fund	Fund Name				
	06513	FWP Maintenance Fund				
			Actual FY22	Actual FY23	Actual FY24	Budgeted FY25
						Budgeted FY26
						Budgeted FY27
Operating Revenues:						
Fee and Charges			-	-	8,247,117	7,672,117
Fee Revenue A			-	-	8,247,117	8,501,675
Total Operating Revenues			-	-	8,247,117	7,672,117
Expenses:						
Personal Services			-	-	6,170,176	6,170,176
Other Operating Expenses			-	-	1,471,841	1,879,923
Total Operating Expenses			-	-	7,642,017	8,050,100
Operating Income (Loss)			-	-	605,100	622,017
Nonoperating Revenues:						
Nonoperating Expenses:						
Total Nonoperating Revenues (Expenses)			-	-	-	-
Income (Loss) Before Contributions and Transfers			-	-	605,100	622,017
Change in Net Position			-	-	605,100	622,017
Beginning Net Position - July 1			-	-	-	605,100
Change in Net Position			-	-	605,100	622,017
Ending Net Position - June 30			-	-	605,100	622,017
Net Position (Fund Balance) Analysis						
Unrestricted Net Position			-	-	605,099	621,999

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	551,466	0.00	0	0	0	566,665
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	\$551,466	0.00	\$0	\$0	\$0	\$566,665

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

The decision packages presented are for informational purposes only, offering insights into anticipated changes in expenditure that may affect the rates charged. These decision packages are not approved by the legislature. For internal service funds, the legislature approves the maximum rate that may be charged. For enterprise funds, the legislature reviews the rate and identifies any concerns.

DP 1 - Personal Services -

The executive proposes 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

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 915 - Fleet Proprietary Resources	1.00	0	0	0	71,397	1.00	0	0	0	71,397
DP 916 - Aircraft Proprietary Resources	1.00	0	0	0	86,436	1.00	0	0	0	86,436
DP 917 - Maintenance Proprietary Resources	14.58	0	0	0	803,026	14.58	0	0	0	805,952
Total	16.58	\$0	\$0	\$0	\$960,859	16.58	\$0	\$0	\$0	\$963,785

DP 915 - Fleet Proprietary Resources -

The executive proposes increases to the vehicle fleet proprietary program.

DP 916 - Aircraft Proprietary Resources -

The executive proposes increases to the aircraft proprietary program.

DP 917 - Maintenance Proprietary Resources -

The executive proposes increases to the maintenance proprietary program.

DEPARTMENT OF ENVIRONMENTAL QUALITY

Section C

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----Agencies-----

Dept. of Fish, Wildlife, & Parks
Dept. of Environmental Quality
Dept. of Transportation

Dept. of Livestock
Dept. of Natural Resources & Conservation
Dept. of Agriculture

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

House

Representative Jerry Schillinger (Chair)
Representative Eric Albus
Representative Debo Powers

Senate

Senator Mike Cuffe (Vice Chair)
Senator Kenneth Bogner
Senator Jane Ellis

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

Rob Miller
Alice Hecht
Barb Wagner

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 FY 2025	Requested Budget FY 2026	Budget FY 2027	Biennium Change from Base Amount	Percent
PB	55.50	54.50	54.50	(1.00)	(0.9%)
Proprietary Funds	9,706,865	9,967,209	9,905,297	458,776	2.4%
Total Funds	9,706,865	9,967,209	9,905,297	458,776	2.4%
Personal Services	5,394,874	5,346,091	5,357,276	(86,381)	(0.8%)
Operating Expenses	4,003,552	4,312,679	4,239,582	545,157	6.8%
Equipment & Intangible Assets	119,739	119,739	119,739		0.0%
Transfers	5,000	5,000	5,000		0.0%
Debt Service	183,700	183,700	183,700		0.0%
Total Expenditures	9,706,865	9,967,209	9,905,297	458,776	2.4%
Total Ongoing	9,706,865	9,967,209	9,905,297	458,776	2.4%
Total One-Time-Only					0.0%

Agency Highlights

Department of Environmental Quality	
Major Budget Highlights	
The department non-budgeted proprietary funding increased by about \$485,800 compared to the base budget. Increases include:	
<ul style="list-style-type: none"> Statewide present law adjustments: \$670,900 Information Technology Services Consolidation (Reduction): \$212,100 	

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 Environmental Quality 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
Base Budget	0	0	0	9,706,865	97.4%	0	0	0	9,706,865	98.0%
Statewide PL										
Personal Services	0	0	0	57,262	0.6%	0	0	0	68,448	0.7%
Fixed Costs	0	0	0	309,509	3.1%	0	0	0	236,288	2.4%
Inflation Deflation	0	0	0	(382)	(0.0%)	0	0	0	(258)	(0.0%)
Total Statewide PL	0	0	0	366,389	3.7%	0	0	0	304,478	3.1%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	(106,045)	(1.1%)	0	0	0	(106,046)	(1.1%)
Total Adjustments	0	0	0	260,344	2.6%	0	0	0	198,432	2.0%
Total Requested Budget	0	0	0	9,967,209		0	0	0	9,905,297	

Funding

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

Total Department of Environmental Quality 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
01100 General Fund	16,578,651				16,578,651	9.5%
02058 Petroleum Storage Tank Cleanup	7,411,435			10,500,000	17,911,435	10.3%
02201 Air Quality-Operating Fees	7,320,646				7,320,646	4.2%
02278 MPDES Permit Program	7,007,137				7,007,137	4.0%
02988 Hard Rock Mining Reclamation	6,252,704				6,252,704	3.6%
02576 Natural Resources Operations	5,231,196				5,231,196	3.0%
Other State Special Revenue	41,214,043				41,214,043	23.7%
State Special Revenue Total	74,437,161	-	-	10,500,000	84,937,161	48.7%
03433 EPA Perf Partnership Grant	12,656,372				12,656,372	7.3%
03036 DEQ - Federal Aml Grant	8,756,129				8,756,129	5.0%
03816 DOI OSM A&E Grant	4,458,027				4,458,027	2.6%
03595 DW24 SRF Grant	3,862,698				3,862,698	2.2%
03231 NPS25 Staffing Grant	2,175,108				2,175,108	1.2%
Other Federal Special Revenue	20,963,330				20,963,330	12.0%
Federal Special Revenue Total	52,871,664	-	-	-	52,871,664	30.3%
06509 DEQ Indirects			19,872,506		19,872,506	11.4%
Proprietary Fund Total	-	-	19,872,506	-	19,872,506	11.4%
Total of All Funds	143,887,476	-	19,872,506	10,500,000	174,259,982	
Percent of All Sources of Authority	82.6%	0.0%	11.4%	6.0%		

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	55.50	55.50	54.50	54.50
Personal Services	4,474,461	5,145,785	5,394,874	5,346,091	5,357,276
Operating Expenses	2,404,344	3,798,246	4,003,552	4,312,679	4,239,582
Equipment & Intangible Assets	13,720	119,739	119,739	119,739	119,739
Transfers	0	5,000	5,000	5,000	5,000
Debt Service	687,652	183,700	183,700	183,700	183,700
Total Expenditures	\$7,580,177	\$9,252,470	\$9,706,865	\$9,967,209	\$9,905,297
Proprietary Funds	7,580,177	9,252,470	9,706,865	9,967,209	9,905,297
Total Funds	\$7,580,177	\$9,252,470	\$9,706,865	\$9,967,209	\$9,905,297
Total Ongoing	\$7,580,177	\$9,252,470	\$9,706,865	\$9,967,209	\$9,905,297
Total OTO	\$0	\$0	\$0	\$0	\$0

Proprietary Program Description

The Central Services Division is funded with a non-budgeted proprietary fund. The legislature does not appropriate funds but rather approves rates for the proprietary fund. The Department of Environmental Quality (DEQ) indirect fund supports common functions across DEQ, including administration, human resources, and information technology. In this regard, the indirect fund can be thought of as the "overhead" of DEQ.

Revenues and Expenses

The fund is supported by a charge against other divisions of DEQ. The percentage of the charge is approved by the United States Environmental Protection Agency.

Rate(s) and Rate Explanation

The rate being requested is a fixed rate that will not exceed 28% of the personal services base. This rate structure has been effective in providing the needed revenue to the internal service fund to provide services to all of the programs.

This program is funded with an internal service fund, which is a type of proprietary fund. As such, the legislature approves the maximum rate the program may charge during the biennium. They are not the rates the program must charge.

2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 53010	Agency Name: Department of Environmental Quality			Program Name: Central Management Program			
	Fund 06509	Fund Name DEQ Indirects					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A		5,259,538	5,371,713	5,144,077	5,896,400	5,896,400	5,896,400
Fee Revenue B		2,615,685	2,676,172	3,491,653	2,989,355	2,989,355	2,989,355
Other Operating Revenue		-	-	-	2,500	2,500	2,500
Total Operating Revenues		7,875,223	8,047,885	8,635,730	8,888,255	8,888,255	8,888,255
Expenses:							
Personal Services		4,155,233	4,253,533	4,384,765	4,003,552	4,143,566	4,065,359
Other Operating Expenses		3,919,127	3,209,895	3,057,755	4,003,552	4,143,566	4,065,359
Expense B		-	57,057	52,475	183,700	183,700	183,700
Expense C		492,219	(20,245)	51,757	683,700	683,700	683,700
Total Operating Expenses		8,566,579	7,500,240	7,546,752	8,874,504	9,154,532	8,998,118
Operating Income (Loss)		(691,356)	547,645	1,088,978	13,751	(266,277)	(109,863)
Nonoperating Revenues:							
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)		-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers		(691,356)	547,645	1,088,978	13,751	(266,277)	(109,863)
Transfers Out							
		-	21,443	-	5,000	5,000	5,000
Change in Net Position		(691,356)	569,088	1,088,978	18,751	(261,277)	(104,863)
Beginning Net Position - July 1		(21,574)	(712,930)	(143,842)	945,136	963,887	702,610
Change in Net Position		(691,356)	569,088	1,088,978	18,751	(261,277)	(104,863)
Ending Net Position - June 30		(712,930)	(143,842)	945,136	963,887	702,610	597,747
Net Position (Fund Balance) Analysis							

Changes in Level of Fees and Charges

The percentage has remained the same. However, the percentage split has changed from 24% personal services base, 4% operating services base to 28% personal services base.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The agency expended 81.9% of the FY 2024 budget, leaving \$1.7 million unexpended. Unexpended budget categories include:

- Personal services: \$671,300
- Operating expense: \$1.4 million
- Debt service was over expended: \$504,000
- Other categories: \$124,700

FY 2024 Appropriations Compared to FY 2025 Appropriations

The budget for personal services and operating expense combined increase by 4.9% or \$454,400 in FY 2025 compared to FY 2024.

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	57,262	0.00	0	0	0	68,448	
DP 2 - Fixed Costs										
0.00	0	0	0	309,509	0.00	0	0	0	236,288	
DP 3 - Inflation Deflation										
0.00	0	0	0	(382)	0.00	0	0	0	(258)	
Grand Total All Present Law Adjustments										
0.00	\$0	\$0	\$0	\$366,389	0.00	\$0	\$0	\$0	\$304,478	

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

The decision packages presented are for informational purposes only, offering insights into anticipated changes in expenditure that may affect the rates charged. These decision packages are not approved by the legislature. For internal service funds, the legislature approves the maximum rate that may be charged. For enterprise funds, the legislature reviews the rate and identifies any concerns.

DP 1 - Personal Services -

The executive proposes 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

DP 2 - Fixed Costs -

The executive proposes 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: warrant writer, motor pool, 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 proposes 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 10100 - ITSD Security Consolidation										
(1.00)	0	0	0	(106,045)	(1.00)	0	0	0	(106,046)	
Total	(1.00)	\$0	\$0	\$0	(1.00)	\$0	\$0	\$0	\$0	(\$106,046)

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

DP 10100 - ITSD Security Consolidation -

The executive proposes a reduction of 1.00 PB from Central Management Program (CMP) as part of security consolidation efforts across the Executive Branch.

DEPARTMENT OF TRANSPORTATION

Section C

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----Agencies-----

Dept. of Fish, Wildlife, & Parks
Dept. of Environmental Quality
Dept. of Transportation

Dept. of Livestock
Dept. of Natural Resources & Conservation
Dept. of Agriculture

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Senator Kenneth Bogner
Senator Jane Ellis

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

Rob Miller
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Agency Base Budget Comparison

Agency Base Budget Comparison					
Budget Item	Base Budget FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	132.50	135.50	135.50	3.00	1.1%
Proprietary Funds	48,869,640	60,115,286	60,116,281	22,492,287	23.0%
Total Funds	48,869,640	60,115,286	60,116,281	22,492,287	23.0%
Personal Services	12,149,765	12,316,082	12,342,184	358,736	1.5%
Operating Expenses	20,683,545	23,762,874	23,737,767	6,133,551	14.8%
Equipment & Intangible Assets	15,916,881	23,916,881	23,916,881	16,000,000	50.3%
Debt Service	119,449	119,449	119,449		0.0%
Total Expenditures	48,869,640	60,115,286	60,116,281	22,492,287	23.0%
Total Ongoing	48,869,640	60,115,286	60,116,281	22,492,287	23.0%
Total One-Time-Only					0.0%

Agency Highlights

Department of Transportation Major Budget Highlights

The Montana Department of Transportation's (MDT) 2027 biennium non-budgeted proprietary appropriations are approximately \$22.5 million or 23.0% higher than the FY 2025 base budget. Significant changes include:

- Statewide present law adjustments totaling (\$730,765) for the biennium These include:
 - DP 1 - Personal services: (\$195,586)
 - DP 2 - Fixed costs: (\$535,053)
 - DP 3 - Inflation/Deflation: (\$126)
- Present law increases totaling \$22.7 million for the biennium. Major changes include:
 - DP 805 – Equipment replacement purchases: \$16.0 million
 - DP 808 – Equipment Repair Increase: \$6.7 million
- New proposals totaling \$568,722 for the biennium, an increase of 3.00 PB. Details of major changes include:
 - Equipment program
 - An increase of 3.00 PB and associated pay and benefits for traveling mechanic

Executive Request

Office of the Department of Transportation 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
Base Budget	0	0	0	48,869,640	80.2%	0	0	0	48,869,640	80.2%
Statewide PL										
Personal Services	0	0	0	0	0.0%	0	0	0	0	0.0%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	0	0	0	(371,580)	(0.6%)	0	0	0	(359,185)	(0.6%)
Present Law (PL)	0	0	0	12,127,165	19.9%	0	0	0	12,127,165	19.9%
New Proposals	0	0	0	290,061	0.5%	0	0	0	278,661	0.5%
Total HB 2 Adjustments	0	0	0	12,045,646	19.8%	0	0	0	12,046,641	19.8%
Total Requested Budget	0	0	0	60,915,286		0	0	0	60,916,281	

Funding

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

Total Department of Transportation 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
06508 Highway Equipment - Int Svc.			105,326,547		105,326,547	38.8%
06506 Motor Pool - Int Svc			15,460,192		15,460,192	5.7%
06007 Yellowstone Airport			1,044,828		1,044,828	0.4%
Proprietary Fund Total	-	-	121,831,567	-	121,831,567	44.9%
Total of All Funds	-	-	121,831,567	149,668,156	271,499,723	
Percent of All Sources of Authority	0.0%	0.0%	44.9%	55.1%		

Non-Budgeted Proprietary Funds

The Motor Pool is funded with an internal service fund, which is a type of proprietary fund. Since all agencies in state government utilize motor pool, the legislature approves the maximum rate the program may charge agencies during the biennium. They are not the rates the program must charge.

The Equipment Program is also an internal service fund but as it only serves MDT, the rates are not required to be approved by the legislature. However, the 60-day working capital reserve must be approved by the legislature and then is included in section R of HB 2.

The Yellowstone Airport is discussed in the Aeronautics program.

Program Base Budget Comparison

Program Base Budget Comparison						
Budget Item	Base Budget FY 2025	Requested Budget FY 2026	Budget FY 2027	Biennium Change from Base		
				Amount	Percent	
PB	7.00	7.00	7.00	0.00	0.0%	
Proprietary Funds	7,017,678	6,932,413	6,927,779	(175,164)	(1.2%)	
Total Funds	7,017,678	6,932,413	6,927,779	(175,164)	(1.2%)	
Personal Services	623,178	619,434	620,621	(6,301)	(0.5%)	
Operating Expenses	2,473,298	2,391,777	2,385,956	(168,863)	(3.4%)	
Equipment & Intangible Assets	3,801,753	3,801,753	3,801,753		0.0%	
Debt Service	119,449	119,449	119,449		0.0%	
Total Expenditures	7,017,678	6,932,413	6,927,779	(175,164)	(1.2%)	
Total Ongoing	7,017,678	6,932,413	6,927,779	(175,164)	(1.2%)	
Total One-Time-Only					0.0%	

Program Highlights

State Motor Pool Major Budget Highlights	
<p>The State Motor Pool 2027 biennium non-budgeted proprietary appropriations are \$175,164 or 1.2% lower than the FY 2025 base budget. Significant changes include:</p> <ul style="list-style-type: none"> The motor pool rates proposed by the executive are lower than the previous biennium due to a decrease in fuel prices <ul style="list-style-type: none"> Although the usage rate has declined due to fuel price changes, the assigned rate rose due to increases in vehicle purchase prices. Rates have decreased overall Increased vehicle purchase prices are reflected in increased operating costs Statewide present law adjustments total (\$175,164) for the biennium <ul style="list-style-type: none"> DP 1 - Personal Services: (\$6,301) DP 2 - Fixed Costs (\$168,863) 	

Executive Request

State Motor Pool 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
Base Budget	0	0	0	7,017,678	90.8%	0	0	0	7,017,678	90.8%
Statewide PL										
Personal Services	0	0	0	0	0.0%	0	0	0	0	0.0%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	0	0	0	(85,265)	(1.1%)	0	0	0	(89,899)	(1.2%)
Present Law (PL)	0	0	0	800,000	10.3%	0	0	0	800,000	10.4%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	0	0	0	714,735	9.2%	0	0	0	710,101	9.2%
Total Requested Budget	0	0	0	7,732,413		0	0	0	7,727,779	

Funding

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

Department of Transportation, 07-State Motor Pool 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%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
06506 Motor Pool - Int Svc	0	0	15,460,192	0	15,460,192	100.0%
Proprietary Total	\$0	\$0	\$15,460,192	\$0	\$15,460,192	100.0%
Total All Funds	\$0	\$0	\$15,460,192	\$0	\$15,460,192	

Non-Budgeted Proprietary Funds

Funding for the state motor pool is generated through rental and lease fees charged to the state agencies, which are deposited in a proprietary fund.

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
FTE	0.00	7.00	7.00	7.00	7.00
Personal Services	612,549	614,731	623,178	619,434	620,621
Operating Expenses	2,953,741	2,992,846	2,473,298	3,191,777	3,185,956
Equipment & Intangible Assets	4,815,977	4,816,753	3,801,753	3,801,753	3,801,753
Debt Service	416,498	454,449	119,449	119,449	119,449
Total Expenditures	\$8,798,765	\$8,878,779	\$7,017,678	\$7,732,413	\$7,727,779
Proprietary Funds	8,798,765	8,878,779	7,017,678	7,732,413	7,727,779
Total Funds	\$8,798,765	\$8,878,779	\$7,017,678	\$7,732,413	\$7,727,779
Total Ongoing	\$8,798,765	\$8,878,779	\$7,017,678	\$7,732,413	\$7,727,779
Total OTO	\$0	\$0	\$0	\$0	\$0

Proprietary Program Description

The State Motor Pool operates and maintains a fleet of vehicles available to all state offices and employees who conduct official state business. The State Motor Pool has two basic components: 1) the daily rental fleet and 2) the out-stationed lease fleet. The daily rental program operates out of the Helena headquarters facility and provides vehicles for short-term use. The leasing program provides vehicles for extended assignment to agencies statewide.

Section 2-17-411, MCA, establishes that the Department of Transportation's Motor Pool is responsible for the acquisition, operations, maintenance, repair, and administration of all motor vehicles in the custody of the Motor Pool (this does not apply to motor vehicles used in the service of the Governor, Attorney General, or the highway patrol).

Use of the program is optional to agencies when personnel are required to travel by vehicle for official state business but is encouraged in the Montana Operations Manual (MOM). Other options for state employees are: 1) other state-owned vehicles not part of the State Motor Pool fleet; 2) personal vehicles, with authorization provided by the agency director; or 3) vehicles from a private rental agency contract. The rate for the use of personal vehicles for state business travel are set by the Internal Revenue Service for the current year if the State employee qualifies according to the conditions as discussed in the Employee Travel policy of the MOM manual.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

Appropriations for FY 2024 were 99.1% expended.

FY 2024 Appropriations Compared to FY 2025 Appropriations

Overall appropriations for FY 2025 are 21.0% or \$1.9 million below FY 2024 appropriations. The main difference is in equipment and intangible assets which is \$1.0 million lower in FY 2025 than FY 2024. The program currently plans to spend \$3.8 million on auto purchases in FY 2025, the same amount as FY 2023. Other differences include debt service which is 73.7% or \$335,000 lower in FY 2025. Operating expenses in FY 2025 are 17.4% or \$519,548 lower in FY 2025. In FY 2024 aircraft repairs and other expenses were performed that are not expected in FY 2025.

Motor Pool Program - 06506*Proprietary Program Revenues and Expenses*

Program revenues are generated through vehicle rental fees charged to the state agencies. Vehicle rental fees come from two service classes: 1) short-term rentals; and 2) long-term leases. On occasion, the program receives revenues resulting from the sale of surplus property and accident damages reimbursed by private individuals or insurance companies.

Proprietary Rates

As shown in the figure, the State Motor Pool rental rates are based on a dual rate structure. Users pay a usage rate and an assigned rate. The usage rate is charged for actual miles driven and allows the program to recover costs directly related to the operation of the vehicle, such as repairs, parts, fuel, lubricants, and tires. The assigned rate is charged for hours the vehicle was used and allows the program to cover fixed costs associated with state ownership, such as insurance, interest payments on BOI loans, depreciation, and utilities. The dual rate structure provides: 1) more stable revenue to make loan payments and other cost obligations; and 2) equity among all vehicle classes so that one vehicle class does not subsidize another vehicle class. The rates approved by the legislature are the maximum the program may charge during the biennium, not the rates the program must charge. When approved by the Legislature, the rates are included in HB 2, Section R.

Proposed Motor Pool Rates									
Class	FY 2026				Class	FY2027			
	Assigned Rate	Usage Rate				Assigned Rate	Usage Rate		
		3.47/gal	3.97/gal	4.47/gal			3.47/gal	3.97/gal	4.47/gal
02	1.361	0.181	0.202	0.223	02	1.432	0.181	0.202	0.223
04	1.283	0.279	0.311	0.343	04	1.607	0.281	0.312	0.344
05	1.292	0.137	0.152	0.166	05	1.390	0.132	0.146	0.160
06	1.004	0.184	0.204	0.225	06	1.025	0.186	0.206	0.226
07	0.528	0.291	0.322	0.354	07	0.531	0.317	0.349	0.380
11	1.911	0.257	0.289	0.321	11	1.884	0.257	0.289	0.321
12	1.161	0.238	0.264	0.290	12	1.236	0.239	0.265	0.292

Proposed Beechcraft King Air Rental Rate
(Cost per flight hour)

FY 2024	FY 2025
1,487.61	1,538.66

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-----				
	FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Total Funds
DP 1 - Personal Services	0.00	0	0	0	(3,744)	0.00	0	0	0	(2,557)
DP 2 - Fixed Costs	0.00	0	0	0	(81,521)	0.00	0	0	0	(87,342)
DP 705 - Operations Budget Increase	0.00	0	0	0	800,000	0.00	0	0	0	800,000
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	\$714,735	0.00	\$0	\$0	\$0	\$710,101

***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 budget includes adjustments to the present law personal services budget. This 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

DP 2 - Fixed Costs -

The executive budget includes 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 705 - Operations Budget Increase -

This change will increase the operations budget for the program in order to cover increases in the cost of repair parts and services to the motor pool fleet.

Program Base Budget Comparison

Program Base Budget Comparison					
Budget Item	Base Budget FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
FTE	123.00	126.00	126.00	3.00	1.2%
Proprietary Funds	41,327,344	52,660,703	52,665,844	22,671,859	27.4%
Total Funds	41,327,344	52,660,703	52,665,844	22,671,859	27.4%
Personal Services	11,270,287	11,440,980	11,465,690	366,096	1.6%
Operating Expenses	17,941,929	21,104,595	21,085,026	6,305,763	17.6%
Equipment & Intangible Assets	12,115,128	20,115,128	20,115,128	16,000,000	66.0%
Total Expenditures	41,327,344	52,660,703	52,665,844	22,671,859	27.4%
Total Ongoing	41,327,344	52,660,703	52,665,844	22,671,859	27.4%
Total One-Time-Only					0.0%

Program Highlights

Equipment Program Major Budget Highlights
<p>The Equipment Program's 2027 biennium non-budgeted proprietary appropriations are approximately \$22.7 million or 27.4% higher than the FY 2025 base budget. Significant changes include:</p> <ul style="list-style-type: none"> Statewide present law adjustments total (\$551,193) for the biennium, 100% proprietary <ul style="list-style-type: none"> DP 1 - Personal services: (\$188,226) DP 2 - Fixed costs: (\$362,841) DP 3 - Inflation/deflation: (\$126) Present law adjustments total \$22.7 million, 100% proprietary <ul style="list-style-type: none"> DP 805 - Equipment replacement purchases: \$16.0 million DP 808 - Equipment repair increase: \$6.7 million New proposal adjustments total \$568,722 and 3.00 PB <ul style="list-style-type: none"> DP 809 - Traveling Mechanics: \$568,722 and 3.00 PB to replace modified positions with permanent funding for PB

Executive Request

Equipment Program 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
Base Budget	0	0	0	41,327,344	78.5%	0	0	0	41,327,344	78.5%
Statewide PL										
Personal Services	0	0	0	0	0.0%	0	0	0	0	0.0%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	0	0	0	(283,867)	(0.5%)	0	0	0	(267,326)	(0.5%)
Present Law (PL)	0	0	0	11,327,165	21.5%	0	0	0	11,327,165	21.5%
New Proposals	0	0	0	290,061	0.6%	0	0	0	278,661	0.5%
Total HB 2 Adjustments	0	0	0	11,333,359	21.5%	0	0	0	11,338,500	21.5%
Total Requested Budget	0	0	0	52,660,703		0	0	0	52,665,844	

Funding

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

Department of Transportation, 08-Equipment Program 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%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
06508 Highway Equipment - Int Svc.	0	0	105,326,547	0	105,326,547	100.0%
Proprietary Total	\$0	\$0	\$105,326,547	\$0	\$105,326,547	100.0%
Total All Funds	\$0	\$0	\$105,326,547	\$0	\$105,326,547	

Non-Budgeted Proprietary Funds

Funding for the Equipment Program is generated through user fees charged to programs and divisions in MDT, which are deposited in a proprietary fund. The source for the majority of funding for this program are state special funds, this is because the Maintenance Program is the primary customer of the Equipment Program.

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
FTE	0.00	123.00	123.00	126.00	126.00
Personal Services	10,686,489	10,746,310	11,270,287	11,440,980	11,465,690
Operating Expenses	18,743,543	18,740,225	17,941,929	21,104,595	21,085,026
Equipment & Intangible Assets	10,596,111	10,865,128	12,115,128	20,115,128	20,115,128
Total Expenditures	\$40,026,143	\$40,351,663	\$41,327,344	\$52,660,703	\$52,665,844
Proprietary Funds	40,026,143	40,351,663	41,327,344	52,660,703	52,665,844
Total Funds	\$40,026,143	\$40,351,663	\$41,327,344	\$52,660,703	\$52,665,844
Total Ongoing	\$40,026,143	\$40,351,663	\$41,327,344	\$52,660,703	\$52,665,844
Total OTO	\$0	\$0	\$0	\$0	\$0

Proprietary Program Description

The Equipment Program is responsible for the acquisition, repair, maintenance, and disposal of a fleet of approximately 4,700 individual units. The fleet is comprised of light duty vehicles, single and tandem axle dump trucks, specialized snow removal units, roadway maintenance units, and other specialized equipment. Exclusively the various programs within the Montana Department of Transportation (MDT), such as Construction, Motor Carrier Services, Maintenance, and Rail, Transit and Planning use the fleet. All units are assigned to the various user programs and are charged rental on a bi-weekly basis. Alternate sources for vehicles and equipment include renting heavy equipment from a rental company and renting or leasing light duty vehicles from a private rental agency contract.

The Equipment Program is funded under the rules and guidelines of HB 576. No specific statutory authority is established for the program as the program is strictly internal to the Department of Transportation and is not used by any outside entity.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

Appropriations for FY 2024 were 99.2% expended.

FY 2024 Appropriations Compared to FY 2025 Appropriations

Overall appropriations for FY 2025 are 2.4% or approximately \$1.0 million greater than FY 2024. The primary increase was in equipment and intangible assets which is 11.5% greater in FY 2025 due to equipment purchases and major maintenance. Personal services is 4.9% higher due to pay plan increases.

Equipment Program – 06508

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 54010	Agency Name: Department of Transportation			Program Name: Equipment Program			
	Fund 06508	Fund Name Highway Equipment - Int Svc.					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A							
Total Operating Revenues							
Expenses:							
Personal Services							
Other Operating Expenses							
Total Operating Expenses							
Operating Income (Loss)							
Nonoperating Revenues:							
Other Revenue A							
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)							
Income (Loss) Before Contributions and Transfers							
Change in Net Position							
Beginning Net Position - July 1							
Change in Net Position							
Ending Net Position - June 30							
Net Position (Fund Balance) Analysis							

Expenses

Program costs for FY 2024 include:

- Personal services for 123.00 PB of \$10.5 million or 26.7% of total expenditures
- Operating expenses of \$18.4 million or 46.9% of total expenditures
- Equipment and intangible assets of \$10.6 million for repairs and purchases, 26.5% of total expenditures

Changes between the 2025 biennium budget and the 2027 biennium budget include:

- Personal services – projected to increase by 1.6% and 3.00 PB
- Operating expenses – projected to increase by 17.6%
- Equipment purchases – projected to increase by 66% or \$16.0 million

Revenues

Revenue is generated through the vehicle/equipment rental fees, from the gain on sale of surplus assets, and from reimbursements from accidents caused by an outside party. Revenues for the fleet are functionally tied to the severity of the winter, construction program workload and travel requirements of the various department users. The rental rates will be set to recover revenue to meet the program's obligations.

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-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services									
0.00	0	0	0	(106,468)	0.00	0	0	0	(81,758)
DP 2 - Fixed Costs									
0.00	0	0	0	(177,324)	0.00	0	0	0	(185,517)
DP 3 - Inflation Deflation									
0.00	0	0	0	(75)	0.00	0	0	0	(51)
DP 805 - Equipment Replacement Purchases									
0.00	0	0	0	8,000,000	0.00	0	0	0	8,000,000
DP 808 - Equipment Repair Increase									
0.00	0	0	0	3,327,165	0.00	0	0	0	3,327,165
Grand Total All Present Law Adjustments									
0.00	\$0	\$0	\$0	\$11,043,298	0.00	\$0	\$0	\$0	\$11,059,839

*"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 budget includes adjustments to the present law personal services budget. This 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 2023 biennium

DP 2 - Fixed Costs -

The executive budget includes 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 budget includes adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include: other services, supplies and materials, communications, in-state motor pool and motor pool leased vehicles, and repair and maintenance.

DP 805 - Equipment Replacement Purchases -

The executive budget includes an adjustment to replace equipment and vehicles.

DP 808 - Equipment Repair Increase -

The executive budget includes an adjustment due to the increase of cost in repair for aging vehicles and equipment.

New Proposals

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

New Proposals										
	Fiscal 2026					Fiscal 2027				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 809 - Traveling Mechanics	3.00	0	0	0	290,061	3.00	0	0	0	278,661
Total	3.00	\$0	\$0	\$0	\$290,061	3.00	\$0	\$0	\$0	\$278,661

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

DP 809 - Traveling Mechanics -

The executive budget includes an increase in the equipment proprietary fund appropriation for FY 2026 and FY 2027 in order to convert three modified positions to permanently funded PB.

Program Base Budget Comparison

Program Base Budget Comparison					
Budget Item	Base Budget FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
FTE	2.50	2.50	2.50	0.00	0.0%
Proprietary Funds	524,618	522,170	522,658	(4,408)	(0.4%)
Total Funds	524,618	522,170	522,658	(4,408)	(0.4%)
Personal Services	256,300	255,668	255,873	(1,059)	(0.2%)
Operating Expenses	268,318	266,502	266,785	(3,349)	(0.6%)
Total Expenditures	524,618	522,170	522,658	(4,408)	(0.4%)
Total Ongoing	524,618	522,170	522,658	(4,408)	(0.4%)
Total One-Time-Only					0.0%

Program Highlights

Aeronautics Program Major Budget Highlights	
<p>The Aeronautics Program's 2027 biennium non-budgeted appropriations are approximately \$218,000 or 3.2% higher than the FY 2025 base budget. Significant changes include:</p> <ul style="list-style-type: none"> Statewide present law increase totaling \$218,428 for the biennium, 2.6% federal, 97.4% state special <ul style="list-style-type: none"> DP 1 - Personal services: \$230,477 for the biennium DP 2 - Fixed costs: (\$11,994) for the biennium DP 3 - Inflation/Deflation (\$55) for the biennium 	

Executive Request

Aeronautics Program 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
Base Budget	0	0	0	524,618	100.5%	0	0	0	524,618	100.4%
Statewide PL										
Personal Services	0	0	0	0	0.0%	0	0	0	0	0.0%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	0	0	0	(2,448)	(0.5%)	0	0	0	(1,960)	(0.4%)
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	0	0	0	(2,448)	(0.5%)	0	0	0	(1,960)	(0.4%)
Total Requested Budget	0	0	0	522,170		0	0	0	522,658	

Funding

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

Department of Transportation, 40-Aeronautics Program 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%
02287 Aeronautical Grant Account	0	0	0	5,799,882	5,799,882	100.0%
State Special Total	\$0	\$0	\$0	\$5,799,882	\$5,799,882	84.7%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
06007 Yellowstone Airport	0	0	1,044,828	0	1,044,828	100.0%
Proprietary Total	\$0	\$0	\$1,044,828	\$0	\$1,044,828	15.3%
Total All Funds	\$0	\$0	\$1,044,828	\$5,799,882	\$6,844,710	

HB 2 Appropriations

The Aeronautics program is funded with state and federal special revenues. State special revenue funds are derived primarily from state aviation fuel taxes and aircraft registration fees. Federal special revenue comes from Federal Aviation Administration grants.

Statutory Appropriations

The statutorily appropriated Aeronautical Grant Account receives most of its funding from 90% of a 4.5 cent per gallon tax on aviation fuel, and provides funding for grants to Montana communities for aviation related projects.

Non-Budgeted Proprietary Funds

The Yellowstone Airport enterprise program, is supported by proprietary funding and is not budgeted in HB 2.

Yellowstone Airport – 06007*Program Description*

The Yellowstone Airport located two miles north of the Town of West Yellowstone, Montana provides the closest private and commercial air service to Yellowstone National Park, as well as service for a multitude of other recreational opportunities in the surrounding greater Yellowstone area. The airport is closed during the winter months, conducting limited snow removal in fringe seasons. The airport is typically open for six months each year with seasonal commercial air service provided by SkyWest Air Lines dba Delta Connection and SkyWest Air Lines dba United Express from early-May to mid-October. The airport accomplishes its mission with facilities to accommodate all sized aircraft and operations ranging from large four engine commercial service jets to small single engine aircraft.

Airside facilities at the airport include an 8,400' runway and taxiway, as well as large parking apron and hangar areas for all types of aircraft operations. The runway is equipped with a precision approach instrument landing system (ILS) and a GPS approach accommodating air traffic even during inclement weather conditions. The airport also supports and maintains an Automated Weather Observing System (AWOS) which reports directly to the National Weather Service (NWS) and broadcasts locally to air traffic over a VHF transmission. Other airport facilities include a commercial terminal building with tenants that include a restaurant, rental car agencies, Transportation Security Administration (TSA) offices, airline offices, and airport administration and operations. Also located on the field are several outbuildings and other facilities housing bulk fuel storage, a fixed based operator (FBO), an air ambulance base, and Airport Rescue Fire Fighting (ARFF) services. The US Forest Service operates an inter-agency fire control center with direct through the fence access to the airfield. A wildlife fence surrounds the entire airport property.

Revenues and Expenses

Fees for leases and other business services are both market and recovery based. Additional operating expenses are planned in the 2027 biennium to keep the airport in compliance with FAA mandates and advisory circulars. The Yellowstone Airport is an enterprise proprietary fund. There is one airport manager who works full time, year-round. The airport also has two other employees, an airport operation chief and an airport fire fighter/maintenance specialist who are employed seasonally.

2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 54010	Agency Name: Department of Transportation			Program Name: Aeronautics Program			
	Fund 06007	Fund Name Yellowstone Airport					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A		83,820	52,877	67,229	652,207	612,207	612,207
Other Operating Revenue		532,034	592,458	500,496	-	-	-
Total Operating Revenues		615,854	645,335	567,725	652,207	612,207	612,207
Expenses:							
Personal Services		(12,342)	26,931	83,603	256,300	255,668	255,873
Other Operating Expenses		514,705	532,271	640,983	268,318	266,502	266,785
Expense B		(90,750)	90,750	-	-	-	-
Expense C		(1,567,428)	-	398,260	-	-	-
Total Operating Expenses		(1,155,815)	649,952	1,122,846	524,618	522,170	522,658
Operating Income (Loss)		1,771,669	(4,617)	(555,121)	127,589	90,037	89,549
Nonoperating Revenues:							
Other Revenue A		1,015	24,939	136,351	-	-	-
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)		1,015	24,939	136,351	-	-	-
Income (Loss) Before Contributions and Transfers		1,772,684	20,322	(418,770)	127,589	90,037	89,549
Capital Contributions							
Capital Contributions		23,764	90,750	31,390,198	-	-	-
Change in Net Position		1,796,448	111,072	30,971,428	127,589	90,037	89,549
Beginning Net Position - July 1		10,557,635	12,354,083	12,465,155	43,436,583	43,564,172	43,654,209
Change in Net Position		1,796,448	111,072	30,971,428	127,589	90,037	89,549
Ending Net Position - June 30		12,354,083	12,465,155	43,436,583	43,564,172	43,654,209	43,743,758
Net Position (Fund Balance) Analysis							

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
FTE	0.00	2.50	2.50	2.50	2.50
Personal Services	84,533	245,219	256,300	255,668	255,873
Operating Expenses	128,882	240,282	268,318	266,502	266,785
Equipment & Intangible Assets	24,187	25,269	0	0	0
Total Expenditures	\$237,602	\$510,770	\$524,618	\$522,170	\$522,658
Proprietary Funds	237,602	510,770	524,618	522,170	522,658
Total Funds	\$237,602	\$510,770	\$524,618	\$522,170	\$522,658
Total Ongoing	\$237,602	\$510,770	\$524,618	\$522,170	\$522,658
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Aeronautics Program: 1) facilitates the operation and infrastructure of airports and airways, both public and private, throughout Montana; 2) provides mechanisms for funding airport and aviation related projects throughout the state; 3) registers aircraft and pilots in accordance with Montana laws and regulations; 4) fosters, promotes, and supervises aviation and aviation safety through educational efforts and programs; and 5) coordinates and supervises aerial search and rescue operations.

The program administers a loan and grant program to airport sponsors to fund airport improvement projects. The Aeronautics Board approves loan and grant requests.

The program serves as a liaison between the State of Montana and various other entities including the U.S. Department of Transportation, the Federal Aviation Administration (FAA), US Forest Service, other federal and state entities, and commercial airlines in order to assure the retention and continuation of airline service to Montana's rural communities and to support general aviation operations.

The program is also responsible for operation of the commercial service airport just north of West Yellowstone, MT and for 13 other state-owned or operated airports.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Aeronautics Program expended 46.5% of its FY 2024 non-budgeted appropriation. The personal services appropriation of \$245,219 was 34.5% expended, most of the personal services recently has recently been covered with federal CARES Act Operating and Maintenance (O and M) funds rather than planned proprietary funding. The operating expense budget was 53.6% expended for similar reasons.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The FY 2025 appropriation is 2.7% greater than the FY 2024 appropriation. The main difference is that there are no planned equipment purchases 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-----				
FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	0	0	(632)	0.00	0	0	0	(427)
DP 2 - Fixed Costs	0.00	0	0	0	(1,816)	0.00	0	0	0	(1,533)
DP 3 - Inflation Deflation	0.00	0	0	0	0	0.00	0	0	0	0
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	(\$2,448)	0.00	\$0	\$0	\$0	(\$1,960)

***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

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: other services, supplies and materials, communications, in-state motor pool and motor pool leased vehicles, and repair and maintenance.

DEPARTMENT OF LIVESTOCK

Section C

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----Agencies-----

Dept. of Fish, Wildlife, & Parks
Dept. of Environmental Quality
Dept. of Transportation

Dept. of Livestock
Dept. of Natural Resources & Conservation
Dept. of Agriculture

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

House

Representative Jerry Schillinger (Chair)
Representative Eric Albus
Representative Debo Powers

Senate

Senator Mike Cuffe (Vice Chair)
Senator Kenneth Bogner
Senator Jane Ellis

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

Rob Miller
Alice Hecht
Barb Wagner

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 FY 2025	Requested Budget FY 2026	Budget FY 2027	Biennium Change from Base		
				Amount	Percent	
PB	4.75	4.75	4.75	0.00	0.0%	
Proprietary Funds	1,484,700	1,704,989	1,704,806	440,395	14.8%	
Total Funds	1,484,700	1,704,989	1,704,806	440,395	14.8%	
Personal Services	365,429	369,695	370,122	8,959	1.2%	
Operating Expenses	992,529	1,208,552	1,207,942	431,436	21.7%	
Equipment & Intangible Assets	126,742	126,742	126,742		0.0%	
Total Expenditures	1,484,700	1,704,989	1,704,806	440,395	14.8%	
Total Ongoing	1,484,700	1,704,989	1,704,806	440,395	14.8%	
Total One-Time-Only					0.0%	

Agency Highlights

Department of Livestock Major Budget Highlights	
The executive proposes an increase of 14.8% or 440,400 in non-budgeted proprietary authority including:	
<ul style="list-style-type: none"> Statewide present law adjustments: \$20,400 Laboratory operations augment: \$420,000 	

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 Livestock 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
Base Budget	0	0	0	1,484,700	87.1%	0	0	0	1,484,700	87.1%
Statewide PL										
Personal Services	0	0	0	4,266	0.3%	0	0	0	4,693	0.3%
Fixed Costs	0	0	0	6,023	0.4%	0	0	0	5,413	0.3%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	0	0	0	10,289	0.6%	0	0	0	10,106	0.6%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	210,000	12.3%	0	0	0	210,000	12.3%
Total HB 2 Adjustments	0	0	0	220,289	12.9%	0	0	0	220,106	12.9%
Total Requested Budget	0	0	0	1,704,989		0	0	0	1,704,806	

Funding

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

Total Department of Livestock 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
01100 General Fund	9,971,263	200,400			10,171,663	24.4%
02426 Lvstk Per Capita	11,544,449	863,048			12,407,497	29.8%
02425 Inspection and Control	7,089,093				7,089,093	17.0%
02117 Predatory Animal SSR				1,150,000	1,150,000	2.8%
02262 Egg Shielded Grading Program	760,450				760,450	1.8%
02124 LLB Restricted Special Revenue				600,000	600,000	1.4%
Other State Special Revenue	1,082,411			420,000	1,502,411	3.6%
State Special Revenue Total	20,476,403	863,048	-	2,170,000	23,509,451	56.4%
03209 Meat/Poultry Inspection Sp Rev	2,946,432				2,946,432	7.1%
03427 AH FEDERAL UMBRELLA	1,564,365				1,564,365	3.8%
03673 Small Federal Grants	43,458				43,458	0.1%
03032 Animal Health Sp. Rev	35,904				35,904	0.1%
Federal Special Revenue Total	4,590,159	-	-	-	4,590,159	11.0%
06026 MT Veterinary Diagnostic Lab			3,409,795		3,409,795	8.2%
Proprietary Fund Total	-	-	3,409,795	-	3,409,795	8.2%
Total of All Funds	35,037,825	1,063,448	3,409,795	2,170,000	41,681,068	
Percent of All Sources of Authority	84.1%	2.6%	8.2%	5.2%		

Non-budgeted proprietary funds are generated from fees for service at the Montana Veterinary Diagnostic Laboratory. For descriptions of other funds shown in the table, refer to the 2027 Biennium HB 2 budget analysis.

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	4.75	4.75	4.75	4.75
Personal Services	339,751	346,172	365,429	369,695	370,122
Operating Expenses	956,739	957,845	992,529	1,208,552	1,207,942
Equipment & Intangible Assets	22,163	126,742	126,742	126,742	126,742
Total Expenditures	\$1,318,653	\$1,430,759	\$1,484,700	\$1,704,989	\$1,704,806
Proprietary Funds	1,318,653	1,430,759	1,484,700	1,704,989	1,704,806
Total Funds	\$1,318,653	\$1,430,759	\$1,484,700	\$1,704,989	\$1,704,806
Total Ongoing	\$1,318,653	\$1,430,759	\$1,484,700	\$1,704,989	\$1,704,806
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Montana Veterinary Diagnostic Laboratory (MVDL) is the only accredited, full-service veterinary laboratory in Montana. The division provides disease diagnostic support to veterinarians, livestock producers, companion animal owners, and the Department of Fish, Wildlife, & Parks as well as other state and federal agencies. The division provides laboratory support to the department's Animal Health and Food Safety Division and helps protect public health by testing dairy products and testing for zoonotic diseases. The laboratory is a member and participant of the National Animal Health Laboratory Network established to provide laboratory diagnostic support in the event of a local, regional, or national animal disease emergency.

Revenues and Expenses

Lab testing fees and charges for services collected from veterinarians and other users/customers of the lab make up the total proprietary fund revenue for the MVDL program. Proprietary funds from lab operations support about forty percent of all lab operations including 4.75 staff positions (\$370,000) and \$1,200,000 in related testing expenses. The balance of revenue and expenses are budgeted in general fund and state special revenue funds. The lab in FY 2024 generated \$1,528,468 in proprietary revenue. Outside of inflationary adjustments, there are no major expected changes in services or fees from lab operations.

Rate(s) and Rate Explanation

This program is funded with an enterprise fund, which is a type of proprietary fund. As such, the legislature does not appropriate the funds or approve the rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies concerns with the financial position of the fund.

Lab fee rates are predominately set by the industry across the nation. The current MVDL fee schedule can be found at: <https://liv.mt.gov/Diagnostic-Lab/Guidance-Documents-and-Test-Fees>

2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 56030	Agency Name: Department of Livestock			Program Name: Animal Health Division			
	Fund 06026	Fund Name MT Veterinary Diagnostic Lab					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A		1,528,396	1,551,505	1,525,353	1,700,000	1,700,000	1,700,000
Fee Revenue B		2,139	4,216	3,115	4,000	4,000	4,000
Total Operating Revenues		1,530,535	1,555,721	1,528,468	1,704,000	1,704,000	1,704,000
Expenses:							
Personal Services							
Other Operating Expenses		(1,232,831)	(1,198,483)	(990,819)	(992,529)	(1,203,961)	(1,203,539)
Expense B		-	-	-	(126,742)	(126,742)	(126,742)
Total Operating Expenses		(1,470,391)	(1,536,558)	(1,342,656)	(1,484,700)	(1,700,399)	(1,700,403)
Operating Income (Loss)		3,000,926	3,092,279	2,871,124	3,188,700	3,404,399	3,404,403
Nonoperating Revenues:							
Nonoperating Expenses:							
Other Expense A		(21,380)	-	-	-	-	-
Total Nonoperating Revenues (Expenses)		(21,380)	-	-	-	-	-
Income (Loss) Before Contributions and Transfers		2,979,546	3,092,279	2,871,124	3,188,700	3,404,399	3,404,403
Change in Net Position		2,979,546	3,092,279	2,871,124	3,188,700	3,404,399	3,404,403
Beginning Net Position - July 1		324,362	3,303,908	6,396,187	9,288,691	12,477,391	15,881,790
Prior Period Adjustments		-	-	21,380	-	-	-
Change in Net Position		2,979,546	3,092,279	2,871,124	3,188,700	3,404,399	3,404,403
Ending Net Position - June 30		3,303,908	6,396,187	9,288,691	12,477,391	15,881,790	19,286,193
Net Position (Fund Balance) Analysis							
Restricted Net Pos(Enterprise Fund Only)		363,127	382,291	589,482	808,782	812,384	815,981

FY 2024 Appropriations Compared to FY 2024 expenditures.

The agency expended 92.2% for the FY 2024 budget.

FY 2024 Appropriations Compared to FY 2025 Appropriations

Non-budgeted authority increased by 3.8% or \$53,900 between FY 2025 and FY 2024. Authority for operations increased by 3.6% or about \$34,700 and personal services increased by 5.6% or about \$19,300.

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	4,266	0.00	0	0	0	4,693
DP 2 - Fixed Costs	0.00	0	0	0	6,023	0.00	0	0	0	5,413
DP 3 - Inflation Deflation	0.00	0	0	0	0	0.00	0	0	0	0
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	\$10,289	0.00	\$0	\$0	\$0	\$10,106

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

The decision packages presented are for informational purposes only, offering insights into anticipated changes in expenditure that may affect the rates charged. These decision packages are not approved by the legislature. For internal service funds, the legislature approves the maximum rate that may be charged. For enterprise funds, the legislature reviews the rate and identifies any concerns.

DP 1 - Personal Services -

The executive proposes 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

DP 2 - Fixed Costs -

The executive proposes 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: warrant writer, motor pool, 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 proposes 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 47 - Laboratory Operations Augment	0.00	0	0	0	210,000	0.00	0	0	0	210,000
Total	0.00	\$0	\$0	\$0	\$210,000	0.00	\$0	\$0	\$0	\$210,000

DP 47 - Laboratory Operations Augment -

The executive proposes an increase for Animal Health Laboratory operations.

DEPARTMENT OF NATURAL RESOURCES & CONSERVATION

Section C

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----Agencies-----

Dept. of Fish, Wildlife, & Parks
Dept. of Environmental Quality
Dept. of Transportation

Dept. of Livestock
Dept. of Natural Resources & Conservation
Dept. of Agriculture

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

House

Representative Jerry Schillinger (Chair)
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Representative Debo Powers

Senate

Senator Mike Cuffe (Vice Chair)
Senator Kenneth Bogner
Senator Jane Ellis

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

Rob Miller
Alice Hecht
Barb Wagner

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 FY 2025	Requested Budget FY 2026		Biennium Change from Base Amount Percent	
PB	25.15	25.15	25.15	0.00	0.0%
Proprietary Funds	3,993,119	4,180,379	4,188,001	382,142	4.8%
Total Funds	3,993,119	4,180,379	4,188,001	382,142	4.8%
Personal Services	2,280,797	2,395,700	2,400,522	234,628	5.1%
Operating Expenses	1,654,822	1,727,179	1,729,979	147,514	4.5%
Equipment & Intangible Assets	57,500	57,500	57,500		0.0%
Total Expenditures	3,993,119	4,180,379	4,188,001	382,142	4.8%
Total Ongoing	3,993,119	4,180,379	4,188,001	382,142	4.8%
Total One-Time-Only					0.0%

Agency Highlights

Department of Natural Resources and Conservation
Major Budget Highlights
The Department of Natural Resources and Conservation's non-budgeted proprietary appropriations increased by about \$382,100 above base funding. The entire increase is due to statewide present law adjustments.

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 Natural Resources and Conservation 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
Base Budget	0	0	0	3,993,119	95.5%	0	0	0	3,993,119	95.3%
Statewide PL										
Personal Services	0	0	0	114,903	2.7%	0	0	0	119,725	2.9%
Fixed Costs	0	0	0	72,380	1.7%	0	0	0	75,173	1.8%
Inflation Deflation	0	0	0	(23)	(0.0%)	0	0	0	(16)	(0.0%)
Total Statewide PL	0	0	0	187,260	4.5%	0	0	0	194,882	4.7%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	0	0	0	187,260	4.5%	0	0	0	194,882	4.7%
Total Requested Budget	0	0	0	4,180,379		0	0	0	4,188,001	

Funding

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

Total Department of Natural Resources and Conservation 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
01100 General Fund	85,202,157	1,171,801			86,373,958	39.5%
02938 TLMD Trust Administration	36,889,724	392,150			37,281,874	17.0%
02039 Fire Protection Assessments	10,209,133				10,209,133	4.7%
02048 Conservation District Acct	9,522,706				9,522,706	4.4%
02470 State Project Hydro Earnings	8,466,220				8,466,220	3.9%
02431 Water Adjudication	6,956,224				6,956,224	3.2%
Other State Special Revenue	38,160,013	540,000		2,376,138	41,076,151	18.8%
State Special Revenue Total	110,204,020	932,150	-	2,376,138	113,512,308	51.9%
03500 GNA FEDERAL SPECIAL REVENUE				6,380,883	6,380,883	2.9%
03053 CONSOLIDATED GRANT-FY27	1,096,988				1,096,988	0.5%
03110 CONSOLIDATED GRANT-FY26	1,096,988				1,096,988	0.5%
03094 FEMA Federal Grants	541,978				541,978	0.2%
03595 DW24 SRF Grant	341,018				341,018	0.2%
Other Federal Special Revenue	1,168,894				1,168,894	0.5%
Federal Special Revenue Total	4,245,866	-	-	6,380,883	10,626,749	4.9%
06538 Air Operations Internal Svc.			6,426,478		6,426,478	2.9%
06003 State Nursery Enterprise Fund			1,941,902		1,941,902	0.9%
Proprietary Fund Total	-	-	8,368,380	-	8,368,380	3.8%
Total of All Funds	199,652,043	2,103,951	8,368,380	8,757,021	218,881,395	
Percent of All Sources of Authority	91.2%	1.0%	3.8%	4.0%		

Proprietary revenues are generated from two main sources: the sale of state nursery products and fees charged to other agencies for aircraft services.

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	25.15	25.15	25.15	25.15
Personal Services	2,216,887	2,176,229	2,280,797	2,395,700	2,400,522
Operating Expenses	926,211	1,187,796	1,654,822	1,727,179	1,729,979
Equipment & Intangible Assets	125,230	450,532	57,500	57,500	57,500
Total Expenditures	\$3,268,328	\$3,814,557	\$3,993,119	\$4,180,379	\$4,188,001
Proprietary Funds	3,268,328	915,524	3,993,119	4,180,379	4,188,001
Total Funds	\$3,268,328	\$915,524	\$3,993,119	\$4,180,379	\$4,188,001
Total Ongoing	\$3,268,328	\$915,524	\$3,993,119	\$4,180,379	\$4,188,001
Total OTO	\$0	\$0	\$0	\$0	\$0

*Proprietary Program Description***Fund 06003 - State Nursery Enterprise Fund***Program Description*

The Montana State Conservation Seedling Nursery produces and distributes seedlings for conservation plantings, including applications such as fire and logging reforestation, farmstead windbreaks, shelterbelts, wildlife habitat, stream stabilization and restoration, and other conservation uses. The program's mission is to produce the highest quality, locally-adapted, source-identified seedlings available for conservation practices in Montana and to ensure affordable seedlings are available to Montana landowners. The nursery grows an average of 900,000 seedlings annually on 87 acres of state land and in 17,760 square feet of greenhouse space. Sixty-seven plant species are currently in production. The Nursery program is funded solely from the Nursery proprietary account and contains 10.92 PB. Statutory authority for the program is in 17-2-102, MCA.

Revenues and Expenses

The primary source of revenue is seedling sales. Other revenue sources are services such as seed collection, cleaning, and storage and selling products for seedling care and protection. The customer base for nursery products and services is comprised of private landowners in Montana, the DNRC Trust Land Management Division, the Department of Fish, Wildlife and Parks, Department of Environmental Quality, Montana Natural Resource Damage Program, the Conservation Reserve Program (CRP), Native American Tribal Governments, the Wildlife Habitat Incentives Program (WHIP), Pheasants Forever, and numerous other conservation programs and organizations. Historic and projected trends in nursery revenue are dependent on conservation activity in the state, landowner access to cost-share dollars for implementation of conservation projects, and long-term seedling production contracts from large scale conservation activities. Revenue potential is also dependent on the number of seedlings available for sale each fiscal year. Sales are predicted two to three years in advance due to the production time needed for each seedling type. This can lead to seedling shortages or surpluses when unforeseen events such as extended drought or extreme fire seasons alter demand for seedlings.

The determining factors that set seedling prices are the actual fixed and variable costs of producing the seedlings. Market pressures from other out-of-state seedling producers can also influence prices. Prices are set to recover all program costs and to increase the year-end carryover balance. Year-end carryover dollars are used for non-typical expenses such as large equipment replacement or for unforeseen expenses such as weather-related crop losses. Since the nursery is funded primarily by seedling sales, all personal services, operating, and capital equipment costs are included when setting prices.

Rate(s) and Rate Explanation

The price of each seedling type is set at the end of the previous fiscal year. Prices are based on the actual production costs for each seedling type. The variables involved in seedling production include seedling stock type (bareroot vs. container), seed cost, propagation difficulty, cull rates, seedling age class, quantity produced, equipment costs, labor costs, and overhead charges. Given these variables, each of the 125-plus seedling types can have a different price, and the price must be adjusted annually to account for changes in fixed and variable costs.

Proprietary Rates

This program is funded with an enterprise fund, which is a type of proprietary fund. As such, the legislature does not appropriate the funds or approve the rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies concerns with the financial position of the fund.

Projected Fund Balance, Including Cash Fluctuations

The projected fund balance for the program is anticipated to decrease gradually over the next three fiscal years according to the required analysis, which incorporates an expectation of expending the full proprietary appropriation each year. However, the program generally tailors its expenditures in accordance with revenues received and available cash in the fund to avoid a negative fund balance.

2027 Biennium Report on Internal Service and Enterprise Funds							
Agency # 57060	Agency Name: Department of Natural Resources and Conservation			Program Name: Forestry and Trust Lands			
	Fund	Fund Name					
	06003	State Nursery Enterprise Fund					
		Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:							
Fee and Charges							
Fee Revenue A		654,392	737,531	806,639	800,000	800,000	800,000
Total Operating Revenues		654,392	737,531	806,639	800,000	800,000	800,000
Expenses:							
Personal Services		364,614	487,310	599,053	766,204	780,351	780,934
Other Operating Expenses		123,501	156,133	80,288	136,832	132,944	132,712
Expense B		-	-	-	-	57,500	57,500
Total Operating Expenses		488,115	643,443	679,341	903,036	970,795	971,146
Operating Income (Loss)		166,277	94,088	127,298	(103,036)	(170,795)	(171,146)
Nonoperating Revenues:							
Nonoperating Expenses:							
Total Nonoperating Revenues (Expenses)		-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers		166,277	94,088	127,298	(103,036)	(170,795)	(171,146)
Change in Net Position		166,277	94,088	127,298	(103,036)	(170,795)	(171,146)
Beginning Net Position - July 1		347,236	513,513	607,601	734,899	631,863	461,068
Change in Net Position		166,277	94,088	127,298	(103,036)	(170,795)	(171,146)
Ending Net Position - June 30		513,513	607,601	734,899	631,863	461,068	289,922
Net Position (Fund Balance) Analysis							

Fund 06538 - Air Operations Internal Svc*Program Description*

The Air Operations program in the DNRC Forestry & Trust Lands Division operates and maintains a fleet of ten aircraft, consisting of seven helicopters and three single-engine, fixed-wing aircraft. The aircraft are primarily used for fire detection, support, and suppression of wildfires, as well as reclamation work in the Department of Environmental Quality. The program is funded in part by revenue generated by the aircraft hourly flight rates and in part by the general fund and fire protection assessment revenues. Statutory authority for the program is found in 77-5-103, MCA, and 17-2-102, MCA.

The Air Operations program provides fire suppression capability year-round across the state of Montana to protect lives, property, and natural resources. Historically, additional aviation resources needed for large fire support are ordered through the national interagency system on a call when needed basis, and related costs are charged to the fire suppression fund. Contracted aviation services are available from private contractors, but historically the costs for these services have been two to three times more than the cost of the state-operated aircraft. In fire season 2024, the program supplemented state suppression aircraft capabilities by contracting for an exclusive use, Type 1, tanked helicopter and used state agreements to bring in an air attack, and a large air tanker, charged to preparedness funding in the fire suppression fund.

Revenues and Expenses

Revenues and expenditures are managed through an internal service fund to account for the operational costs of the program. The primary source of revenue is the legislative appropriation for the transfer of general fund and fire protection assessment funds to the proprietary account to cover the fixed costs, which include hangar rent, insurance, and personnel costs (14.23 PB). These fixed costs must be paid regardless of the number of hours flown. Variable costs that are dependent on the hours flown, such as fuel and maintenance, are recovered through an hourly rate charged to all users of the aircraft. Users of the aircraft include DNRC, other state agencies, local government, and federal agencies. Increased flight rates are proposed below to meet increased costs of fuel and parts needed to maintain the flight worthiness of the aircraft.

The cost drivers for the aircraft rates are to recover the actual expenses needed to maintain the aircraft in an air worthy condition and remain mission ready for the purpose of initial attack on wildfires on state, private, and federal ownership; this includes all costs associated with the maintenance and operation of the aircraft. Some factors that contribute to the uncertainty in forecasting future expenses include unforeseen events such as Federal Aviation Administration (FAA) and manufacturer repair and maintenance directives, aircraft mechanical issues resulting in unplanned maintenance, cost fluctuations in fuel and parts, and the length and severity of the fire season. Annual and routine maintenance requirements of aircraft are used to estimate the anticipated future costs. Charges for services do not support any PB for the aviation section. All PB are supported by the general fund and fire protection assessment fixed costs transfer.

The department has limited cooperative agreements to assist federal agencies (U.S. Forest Service, BLM, USFWS, BIA, & NPS) and counties with fire protection. The department also has agreements with other state agencies for non-fire related aircraft rental services. The customers served are comprised primarily of state and private landowners within Montana through initial attack of fires under state direct protection, assistance with fires on county protection, and assistance to federal agencies. Historic and projected trends are dependent on length and severity of the fire seasons. Base year funding by fund type would be comprised primarily from state responsibility and county assistance fires paid by the fire suppression fund (state special revenue) and FEMA and U.S. Forest Service (federal special revenue). SABHRS account code 62525 is used by state customers to record expenses for flight time charges.

Rate(s) and Rate Explanation

The flight rates for the operation of the department aircraft are based on 5,000 hours of aircraft usage. The rate has been determined to maintain the aircraft in its original condition. At the end of 5,000 hours, all parts should have been replaced and a new maintenance/operation cycle started.

Proprietary Rates

The executive proposes an increase to Air Operations Program proprietary rate when compared to the FY 2025 base rates. The figure below shows the rates proposed by the executive for the 2027 biennium.

DNRC Air Operations Program Proprietary Rates			
	FY 2025	FY 2026	FY 2027
	<u>Actual</u>	<u>Proposed</u>	<u>Proposed</u>
Bell UH-1H	\$1,860	\$1,916	\$1,916
Bell Jet Ranger	\$525	\$541	\$541
Cessna 180 Series	\$210	\$216	\$216

This program is funded with an internal service fund, which is a type of proprietary fund. As such, the legislature approves the maximum rate the program may charge during the biennium. They are not the rates the program must charge.

Changes in Level of Fees and Charges

Proposed increases in aircraft flight time rates are shown in the table above. Increases are based on anticipated 3% inflation in the cost of aircraft parts and fuel prices. Fuel prices have increased considerably in recent years and continue to experience volatility.

Projected Fund Balance, Including Cash Fluctuations

The projected fund balance for the program is anticipated to decrease gradually over the next three fiscal years. Revenue estimates are typically conservative, as the length and severity of fire season is difficult to predict. Program operating expenditures would be expected to be lower than projected levels if revenue is received as estimated, indicating fewer hours of flight time billed and aircraft maintenance needs not requiring expenditure of the full appropriation in the proprietary fund.

Working Capital and Fees Commensurate Analysis

Working capital is estimated to be less than the 60 days of cash required to fund operations by approximately \$259,695 in FY 2025, \$368,142 in FY 2026, and \$445,244 in FY 2027.

2027 Biennium Report on Internal Service and Enterprise Funds						
Agency # 57060	Agency Name: Department of Natural Resources and Conservation			Program Name: Forestry and Trust Lands		
	Fund Fund Name 06538 Air Operations Internal Svc.					
	Actual FY22	Actual FY23	Actual FY24	Budgeted FY25	Budgeted FY26	Budgeted FY27
Operating Revenues:						
Fee and Charges						
Fee Revenue A	1,151,890	909,056	802,347	1,000,000	1,100,000	1,100,000
Total Operating Revenues	1,151,890	909,056	802,347	1,000,000	1,100,000	1,100,000
Expenses:						
Personal Services	1,564,966	1,678,767	1,640,785	1,514,593	1,615,349	1,619,588
Other Operating Expenses	1,086,979	933,293	976,355	1,461,912	1,519,450	1,534,374
Total Operating Expenses	2,651,945	2,612,060	2,617,140	2,976,505	3,134,799	3,153,962
Operating Income (Loss)	(1,500,055)	(1,703,004)	(1,814,793)	(1,976,505)	(2,034,799)	(2,053,962)
Nonoperating Revenues:						
Nonoperating Expenses:						
Total Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers	(1,500,055)	(1,703,004)	(1,814,793)	(1,976,505)	(2,034,799)	(2,053,962)
Capital Contributions	1,638,877	1,664,652	1,664,652	1,664,652	1,987,735	1,975,473
Change in Net Position	138,822	(38,352)	(150,141)	(311,853)	(47,064)	(78,489)
Beginning Net Position - July 1	585,190	724,012	685,660	535,519	223,666	176,602
Change in Net Position	138,822	(38,352)	(150,141)	(311,853)	(47,064)	(78,489)
Ending Net Position - June 30	724,012	685,660	535,519	223,666	176,602	98,113
Net Position (Fund Balance) Analysis						

FY 2024 Budget Compared to FY 2024 Actual Expenditures

The department expended 85.7% of the proprietary funding budgeted for fiscal year FY 2024, leaving \$546,200 unexpended. Personal services was over expended by \$40,700, operations and equipment combined had \$586,900 unexpended.

FY 2024 Budget Compared to FY 2025 Appropriations

The budget for FY 2025 increased by 4.7% compared to FY 2024. Personal services increased by 4.8%, all other categories increased by 4.2%.

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	114,903	0.00	0	0	0	119,725
DP 2 - Fixed Costs	0.00	0	0	0	72,380	0.00	0	0	0	75,173
DP 3 - Inflation Deflation	0.00	0	0	0	(23)	0.00	0	0	0	(16)
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	\$187,260	0.00	\$0	\$0	\$0	\$194,882

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

The decision packages presented are for informational purposes only, offering insights into anticipated changes in expenditure that may affect the rates charged. These decision packages are not approved by the legislature. For internal service funds, the legislature approves the maximum rate that may be charged. For enterprise funds, the legislature reviews the rate and identifies any concerns.

DP 1 - Personal Services -

The executive proposes 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

DP 2 - Fixed Costs -

The executive proposes 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 proposes 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.

DEPARTMENT OF AGRICULTURE

Section C

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----Agencies-----

Dept. of Fish, Wildlife, & Parks
Dept. of Environmental Quality
Dept. of Transportation

Dept. of Livestock
Dept. of Natural Resources & Conservation
Dept. of Agriculture

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

House

Representative Jerry Schillinger (Chair)
Representative Eric Albus
Representative Debo Powers

Senate

Senator Mike Cuffe (Vice Chair)
Senator Kenneth Bogner
Senator Jane Ellis

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

Rob Miller
Alice Hecht
Barb Wagner

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount	Percent
General Fund	4,109	4,109	4,109		0.0%
Proprietary Funds	58,200	58,200	58,200		0.0%
Total Funds	62,309	62,309	62,309		0.0%
Operating Expenses	62,309	62,309	62,309		0.0%
Total Expenditures	62,309	62,309	62,309		0.0%
Total Ongoing	62,309	62,309	62,309		0.0%
Total One-Time-Only					0.0%

**LFD
COMMENT**

General Fund as non-budgeted proprietary

General fund listed in the table above as non-budgeted is in error. It is anticipated to be corrected in the Dec 15 budget submission.

Agency Highlights

Department of Agriculture
Major Budget Highlights

The executive proposes non change to the base budget.

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 Agriculture 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
Base Budget	4,109	0	0	62,309	100.0%	4,109	0	0	62,309	100.0%
Statewide PL										
Personal Services	0	0	0	0	0.0%	0	0	0	0	0.0%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	0	0	0	0	0.0%	0	0	0	0	0.0%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Adjustments	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Requested Budget	4,109	0	0	62,309		4,109	0	0	62,309	

Funding

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

Total Department of Agriculture 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
01100 General Fund	2,185,157	49,000	8,218	3,206,244	5,448,619	9.5%
02040 Wheat & Barley Research & Mktg	9,388,109				9,388,109	16.4%
02205 Pulse Crop Research&Marketing	58,258			6,122,406	6,180,664	10.8%
02068 Noxious Weed Admin Account	4,783,432				4,783,432	8.4%
02193 Pesticide Account	3,732,998	209,200			3,942,198	6.9%
02453 Grain Services	3,579,898				3,579,898	6.3%
Other State Special Revenue	15,927,713	692,700		552,174	17,172,587	30.0%
State Special Revenue Total	37,470,408	901,900	-	6,674,580	45,046,888	78.7%
03118 Agriculture ASD Federal	2,529,628	41,600			2,571,228	4.5%
03225 Agriculture ADD Federal	591,486				591,486	1.0%
03120 Agriculture CMD Federal	521,156				521,156	0.9%
Federal Special Revenue Total	3,642,270	41,600	-	-	3,683,870	6.4%
06052 Hail Insurance	1,276,505			1,640,000	2,916,505	5.1%
06016 Beginning Farm Loans			116,400		116,400	0.2%
Proprietary Fund Total	1,276,505	-	116,400	1,640,000	3,032,905	5.3%
Total of All Funds	44,574,340	992,500	124,618	11,520,824	57,212,282	
Percent of All Sources of Authority	77.9%	1.7%	0.2%	20.1%		

Non-budgeted funds are for beginning farm loan programs. The Montana Beginning Farm/Ranch Loan Program is designed to assist beginning farmers and ranchers in acquiring agricultural property at lower interest rates.

Descriptions for all other funds can be found in the HB 2 budget analysis for the 2027 biennium.

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
Operating Expenses	0	61,285	62,309	62,309	62,309
Total Expenditures	\$0	\$61,285	\$62,309	\$62,309	\$62,309
General Fund	0	3,085	4,109	4,109	4,109
Proprietary Funds	0	58,200	58,200	58,200	58,200
Total Funds	\$0	\$61,285	\$62,309	\$62,309	\$62,309
Total Ongoing	\$0	\$61,285	\$62,309	\$62,309	\$62,309
Total OTO	\$0	\$0	\$0	\$0	\$0

Agency Description

The Montana Department of Agriculture, established by the state constitution, promotes and supports agriculture through public-private partnerships, regulatory oversight, and various programs. It collects statistics, supports farmers' organizations, sets product standards, develops marketing systems, and enforces agricultural laws. The department is organized into three divisions: Agricultural Development, Agricultural Sciences, and Central Services.

FY 2024 Appropriations Compared to FY 2024 expenditures.

The FY 2024 expenditure was unexpended.

FY 2024 Appropriations Compared to FY 2025 Appropriations

Non-budgeted proprietary funds increase slightly between FY 2025 and FY 2024.

Fund 06016

Revenues

The fund receives interest earned on the fund balance.

Expenditures

There have been no expenditures from the fund previous 12 years. The table below summarizes the ending fund balance for FY 2014 through FY 2024.

06016 - Beginning Farm Loans											
Row Labels	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>
Beginning Fund Balance	\$2,421.41	\$2,424.80	\$2,427.93	\$2,438.08	\$2,457.73	\$2,492.02	\$2,514.36	\$2,547.74	\$2,551.53	\$2,554.70	\$2,607.94
Board of Investment Earnings	3.39	3.13	10.15	19.65	34.29	22.34	33.38	3.79	3.17	53.24	
Expenditures	-	-	-	-	-	-	-	-	-	-	-
Ending Fund Balance	\$2,424.80	\$2,427.93	\$2,438.08	\$2,457.73	\$2,492.02	\$2,514.36	\$2,547.74	\$2,551.53	\$2,554.70	\$2,607.94	\$2,607.94

JUDICIAL BRANCH

Section D

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----Agencies-----

Judicial Branch
Dept. of Justice
Public Service Commission

Office of Public Defender
Dept. of Corrections

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

House

Representative Fiona Nave (Chair)
Representative Thedis Crowe
Representative Donavon Hawk
Representative Anthony Nicaastro

Senate

Senator Shelley Vance (Vice Chair)
Senator Tom McGillvray
Senator Shane Morigeau

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

Walker Hopkins
Barb Wagner

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 FY 2025	Requested FY 2026	Budget FY 2027	Biennium Change Amount	from Base Percent
Proprietary Funds	285,424	285,261	285,261	(326)	(0.1%)
Total Funds	285,424	285,261	285,261	(326)	(0.1%)
Operating Expenses	9,044	8,881	8,881	(326)	(1.8%)
Debt Service	276,380	276,380	276,380		0.0%
Total Expenditures	285,424	285,261	285,261	(326)	(0.1%)
Total Ongoing	285,424	285,261	285,261	(326)	(0.1%)
Total One-Time-Only					0.0%

Agency Highlights

The Judicial Branch's 2027 biennium non-budgeted proprietary appropriations are \$326 or 0.1% lower than the FY 2025 base appropriation.

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.

Judicial Branch 2027 Biennium Base Budget and Requested Adjustments FY 2026										
	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
Base Budget	0	0	0	285,424	100.1%	0	0	0	285,424	100.1%
Statewide PL										
Personal Services	0	0	0	0	0.0%	0	0	0	0	0.0%
Fixed Costs	0	0	0	(163)	(0.1%)	0	0	0	(163)	(0.1%)
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	0	0	0	(163)	(0.1%)	0	0	0	(163)	(0.1%)
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Adjustments	0	0	0	(163)	(0.1%)	0	0	0	(163)	(0.1%)
Total Requested Budget	0	0	0	285,261		0	0	0	285,261	

Funding

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

Judicial Branch, 03-Law Library Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	1,979,799	0	0	0	1,979,799	77.6%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
06019 Lexis Proprietary Account	0	0	570,522	0	570,522	100.0%
Proprietary Total	\$0	\$0	\$570,522	\$0	\$570,522	22.4%
Total All Funds	\$1,979,799	\$0	\$570,522	\$0	\$2,550,321	

Non-Budgeted Proprietary Funds

The Lexis Proprietary Account within the Law Library is an enterprise proprietary program funded by fees charged to users for access to a legal database. These proprietary funds are discussed in more detail further in this budget analysis.

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.

Agency Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2024	Approp. Fiscal 2024	Approp. Fiscal 2025	Request Fiscal 2026	Request Fiscal 2027
Operating Expenses	1,268	1,268	9,044	8,881	8,881
Debt Service	276,719	276,720	276,380	276,380	276,380
Total Expenditures	\$277,987	\$277,988	\$285,424	\$285,261	\$285,261
Proprietary Funds	277,987	277,988	285,424	285,261	285,261
Total Funds	\$277,987	\$277,988	\$285,424	\$285,261	\$285,261
Total Ongoing	\$277,987	\$277,988	\$285,424	\$285,261	\$285,261
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Judicial Branch has one non-budgeted, enterprise proprietary program. The Law Library contracts with an online provider for access to a legal database.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

Appropriations in FY 2024 within the Lexis proprietary account were fully expended.

FY 2024 Appropriations Compared to FY 2025 Appropriations

Appropriations in FY 2025 are \$7,400 or 2.7% greater than the 2024 appropriation. This difference is found in operating expenses.

Lexis Proprietary Account – 06019*Revenue and Expenses*

The following table shows the actual and projected expenditures and related revenues associated with this fund

2027 Biennium Report on Internal Service and Enterprise Funds						
Fund	Fund Name	Agency #	Program Name			
6019	Lexis Proprietary	21100	03 - Law Library			
			Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
Operating Revenues						
Fees and Charges						
	Fee Revenue A		271,696	285,000	293,550	302,357
Total Operating Revenues			271,696	285,000	293,550	302,357
Expenses						
	Other Operating Expense					
	Expense A		276,719	283,816	292,181	300,947
Total Operating Expense			276,719	283,816	292,181	300,947
Operating Income (Loss)			(5,023)	1,184	1,369	1,409
Nonoperating Revenues						
	Other Expense A		(1,268)	(1,258)	(1,080)	(1,080)
	Other Expense B					
Total Nonoperating Revenues (Expenses)			(1,268)	(1,258)	(1,080)	(1,080)
Income (Loss) Before Contributions and Transfers			(6,291)	(74)	289	329
Capital Contributions						
Transfers In						
Transfers Out						
Loans and Lease Payments						
Change in Net Position			(6,291)	(74)	289	329
Beginning Net Position - July 1			35,880	29,588	29,514	29,803
	Prior Period Adjustments					
	Change in Net Position		(6,291)	(74)	289	329
Ending Net Position - June 30			29,589	29,514	29,803	30,132

Expenses

Expenses for this fund primarily relate to charges for searches and research from the online database.

Revenues

Revenues are generated from charging user fees for access to the legal database.

Proprietary Rates

This program is funded with an enterprise type proprietary fund. As such, the legislature does not appropriate funds or approve rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies any concerns with the financial position of the fund. As stated above, rates charged by the program align with actual costs.

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.

The decision packages presented are for informational purposes only, offering insights into anticipated changes in expenditure that may affect the rates charged. These decision packages are not approved by the legislature. For internal service funds, the legislature approves the maximum rate that may be charged. For enterprise funds, the legislature reviews the rate and identifies any concerns.

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 2 - Fixed Costs	0.00	0	0	0	(163)	0.00	0	0	0	(163)
DP 3 - Inflation Deflation	0.00	0	0	0	0	0.00	0	0	0	0
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	(\$163)	0.00	\$0	\$0	\$0	(\$163)

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

DP 2 - Fixed Costs -

The branch requests adjustments to provide the funding required in the proposed budget for fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, 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 branch 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.

DEPARTMENT OF JUSTICE

Section D

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----Agencies-----

Judicial Branch
Dept. of Justice
Public Service Commission

Office of Public Defender
Dept. of Corrections

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

House

Representative Fiona Nave (Chair)
Representative Thedis Crowe
Representative Donavon Hawk
Representative Anthony Nicastrò

Senate

Senator Shelley Vance (Vice Chair)
Senator Tom McGillvray
Senator Shane Morìgeau

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

Walker Hopkins
Barb Wagner

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 FY 2025	Requested FY 2026	Budget FY 2027	Biennium Change Amount	from Base Percent
PB	14.00	14.00	14.00	0.00	0.0%
General Fund		(24,695)	(24,695)	(49,390)	0.0%
Proprietary Funds	1,901,844	1,802,633	1,807,653	(193,402)	(5.1%)
Total Funds	1,901,844	1,777,938	1,782,958	(242,792)	(6.4%)
Personal Services	1,705,487	1,606,276	1,611,296	(193,402)	(5.7%)
Operating Expenses	194,277	169,582	169,582	(49,390)	(12.7%)
Debt Service	2,080	2,080	2,080		0.0%
Total Expenditures	1,901,844	1,777,938	1,782,958	(242,792)	(6.4%)
Total Ongoing	1,901,844	1,777,938	1,782,958	(242,792)	(6.4%)
Total One-Time-Only					0.0%

Agency Highlights

The 2027 biennium budget request for the Agency Legal Services (ALS) within the Department of Justice is \$243,000 or 5.7% lower than FY 2025 base appropriations. This biennial decrease is attributed to statewide present law decreases to personal services and fixed costs.

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 Justice 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
Base Budget	0	0	0	1,901,844	107.0%	0	0	0	1,901,844	106.7%
Statewide PL										
Personal Services	0	0	0	(99,211)	(5.6%)	0	0	0	(94,191)	(5.3%)
Fixed Costs	0	0	0	(24,695)	(1.4%)	0	0	0	(24,695)	(1.4%)
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	0	0	0	(123,906)	(7.0%)	0	0	0	(118,886)	(6.7%)
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	0	0	0	(123,906)	(7.0%)	0	0	0	(118,886)	(6.7%)
Total Requested Budget	0	0	0	1,777,938		0	0	0	1,782,958	

Funding

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

Department of Justice, 06-Agency Legal Services 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%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
06500 Agency Legal Services	0	0	3,560,896	0	3,560,896	100.0%
Proprietary Total	\$0	\$0	\$3,560,896	\$0	\$3,560,896	100.0%
Total All Funds	\$0	\$0	\$3,560,896	\$0	\$3,560,896	

Non-Budgeted Proprietary Funds

The ALS is funded with non-budgeted proprietary funds from fees charged to state agencies for attorney and paralegal work. For information on the rates charged to state agencies, refer to the Program Description section below.

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	14.00	14.00	14.00	14.00
Personal Services	1,211,770	1,634,358	1,705,487	1,606,276	1,611,296
Operating Expenses	197,009	193,791	194,277	169,582	169,582
Debt Service	0	2,080	2,080	2,080	2,080
Total Expenditures	\$1,408,779	\$1,830,229	\$1,901,844	\$1,777,938	\$1,782,958
Proprietary Funds	1,408,779	1,830,229	1,901,844	1,777,938	1,782,958
Total Funds	\$1,408,779	\$1,830,229	\$1,901,844	\$1,777,938	\$1,782,958
Total Ongoing	\$1,408,779	\$1,830,229	\$1,901,844	\$1,777,938	\$1,782,958
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Department of Justice (DOJ), under the direction of the Attorney General, is responsible for statewide legal services and counsel, law enforcement and public safety. The DOJ has one proprietary funded program in the ALS.

The ALS provides legal, hearing examiner, and investigative services to state agency clients on a contract basis. ALS attorneys and investigators bill clients for their services, case-related, and incidental costs. Employee positions are funded from the revenues generated. The customers served are state agencies, boards, and commissions that have entered into contracts with ALS.

The Attorney General is the legal officer for the state per Article VI, Section 4(4), of the Montana Constitution. 2-4-611(2), MCA provides that state agencies may request from the Attorney General's Office a hearing examiner in a contested case.

State agencies have the option to use in-house or private counsel and investigators instead of ALS. Executive Order 5-93 provides that agencies must receive approval from the Legal Services Review Committee (made up of a representative of the Attorney General, Budget Director, and the Governor's Chief Legal Counsel) prior to contracting for outside legal services.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Agency Legal Services expended approximately 77.0% of its proprietary budget for FY 2024. Unexpended balances occur within personal service accounts.

FY 2024 Appropriations Compared to FY 2025 Appropriations

When compared to FY 2024 budgets, amounts in FY 2025 increase by approximately \$70,000 or 3.9%. Some additional personal service funding was provided in FY 2025 through statewide present law adjustments made to personal services.

Agency Legal Services Bureau - 06500

ALS provides legal services to state agencies. This program proposes a proprietary rate for adoption by the legislature.

Revenue and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium Report on Internal Service and Enterprise Funds				
Fund	Fund Name	Agency #	Name	
06500	Agency Legal Services	41100	Agency Legal Services	
	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
Operating Revenues				
Fees and Charges				
Charges for Services	1,321,461	1,908,809	1,908,809	1,908,809
Total Operating Revenues	1,321,461	1,908,809	1,908,809	1,908,809
Expenses				
Personal Services	1,169,681	1,705,487	1,606,276	1,611,296
Other Operating Expense	197,928	194,277	169,582	169,582
Total Operating Expense	1,367,609	1,899,764	1,775,858	1,780,878
Operating Income (Loss)	(46,148)	9,045	132,951	127,931
Nonoperating Revenues				
Nonoperating Expenses				
Total Nonoperating Revenues (Expenses)	-	-	-	-
Income (Loss) Before Contributions	(46,148)	9,045	132,951	127,931
Capital Contributions				
Transfers In				
Transfers Out				
Loans and Lease Payments	-	(2,080)	(2,080)	(2,080)
Change in Net Position	(46,148)	6,965	130,871	125,851
Beginning Net Position - July 1	(917,600)	(963,748)	(956,783)	(825,912)
Prior Period Adjustments				
Change in Net Position	(46,148)	6,965	130,871	125,851
Ending Net Position - June 30	(963,748)	(956,783)	(825,912)	(700,061)
Net Position (Fund Balance) Analysis				
Restricted Net Position (Enterprise Funds Only)				
Unrestricted Net Position				

Expenses

The primary costs for ALS are personal services for 14.75 PB and associated operating costs. Factors that influence costs include the state pay plan, the ability to recruit and retain staff, and general inflationary pressures that increase costs for items such as utilities, rent, supplies, and equipment. As proposed, the costs for Agency Legal Services Bureau decrease by \$124,000 in FY 2026 and \$119,000 in FY 2027 when compared to FY 2025 base appropriations. The decreases are included as part of the statewide present law adjustment for the ALS and are primarily for personal services.

Revenues

Revenues are generated by fees charged to other state agencies for services provided.

Proprietary Rates

The executive proposes an increase in the proprietary rates charged for attorney and paralegal positions when compared to the FY 2025 base rates. Additionally, rates for associate attorneys and legal staff have also been proposed. The figure below shows the rates proposed by the executive for the 2027 biennium which are calculated based on projected costs versus the average billable service provided by attorneys/paralegals on an annual basis. These rates are included in Sec. R of HB 2, and for the rates to become effective, the legislature is required to formally adopt them.

Requested Rates for Internal Service or Enterprise Funds					
Fee/Rate Information					
		Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
Fee Description:	Senior Attorney	\$121	\$121	\$200	\$200
	Associate Attorney			\$160	\$160
	Paralegal	\$71	\$71	\$100	\$100
	Legal Assistant			\$75	\$75

This program is funded with an internal service fund, which is a type of proprietary fund. As such, the legislature approves the maximum rate the program may charge during the biennium. They are not the rates the program must charge.

The Department of Justice has asked for the flexibility to adjust these rates to reflect additional changes related to HB 13 pay plans.

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.

The decision packages presented are for informational purposes only, offering insights into anticipated changes in expenditure that may affect the rates charged. These decision packages are not approved by the legislature. For internal service funds, the legislature approves the maximum rate that may be charged. For enterprise funds, the legislature reviews the rate and identifies any concerns.

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	(99,211)		0.00	0	0	0	(94,191)
DP 2 - Fixed Costs										
0.00	0	0	0	(24,695)		0.00	0	0	0	(24,695)
Grand Total All Present Law Adjustments										
0.00	\$0	\$0	\$0	(\$123,906)		0.00	\$0	\$0	\$0	(\$118,886)

***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 proposes adjustments to the present law personal services budget.

DP 2 - Fixed Costs -

The executive proposes adjustments to provide the funding required in the proposed budget for fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DEPARTMENT OF CORRECTIONS

Section D

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----Agencies-----

Judicial Branch
Dept. of Justice
Public Service Commission

Office of Public Defender
Dept. of Corrections

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

House

Representative Fiona Nave (Chair)
Representative Thedis Crowe
Representative Donavon Hawk
Representative Anthony Nicastrò

Senate

Senator Shelley Vance (Vice Chair)
Senator Tom McGillvray
Senator Shane Morìgeau

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

Walker Hopkins
Barb Wagner

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 FY 2025	Requested Budget FY 2026	Budget FY 2027	Biennium Change Amount	from Base Percent
PB	70.01	70.01	70.01	0.00	0.0%
Proprietary Funds	18,181,633	18,687,958	18,697,403	1,022,095	2.8%
Total Funds	18,181,633	18,687,958	18,697,403	1,022,095	2.8%
Personal Services	5,752,910	5,559,235	5,568,680	(377,905)	(3.3%)
Operating Expenses	11,637,192	12,337,192	12,337,192	1,400,000	6.0%
Equipment & Intangible Assets	548,389	548,389	548,389		0.0%
Capital Outlay	35,464	35,464	35,464		0.0%
Debt Service	207,678	207,678	207,678		0.0%
Total Expenditures	18,181,633	18,687,958	18,697,403	1,022,095	2.8%
Total Ongoing	18,181,633	18,687,958	18,697,403	1,022,095	2.8%
Total One-Time-Only					0.0%

Agency Highlights

Non-budgeted proprietary appropriations requested for the Montana Correctional Enterprises within the Department of Corrections totals \$37.4 million. This is an increase of \$1.0 million or 2.8% compared to FY 2025 base appropriations. Changes primarily relate to increasing or decreasing authority within programs to accurately account for actual expenses and include:

- Increased authority for the Food Factory program of \$1.8 million
- Increased authority for the License Plate Factory program of \$600,000
- Decreased authority in the Prison Ranch program of \$1.0 million
- Statewide present law reductions to personal services totaling \$378,000

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 Corrections 2027 Biennium Base Budget and Requested Adjustments FY 2026										
	General Fund	State Special	Federal Special	Total Funds	% of Budget Request	FY 2027				
						General Fund	State Special	Federal Special	Total Funds	% of Budget Request
Base Budget	0	0	0	18,181,633	97.3%	0	0	0	18,181,633	97.2%
Statewide PL										
Personal Services	0	0	0	(193,675)	(1.0%)	0	0	0	(184,230)	(1.0%)
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	0	0	0	(193,675)	(1.0%)	0	0	0	(184,230)	(1.0%)
Present Law (PL)	0	0	0	700,000	3.7%	0	0	0	700,000	3.7%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Adjustments	0	0	0	506,325	2.7%	0	0	0	515,770	2.8%
Total Requested Budget	0	0	0	18,687,958		0	0	0	18,697,403	

Funding

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

Department of Corrections, 03-Rehabilitation and Programs 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	235,666,709	0	0	0	235,666,709	83.4%
02917 MSP Canteen Revolving Acct	9,521,572	0	0	0	9,521,572	100.0%
State Special Total	\$9,521,572	\$0	\$0	\$0	\$9,521,572	3.4%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
06011 License Plate Production	0	0	5,760,630	0	5,760,630	15.4%
06033 Prison Ranch	0	0	9,738,396	0	9,738,396	26.0%
06034 MSP Institutional Industries	0	0	7,732,086	0	7,732,086	20.7%
06545 Prison Indust. Training Prog	0	0	1,613,805	0	1,613,805	4.3%
06573 MSP - Cook Chill	0	0	12,540,444	0	12,540,444	33.5%
Proprietary Total	\$0	\$0	\$37,385,361	\$0	\$37,385,361	13.2%
Total All Funds	\$245,188,281	\$0	\$37,385,361	\$0	\$282,573,642	

Non-Budgeted Proprietary Funds

The Montana Correctional Enterprises program is funded through a series of five non-budgeted proprietary funds which include three enterprise proprietary funds and two internal service 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.

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	70.01	70.01	70.01	70.01
Personal Services	5,046,122	5,285,002	5,752,910	5,559,235	5,568,680
Operating Expenses	12,831,919	14,482,447	11,637,192	12,337,192	12,337,192
Equipment & Intangible Assets	868,533	864,789	548,389	548,389	548,389
Capital Outlay	0	0	35,464	35,464	35,464
Debt Service	217,461	396,370	207,678	207,678	207,678
Total Expenditures	\$18,964,035	\$21,028,608	\$18,181,633	\$18,687,958	\$18,697,403
Proprietary Funds	18,964,035	21,028,608	18,181,633	18,687,958	18,697,403
Total Funds	\$18,964,035	\$21,028,608	\$18,181,633	\$18,687,958	\$18,697,403
Total Ongoing	\$18,964,035	\$21,028,608	\$18,181,633	\$18,687,958	\$18,697,403
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Montana Department of Corrections utilizes a series of proprietary funds within the Montana Correctional Enterprises (MCE) program. The MCE provides education and vocational training to inmates and operates the department's correctional industries program. These programs are described separately along with a discussion of the program expenses, revenues, and rates being requested to finance the program:

- License plate factory
- Prison Ranch program
- MSP institutional industries
- MCE food factory
- Vocational education industries training

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

In FY 2024, the DOC had just over \$21.0 million in non-budgeted proprietary authority for the Montana Correctional Enterprises Program. The program provides services to the Montana State Prison (Deer Lodge) and Montana Women's Prison (Billings), which includes license plate manufacturing, motor vehicle shop, wood shop, state ranch, tailor shop, and canine training. Total authority within these accounts increased by approximately \$3.2 million during the fiscal year. These increases in authority were made in order to pay additional personal services and operating expenses and are covered by increased revenues due to the completion and sales of products in addition to the completion of larger repair projects.

Through FYE 2024, the Montana Correctional Enterprises Program expended approximately 90.2% or \$19.0 million, leaving an unexpended/unobligated appropriation balance of about \$2.1 million. The table below shows the FY 2024 budget, expenditures, and percent expended for each of the non-budgeted proprietary accounts. Unexpended balances reverted to the proper accounts at FYE.

Proprietary Account	FY 2024 Budget	FY 2024 Expenses	Percent Expended
Prison Ranch	\$5,170,342	\$4,060,754	78.5%
Institutional Industries	4,788,294	4,598,212	96.0%
Food Factory	6,827,358	6,435,573	94.3%
Vocational Education	1,282,546	1,217,011	94.9%
License Plate Factory	2,960,068	2,652,468	89.6%
Total	\$21,028,608	\$18,964,018	90.2%

FY 2024 Appropriations Compared to FY 2025 Appropriations

Proprietary appropriations in FY 2025 reflect a decrease of approximately \$2.8 million or 13.5% when compared to FY 2024 appropriations. This is due to the increased revenue experienced in FY 2024 which increased available authority. These increases have not been recorded in FY 2025 to date.

License Plate Factory – Fund 06011*Proprietary Program Description*

The License Plate Program trains inmates in specific work skills and life skills in license plate production, graphics design, inventory control and shipping, while providing all license plates to county treasurers throughout Montana.

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Program Name
06011	License Plate Production	64010	03 REHABILITATION AND PROGRAMS

	Actual FY 2024	Estimated FY 2025	Proposed FY 2026	Proposed FY 2027
Operating Revenues				
Fees and Charges				
Fee Revenue A	3,014,966	3,000,000	3,000,000	3,000,000
Total Operating Revenues	3,014,966	3,000,000	3,000,000	3,000,000
Expenses				
Personal Services	518,590	550,000	648,463	648,637
Other Operating Expense	2,216,055	2,350,000	2,408,917	2,408,917
Total Operating Expense	2,734,646	2,900,000	3,057,380	3,057,554
Operating Income (Loss)	280,320	100,000	(57,380)	(57,554)
Nonoperating Revenues				
Nonoperating Expenses				
Total Nonoperating Revenues (Expenses)	-	-	-	-
Income (Loss) Before Contributions and Transfers	280,320	100,000	(57,380)	(57,554)
Capital Contributions				
Transfers In				
Transfers Out				
Loans and Lease Payments				
Change in Net Position	280,320	100,000	(57,380)	(57,554)
Beginning Net Position - July 1	943,730	1,224,050	1,324,050	1,266,670
Prior Period Adjustments				
Change in Net Position	280,320	100,000	(57,380)	(57,554)
Ending Net Position - June 30	1,224,050	1,324,050	1,266,670	1,209,116
Net Position (Fund Balance) Analysis				
Restricted Net Position (Enterprise Funds Only)				
Unrestricted Net Position				

Expenditures

Expenses include funding for 7.01 PB as well as various operating costs and products such as aluminum, reflective sheeting, and other raw materials.

Revenues

Revenues supporting license plate manufacturing come from members of the public who purchase license plates and are derived from the sale of license plates to vehicle owners. A \$10.00 fee is paid for each set, where \$2.00 of this rate is deposited in the general fund, and the remaining \$8.00 and tabs/decals are deposited into a state special revenue account with the Department of Justice.

Proprietary Rates

The license plate factory fund had previously been implemented as an internal service fund with rates approved by the Legislature. This is now an enterprise fund. As such, the legislature does not appropriate the funds or approve the rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies concerns with the financial position of the fund. There is no proposed increase in rates for the 2027 biennium.

Prison Ranch – Fund 06033*Proprietary Program Description*

The Prison Ranch Program trains inmates in specific work skills and life skills in operations which include range and dairy cattle, dairy milking parlor and processing plant, crops, land management, lumber processing, wildland firefighting and various community work programs.

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Program Name
06033	Prison Ranch	64010	Montana Correctional Enterprises

	Actual FY 2024	Estimated FY 2025	Proposed FY 2026	Proposed FY 2027
Operating Revenues				
Fees and Charges				
Fee Revenue A	3,737,321	3,900,000	4,000,000	4,000,000
Total Operating Revenues	3,737,321	3,900,000	4,000,000	4,000,000
Expenses				
Personal Services	1,574,199	1,600,000	1,693,809	1,697,101
Other Operating Expense	2,122,040	2,125,000	2,996,591	2,996,591
Total Operating Expense	3,696,239	3,725,000	4,690,400	4,693,692
Operating Income (Loss)	41,082	175,000	(690,400)	(693,692)
Nonoperating Revenues				
Other Revenue A	1,262,368	300,000	300,000	300,000
Nonoperating Expenses	-	-	-	-
Total Nonoperating Revenues (Expenses)	1,262,368	300,000	300,000	300,000
Income (Loss) Before Contributions and Transfers	1,303,450	475,000	(390,400)	(393,692)
Capital Contributions				
Transfers In	421,845	400,000	400,000	400,000
Loans and Lease Payments				
Change in Net Position	1,725,295	875,000	9,600	6,308
Beginning Net Position - July 1	12,332,255	14,057,550	14,932,550	14,942,150
Prior Period Adjustments				
Change in Net Position	1,725,295	875,000	9,600	6,308
Ending Net Position - June 30	14,057,550	14,932,550	14,942,150	14,948,458
Net Position (Fund Balance) Analysis				
Restricted Net Position (Enterprise Funds Only)				
Unrestricted Net Position				

Expenditures

Personal services fund 19.75 PB. Some of the largest operating expenses for the program include services such as:

- Feed not grown on the ranch and feed supplements
- Fertilizer
- Grain
- Diesel Fuel
- Merchandise
- Electricity

The costs of these supplies are somewhat dependent on economic conditions and will tend to vary.

Revenues

The Prison Ranch Program derives revenues from the sale of products within the private sector and services including cattle, milk, and other dairy products reclaimed and blue wood products, wild land firefighting, fencing, tree-thinning, and janitorial and grounds keeping services for various governmental agencies and non-profit organizations.

Proprietary Rates

The proprietary rate when compared to the FY 2025 base rates shows no proposed increase. This program is funded with an enterprise fund, which is a type of proprietary fund. As such, the legislature does not appropriate the funds or approve the rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies concerns with the financial position of the fund.

MSP Institutional Industries – Fund 06034*Proprietary Program Description*

The Industries Program trains inmates in specific work skills and life skills in operations which include manufacturing of furniture, upholstery, print work and signs, sewing and embroidery, institutional laundry, screen printing, inventory management, shipping, AutoCAD design, web design, marketing, hygiene kit assembly and public-private partnerships. In addition, MSP Institutional Industries includes a dog training program located at the Montana Women's Prison. Three active prison industry enhancement certification programs, Jelt Belt, SIMMS Fishing Products, and TrussLux, have a 10.0% mandatory net pay savings for workers.

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Program Name
06034	MSP Institutional Industries	64010	Montana Correctional Enterprises

	Actual FY 2024	Estimated FY 2025	Proposed FY 2026	Proposed FY 2027
Operating Revenues				
Fees and Charges				
Fee Revenue A	1,559	15,000	15,000	15,000
Fee Revenue B	4,442,343	4,500,000	4,500,000	4,500,000
Fee Revenue C	4,331			
Total Operating Revenues	4,448,233	4,515,000	4,515,000	4,515,000
Expenses				
Personal Services	1,718,338	1,768,074	1,821,116	1,875,750
Other Operating Expense	3,099,115	2,120,900	2,184,527	2,250,063
Expense A	(206,839)	30,000	30,900	31,827
Expense B	68,493	207,678	213,908	220,326
Total Operating Expense	4,679,107	4,126,652	4,250,451	4,377,965
Operating Income (Loss)	(230,874)	388,348	264,549	137,035
Nonoperating Revenues				
Nonoperating Expenses				
Total Nonoperating Revenues (Expenses)	-	-	-	-
Income (Loss) Before Contributions and Transfers	(230,874)	388,348	264,549	137,035
Change in Net Position	(230,874)	388,348	264,549	137,035
Beginning Net Position - July 1	1,679,757	1,448,884	1,837,232	2,101,780
Prior Period Adjustments				
Change in Net Position	(230,874)	388,348	264,549	137,035
Ending Net Position - June 30	1,448,884	1,837,232	2,101,780	2,238,815
Net Position (Fund Balance) Analysis				
Restricted Net Position (Enterprise Funds Only)				
Unrestricted Net Position				

Expenditures

Personal service expenses are used to fund 19.25 PB. Operating expenses make up the largest portion of expenditures and are mostly used for items such as merchandise, sewing/embroidered clothing, manufacturing hardwood/plywood, and shop supplies.

Revenues

The Industries Program derives revenues primarily from the sale of products (primarily furniture) and services such as laundry. Prices for manufactured products are set utilizing current market values and take into account cost of materials, overhead, and capital outlay. Revenues for all industries programs are based on customer orders, inventory levels, available customer budgets and customer satisfaction.

Proprietary Rates

Although the Industries Program is an enterprise fund, the agency requests a rate approval for laundry, as the rate directly affects several customers who pay with general fund. This allows these general fund customers to request appropriations required to cover the requested rate increases. The MCE is requesting that the Legislature approve the following per-pound rates for the laundry program.

Requested Rates for Internal Service or Enterprise Funds					
Fee/Rate Information					
	Actual FY 2024	Actual FY 2025	Proposed FY 2026	Proposed FY 2027	
<u>Fee Description:</u>					
Cost Per Pound Laundry Services	\$ 0.68	\$ 0.68	\$ 0.73	\$ 0.73	
<u>Delivery Charge per Pound:</u>					
Riverside Youth Correctional/Riverside Special Needs Unit	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05	
Montana Law Enforcement Academy	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15	
Montana Chemical Dependency Corp	\$ 0.04	\$ 0.04	\$ 0.04	\$ 0.04	
Southwest Montana Veterans' Home	\$ -	\$ -	\$ 0.04	\$ 0.04	
START Program	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	
Montana State Hospital	\$ -	\$ -	\$ -	\$ -	
University of Montana	\$ 67.50	\$ 67.50	\$ 67.50	\$ 67.50	
Calculated at 67.50 per shared round trip					

the funds or approve the rates for the program with the exception of the request to approve laundry rate increases. Instead, the legislature reviews the report for the enterprise fund and identifies concerns with the financial position of the fund.

Vocational Education (Industries Training) – Fund 06545*Proprietary Program Description*

The Vocational Education Program trains inmates in specific work skills and life skills in operations which include motor vehicle maintenance, vehicle restoration welding, and machining and metals programs in conjunction with the general funded vocational education program. This table is shown below and is combined with one other fund.

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	enc	Program Name
06545	Prison Industry Training Prog		Montana Correctional Enterprises

	Actual FY 2024	Estimated FY 2025	Proposed FY 2026	Proposed FY 2027
Operating Revenues				
Fees and Charges				
Fee Revenue A	1,356,263	1,002,000	1,002,000	1,002,000
Fee Revenue B	1,544	3,000	3,000	3,000
Total Operating Revenues	1,357,807	1,005,000	1,005,000	1,005,000
Expenses				
Personal Services	307,031	250,281	257,789	265,523
Other Operating Expense	906,705	536,050	552,132	568,695
Total Operating Expense	1,213,736	786,331	809,921	834,219
Operating Income (Loss)	144,071	218,669	195,079	170,781
Nonoperating Revenues				
Nonoperating Expenses				
Total Nonoperating Revenues (Expenses)	-	-	-	-
Income (Loss) Before Contributions	144,071	218,669	195,079	170,781
Capital Contributions				
Transfers In				
Transfers Out				
Loans and Lease Payments				
Change in Net Position	144,071	218,669	195,079	170,781
Beginning Net Position - July 1	127,126	271,197	489,866	684,945
Prior Period Adjustments				
Change in Net Position	144,071	218,669	195,079	170,781
Ending Net Position - June 30	271,197	489,866	684,945	855,726
Net Position (Fund Balance) Analysis				
Restricted Net Position (Enterprise Funds Only)				
Unrestricted Net Position				

Expenditures

Expenses include personal services funding for 3.00 PB as well as various parts to perform repairs and operating costs associated with the various programs.

Revenues

Revenues are derived primarily through repair, maintenance, and restoration work on customer vehicles and equipment, as well as the sale of products and services in the welding, machining, and metal programs. Primary funding supporting payment for services are the ranch proprietary and general funds. Both of these funds support the MSP and are associated with large portions of revenue for the program.

Proprietary Rates

Motor vehicle maintenance rates are based on the costs of parts and a supply charge to cover consumable supplies for auto repairs and labor to perform tasks. The labor charge is based on the cost of civilian and inmate labor and program overhead. The MCE is not requesting an increase for these rates in the 2027 biennium. The executive is requesting that the legislature approve the rates shown for the Vocational Education Program.

Requested Rates for Internal Service or Enterprise Funds				
Fee/Rate Information				
	Actual FY 2024	Actual FY 2025	Proposed FY 2026	Proposed FY 2027
<u>Fee Description:</u>				
Labor Charge/hour	\$ 30.00	\$ 30.00	\$ 30.00	\$ 30.00
Supply fee as percentage of actual cost of parts	10%	10%	10%	10%
Parts	Sold at Cost	Sold at Cost	Sold at Cost	Sold at Cost

This program is funded with an internal service fund, which is a type of proprietary fund. As such, the legislature approves the maximum rate the program may charge during the biennium. They are not the rates the program must charge.

MCE Food Factory (Cook Chill)– Fund 06573*Proprietary Program Description*

The Food Factory Program trains inmates in specific work skills and life skills in meal preparation, bakery and cook chill operations while providing meals to numerous state and county facilities in western Montana.

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Program Name
06573	MSP Cook Chill	64010	Montana Correctional Enterprises

	Actual FY 2024	Estimated FY 2025	Proposed FY 2026	Proposed FY 2027
Operating Revenues				
Fees and Charges				
Fee Revenue A	7,402,502	6,335,290	6,335,290	6,335,290
Total Operating Revenues	7,402,502	6,335,290	6,335,290	6,335,290
Expenses				
Personal Services	900,936	1,000,000	1,440,633	1,442,635
Other Operating Expense	5,510,783	5,525,000	4,828,588	4,828,588
Total Operating Expense	6,411,720	6,525,000	6,269,221	6,271,223
Operating Income (Loss)	990,782	(189,710)	66,069	64,067
Nonoperating Revenues				
Nonoperating Expenses				
Total Nonoperating Revenues (Expenses)	-	-	-	-
Income (Loss) Before Contributions and Transfers	990,782	(189,710)	66,069	64,067
Capital Contributions				
Transfers In				
Transfers Out				
Loans and Lease Payments				
Change in Net Position	990,782	(189,710)	66,069	64,067
Beginning Net Position - July 1	3,225,992	4,216,774	4,027,064	4,093,133
Prior Period Adjustments				
Change in Net Position	990,782	(189,710)	66,069	64,067
Ending Net Position - June 30	4,216,774	4,027,064	4,093,133	4,157,200
Net Position (Fund Balance) Analysis				
Restricted Net Position (Enterprise Funds Only)				
Unrestricted Net Position				

Expenditures

Personal service expenses are used to fund 21.00 PB. Operating expenses make up the majority of expenses and are primarily used for bulk food items to sell and to prepare tray meals.

Revenues

The food factory sells bulk food items and tray meals to customers to obtain revenue. Revenues from MSP, the food factory's largest customer, come from the general fund.

Proprietary Rates

Rates are based on the cost of raw materials, supplies, and other operating expenses. There is a request for a \$0.10 increase on base tray hot/cold meals in FY 2026 and a \$0.20 increase in FY 2027. Other requested increases are for base tray hot meals and detention center trays (\$0.10 in FY 2026 and \$0.20 in FY 2027). The executive is requesting that the legislature approve the rates shown for the Food Service Program.

Requested Rates for Internal Service or Enterprise Funds				
Fee/Rate Information				
	Actual FY 2024	Actual FY 2025	Proposed FY 2026	Proposed FY 2027
<u>Fee Description:</u>				
<u>Tray Meal Prices to all customers</u>				
Base Tray-hot/cold	\$ 2.55	\$ 2.65	\$ 2.75	\$ 2.85
Base Tray-hot	\$ 1.44	\$ 1.70	\$ 1.80	\$ 1.90
Base Tray-hot (Detention Ctr Trays)	\$ 3.38	\$ 3.73	\$ 3.83	\$ 3.93
Accessory Package	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20
Disposable tray	at cost	at cost	at cost	at cost
<u>Delivery Charge Per Trayed Meal</u>				
Delivery charge per mile	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50
Delivery charge per hour	\$ 35.00	\$ 35.00	\$ 35.00	\$ 35.00
Bulk food is sold at cost, with a spoilage percentage added on and an overhead charge to cover operating expenses. Overhead charge is based on historical costs and volume of sales to the customer, as a percentage of overall food costs. Delivery is based on actual delivery costs.				
Spoilage percentage to all bulk customers	5.0%	5.0%	5.0%	5.0%
<u>Overhead Charges</u>				
Montana State Prison	94.0%	85.0%	85.0%	85.0%
Montana State Hospital	6.0%	7.0%	7.0%	7.0%
CCCS, Inc. WATCH Program	0.0%	8.0%	8.0%	8.0%

This program is funded with an internal service fund, which is a type of proprietary fund. As such, the legislature approves the maximum rate the program may charge during the biennium. They are not the rates the program must charge.

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	(193,675)	0.00	0	0	0	(184,230)
DP 2 - Fixed Costs	0.00	0	0	0	0	0.00	0	0	0	0
DP 3 - Inflation Deflation	0.00	0	0	0	0	0.00	0	0	0	0
DP 391 - Reduce Ranch Operating Appropriation	0.00	0	0	0	(500,000)	0.00	0	0	0	(500,000)
DP 392 - Increase Operating Authority for Food Factory	0.00	0	0	0	900,000	0.00	0	0	0	900,000
DP 393 - Increase Operating Authority for License Plate Factory	0.00	0	0	0	300,000	0.00	0	0	0	300,000
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	\$506,325	0.00	\$0	\$0	\$0	\$515,770

*"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 proposes adjustments to the present law personal services budget.

DP 391 - Reduce Ranch Operating Appropriation -

The executive proposes a reduction of proprietary funding within the Prison Ranch program to align appropriation balances with actual expenses.

DP 392 - Increase Operating Authority for Food Factory –

The executive proposes an increase in proprietary funding within the Food Factory program to align appropriation balances with actual expenses.

DP 393 - Increase Operating Authority for License Plate Factory -

The executive proposes an increase in proprietary funding within the License Plate Factory program to align appropriation balances with actual expenses.

OFFICE OF PUBLIC INSTRUCTION

Section E

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----Agencies-----

Office of Public Instruction	Montana Arts Council
Board of Public Education	Montana State Library
Office of Commissioner of Higher Education	Montana Historical Society
Montana School for Deaf & Blind	

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

House

Representative David Bedey (Chair)
Representative Brad Barker
Representative Llew Jones
Representative Connie Keogh
Representative Eric Matthews

Senate

Senator John Fuller (Vice Chair)
Senator Matt Regier
Senator Jonathan Windy Boy

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

Julia Pattin
Katie Guenther
Kurt Swimley
Alexandra Ghosh

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	27.53	27.53	27.53	0.00	0.0%
Proprietary Funds	3,806,145	3,790,612	3,685,758	(135,920)	(1.8%)
Total Funds	3,806,145	3,790,612	3,685,758	(135,920)	(1.8%)
Personal Services	2,456,449	2,346,105	2,350,321	(216,472)	(4.4%)
Operating Expenses	1,338,061	1,432,872	1,323,802	80,552	3.0%
Equipment & Intangible Assets	11,635	11,635	11,635		0.0%
Total Expenditures	3,806,145	3,790,612	3,685,758	(135,920)	(1.8%)
Total Ongoing	3,806,145	3,790,612	3,685,758	(135,920)	(1.8%)
Total One-Time-Only					0.0%

Agency Highlights

Office of Public Instruction Major Budget Highlights
<p>The Office of Public Instruction's 2027 biennium non-budgeted proprietary appropriations are approximately \$136,000 or 1.8% lower than the FY 2025 base budget. Changes include:</p> <ul style="list-style-type: none"> Decreases for the statewide present law adjustments for personal services and inflation/deflation Increases for the statewide present law adjustment for fixed costs

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.

Office of Public Instruction 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
Base Budget	0	0	0	3,806,145	100.4%	0	0	0	3,806,145	103.3%
Statewide PL										
Personal Services	0	0	0	(110,344)	(2.9%)	0	0	0	(106,128)	(2.9%)
Fixed Costs	0	0	0	95,240	2.5%	0	0	0	(13,969)	(0.4%)
Inflation Deflation	0	0	0	(429)	(0.0%)	0	0	0	(290)	(0.0%)
Total Statewide PL	0	0	0	(15,533)	(0.4%)	0	0	0	(120,387)	(3.3%)
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Adjustments	0	0	0	(15,533)	(0.4%)	0	0	0	(120,387)	(3.3%)
Total Requested Budget	0	0	0	3,790,612		0	0	0	3,685,758	

Funding

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

Total Office of Public Instruction 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
01100 General Fund	1,239,660,455	1,700,000			1,241,360,455	44.0%
02302 STATE EQUALIZATION AID ACCT	1,021,228,439				1,021,228,439	36.2%
02018 Guarantee Fund				110,872,870	110,872,870	3.9%
02218 School Facility & Tech Account	32,000,000			2,000,000	34,000,000	1.2%
02487 School Fac State Spcl Revenue	30,462,000				30,462,000	1.1%
02402 Traffic & Safety Education	3,624,599				3,624,599	0.1%
Other State Special Revenue	835,457			68,166	903,623	0.0%
State Special Revenue Total	1,088,150,495	-	-	112,941,036	1,201,091,531	42.6%
03170 Grant Clearance Discretionary	331,470,782				331,470,782	11.8%
03002 Public Instruction	37,217,797				37,217,797	1.3%
Federal Special Revenue Total	368,688,579	-	-	-	368,688,579	13.1%
06512 Indirect Cost Pool			7,220,582		7,220,582	0.3%
06067 Advanced Drivers Education			255,788		255,788	0.0%
Proprietary Fund Total	-	-	7,476,370	-	7,476,370	0.3%
Total of All Funds	2,696,499,529	1,700,000	7,476,370	112,941,036	2,818,616,935	
Percent of All Sources of Authority	95.7%	0.1%	0.3%	4.0%		

Non-Budgeted Proprietary Funds

Proprietary funds are used for the OPI indirect cost pool and the advanced drivers' education program. For additional detail, please see the proprietary program descriptions.

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	27.53	27.53	27.53	27.53
Personal Services	2,394,762	2,405,902	2,456,449	2,346,105	2,350,321
Operating Expenses	877,471	1,393,575	1,338,061	1,432,872	1,323,802
Equipment & Intangible Assets	0	0	11,635	11,635	11,635
Total Expenditures	\$3,272,233	\$3,799,477	\$3,806,145	\$3,790,612	\$3,685,758
Proprietary Funds	3,272,233	3,799,477	3,806,145	3,790,612	3,685,758
Total Funds	\$3,272,233	\$3,799,477	\$3,806,145	\$3,790,612	\$3,685,758
Total Ongoing	\$3,272,233	\$3,799,477	\$3,806,145	\$3,790,612	\$3,685,758
Total OTO	\$0	\$0	\$0	\$0	\$0

Agency Description

The Superintendent of Public Instruction is an elected official authorized by Article VI, Section 1, of the Montana Constitution. The Office of Public Instruction distributes funding to school districts and provides services to Montana's school-age children and to teachers in approximately 400 school districts. The core responsibilities of the agency include licensure of educators, accreditation of schools, administration of statewide student assessments, distribution of state and federal grants/aid to schools, collection and reporting of data, and dissemination of information about K-12 education.

Agency staff provide technical assistance in planning, implementing, and evaluating educational programs in such areas as teacher preparation, teacher certification, school accreditation, academic standards and curriculum, school finance, and school law. The staff also administer a number of federally funded programs and provide a variety of information services, including the information systems necessary to assess student achievement and the quality of Montana's elementary and secondary school system.

Please refer to the agency profile for additional information about the agency's organization structure, historical expenditures, goals and objectives, and recent studies and audits: <https://www.legmt.gov/lfd/committees/section-e/office-of-public-instruction/>.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

In FY 2024, the Office of Public Instruction expended 86.1% of its \$3.8 million nonbudgeted proprietary appropriation. The majority of these expenditures are in OPI's indirect cost pool fund. These expenditures will be discussed in more detail at the program level.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The Office of Public Instruction's non-budgeted appropriation authority for FY 2025 is approximately \$7,000 or 0.2% greater than in FY 2024. This difference is primarily due to equipment and intangible assets cost in FY 2025 only in the Montana DRIVE program

Indirect Cost Pool - 06512*Proprietary Program Description*

The OPI indirect cost pool is an internal service fund used to allocate various centralized costs such as payroll, accounting, and budgeting to all of OPI's state and federally funded programs, using a pre-approved indirect cost rate. Because the proprietary funds do not require an appropriation, they are not typically included in appropriation tables. Instead, the legislature approves the fees and charges that support the revenues for the program. The fees approved in HB 2 are the maximum fees that may be charged in the biennium.

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06512	Indirect Cost Pool	35010	Office of Public Instruction	State Level Activities

	Actual FY 2024	Budgeted FY 2025	Proposed FY 2026	Proposed FY 2027
Operating Revenues:				
Fees and Charges				
Federal Indirect Cost Recovery	1,638,537	1,946,717	1,910,035	1,881,778
Non Federal Ind Cost Recovery	1,405,287	1,692,726	1,720,994	1,720,994
Total Operating Revenues	3,043,825	3,639,443	3,631,029	3,602,772
Expenses:				
Personal Services	2,349,206	2,342,897	2,271,481	2,275,695
Other Operating Expense	811,367	1,290,167	1,296,545	1,282,154
Total Operating Expense	3,160,573	3,633,064	3,568,026	3,557,849
Operating Income (Loss)	(116,749)	6,379	63,003	44,923
Income (Loss) Before Contributions and Transfers	(116,749)	6,379	63,003	44,923
Change in Net Position	(116,749)	6,379	63,003	44,923
Beginning Net Position - July 1	170,704	53,955	60,334	123,337
Prior Period Adjustments				
Change in Net Position	(116,749)	6,379	63,003	44,923
Ending Net Position - June 30	53,955	60,334	123,337	168,260
Net Position (Fund Balance) Analysis				
Unrestricted Net Position				

Expenditures

Costs of OPI operations that are paid from the indirect cost pool include:

- Payroll, personnel, accounting, budgeting, data management, cash management, financial reporting, purchasing, mail delivery, and resource center services to all OPI programs
- Termination payouts (for vacation, comp time, and sick leave) for all staff, except the state superintendent and personal staff
- Partial costs for services provided to OPI by other state agencies, known as fixed costs
- Operating costs associated with 27.53 FTE, including the cost of rent for space occupied, office supplies, postage, equipment, training, travel, photocopy charges, etc.
- General-use items such as paper, FAX lines, and shared equipment, including maintenance contracts on equipment

Legislative audit costs are appropriated on a biennial basis causing expenditures for the OPI indirect cost pool to be higher in the first year of the biennium.

Revenues

Indirect cost pool revenues are a function of the amount of expenditures recorded in the State Level Activities Program. Revenues are generated monthly by applying the approved indirect cost rate to the prior month's direct personal services and operating expenditures in both state and federally funded programs.

OPI negotiates an annual predetermined rate with the U.S. Department of Education (DOE). The rates are calculated in accordance with federal regulations and section 17-1-106, MCA. The rate submitted to DOE for FY 2025 is 18.37%. A new negotiation will take place in December 2024 and will be applicable for FY 2026. It is anticipated this rate will remain around 18.37%, which is the submitted rate for FY 2025 and slightly higher than the current legislatively approved rate of 17.0%.OPI is requesting an increase of 2.0% to the legislatively approved restricted and unrestricted rates from 17.0% to 19.0%, based on the federal indirect cost rate determination process as directed by the U.S. Department of Education.

Proprietary Rates

The executive proposes an increase to the Indirect Cost Pool proprietary rate when compared to the FY 2025 base rates. The figure below shows the rates proposed by the executive for the 2025 biennium.

Requested Rates for Internal Service or Enterprise Funds				
Fee/Rate Information				
	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
Fee Description:	17.0%	18.37%	19.0%	19.0%

This program is funded with an internal service fund, which is a type of proprietary fund. As such, the legislature approves the maximum rate the program may charge during the biennium. They are not the rates the program must charge.

Advanced Drivers Program (Montana DRIVE) in Lewistown - 06067

Proprietary Program Description

The advanced driver education program (D.R.I.V.E.) is a seasonal, hands-on, behind-the-wheel crash avoidance program operated by the health enhancement and safety division of OPI at a training facility in Lewistown. The one-day and half-day courses provides training to school bus drivers, driver education teachers, state employees, ambulance drivers, firefighters, road crews, and others who drive as a part of their employment. In operation since 1979, this program offers its services to employees of government services, fleet managers, and the public.

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name
06067	Advanced Drivers Program	35010	Office of Public Instruction	State Level Activities

	Actual FY 2024	Budgeted FY 2025	Proposed FY 2026	Proposed FY 2027
Operating Revenues:				
Fees and Charges				
Adv Drivers Fee	171,204	170,000	170,000	170,000
Other Operating Revenues	27,500	30,000	30,000	30,000
Vehicles Revenue	-	-	-	-
Total Operating Revenues	198,704	200,000	200,000	200,000
Expenses:				
Personal Services	93,548	113,552	74,624	74,626
Other Operating Expense				
General	67,529	41,516	41,620	41,648
Equipment & Intangibles	-	11,635	11,635	11,635
Total Operating Expense	161,077	166,703	127,879	127,909
Operating Income (Loss)	37,627	33,297	72,121	72,091
Income (Loss) Before Contributions and Transfers	37,627	33,297	72,121	72,091
Change in Net Position	37,627	33,297	72,121	72,091
Beginning Net Position - July 1	86,842	124,469	157,766	229,887
Prior Period Adjustments				
Change in Net Position	37,627	33,297	72,121	72,091
Ending Net Position - June 30	124,469	157,766	229,887	301,978
Net Position (Fund Balance) Analysis				
Unrestricted Net Position				

Expenditures

Cost drivers for fees include instructor expenses (includes salaries, travel, and per diem); vehicle maintenance and operating expenses (fuel and repairs), classroom and track supplies, track lease, program advertising, and administration (planning, scheduling, registrations, advertising, professional development of staff, support services, etc.). Continued facility maintenance is anticipated to be an ongoing cost.

Revenues

Revenues are generated from workshop fees collected from program users. Typically, the program serves 450 to 550 participants a season. The current fee is \$375 per person for a full-day workshop. Program fees should remain within a range of \$375 - \$400 for the biennium. It is anticipated that services will remain approximately the same as present for the 2027 Biennium. Workshop rates are fixed rates evaluated against workshop personnel expenses, operating expenses, and depreciated vehicle costs on a seasonal basis to ensure workshop operating expenses are covered. Inflationary influences are anticipated as best as possible to ensure that inflation does not leave the program in a deficit situation. This fee amount should also cover any unusual maintenance costs that are incurred during a season.

Proprietary Rates

The executive proposes an increase to the Montana DRIVE proprietary rate when compared to the FY 2025 base rates. The figure below shows the rates proposed by the executive for the 2025 biennium.

Requested Rates for Internal Service or Enterprise Funds				
Fee/Rate Information				
	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
Fee Description:	\$375	\$375	\$375 - \$400	\$375 - \$400

This program is funded with an enterprise fund, which is a type of proprietary fund. As such, the legislature does not appropriate the funds or approve the rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies concerns with the financial position of the fund.

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	(110,344)	0.00	0	0	0	(106,128)
DP 2 - Fixed Costs	0.00	0	0	0	95,240	0.00	0	0	0	(13,969)
DP 3 - Inflation Deflation	0.00	0	0	0	(429)	0.00	0	0	0	(290)
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	(\$15,533)	0.00	\$0	\$0	\$0	(\$120,387)

*"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 proposes adjustments to the present law personal services budget.

DP 2 - Fixed Costs -

The executive proposes 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 proposes 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.

COMMISSIONER OF HIGHER EDUCATION

Section E

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----Agencies-----

Office of Public Instruction	Montana Arts Council
Board of Public Education	Montana State Library
Office of Commissioner of Higher Education	Montana Historical Society
Montana School for Deaf & Blind	

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

House

Representative David Bedey (Chair)
Representative Brad Barker
Representative Llew Jones
Representative Connie Keogh
Representative Eric Matthews

Senate

Senator John Fuller (Vice Chair)
Senator Matt Regier
Senator Jonathan Windy Boy

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

Julia Pattin
Katie Guenther
Kurt Swimley
Alexandra Ghosh

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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent		
PB	11.00	11.00	11.00	0.00	0.0%	
Proprietary Funds	175,504,663	168,720,511	168,722,578	(13,566,237)	(3.9%)	
Total Funds	175,504,663	168,720,511	168,722,578	(13,566,237)	(3.9%)	
Personal Services	1,155,149	1,149,221	1,151,230	(9,847)	(0.4%)	
Operating Expenses	24,432,324	24,432,144	24,432,202	(302)	(0.0%)	
Benefits & Claims	149,872,471	143,094,427	143,094,427	(13,556,088)	(4.5%)	
Debt Service	44,719	44,719	44,719		0.0%	
Total Expenditures	175,504,663	168,720,511	168,722,578	(13,566,237)	(3.9%)	
Total Ongoing	175,504,663	168,720,511	168,722,578	(13,566,237)	(3.9%)	
Total One-Time-Only					0.0%	

Agency Highlights

Office of the Commissioner of Higher Education	
Major Budget Highlights	
<p>The Office of the Commissioner of Higher Education's 2027 biennium proposed proprietary budget is approximately \$13.6 million less in the 2027 biennium than the FY 2025 base budget</p> <ul style="list-style-type: none"> The Montana University System (MUS) Group Insurance Program budget request is approximately \$6.8 million less in both FY 2026 and FY 2027 than the FY 2025 base biennium. There are two funds budgeted in this program: <ul style="list-style-type: none"> The MUS Group Insurance Program fund has estimated expenses that are approximately \$6.8 million less in FY 2026 and FY 2027 than was estimated for FY 2025. Almost all of the reduction is estimated to impact benefits and claims authority The MUS Flexible Spending Account is estimated to have identical expenses in FY 2026 and FY 2027 as are estimated for FY 2025 The proposed MUS Worker's Compensation Program budget for FY 2026 and FY 2027 is similar to the FY 2025 base budget. This program has one budgeted fund, the MUS Self-Funded Workers' Compensation fund 	

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.

Commissioner of Higher Education 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
Base Budget	0	0	0	0 175,504,663	104.0%	0	0	0	0 175,504,663	104.0%
Statewide PL										
Personal Services	0	0	0	(5,928)	(0.0%)	0	0	0	(3,919)	(0.0%)
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	0	(180)	(0.0%)	0	0	0	(122)	(0.0%)
Total Statewide PL	0	0	0	(6,108)	(0.0%)	0	0	0	(4,041)	(0.0%)
Present Law (PL)	0	0	0	(6,778,044)	(4.0%)	0	0	0	(6,778,044)	(4.0%)
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Adjustments	0	0	0	(6,784,152)	(4.0%)	0	0	0	(6,782,085)	(4.0%)
Total Requested Budget	0	0	0	0 168,720,511		0	0	0	0 168,722,578	

Funding

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

Total Commissioner of Higher Education 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
01100 General Fund	622,353,237	1,000,000		8,177,875	631,531,112	57.8%
02443 University Millage	71,986,532				71,986,532	6.6%
02943 Rural Physicians Account				3,335,360	3,335,360	0.3%
02111 Accommodation Tax Account				2,932,888	2,932,888	0.3%
02027 STEM Scholarships				2,111,054	2,111,054	0.2%
02944 Motorcycle Safety Training	1,160,318				1,160,318	0.1%
Other State Special Revenue	3,654,647				3,654,647	0.3%
State Special Revenue Total	76,801,497	-	-	8,379,302	85,180,799	7.8%
03215 Carl Perkins Federal Funds	13,951,935				13,951,935	1.3%
03042 2nd GEAR UP Grant	13,768,862				13,768,862	1.3%
03400 Guaranteed Std. Loan-Admin.	4,649,842				4,649,842	0.4%
03412 GEAR UP Federal Schol 2005	3,290,686				3,290,686	0.3%
03806 Talent Search	2,122,811				2,122,811	0.2%
Other Federal Special Revenue	114,068				114,068	0.0%
Federal Special Revenue Total	37,898,204	-	-	-	37,898,204	3.5%
06008 MUS Group Insurance Program			301,147,260		301,147,260	27.5%
06009 MUS Flexible Spending Account			26,793,976		26,793,976	2.5%
06082 MUS Self-Funded Workers Comp			9,501,853		9,501,853	0.9%
06539 Indirect Costs OCHE	1,446,930				1,446,930	0.1%
Proprietary Fund Total	1,446,930	-	337,443,089	-	338,890,019	31.0%
Total of All Funds	738,499,868	1,000,000	337,443,089	16,557,177	1,093,500,134	
Percent of All Sources of Authority	67.5%	0.1%	30.9%	1.5%		

Non-Budgeted Proprietary Funds

The agency administers two programs funded by enterprise funds:

- MUS Self-Funded Workers' Compensation
- MUS Group Health Insurance

The legislature does not appropriate enterprise funds or approve rates for the programs. Instead, the legislature reviews the funds and identifies any concerns with the financial position of the funds. Revenues, expenditures, and fund balances for the enterprise funds for the current and projected biennia are detailed in the respective program.

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	11.00	11.00	11.00	11.00
Personal Services	1,045,773	1,103,615	1,155,149	1,149,221	1,151,230
Operating Expenses	8,222,372	24,239,305	24,432,324	24,432,144	24,432,202
Benefits & Claims	121,768,958	149,872,471	149,872,471	143,094,427	143,094,427
Debt Service	44,721	44,722	44,719	44,719	44,719
Total Expenditures	\$131,081,824	\$175,260,113	\$175,504,663	\$168,720,511	\$168,722,578
Proprietary Funds	131,081,824	175,260,113	175,504,663	168,720,511	168,722,578
Total Funds	\$131,081,824	\$175,260,113	\$175,504,663	\$168,720,511	\$168,722,578
Total Ongoing	\$131,081,824	\$175,260,113	\$175,504,663	\$168,720,511	\$168,722,578
Total OTO	\$0	\$0	\$0	\$0	\$0

Agency Description

Agency Mission: To serve students through the delivery of high quality, accessible postsecondary educational opportunities, while actively participating in the preservation and advancement of Montana's economy and society.

The Office of the Commissioner of Higher Education (OCHE) is the state-level administrative organization of the Montana University System (MUS). The Montana Constitution, Article X, Section 9, grants governance authority over the MUS to the Board of Regents (Regents), with seven members appointed by the Governor. All state funds appropriated by the legislature to the Regents for the support of the MUS are channeled through OCHE. The Constitution charges the Regents with hiring a Commissioner of Higher Education (CHE) who serves as its executive staff.

Please refer to the agency profile at <https://www.legmt.gov/lfd/committees/section-e/office-of-commissioner-of-higher-education/> for additional information about the agency's organization structure, historical expenditures, goals and objectives, and recent studies and audits.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

Overall, the Office of the Commissioner of Higher Education expended 74.8% of its \$175.3 million proprietary budget as of the end of FY 2024. This is slightly higher than typical expenditure levels, but not an uncommon expenditure level. The five-year average expenditure rate for the MUS Group Insurance Program and the Workers' Comp Program between FY 2019 and FY 2024 was 65.6% (excluding FY 2021, as the COVID-19 pandemic affected expenditure rates for that year). Of these, FY 2022 had a high rate of 73.8% while FY 2023 had a low rate of 56.9% expenditures. Lower expenditure rates are common for these funds, as they are budgeted so that more funds are available than are needed in an average year, but may be needed in the event of high benefit and claims expenses.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The proprietary FY 2025 appropriations for OCHE were similar to the FY 2024 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 FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
PB	10.00	10.00	10.00	0.00	0.0%
Proprietary Funds	170,753,076	163,969,587	163,971,649	(13,564,916)	(4.0%)
Total Funds	170,753,076	163,969,587	163,971,649	(13,564,916)	(4.0%)
Personal Services	1,031,989	1,026,708	1,028,717	(8,553)	(0.4%)
Operating Expenses	22,809,481	22,809,317	22,809,370	(275)	(0.0%)
Benefits & Claims	146,872,471	140,094,427	140,094,427	(13,556,088)	(4.6%)
Debt Service	39,135	39,135	39,135		0.0%
Total Expenditures	170,753,076	163,969,587	163,971,649	(13,564,916)	(4.0%)
Total Ongoing	170,753,076	163,969,587	163,971,649	(13,564,916)	(4.0%)
Total One-Time-Only					0.0%

Program Highlights

MUS Group Insurance Program Major Budget Highlights	
<ul style="list-style-type: none"> The MUS Group Insurance Program is funded with an enterprise fund, which is a type of proprietary fund. It is not appropriated in HB 2 The MUS Group Insurance Program's 2027 biennium appropriations are approximately \$13.6 million, or 4.0%, lower than the FY 2025 base budget in order to align appropriations with actuarial trends related to claims and program expenses The Montana University System is required to operate the program to maintain the plan on an actuarially sound basis 	

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.

Mus Group Insurance Program 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
Base Budget	0	0	0	170,753,076	104.1%	0	0	0	170,753,076	104.1%
Statewide PL										
Personal Services	0	0	0	(5,281)	(0.0%)	0	0	0	(3,272)	(0.0%)
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	0	(164)	(0.0%)	0	0	0	(111)	(0.0%)
Total Statewide PL	0	0	0	(5,445)	(0.0%)	0	0	0	(3,383)	(0.0%)
Present Law (PL)	0	0	0	(6,778,044)	(4.1%)	0	0	0	(6,778,044)	(4.1%)
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Adjustments	0	0	0	(6,783,489)	(4.1%)	0	0	0	(6,781,427)	(4.1%)
Total Requested Budget	0	0	0	163,969,587		0	0	0	163,971,649	

The executive is proposing a decrease of approximately \$6.8 million in FY 2026 and \$6.8 million in FY 2027 below the FY 2025 base appropriations. The changes are almost entirely due to a change package the executive has requested to align appropriations with actuarial trends to claims and program expenses. Notably, proposed funds for benefits and claims from the MUS Group Insurance Program fund are lower than were requested in FY 2024 and in FY 2025. This change is intended to bring total authority more in line with what would be needed in the event of catastrophic claims, actual expenses are still increasing within the program and are expected to continue to increase. Proposed statewide present law adjustments for personal services also reduce expenditures by approximately \$5,000 in FY 2026 and \$3,000 in FY 2027.

Funding

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

Commissioner of Higher Education, 05-Mus Group Insurance Program 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%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
06008 MUS Group Insurance Program	0	0	301,147,260	0	301,147,260	91.8%
06009 MUS Flexible Spending Account	0	0	26,793,976	0	26,793,976	8.2%
Proprietary Total	\$0	\$0	\$327,941,236	\$0	\$327,941,236	100.0%
Total All Funds	\$0	\$0	\$327,941,236	\$0	\$327,941,236	

Non-Budgeted Proprietary Funds

The MUS Group Insurance Program is funded with enterprise type proprietary funds. As such, the legislature does not appropriate funds or approve rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies any concerns with the financial position of the fund. These funds are discussed in more detail in the Proprietary Rates section of the narrative.

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	10.00	10.00	10.00	10.00
Personal Services	929,571	986,404	1,031,989	1,026,708	1,028,717
Operating Expenses	7,205,810	22,632,247	22,809,481	22,809,317	22,809,370
Benefits & Claims	120,137,690	146,872,471	146,872,471	140,094,427	140,094,427
Debt Service	39,134	39,135	39,135	39,135	39,135
Total Expenditures	\$128,312,205	\$170,530,257	\$170,753,076	\$163,969,587	\$163,971,649
Proprietary Funds	128,312,205	170,530,257	170,753,076	163,969,587	163,971,649
Total Funds	\$128,312,205	\$170,530,257	\$170,753,076	\$163,969,587	\$163,971,649
Total Ongoing	\$128,312,205	\$170,530,257	\$170,753,076	\$163,969,587	\$163,971,649
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Board of Regents provides faculty and staff with group benefits through the MUS Group Insurance Program. The commissioner is authorized by Board of Regents' policy to administer the program as a self-insured, group insurance plan. All university system employees, retirees, and eligible dependents are offered medical, dental, vision, and group life insurance, as well as long-term disability benefits.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The MUS Group Insurance Program is funded with non-budgeted proprietary funds and not included in HB 2. Approximately \$128.3 million, or 75.2% of the FY 2024 non-budgeted proprietary funds were expended. This is in line with the five-year average from FY 2017 through FY 2023 of 69.7% (FY 2021 is excluded in this comparison due to abnormal expenditures associated with the COVID-19 pandemic). Most of the unexpended authority was appropriated for benefits and claims or operating expenses. This program is budgeted so that more funds are available than are necessary in a typical year but may be needed in the event of unusually high amounts of claims and expenses.

FY 2024 Appropriations Compared to FY 2025 Appropriations

Appropriations for FY 2025 were approximately \$223,000, 0.1% higher in FY 2025 than in FY 2024. Slightly higher appropriations in FY 2025 are due to higher adjustments used in the FY 2025 statewide present law inflation adjustment.

The Group Insurance Program is funded with two enterprise proprietary funds: MUS Group Insurance and MUS Flexible Spending.

MUS Group Insurance Program - 06008*Proprietary Program Description*

The Board of Regents provides faculty and staff with group benefits through the MUS Group Insurance Program. The commissioner is authorized by Board of Regents' policy to administer the program as a self-insured, group insurance plan. All university system employees, retirees, and eligible dependents are offered medical, dental, vision, and group life insurance, as well as long-term disability benefits. Retirees and their enrolled dependents are eligible to continue medical and pharmacy coverage on a self-pay basis. The community colleges also participate in this program.

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium

Revenues

Revenue in this program comes from:

- Employer-paid contributions toward insurance premiums
- Employee-paid contributions toward insurance premiums
- Employee payments to flexible spending accounts

The agency is projecting steady revenues in the 2027 biennium. The revenue projections exclude any premium rate increases or state share increase.

Expenditures

Significant costs for the program are for:

- Insurance claims payments
- Claims management
- Program administration

The Office of the Commissioner of Higher Education receives actuarial reports regarding the MUS Group Insurance Program. These reports provide projections with low and high trend scenarios. The tables below show both trend assumptions as provided by Actuaries Northwest, LLC in its June 30, 2024 actuarial report.

Commissioner of Higher Education MUS Group Insurance Program Low Trend Assumptions by Actuaries Northwest, LLC						
	Actual FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	\$ Change 25B - 27B	% Change 25B - 27B
Medical Claims	\$ 82,796,761	\$ 87,764,566	\$ 93,030,440	\$ 98,612,267	\$ 21,081,380	12.4%
Rx Claims	19,872,963	21,661,529	23,611,067	25,736,063	7,812,638	18.8%
Part D	(3,231,725)	(3,522,580)	(3,839,612)	(4,185,177)	(1,270,485)	18.8%
Dental Claims	5,520,415	5,741,231	5,970,880	6,209,716	918,950	8.2%
Vision Claims	1,010,824	1,041,149	1,072,383	1,104,555	124,965	6.1%
Screenings/Vaccines	1,276,958	1,289,727	1,302,624	1,315,651	51,590	2.0%
Change in IBNR	86,274	614,816	660,742	706,897	666,549	95.1%
Total Claims Expense	<u>\$ 107,332,469</u>	<u>\$ 114,590,439</u>	<u>\$ 121,808,525</u>	<u>\$ 129,499,970</u>	<u>\$ 29,385,588</u>	<u>13.2%</u>

Commissioner of Higher Education MUS Group Insurance Program High Trend Assumptions by Actuaries Northwest, LLC						
	Actual FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	\$ Change 25B - 27B	% Change 25B - 27B
Medical Claims	\$ 82,796,761	\$ 90,248,469	\$ 98,370,832	\$ 107,224,206	\$ 32,549,808	18.8%
Rx Claims	19,872,963	22,257,718	24,928,644	27,920,082	10,718,045	25.4%
Part D	(3,231,725)	(3,619,532)	(4,053,876)	(4,540,341)	(1,742,960)	25.4%
Dental Claims	5,520,415	5,851,640	6,202,738	6,574,902	1,405,586	12.4%
Vision Claims	1,010,824	1,061,365	1,114,433	1,170,155	212,399	10.3%
Screenings/Vaccines	1,276,958	1,289,727	1,302,624	1,315,651	51,590	2.0%
Change in IBNR	86,274	765,209	775,836	852,742	777,096	91.3%
Total Claims Expense	<u>\$ 107,332,469</u>	<u>\$ 117,854,596</u>	<u>\$ 128,641,232</u>	<u>\$ 140,517,398</u>	<u>\$ 43,971,564</u>	<u>19.5%</u>

Proprietary Rates

The employer-paid portion of the group insurance premium is statutorily established in Section 2-18-703, MCA and is presently \$1,054 per month per eligible participating employee. The employee-paid portion of the group insurance premium is adjusted as needed by the Montana University System to cover the premium requirements of a variety of benefit options and to maintain employee group benefit plans on an actuarially sound basis.

The MUS Group Insurance Program is funded with an enterprise fund, which is a type of proprietary fund. As such, the legislature does not appropriate the funds or approve the rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies concerns with the financial position of the fund.

MUS Flex Spending Account - 06009*Program Description*

The flexible spending account is an optional selection for each employee to participate in or not. Employees can elect to set aside a certain amount of their pay into accounts to pay dependent care and out-of-pocket medical costs. The "set aside" funds are withdrawn from employee pay prior to assessment of taxes, effectively lowering employee taxable pay. Employees must submit claims to use the funds deposited in the accounts for allowable expenses. The funds are managed by a third party and are distributed to employees as claims are made.

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium Report on Internal Service and Enterprise Funds						
Fund	Fund Name	Agency Number	Agency Name	Program Name		
06009	MUS Flexible Spending	51020	Office of the Commissioner of Higher Education	MUS Group Insurance		
			Actual	Budgeted	Proposed	Proposed
			FY 2024	FY 2025	FY 2026	FY 2027
Operating Revenues						
Fees and Charges						
Contributions/Premiums			4,199,699	13,396,988	13,396,988	13,396,988
Total Operating Revenues			4,199,699	13,396,988	13,396,988	13,396,988
Expenses						
Personal Services			-	-	-	-
Other Operating Expense						
Operating Expense			74,467	722,566	722,566	722,566
Benefits & Claims			3,493,183	12,674,422	12,674,422	12,674,422
Total Operating Expense			3,567,650	13,396,988	13,396,988	13,396,988
Operating Income (Loss)			632,049	-	-	-
Income (Loss) Before Contributions and Transfers			632,049	-	-	-
Change in Net Position			632,049	-	-	-
Beginning Net Position - July 1			997,141	1,629,190	1,629,190	1,629,190
Prior Period Adjustments						
Change in Net Position			632,049	-	-	-
Ending Net Position - June 30			1,629,190	1,629,190	1,629,190	1,629,190

**LFD
COMMENT**

Expenses included in the table above for FY 2025 through FY 2027 include authority for all employees to participate in the flexible spending account program.

Revenues

Revenue in this program comes from:

- Employee payments to flexible spending accounts

The agency is projecting level revenues for managing the accounts.

Proprietary Rates

The third-party vendor charges an administrative fee for managing the accounts.

The flexible spending account program is funded with an enterprise fund, which is a type of a proprietary fund. As such, the legislature does not appropriate the funds or approve the rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies concerns with the financial position of the fund.

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	(5,281)	0.00	0	0	0	(3,272)
DP 3 - Inflation Deflation	0.00	0	0	0	(164)	0.00	0	0	0	(111)
DP 501 - MUS Group Insurance Authority Adjustment	0.00	0	0	0	(6,778,044)	0.00	0	0	0	(6,778,044)
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	(\$6,783,489)	0.00	\$0	\$0	\$0	(\$6,781,427)

*"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 proposes adjustments to the present law personal services budget.

DP 3 - Inflation Deflation -

The executive proposes 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 501 - MUS Group Insurance Authority Adjustment -

The executive proposes an adjustment of proprietary authority to align actuarial trends to claims and program expenses.

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 FY 2025	Requested Budget		Biennium Change from Base		
		FY 2026	FY 2027	Amount	Percent	
PB	1.00	1.00	1.00	0.00	0.0%	
Proprietary Funds	4,751,587	4,750,924	4,750,929	(1,321)	(0.0%)	
Total Funds	4,751,587	4,750,924	4,750,929	(1,321)	(0.0%)	
Personal Services	123,160	122,513	122,513	(1,294)	(0.5%)	
Operating Expenses	1,622,843	1,622,827	1,622,832	(27)	(0.0%)	
Benefits & Claims	3,000,000	3,000,000	3,000,000		0.0%	
Debt Service	5,584	5,584	5,584		0.0%	
Total Expenditures	4,751,587	4,750,924	4,750,929	(1,321)	(0.0%)	
Total Ongoing	4,751,587	4,750,924	4,750,929	(1,321)	(0.0%)	
Total One-Time-Only					0.0%	

Program Highlights

**MUS Workers' Compensation Program
Major Budget Highlights**

- The MUS Workers' Compensation Program is funded with an enterprise fund, which is a type of proprietary fund. It is not appropriated in HB 2
- The MUS Workers' Compensation Program's 2027 biennium proposed appropriations are similar to FY 2025 base budget
- Premium rates are based on actuarial principles and are reviewed by the MUS Workers' Compensation Insurance Committee

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.

Mus Workers Comp Program 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
Base Budget	0	0	0	4,751,587	100.0%	0	0	0	4,751,587	100.0%
Statewide PL										
Personal Services	0	0	0	(647)	(0.0%)	0	0	0	(647)	(0.0%)
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	0	(16)	(0.0%)	0	0	0	(11)	(0.0%)
Total Statewide PL	0	0	0	(663)	(0.0%)	0	0	0	(658)	(0.0%)
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Adjustments	0	0	0	(663)	(0.0%)	0	0	0	(658)	(0.0%)
Total Requested Budget	0	0	0	4,750,924		0	0	0	4,750,929	

The executive requests for the FY 2027 biennium are similar to the FY 2025 base budget. Approximately \$600 less appropriations are requested in each fiscal year of the biennium for statewide present law personal services adjustments, as well as small reductions for inflation and deflation.

Funding

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

Commissioner of Higher Education, 07-Mus Workers Comp Program 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%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
06082 MUS Self-Funded Workers Comp	0	0	9,501,853	0	9,501,853	100.0%
Proprietary Total	\$0	\$0	\$9,501,853	\$0	\$9,501,853	100.0%
Total All Funds	\$0	\$0	\$9,501,853	\$0	\$9,501,853	

Non-Budgeted Proprietary Funds

The MUS Workers' Compensation Program is funded with an enterprise type proprietary fund. As such, the legislature does not appropriate funds or approve rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies any concerns with the financial position of the fund. This fund is discussed in the Proprietary Rates section of the narrative.

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	1.00	1.00	1.00	1.00
Personal Services	116,202	117,211	123,160	122,513	122,513
Operating Expenses	1,016,562	1,607,058	1,622,843	1,622,827	1,622,832
Benefits & Claims	1,631,268	3,000,000	3,000,000	3,000,000	3,000,000
Debt Service	5,587	5,587	5,584	5,584	5,584
Total Expenditures	\$2,769,619	\$4,729,856	\$4,751,587	\$4,750,924	\$4,750,929
Proprietary Funds	2,769,619	4,729,856	4,751,587	4,750,924	4,750,929
Total Funds	\$2,769,619	\$4,729,856	\$4,751,587	\$4,750,924	\$4,750,929
Total Ongoing	\$2,769,619	\$4,729,856	\$4,751,587	\$4,750,924	\$4,750,929
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Montana Board of Regents created the Montana University System Self-Funded Workers' Compensation Program in April 2003 as allowed by the Workers' Compensation Act in Title 39, Chapter 71 of the Montana Codes Annotated. This program, which became effective in July 2003, provides workers' compensation insurance coverage for all university system employees and employees of the Office of Commissioner of Higher Education.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

Actual expenditures of the MUS Workers Compensation Program in FY 2024 totaled approximately \$2.8 million, or 58.6% of appropriations. Approximately \$1.4 million of unspent authority was designated for benefits and claims, and approximately \$600,000 had been designated for operating expenses. The five-year average from FY 2019 through FY 2023 is 32.7%. Expenditures in this program vary based on workers' compensation claims.

FY 2024 Appropriations Compared to FY 2025 Appropriations

FY 2025 appropriations were similar to appropriations in FY 2024. Slightly increased appropriations were due to higher statewide present law adjustments for personal services and inflation/deflation in FY 2025 than in FY 2024.

MUS Self-Funded Workers' Compensation - 06082*Proprietary Program Narrative*

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium Report on Internal Service and Enterprise Funds						
Fund	Fund Name	Agency Number	Agency Name	Program Name		
06082	MUS Self Funded WC	51020	Office of the Commissioner of Higher Education	MUS Workers' Compensation		
			Actual	Budgeted	Proposed	Proposed
			FY 2024	FY 2025	FY 2026	FY 2027
Operating Revenues						
Fees and Charges						
Contributions/Premiums			3,103,178	3,150,000	3,250,000	3,315,000
BOI Investment Earnings			549,155	500,000	495,000	490,000
Grants / Transfers				9,000	9,100	9,100
Total Operating Revenues			3,652,333	3,659,000	3,754,100	3,814,100
Expenses						
Personal Services			119,079	123,160	122,513	122,513
Other Operating Expense						
Operating Expense			1,021,651	1,622,843	1,622,827	1,622,832
Benefits & Claims			1,661,355	3,000,000	3,000,000	3,000,000
Other Operaitng Expenses			712	5,584	5,584	5,584
Total Operating Expense			2,802,797	4,751,587	4,750,924	4,750,929
Operating Income (Loss)			849,536	(1,092,587)	(996,824)	(936,829)
Total Nonoperating Revenues (Expenses)			849,536	(1,092,587)	(996,824)	(936,829)
Income (Loss) Before Contributions and Transfers			849,536	(1,092,587)	(996,824)	(936,829)
Change in Net Position			849,536	(1,092,587)	(996,824)	(936,829)
Beginning Net Position - July 1			10,851,688	11,701,224	10,608,637	9,611,813
Change in Net Position			849,536	(1,092,587)	(996,824)	(936,829)
Ending Net Position - June 30			11,701,224	10,608,637	9,611,813	8,674,984

This program is an enterprise fund in which the funding is derived from premiums and investment earnings. Expenditures include claims, reinsurance premiums, debt service, and administrative costs. Debt service is for the bonds that were issued to establish the claim reserve for the program.

Rate Explanation

Premium rates for the program are based upon commonly accepted actuarial principles developed by a qualified actuary and reviewed by an oversight committee comprised of university system representatives and the administrator of the State of Montana Risk Management and Tort Defense Division.

Historically, the rates for this program are based on total payroll for two classes of employees: high risk and low risk

The MUS Workers' Compensation Program is funded with an enterprise fund. As such, the legislature does not appropriate the funds or approve the rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies concerns with the financial position of the fund.

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	(647)	0.00	0	0	0	(647)
DP 3 - Inflation Deflation	0.00	0	0	0	(16)	0.00	0	0	0	(11)
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	(\$663)	0.00	\$0	\$0	\$0	(\$658)

*"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 proposes adjustments to the present law personal services budget.

DP 3 - Inflation Deflation -

The executive proposes 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.

MONTANA STATE LIBRARY

Section E

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----Agencies-----

Office of Public Instruction	Montana Arts Council
Board of Public Education	Montana State Library
Office of Commissioner of Higher Education	Montana Historical Society
Montana School for Deaf & Blind	

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

House

Representative David Bedey (Chair)
Representative Brad Barker
Representative Llew Jones
Representative Connie Keogh
Representative Eric Matthews

Senate

Senator John Fuller (Vice Chair)
Senator Matt Regier
Senator Jonathan Windy Boy

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

Julia Pattin
Katie Guenther
Kurt Swimley
Alexandra Ghosh

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 FY 2025	Requested Budget		Biennium Change from Base		
		FY 2026	FY 2027	Amount	Percent	
PB	4.62	4.62	4.62	0.00	0.0%	
Proprietary Funds	628,844	680,811	682,077	105,200	8.4%	
Total Funds	628,844	680,811	682,077	105,200	8.4%	
Personal Services	349,278	401,245	402,511	105,200	15.1%	
Operating Expenses	99,815	99,815	99,815		0.0%	
Debt Service	179,751	179,751	179,751		0.0%	
Total Expenditures	628,844	680,811	682,077	105,200	8.4%	
Total Ongoing	628,844	680,811	682,077	105,200	8.4%	
Total One-Time-Only					0.0%	

Agency Highlights

Montana State Library Major Budget Highlights
<p>The Montana State Library's 2027 biennium non-budgeted proprietary request is approximately \$105,000 or 8.4% above the FY 2025 base budget. Major highlights include:</p> <ul style="list-style-type: none"> An increase for the statewide present law adjustment for personal services

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.

Montana State Library 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
Base Budget	0	0	0	628,844	92.4%	0	0	0	628,844	92.2%
Statewide PL										
Personal Services	0	0	0	51,967	7.6%	0	0	0	53,233	7.8%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	0	0	0	51,967	7.6%	0	0	0	53,233	7.8%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Adjustments	0	0	0	51,967	7.6%	0	0	0	53,233	7.8%
Total Requested Budget	0	0	0	680,811		0	0	0	682,077	

Funding

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

Total Montana State Library 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
01100 General Fund	7,217,249			1,084,226	8,301,475	41.4%
02779 Montana Land Information	4,434,004				4,434,004	22.1%
02021 911 Funding				1,023,937	1,023,937	5.1%
02046 Coal Sev. Tax Library	1,020,606				1,020,606	5.1%
02094 Digital Library Services	811,326				811,326	4.0%
State Special Revenue Total	6,265,936	-	-	1,023,937	7,289,873	36.3%
03018 IMLS	3,109,956				3,109,956	15.5%
Federal Special Revenue Total	3,109,956	-	-	-	3,109,956	15.5%
06021 MT Shared Catalog			955,342		955,342	4.8%
06025 MT State Reference Network-RTN			407,546		407,546	2.0%
Proprietary Fund Total	-	-	1,362,888	-	1,362,888	6.8%
Total of All Funds	16,593,141	-	1,362,888	2,108,163	20,064,192	
Percent of All Sources of Authority	82.7%	0.0%	6.8%	10.5%		

Non-Budgeted Proprietary Funds

Proprietary funds are used for the Montana state reference network and the shared catalog. For additional detail, please see the proprietary program descriptions.

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	4.62	4.62	4.62	4.62
Personal Services	257,761	257,764	349,278	401,245	402,511
Operating Expenses	28,136	95,102	99,815	99,815	99,815
Debt Service	171,447	171,447	179,751	179,751	179,751
Total Expenditures	\$457,344	\$524,313	\$628,844	\$680,811	\$682,077
Proprietary Funds	457,344	524,313	628,844	680,811	682,077
Total Funds	\$457,344	\$524,313	\$628,844	\$680,811	\$682,077
Total Ongoing	\$457,344	\$524,313	\$628,844	\$680,811	\$682,077
Total OTO	\$0	\$0	\$0	\$0	\$0

Agency Description

The Montana State Library (MSL) is composed of programs that provide information services to all branches of state government, its agencies, local counterparts, and individuals seeking information and materials that are not found in their local libraries.

The Montana Library Commission (MLC), authorized in 22-1-101, MCA, administers state and federal library funding to operate and maintain the Montana State Library, oversees the six library federations located throughout Montana, and develops statewide library long-range planning, policy, and service coordination.

MLC is authorized in section 90-1-401, MCA, to develop a standardized, sustainable method to collect, maintain, and disseminate information in digital formats about the natural and artificial land characteristics of Montana. MLC is further authorized in section 90-15-101, MCA, to establish a planning framework for the development of the natural resources information system (NRIS), to implement the system, and to establish an ongoing Montana Natural Heritage Program.

Additional responsibilities of the commission include: assisting all tax-supported libraries and local governments wishing to establish or improve libraries; maintaining an audio-book library for use by Montanans unable to utilize printed materials; providing access to state publications; developing a land information plan and administering a granting process for the purposes of implementing the plan; and maintaining and providing information related to Montana's plant and animal species and habitat and comprehensive natural resources (land) information.

Please refer to the agency profile for additional information about the agency's organization structure, historical expenditures, goals and objectives, and recent studies and audits: <https://www.legmt.gov/lfd/committees/section-e/montana-state-library/>

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

In FY 2024, the Montana State Library expended 87.2% of its approximately \$524,000 non-budgeted proprietary budget. The majority of these expenditures are in the Montana shared catalog account. These expenditures will be discussed in more detail at the program level.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The Montana State Library's non-budgeted appropriation authority for FY 2025 is approximately \$105,000 or 19.9% greater than in FY 2024. This difference is primarily due to the newly created Montana State Reference Network account, which first recorded expenditures in FY 2025.

Montana Shared Catalog - 06021*Proprietary Program Description*

The Montana Shared Catalog (MSC) is a cooperative project involving 180 libraries. Public libraries, school libraries, academic libraries, medical libraries, and other special libraries have pooled resources to purchase a robust library automation system. Members enjoy the benefits of shared expertise and the ability to provide improved service to library customers. The Montana State Library became the fiscal agent for the MSC in FY 2008.

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium

Expenditures

Expenditures include:

- Personal services for 2.62 FTE
- The payment of required fees for software licensing
- User interface
- Indexing to make the system run
- Payment for required yearly catalog director station maintenance
- Travel budget for meeting with stakeholders and conference attendance
- Member training
- Equipment replacement

Revenues

The MSC members pay membership dues that are used to pay operating expenses. There are approximately 180 member libraries that pay membership fees each year.

Proprietary Rates

In accordance with the written agreement each participating library signs upon joining this consortium, the annual fee assessed to each library is established on the basis of a membership-approved cost formula. The goal of the cost formula is to distribute MSC operational costs as fairly and evenly as possible based on the following:

- Individual library's title count
- Patron count
- Circulation count
- Equal share contribution

This program is funded with an enterprise fund, which is a type of proprietary fund. As such, the legislature does not appropriate the funds or approve the rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies concerns with the financial position of the fund.

Montana State Reference Network - 06025*Proprietary Program Description*

Montana State Reference Network (MTSRN) is the state-owned real time positioning network, operated with the cooperation of partners that include tribal nations, the Montana Department of Transportation, Montana State Library, counties, educational institutions and private entities who maintain, operate, or otherwise contribute to the operation of this statewide array global navigation satellite systems (GNSS) reference stations. This growing statewide GNSS network consists of permanently located global positioning system (GPS) receivers that generate real-time, high-accuracy GPS positioning.

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium

Expenditures

Expenditures include:

- Payment of required fees for software licensing
- User interface
- Agency support staff and overhead
- Equipment replacement

Revenues

The Montana State Reference Network subscribers pay subscription fees that are used to pay for the operations of the program.

Proprietary Rates

Montana State Library analyzes rates charged to subscribers on a biannual basis. Rates are reflective of projected program costs and number of program subscribers.

This program is funded with an enterprise fund, which is a type of proprietary fund. As such, the legislature does not appropriate the funds or approve the rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies concerns with the financial position of the fund.

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	51,967		0.00	0	0	0	53,233
DP 2 - Fixed Costs										
0.00	0	0	0	0		0.00	0	0	0	0
DP 3 - Inflation Deflation										
0.00	0	0	0	0		0.00	0	0	0	0
Grand Total All Present Law Adjustments										
0.00	\$0	\$0	\$0	\$51,967		0.00	\$0	\$0	\$0	\$53,233

*"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 proposes adjustments to the present law personal services budget.

DP 2 - Fixed Costs -

The executive proposes 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 proposes 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.