

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 FY 2026 FY 2027		Biennium Change from Base 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
New Proposals										
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
<ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> 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 FY 2026 FY 2027		Biennium Change from Base 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		Biennium Change from Base	
		FY 2026	FY 2027	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
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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		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
PB	65.19	65.19	65.19	0.00	0.0%
General Fund	10,123,168	10,335,994	10,360,167	449,825	2.2%
State/Other Special Rev. Funds	348,540	368,540	368,540	40,000	5.7%
Proprietary Funds	155,750	155,750	155,750		0.0%
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><u>\$ 138,615</u></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	Requested Budget		Biennium Change from Base	
	FY 2025	FY 2026	FY 2027	Amount	Percent
PB	35.00	42.00	42.00	7.00	10.0%
State/Other Special Rev. Funds	96,943,985	98,385,988	98,464,669	2,962,687	1.5%
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 synthetical cannabinoids
- The Resolution Unit assures that appropriate resolutions are made with licensees who are in violation of the law. This is done through a review of deficiencies found at inspection and assigns potential civil penalties, suspensions and/or revocations based on severity. This unit also entertains settlement negotiations in coordination with legal. The Education and Outreach Unit provides education to internal and external stakeholders
- The Cannabis Laboratory Program is responsible for auditing third party testing laboratories to ensure product safety and consumer protection. This is achieved through onsite laboratory audits and continuous offsite seed-to-sale monitoring of testing activities, test results, and sampling. This unit is also responsible for staying current with the latest in cannabis science, public health, and laboratory science along with providing technical expertise for the department

FY 2024 Appropriations Compared to FY 2024 Expenditures

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

FY 2024 Appropriations Compared to FY 2025 Appropriations

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

Present Law Adjustments

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

Present Law Adjustments										
-----Fiscal 2026-----						-----Fiscal 2027-----				
PB	General Fund	State Special	Federal Special	Total Funds		PB	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	23,323	0	23,323	0.00	0	28,345	0	28,345
DP 2 - Fixed Costs	0.00	0	(13,577)	0	(13,577)	0.00	0	(10,015)	0	(10,015)
DP 3 - Inflation Deflation	0.00	0	(3,479)	0	(3,479)	0.00	0	(2,352)	0	(2,352)
DP 401 - CCD Compliance Resources	7.00	0	901,021	0	901,021	7.00	0	881,009	0	881,009
DP 402 - CCD Contract Increase (RST, BIEN)	0.00	0	519,215	0	519,215	0.00	0	607,197	0	607,197
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	
<ul style="list-style-type: none"> The Information Management and Collections Division's 2027 biennium requested appropriations are approximately \$266,000 or 1.8% higher than the FY 2025 base budget. Significant requested changes include: <ul style="list-style-type: none"> 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	\$ (88,193)

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 SPSD 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	Requested Budget		Biennium Change from Base	
	FY 2025	FY 2026	FY 2027	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 FY 2026 FY 2027		Biennium Change from Base 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><u>\$ 31,790</u></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		Biennium Change from Base	
		FY 2026	FY 2027	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		Biennium Change from Base	
		FY 2026	FY 2027	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	Requested Budget		Biennium Change from Base	
	FY 2025	FY 2026	FY 2027	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 FY 2026 FY 2027		Biennium Change from Base 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	<u>\$ (5,417)</u>

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		Biennium Change from Base	
		FY 2026	FY 2027	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	<u>\$ (169,123)</u>

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.