



# 2027 Biennium Final Budget Analysis

Statewide Financial Perspective

**LEGISLATIVE BUDGET ANALYSIS  
2027 BIENNIUM  
VOLUME 1 – STATEWIDE PERSPECTIVES  
GOVERNOR GIANFORTE’S BUDGET PROPOSAL**

**REPORT FROM THE LEGISLATIVE FISCAL DIVISION  
TO THE SIXTY-NINTH LEGISLATURE  
DECEMBER 2024**

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## **Acknowledgements**

The Legislative Budget Analysis report is the product of many hours of analysis by the staff of the Legislative Fiscal Division (LFD), a nonpartisan office which provides fiscal and fiscal policy information and advice to the legislature. Director Carlson thanks all that assisted in its completion.

For information on this report and others, contact the Legislative Fiscal Division at (406) 444-2986 or visit the division's website at: <https://www.legmt.gov/lfd/>

The LFD is located in Room 110, State Capitol, Helena, MT.



# MONTANA LEGISLATIVE BRANCH

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**Director**  
AMY CARLSON

December 2024

Members of the Sixty-Ninth Legislature:

I submit for your consideration the high-level analysis of the Governor's proposed state budget for the 2027 biennium.

The Legislative Fiscal Division works for you, the legislators of Montana. We have no partisan alliance and seek to deliver high quality information and analysis of fiscal issues. A significant quantity of additional information is available online at our general website: <https://www.legmt.gov/lfd/>.

A collection of curated libraries put together by your legislative non-partisan staff cover topics such as property tax, K-12 school funding, Medicaid, public safety, and many others. For more details on topics of statewide importance, visit the online libraries at <https://www.legmt.gov/lfd/publications/>, tab Policy and Fiscal Libraries. Interactive data tools built for legislator use are another way for legislators to understand complex topics and glimpse future trends. The interactive tools are found at <https://www.legmt.gov/lfd/interactive-tools/>. Finally, legislative non-partisan staff created short YouTube videos on topics that may be of interest to the legislature. The videos vary in length, but typically are under 20 minutes and are available at this location: <https://www.legmt.gov/lfd/publications/>, tab Guides and Resources.

In addition to this analysis, the LFD staff are available to research specific fiscal questions. If you have questions, please feel free to contact myself or Susie Lindsay on my staff. She specializes in statewide financial information and will either answer your question or know which staff member can offer more specifics. Contact us through Microsoft Teams or via e-mail at [susie.lindsay@legmt.gov](mailto:susie.lindsay@legmt.gov). A complete staff listing can be found at the following <https://www.legmt.gov/lfd/staff/>.

We look forward to working with you all during the 2025 Session.

Sincerely,

A handwritten signature in cursive script, appearing to read "Amy Carlson".

Amy Carlson  
Legislative Fiscal Analyst  
Director, Legislative Fiscal Division

## OVERVIEW

The purpose of this report is to provide a high-level overview of the information needed to assist legislators in crafting a balanced state budget and fiscal policy, and in reflecting their priorities in the 2027 Biennium General Appropriations Act (HB 2) and other appropriations bills.

The overview identifies risks to state finances and key proposals in the Governor's 2027 Biennium Budget request. While the staff have written detailed analyses on each portion of the Governor's budget proposal, this report is meant to focus on the most pertinent information. If you wish to read the more detailed accounts of both the revenue estimates and the spending proposals, they are available online at <https://www.legmt.gov/lfd/budget-revenue/>.

This report is divided into four parts:

- Executive Summary - Legislative Fiscal Analyst's analysis of the proposed executive budget and the state's fiscal condition
- Cost Pressures - highlights key underlying assumptions in revenues and expenditures, and details some of the pressures that the legislature may face in the upcoming session, as well as the long-term financial implications of the Governor's revenue and spending proposals
- State Revenues – Reviews the revenue assumptions adopted by the Revenue and Transportation Interim Committee on November 26, 2024 (HJ 2)
- State Expenditures - provides an overview of the Governor's state expenditure plan for the 2027 biennium

## FOCUS ON GENERAL FUND AND GENERAL FUND REVENUES

While there are many different funds that make up Montana's state finances, the general fund is the main fund used for state government operations. It is the primary measure for state finance and is the focus for the overview of the budget presented in this report.

Included in the report are general revenues defined as all general fund revenues, plus the 95-mill school equalization state special revenues, and the treasury cash account interest state special revenues.

# EXECUTIVE SUMMARY

## FINANCIAL ANALYSIS FOR THE FUTURE OF MONTANA

The traditional Montana economy has relied on natural resource industries such as mining, agriculture, and timber. Historically, Montana has been too remote for industries not tied to the land to flourish as transportation costs to the major markets reduce competitiveness. The new economy, spurred by electronic communication capabilities, has changed that formula for industries that do not ship physical goods and workers that prefer access to outdoor opportunities more than city-based amenities.

### Remote work

Remote work has grown the number of jobs in the business and professional services sector and increased the average wage in these industries as local employers need to compete with remote work opportunities. In the past decade, the business and professional sector grew by 12,530 jobs for an average annual growth of 2.8%. Yet today, many companies are requiring workers to return to the office, and it is unknown how this may change recent trends in Montana.

### Scenic, Secluded, Luxury Housing and Tourism

In the past decade, construction of luxury housing and businesses has been a major driver of economic growth. The construction industry grew by 13,660 jobs over the 10 years from 2014 to 2024 for an average annual growth of 4.5%. Only the leisure and hospitality sector grew by more jobs at 14,340 for an average annual growth of 2.2%.

In addition to building new residences and businesses, some higher income individuals have begun living, declaring residency, and paying income tax in Montana.

These two areas of growth combined with stagnation in the natural resource industries has changed the economic landscape of Montana. Montana has experience with the natural resource industries and the ebb and flow of associated markets. Mine layoffs such as those occurring recently with Sibanye Stillwater are a part of what we understand as a risk of our economy. The new economy has different risks, and Montana has little experience with the changes.

The legislative Modernization and Risk Analysis (MARA) committee has created several data tools to help legislators understand these changes in Montana. Please view [Interactive Tools - Montana Legislature](#) and choose the "Other Data Tools" to explore available tools.

### Impact on Montana Finance

This growth in the state's economy has led to sustained higher revenue collections, especially from income taxes. Income tax is the state's largest revenue source. Yet, it is anticipated that income tax collections will be more significantly impacted by any recession than the traditional natural resources industries.

Furthermore, while Montana's remote work, tourism, and high-end housing related industries have all grown in the new economy, the future of these industries is less well known. In the next ten years, the construction of luxury housing may continue or decrease. Meanwhile the service industry for these luxury residences will likely grow as the community becomes more established. The pay for the service industries is typically less than construction work. Remote work and industries that work remotely may expand or retreat to in-person work.

While the future is uncertain, the state's current financial position is very strong entering the 2025 Legislative Session. The two primary means of measuring general fund health are structural balance and ending fund balance. Structural balance demonstrates the comparison between ongoing revenues and ongoing expenditures. Ending fund balance is the cash or fund balance available at the end of the fiscal year.

The structural balance before non-inflation and caseload adjustments (present law plus) is \$525 million, in other words the anticipated ongoing expenditures are 14% below anticipated ongoing revenues. The legislature will decide how this difference is allocated between one-time revenue and expenditure proposals and ongoing revenue reductions and spending increases.

The projected **present law plus ending fund balance** (present law and the pay plan) for FY 2027 is estimated at \$2.3 billion. Last session the legislature left about \$500 million in ending fund balance. If the same amount were left in fund balance after this session, the legislature would decide how the more than \$1.8 billion difference was allocated between one-time revenue and expenditure proposals, as well as between ongoing revenue reductions and spending increases.

The executive proposes substantial, additional income tax reductions and some property tax reductions. Many of these reductions do not occur until the 2029 biennium. By FY 2029 the total tax reductions are approximately \$450 million (income and property), or about 12.0% of ongoing general fund revenue. This reduction is in addition to the permanent tax reductions last session of approximately 5.5% (income and property) of ongoing general fund revenue adopted in the 2023 session.

The executive's new ongoing spending proposals, outside of inflationary items, are relatively minimal. The largest of the increases 1) generally account for inflation that was not previously recognized in school funding, 2) continue to mitigate the challenges of the Montana State Hospital, and 3) propose other increases for public safety, information technology security, and other items.

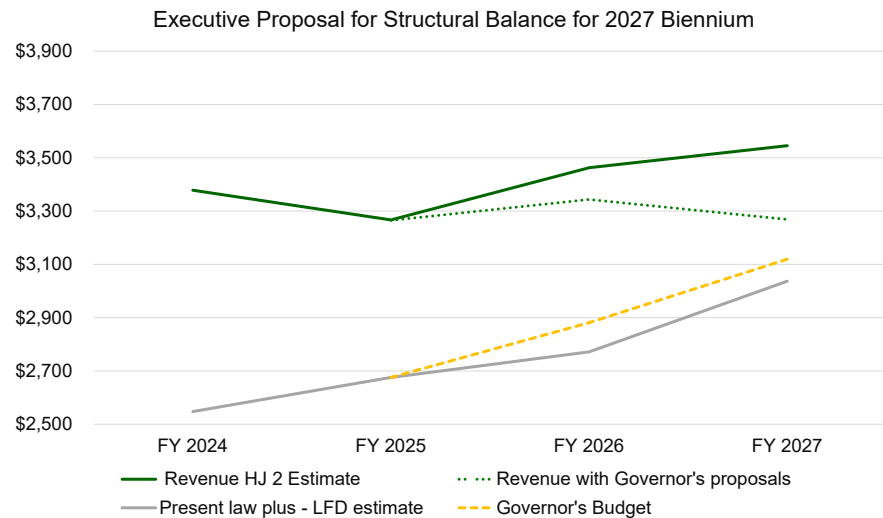
## Crossroads

The most significant financial decision of the legislature this session is setting the state up for healthy structural balance in FY 2029 and beyond. When considering the continued income tax reductions and known spending pressures, it is questionable if the Governor's proposed budget is structurally balanced in FY 2029. In addition to these factors, there are risks of recession and risks associated with potential efforts at the federal level to align revenues and expenditures more closely: such action could lead to reduced federal funding to states. All of these factors are discussed in this document for your consideration.

This budget is at a crossroads. The previous tax structure and spending decisions will be re-evaluated under a new economy and a new set of challenges. Decisions of this magnitude will be made by the 2025 Legislature and will set up Montana's state finances for success or failure for decades to come.

## EXECUTIVE PROPOSALS NARROW STRUCTURAL BALANCE IN THE 2027 BIENNIUM

The executive has proposed changes to the structural balance of the general fund budget. The 2027 Biennium Budget proposal is structurally balanced in FY 2027. By the 2029 biennium the structural balance may be narrower. The adjacent graphic demonstrates the structural balance out to FY 2027. This shows how the structural balance looks with HJ 2 revenue estimates as recently adopted by the Revenue Interim Committee.



## EXECUTIVE 2027 BIENNIUM BUDGET AND TAX POLICY PROPOSALS

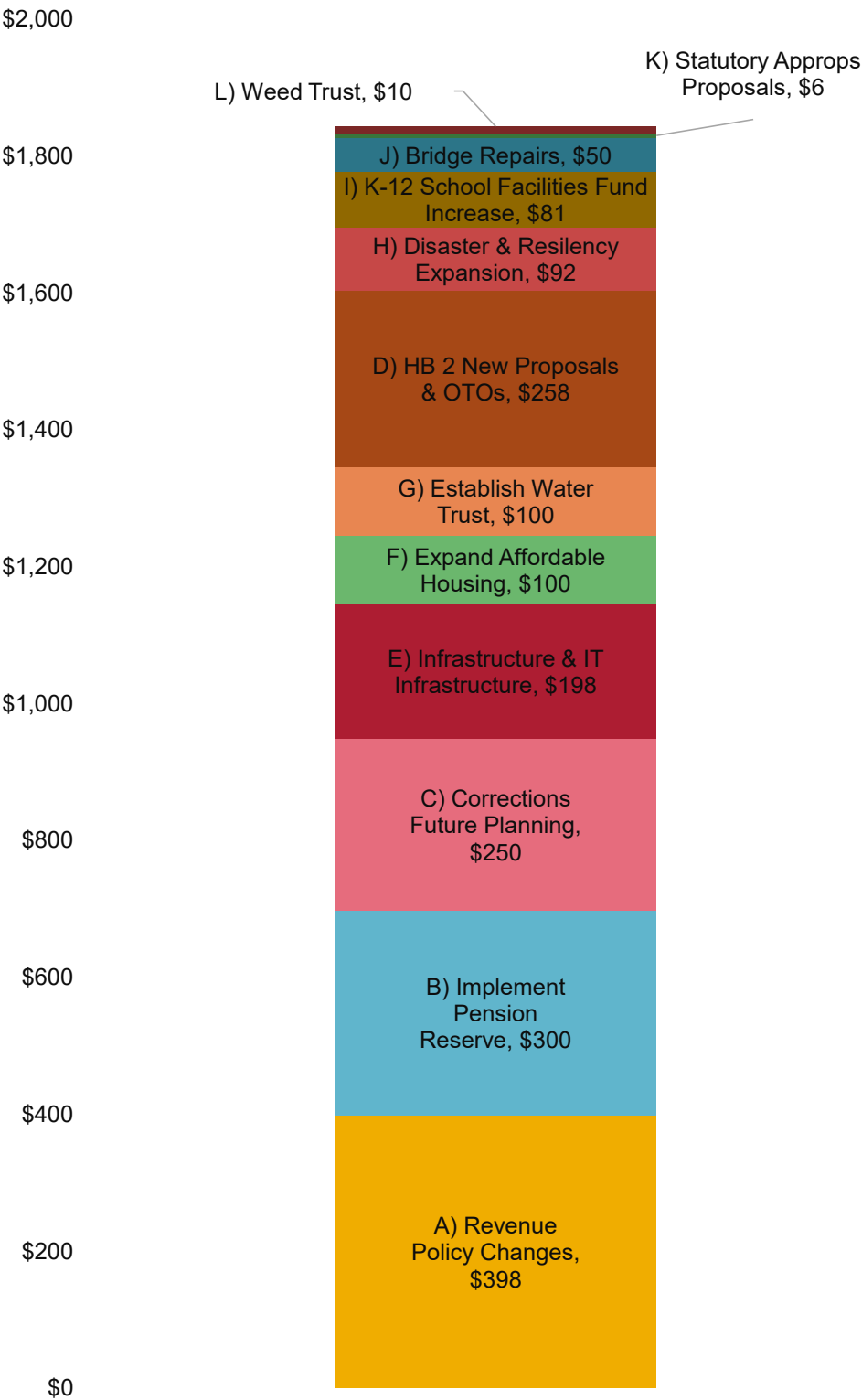
For the 2027 biennium, the executive has submitted a structurally balanced budget that proposes 0.8% higher spending than the 2025 biennium all-fund budget (calculated per 17-7-151, MCA). ***Not all proposed legislation was available at the time of publication and assumed appropriations may be lower or higher than estimated. Consequently, the overall biennial growth could be lower or higher than 0.8%.***

Additionally, the executive proposes ongoing tax policy changes that are estimated to reduce general fund revenue collections by \$398 million in the 2027 biennium.



Below is an image that shows the executive proposals that total over \$1.8 billion for the 2027 biennium:

Session will begin with about a \$2.3 billion **present law plus\*** general fund balance. The executive proposes using over \$1.8 billion general fund. The executive proposes a \$563 million general fund balance.



## Reductions to State General Fund Revenues: estimated \$396.4 million ongoing 2027 biennium and \$827.5 million ongoing for the 2029 biennium

Proposal	Revenue Impact (\$ Millions)				
	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Reduce individual income tax top marginal rate to 5.4%, then to 4.9%		\$ (31.4)	\$ (199.0)	\$ (346.1)	\$ (355.2)
Increase Earned Income Tax Credit from 10% of the Federal Credit to 15%		(18.0)	(18.5)	(19.1)	(19.7)
Increase Business Income Tax Exemption from \$1,000,000 to \$3,000,000		(1.1)	(1.5)	(1.5)	(1.5)
Transfer Non-Levy Revenue to School Equalization Account		(15.9)	(14.7)	(12.2)	(11.4)
Revise Treasury Cash Interest Earnings Distribution		(46.7)	(37.5)	(25.0)	(25.0)
DF/Pension Coal Trust Earnings		2.2	4.5	4.5	4.5
Reduce capital gains tax rate from 4.1% to 3.9%	(1.7)	(8.9)	(9.8)	(9.9)	(10.0)
Total	\$ (1.7)	\$ (119.8)	\$ (276.7)	\$ (409.3)	\$ (418.2)

### Individual Income Tax Proposals

Beginning on January 1, 2024, Montana's top individual income marginal tax rate was lowered to 5.9%. The executive proposes to incrementally lower this rate to 5.4%, then to 4.9%. Due to the timing of effective dates, in the 2027 biennium this will reduce individual income tax collections by a projected \$230.4 million. By the time it is fully implemented in the 2029 biennium, biennial individual income tax collections are projected to be reduced by \$701.3 million.

The executive proposes to reduce the top marginal rate on net long-term capital gains from the current rate of 4.1% to 3.9%. The effective date is proposed to be retroactive, with implementation beginning on January 1, 2025. The proposal is estimated to reduce individual income tax collections in FY 2025 by \$1.7 million. The proposal is projected to decrease collections by \$18.7 million in the 2027 biennium and \$19.9 million in the 2029 biennium.

Montana's current Earned Income Tax Credit (EITC) is equal to 10% of the Federal Earned Income Tax Credit. The executive proposes to increase the credit to 15% of the Federal amount. This proposal is projected to decrease collections by \$36.5 million in the 2027 biennium and \$38.8 million in the 2029 biennium.

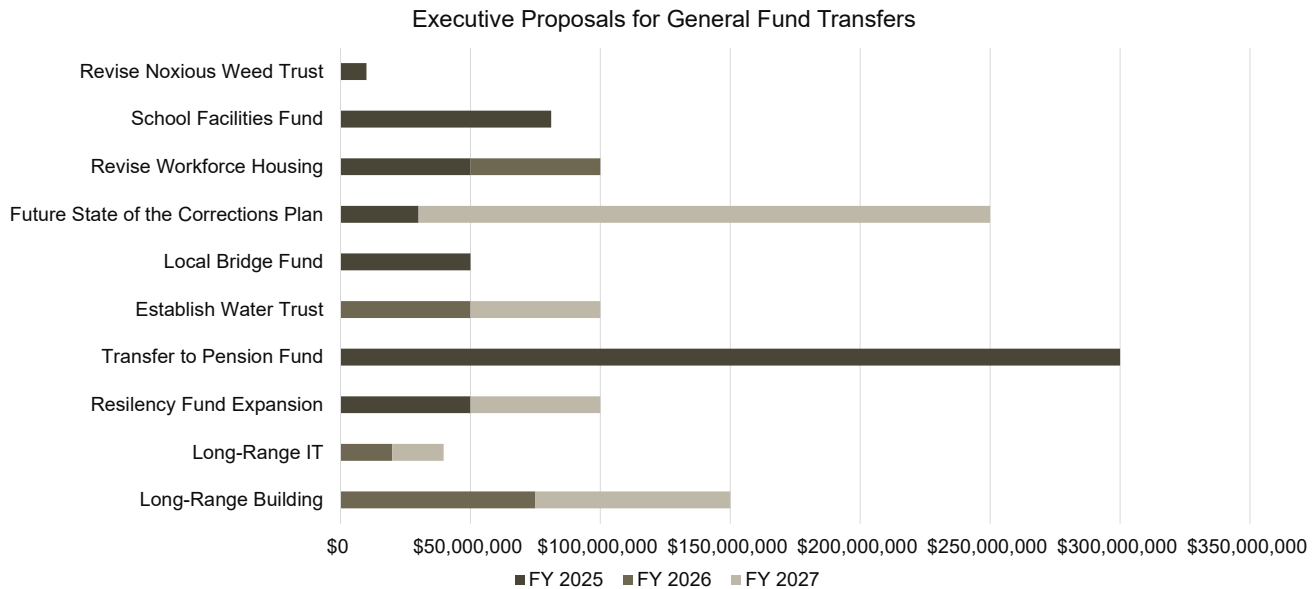
### Property Tax Proposals that Impact the General Fund

There are two proposals that change property taxes and are shown in the table above. The first increases the business equipment tax exemption. This proposal exempts an additional \$2.0 million of assessed value, which reduces collections to the school equalization and property tax reduction (SEPTR) account. This reduction is offset by a corresponding increase from the general fund.

The second proposal transfers non-levy revenue from the general fund to the SEPTR account. This non-levy revenue is the only remaining revenue associated with the 95 mills that continues to go to the general fund. This is a general fund reduction; however, the shift to the SEPTR will offset general fund expenditures.

# ONE-TIME-ONLY GENERAL FUND TRANSFERS

The executive proposals for one-time-only general fund transfers to special revenue funds or capital project funds are the following:



## Proposed Transfers to Spend

- \$300.0 million in FY 2025 to the pension state special revenue fund. The 2023 Legislature established a state special fund for pensions. The fund was authorized to receive excess general fund revenues. Since the state did not receive excess general fund revenues, as defined in statute, the pension fund currently has \$0
- \$250.0 million in total with \$30 million in FY 2025 and \$220 million in FY 2027 for the Future State of the Corrections Plan

### LFD Comment

The legislature will need to consider a wider overall correctional package and be prepared to weigh in on the use and guidelines of funds. While these proposed general fund transfers are one-time, future costs may be considered long-term and ongoing.

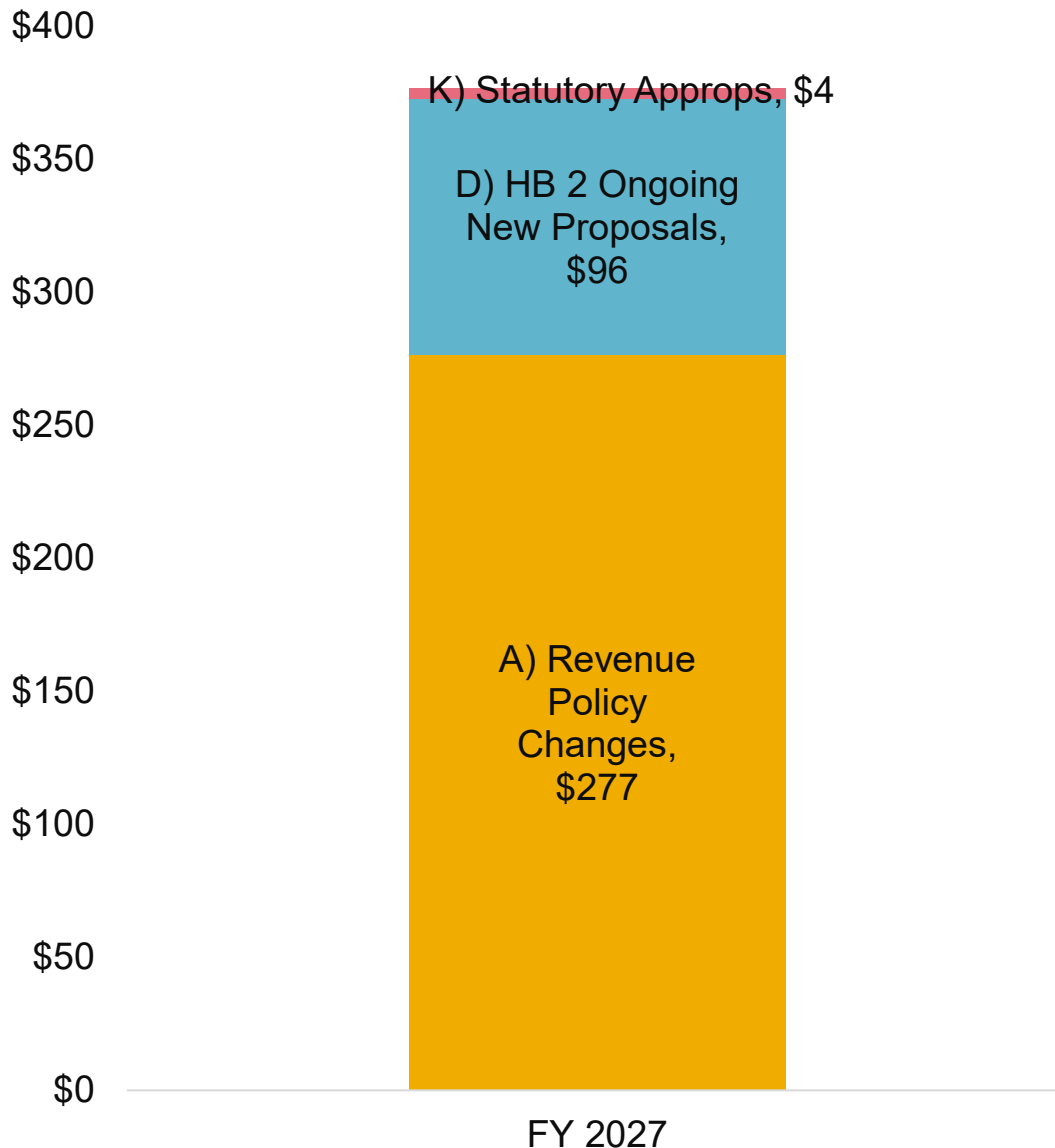
- \$198.0 million transferred from the general fund to the long-range building program and the long-range information technology program for infrastructure projects. Please see the infrastructure portion in this report for more details
- \$100.0 million in total with \$50.0 million in FY 2025 and \$50.0 million in FY 2026 transferred from the general fund to the board of investments for workforce housing investment and loans
- \$100.0 million in total with \$50.0 million in FY 2026 and \$50.0 million in FY 2027 transferred from the general fund to establish a water trust
- \$100.0 million in total with \$50.0 million in FY 2025 and \$50.0 million in FY 2027 transferred from the general fund to a disaster and resiliency state special fund. The 2023 Legislature established a general fund statutory appropriation for \$4.0 million general fund annually to be used by the Department of Military Affairs for disaster and resiliency projects. Newly proposed legislation would eliminate the general fund statutory appropriation and use the state special fund instead
- \$81.0 million in FY 2025 for the school facility sub-trust. This would bring the school facility sub-trust to the statutory limit of \$300.0 million
- \$50.0 million transfer in FY 2025 to create a local bridge state special revenue fund for the Department of Transportation

## GENERAL FUND STRUCTURAL BALANCE RECOMMENDED BY THE EXECUTIVE IN THE 2027 BIENNIUM

The executive's total proposed 2027 biennium budget is less than the HJ 2 revenue estimates adopted by the Revenue and Interim Committee on November 26, 2024.

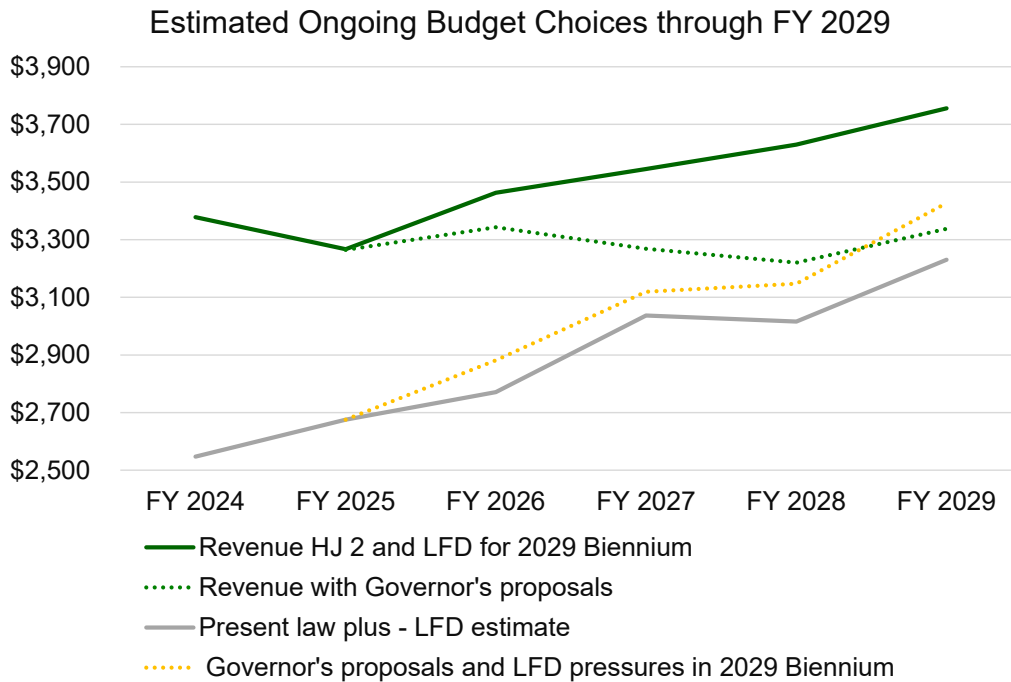
The following chart demonstrates Dec 15 submission on the proposed structural balance general fund spenddown. The executive proposes a structural balance of \$160 million, which is based on the Governor's Office of Budget and Program Planning revenue estimates and executive proposals.

The executive proposes a \$160 million structural balance for FY 2027



## 2029 BIENNIUM

The Legislative Fiscal Division analyzed the impacts to the budget when ongoing executive proposals continue into the 2029 biennium. If known spending pressures in corrections, K-12 schools, and health and human services are included, the spending would exceed anticipated revenue.



## FY 2029 STRUCTURAL BALANCE

The FY 2029 structural balance without any Governor's recommended policy changes is \$525 million, which means that ongoing expenditures are less than ongoing revenue. Currently, \$525 million is 14.0% of revenue using the LFD revenue forecast adjusted for the changes made in HJ 2.

When the Governor's 2027 biennium policy recommendations are included, and additional spending pressures assumed, the structural balance of ongoing spending pressures for FY 2029 is negative \$90 million or structurally unbalanced. The legislature has many choices in determining how to alleviate this potential structural imbalance including reducing spending or not accepting all the Governor's revenue proposals.

## LEGISLATIVE OPTIONS AND CONSIDERATIONS

While typically the legislature considers the structural balance in the second year of the biennium (in this session FY 2027), the Governor's phased-in income tax proposal requires consideration through FY 2029. Therefore, the structural balance of the Governor's budget and any legislative budget should be considered by estimating pressures for FY 2029.

The underlying positive structural balance where ongoing forecasted revenues in FY 2029 exceed current underlying costs by about \$525 million or 14% of ongoing revenue is the result of both growth in the economy **and** limited spending growth.

**The level of continued positive structural balance is unprecedented in the past 50 years and is inconsistent with the experience of other states. This situation requires careful consideration as to what decisions should be made to direct the course for the future of Montana government finance and the economy.**

Long-term decisions made by lawmakers will impact the overall financial condition and future of Montana. Legislators should consider the current financial tools for managing state budget, budget pressures, and long-term risks to the budget. The following discussion summarizes these considerations.

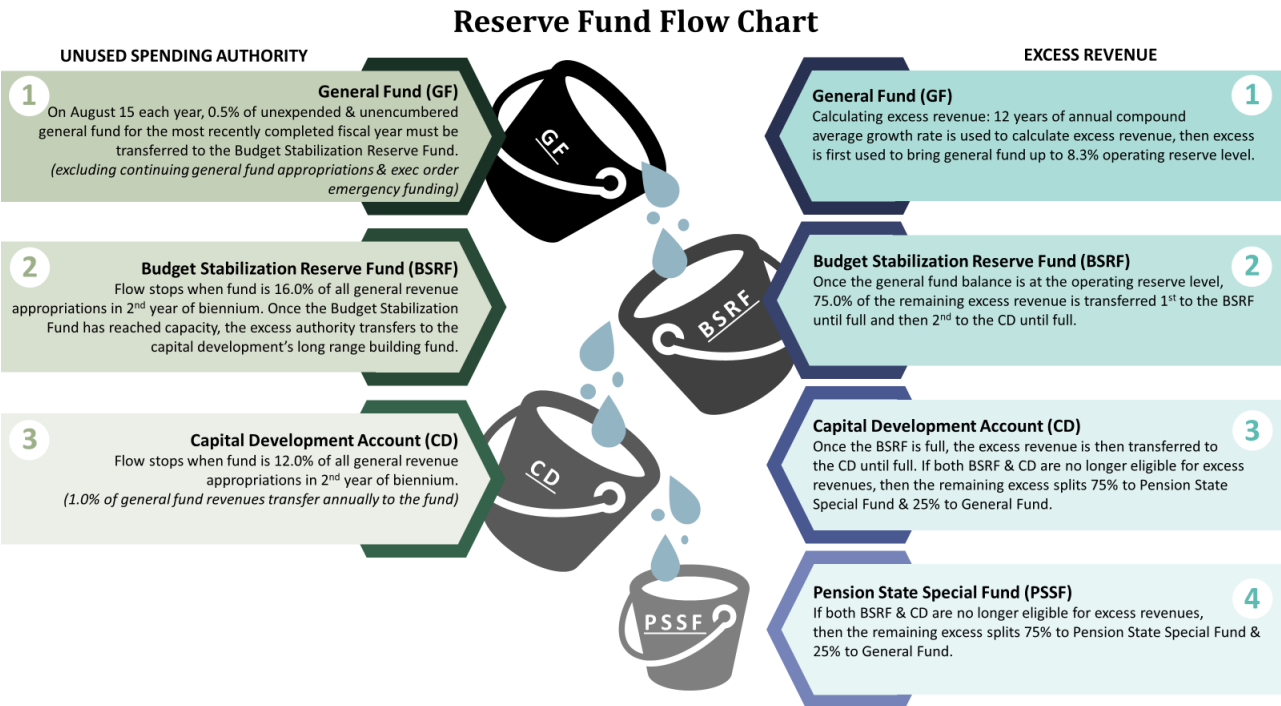
## STATE FINANCIAL TOOLS FOR MANAGING FINANCES

The two primary state financial tools for managing revenue volatility are the general fund balance and the budget stabilization reserve fund:

- The present law plus ending fund balance for FY 2027 is \$2.3 billion and the executive’s proposals for the spenddown of that balance is included above. The Governor’s recommended ending fund balance at the end of FY 2027 is \$563 million.
- The budget stabilization reserve fund (BSRF) is exclusively designed as a financial reserve. Statute directs how funding is received and how the fund may be used in times of economic instability. The current balance as of December 2024 is \$522 million.

The capital development fund is uniquely set-up to receive annual transfers from the general fund to maintain and improve state infrastructure. This method is referred to as a working rainy-day fund. When times are good, the annual transfers occur, keeping a steady stream going towards infrastructure, but if the economy is in a downturn, and finances need to be stabilized, the automatic transfers can be halted.

The following graphic shows how money flows into the BSRF and other funds like the capital development working rainy day fund and the pension state special fund.



## ANTICIPATED SPENDING PRESSURES

The following identified pressures may or may not be addressed by the legislature. Alternative levels of spending and choices are inevitable. The items listed below are not exhaustive of all the items that will be considered by the legislature but are known examples.

### K-12 School Funding

K-12 spending growth in the past 20 years has been muted. While generally maintaining growth with inflation, it may not have kept pace with wage and other spending pressures. The K-12 school funding study will take place in the next two years and will likely have proposals for spending in K-12 schools. An estimate of the average spending growth of the past two studies is included at 3.5% above present law adjustments in the 2029 biennium.

### Department of Corrections

Growth in populations within the correctional system has been studied this interim by the HB 5 Select Committee on Corrections Facility Capacity and System Development, with long-term growth reviewed and recommendations included. The LFD has estimated the ongoing cost of the recommendations and included them in this analysis. The HB 5 study recommended a new women's prison with a one-time cost of approximately \$450 million and \$20 million of ongoing costs. The ongoing costs are included in LFD estimates for FY 2029.

### Department of Public Health and Human Services

The LFD included two cost considerations in the spending pressure for the Department of Public Health and Human services.

Provider rate increases – the executive did not include provider rate increases in the Medicaid and other core services of the department. The LFD included a 2% per year provider rate increase as a spending pressure.

The HB 872 Behavioral health study in the interim suggested additional long-term spending. In the short term, there is a reserve fund to cover these expenses, but eventually these funds will run out and will need to be funded with general fund. The ongoing state costs were included in the pressures in FY 2029.

## BUDGET RISK

Risk to the state's budget can come from a variety of sources. The [risk analysis](#) report by the Legislative Fiscal Division looked at these highest risk categories:

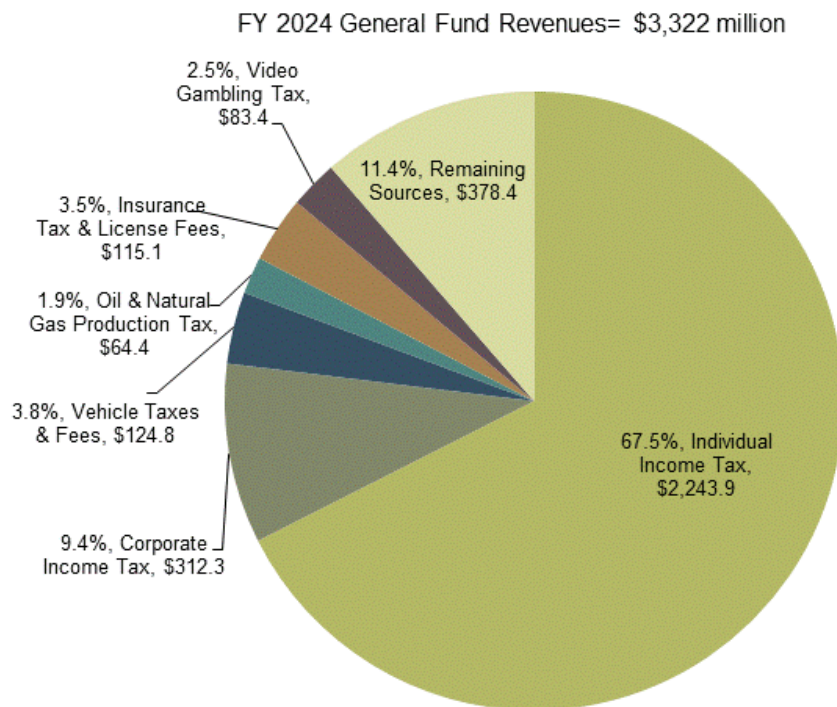
- Volatile Revenue Sources like Income Taxes
- Montana's Federal Funding Risk
- Aging Infrastructure
- Unfunded Liabilities like Pension Systems

State reserve balances are strong and can cushion finances from quick shocks. General fund structural balance is strong, with ongoing revenues exceeding anticipated costs for current services. Yet, the state has various risks for the future. When coupled with the executive ongoing proposals and LFD assumed ongoing spending pressures described above, the additional risks like federal funding declines, aging infrastructure, and Montana's higher liabilities for pensions than other states, state finances are at a crossroads. The 2025 Legislative Session is a time for lawmakers to carefully consider and make decisions for the future of Montana's fiscal well-being.



## 2027 BIENNIUM GENERAL FUND REVENUE OVERVIEW

With the removal of the state-levied 95 mills from the general fund, individual income taxes made up nearly 68% of general fund revenues in FY 2024. The composition of other large general fund sources, as well as remaining sources is illustrated in the figure below.



In November 2024, RIC heard the revenue estimate recommendations from OBPP and LFD. The committee adopted the LFD estimate recommendations and assumptions but lowered the LFD individual income tax forecast by \$108 million over the FY 2025-2027 period. The table below shows the annual detail for the top six general fund revenue sources and subtotal of remaining sources, as well as a breakout of ongoing and one-time-only revenue. ***These do not include the state-levied 95 mills, nor do they include interest earned on treasury cash in FY 2025.*** The totals below are those that will be used on the 2025 Legislative Session general fund balance sheet.

General Fund HJ 2 Adopted Estimate (\$ Millions)						
Source of Revenue	Actual FY 2024	Estimated FY 2025	Estimated FY 2026	Estimated FY 2027	Estimated 2025 Bien	Estimated 2027 Bien
<b>Largest Six Sources &amp; Remaining Sources</b>						
Individual Income Tax	\$2,243.946	\$2,166.409	\$2,284.365	\$2,340.312	\$4,410.356	\$4,624.677
Corporate Income Tax	312.276	315.242	326.217	338.396	627.518	664.612
Vehicle Taxes & Fees	124.840	125.956	127.007	128.048	250.796	255.055
Oil & Natural Gas Production Tax	64.405	65.302	69.156	70.950	129.707	140.106
Insurance Tax & License Fees	115.075	126.202	129.818	134.354	241.277	264.171
Video Gambling Tax	83.385	84.897	86.903	89.186	168.282	176.089
Remaining Sources	378.444	382.428	508.047	466.023	760.872	974.070
Ongoing General Fund Subtotal	3,322.371	3,266.437	3,462.760	3,545.039	6,588.808	7,007.799
OTO & Transfers Subtotal			68.752	22.229	-	90.981
<b>Total General Fund</b>	<b>\$3,322.371</b>	<b>\$3,266.437</b>	<b>\$3,531.512</b>	<b>\$3,567.268</b>	<b>\$6,588.808</b>	<b>\$7,098.780</b>
Ongoing General Fund Growth		-1.7%	6.0%	2.4%		6.4%



Moving forward, ongoing general fund revenues are expected to grow by -1.7, 6.0%, and 2.4% in fiscal years 2025-2027.

FY 2025 is the first full year that will be impacted by [SB 121](#) from the 2023 Legislative Session, which lowered the top marginal income tax rate to 5.9%. This explains the expected decline in revenues in FY 2025. Moving forward, growth is expected in FY 2026 primarily in the form of individual income taxes. In addition, interest earned on treasury cash is scheduled to return to the general fund in FY 2026.

As the following months ensue, the LFD will closely monitor the revenue picture as updated S&P Global forecasts and collections data becomes available. For additional information on HJ 2, please refer to the revenue section later in this document or the LFD [2027 Budget Analysis](#), Volume 2 Revenue Estimates.

# EXECUTIVE’S HB 2 BUDGET PROPOSAL

## BUILDING THE HB 2 BUDGET

The budget has three basic components: base budget, present law, and new proposals. For information on budget rules, budgeted appropriation types, and a general understanding of state finances, please refer to the LFD publication [Understanding State Finances](#). The details of all budgeted fund types are contained in the expenditure section of this report, and the overview of the general fund budget is contained in this section.

### Base Budget

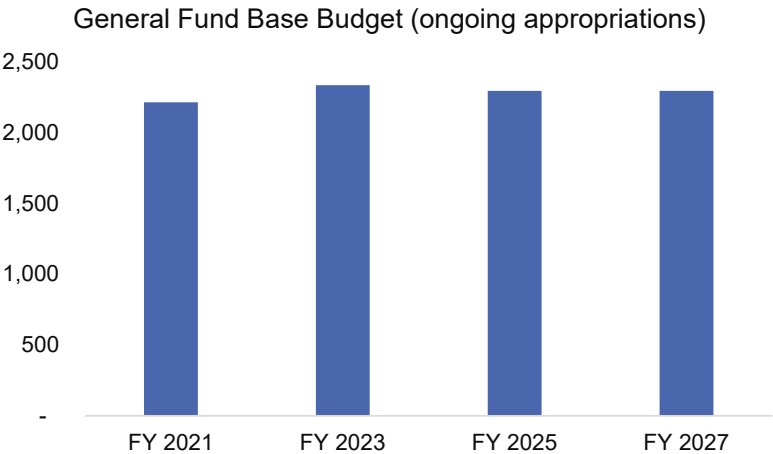
The base budget is defined as the resources authorized by the legislature for the ongoing operation of state government in FY 2025. The HB 2 base budget for the 2027 biennium including all fund types totals \$7.8 billion.

### General Fund Base Budget

The HB 2 general fund base budget is \$2,298 million per year or \$4,595 million for the biennium.

#### General Fund HB 2 Base

The chart shows the general fund base budget over time beginning with FY 2021. The 2027 biennium budget process begins with the FY 2025 base budget at \$2,298 million.



### General Fund Present Law Budget

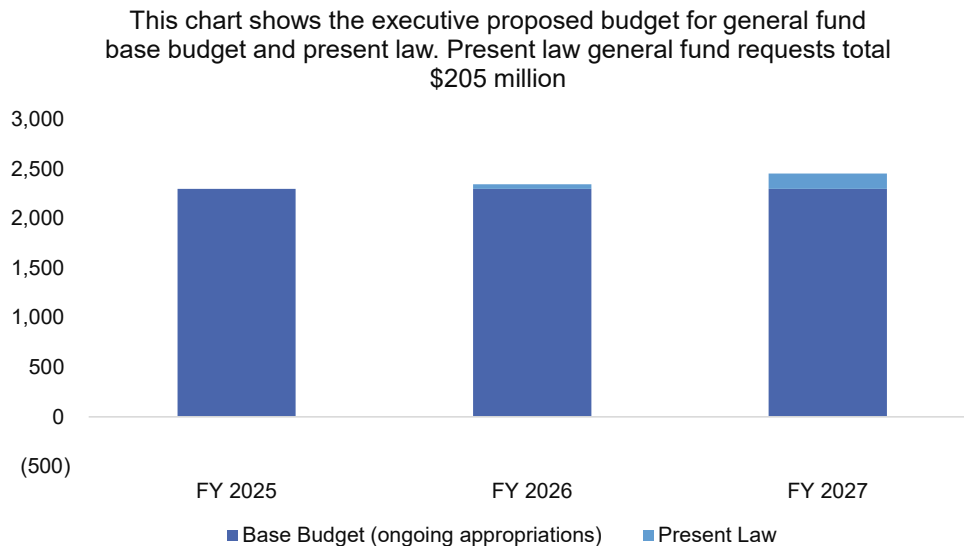
When building the state’s budget, the base level of funding is adjusted for present law changes, 17-7-102, MCA. Statute provides a definition of the present law budget, as the level of funding necessary to maintain current government services. Present law gives the legislature a baseline budget presentation and provides the beginning point at which legislative budget decisions are made.

### General Fund HB 2 Present Law for the 2027 Biennium (DEC 15)

General fund total base budget plus proposed present law appropriations total \$5,059 million for the biennium. Present law adjustments from the base total \$205.0 million.

## Present Law

Present law adjustments include adjustments for enrollments in various programs, population changes, statutory changes, and inflationary-like adjustments. The legislature will evaluate the executive proposed present law adjustments in detail during the budget deliberation process.



The following items are the primary areas of increase in present law:

### Department of Corrections

- About \$14.8 million general fund for increases in contract renewals and provider rates. These include \$9.3 million general fund for contract renewals and provider rate increases with existing community corrections facilities; almost \$2.8 million in provider rates paid to contracted secure facilities and local detention centers; and \$2.7 million increases in costs of contracted placements for juveniles and funding of caseworker services

### Department of Public Health and Human Services (DPHHS)

- The executive proposes a \$86.7 million general fund increase for the 2027 biennium for the state match of the Federal Medical Assistance Percentage (FMAP). The FMAP is a result of comparing the per capita income for Montana to the per capita income for the United States. As Montana's per capita income increases relative to the per capita income of the United States, the percentage of federal funding received decreases. The proposed increased state match includes additional funding for traditional Medicaid, foster care, guardianship, and adoption
- The executive proposes \$10.1 million general fund increase for the 2027 biennium for caseload and other Medicaid purposes

### Office of Public Defender

- The OPD experienced caseloads and private market increases for contracted labor beyond what was budgeted for in FY 2024. The agency utilized \$5.3 million of their FY 2025 biennial authority to cover shortages in FY 2024. In addition, the agency has requested a supplemental appropriation in HB 3 for \$12.5 million in FY 2025. Moving forward, the executive has requested \$13.1 million for the 2027 biennium to sustain existing public defender services and current caseloads.

### Office of Public Instruction

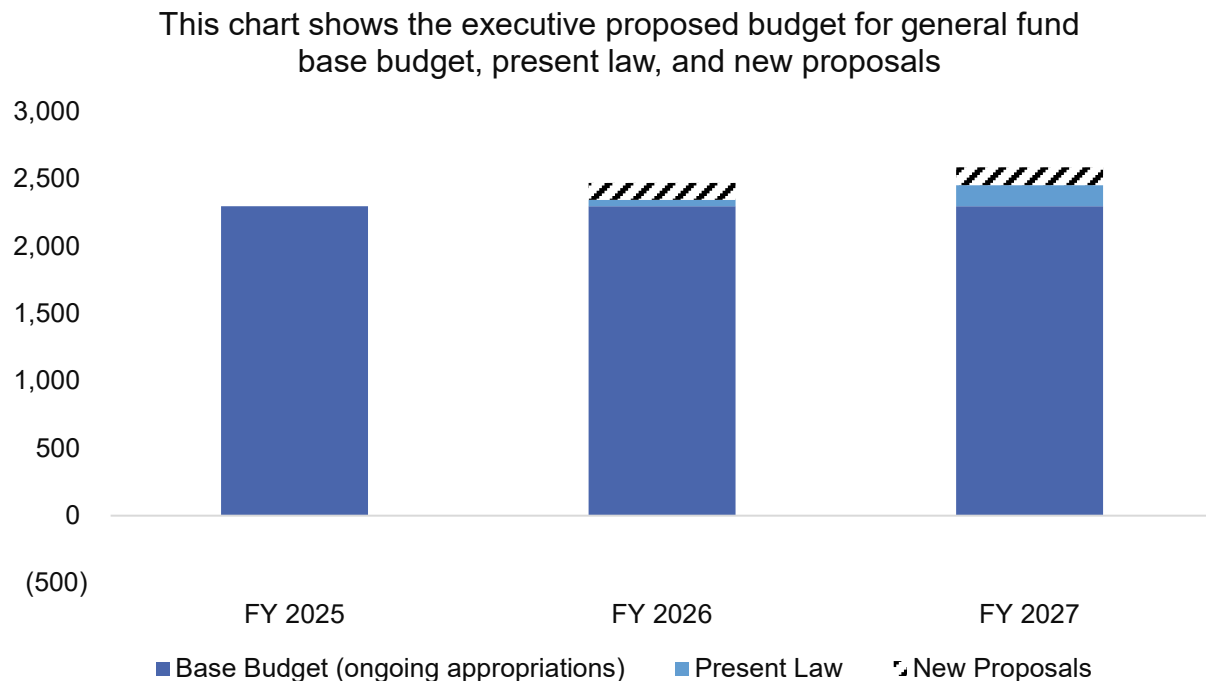
- The executive request for the K-12 BASE aid increase includes \$52.1 million general fund to provide 3.0% inflationary growth in FY 2026 and FY 2027 per (20-9-326, MCA), and to address enrollment growth. Statute mandates submitting a budget using a three-year average of inflation

to calculate the K-12 inflation rate, capped at 3.0%. While the calculated rates exceed the cap (5.67% for FY 2026 and 4.36% for FY 2027), the requested rate is limited to 3.0%.

- The executive request includes the current statute that funds the budget first with available property tax revenue in the SEPTR account and offsets 55% of this increase, \$38.5 Million, with an increase in state share of school funding through the retirement GTB formula.

## EXECUTIVE'S GENERAL FUND BUDGET - NEW PROPOSALS DEC 15, HB 2

The Governor's general fund new proposals for the 2027 biennium in HB 2 increase general fund spending by \$258.0 million. Details of the new proposals follow the chart.



### New Proposal HB 2 Details

The primary new proposals in HB 2 are the following:

#### Office of Public Instruction

- \$106.5 million in general fund for the biennium in the Office of Public Instruction. This proposal is contingent on the passage of legislation. The executive requests general fund authority for increased teacher pay, which will be directed to the bottom one-third of the teacher pay scale
- K-12 BASE Aid general fund increases: \$29.4 million

The executive proposes two new property tax proposals that reduce property tax collections. The first proposal implements homestead and comstead (commercial homestead) property tax exemptions and the second increases the business equipment property tax exemption. These proposals will reduce property tax collections for the 95-mill school equalization state special revenues. The general fund will need to backfill the lost revenues to continue BASE Aid at the level that is proposed.

#### Department of Public Health and Human Services

- \$69.9 million for contracted labor and targeted wage adjustments for clinical positions across all state-owned facilities, including contracted clinical labor in the Healthcare Facilities Division.

#### Governor's Office

- \$24.0 million Recruitment and Retention Contingency Fund in the Governor's Office. Please see additional details on page 26.

#### Fund Switches from General Fund to State Special

- Various proposals in multiple agencies reduce general fund and increase state special by switching from general fund to state special.

A few examples include the following:

- Reduction of \$27.3 general fund in the Office of Public Instruction is contingent on legislation that redirects the 95 mill non-levy revenue from general fund to state special state equalization aid fund and a reduction of \$6.4 million general fund also contingent on legislation to reduce general fund and increase state special for the state major maintenance payment
- Reduce Motor Vehicle Division at the Department of Justice by \$5.0 million general fund and switch funding to the real ID state special revenue fund

### Pay Plan

Note that the HB 13 pay plan is a separate piece of legislation than HB 2, but the funding associated with the pay and benefit increases in HB 13 get rolled into HB 2 appropriations after session. The general fund pay plan request is \$79.5 million. For more details on the pay plan see page 32.

## **Montana Infrastructure Proposal**

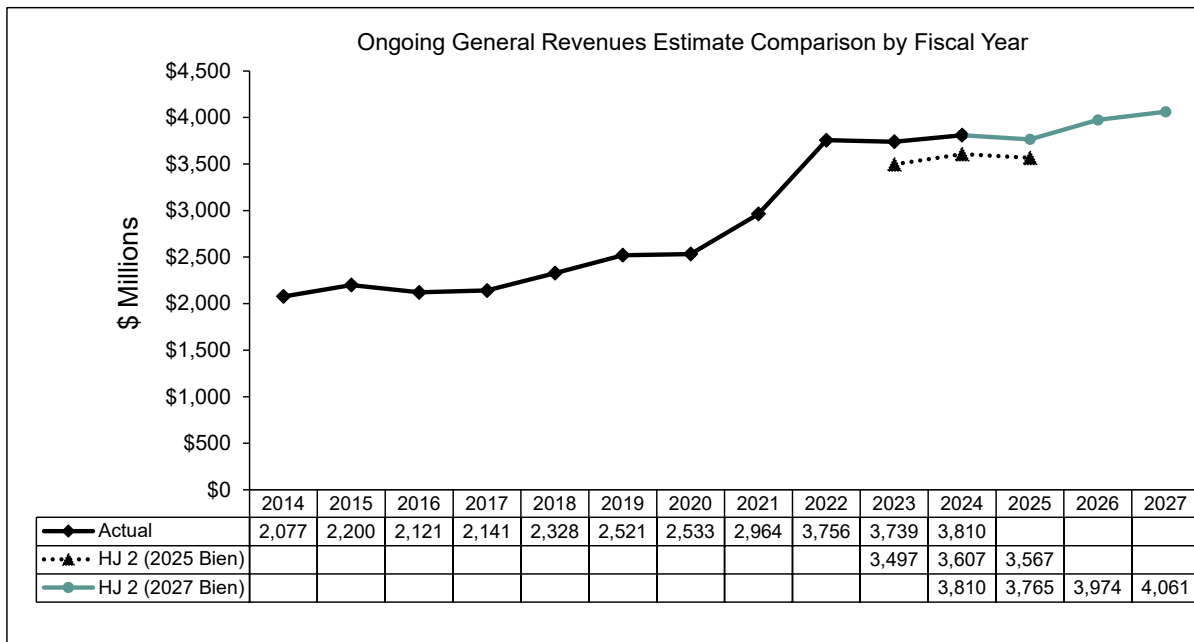
The executive proposal entitled “Infrastructure in Montana” is an aggregation of the traditional Long-Range Planning (LRP) infrastructure budgets that are contained in HB 5, HB 6, HB 7, HB 8, HB 9, HB 10, HB 11 and HB 12. The proposal totals \$979.2 million, which is \$563.5 million, or 36.5%, less than the LRP budget appropriations in the 2025 biennium. Projects are funded with \$84.1 million of general fund, \$397.3 million of capital projects funds, \$191.5 million of state special revenue, \$96.7 million of federal special revenue, \$76.3 million of non-state funds (university, proprietary, and donated funds), and \$133.3 million of proceeds from coal-severance tax bonds. Significant aspects of the proposed budget include:

- Long-Range Building Program (LRBP) appropriations totaling \$672.9 million for major repair and capital development projects across multiple state agencies and universities, funded in part with a one-time-only transfer of \$150 million from the general fund into the capital development fund
- The LRBP proposal provides \$150.0 million for Department of Correction Low-Side Housing Expansion, with an additional \$29.8 million for other DOC facility upgrades
- Long-Range Information Technology Program (LRITP) appropriations totaling \$54.2 million for 31 projects within 10 state agencies
- No general fund bonds have been proposed to help pay for the state infrastructure proposals; apart from the coal severance tax bonds for local government infrastructure, the proposal is funded with cash

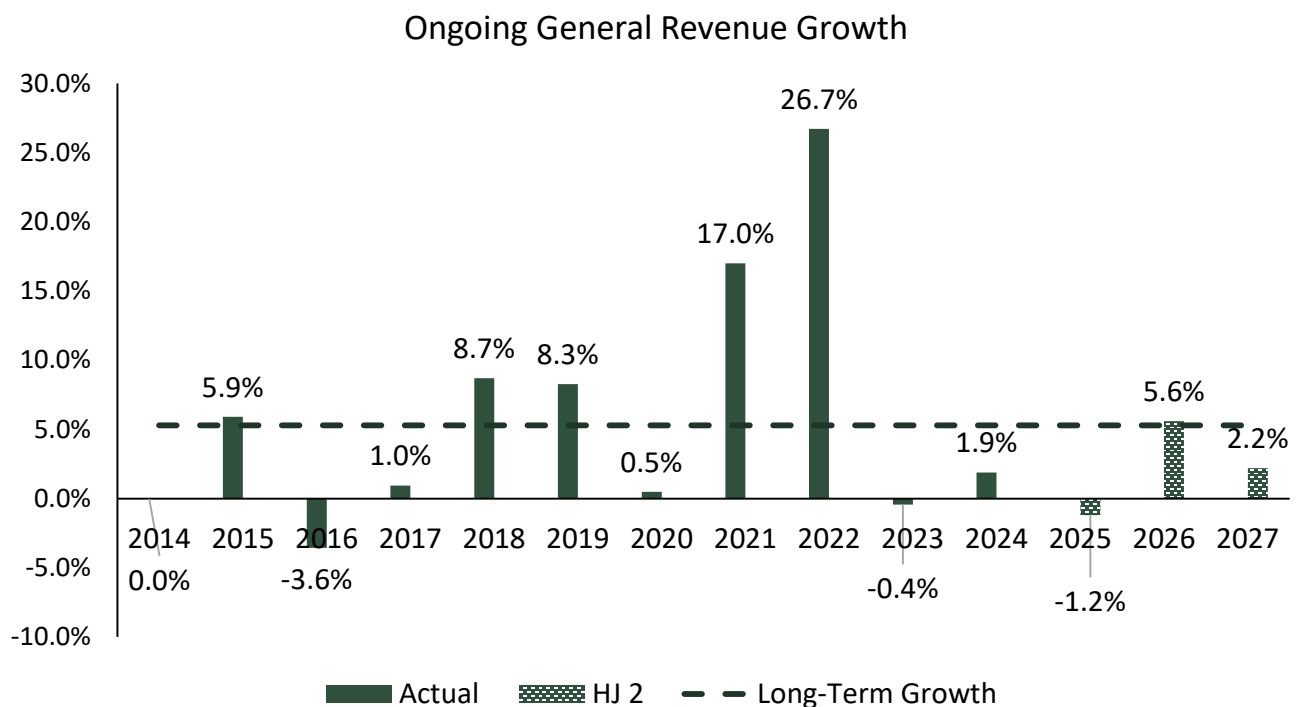
More information on the Long-Range Planning programs and the executive proposal for Montana Infrastructure is available in [Section F of the Legislative Budget Analysis](#).

## **GENERAL REVENUES (GENERAL FUND, 95 MILLS, & INTEREST EARNINGS)**

A graph of historical ongoing general revenues, the 2025 Biennium HJ 2, and the 2027 HJ 2 are shown in the figure below. Over the past two years ongoing general revenues have been on average \$223 million higher than the adopted HJ 2 from the 2023 Legislative Session.

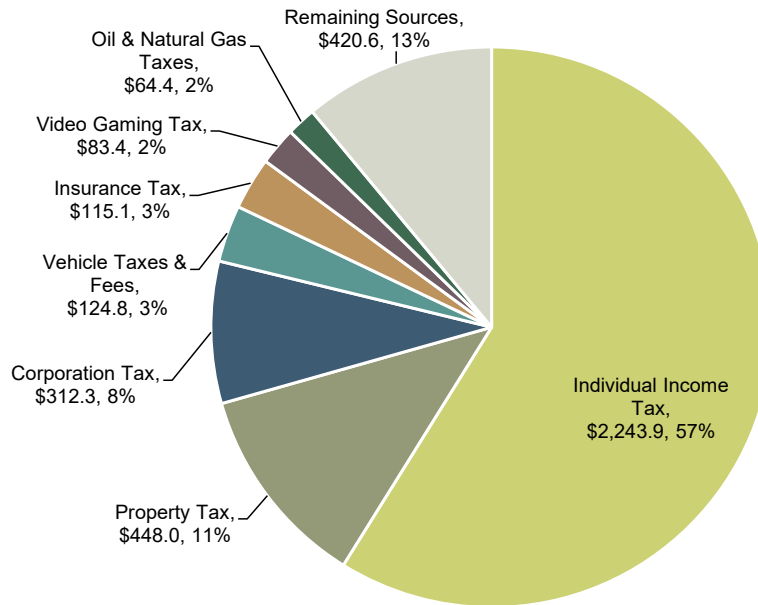


The figure below shows both the historical and projected growth rates of general revenues. It also includes a line representing the long-term average annual growth of 5.4%.



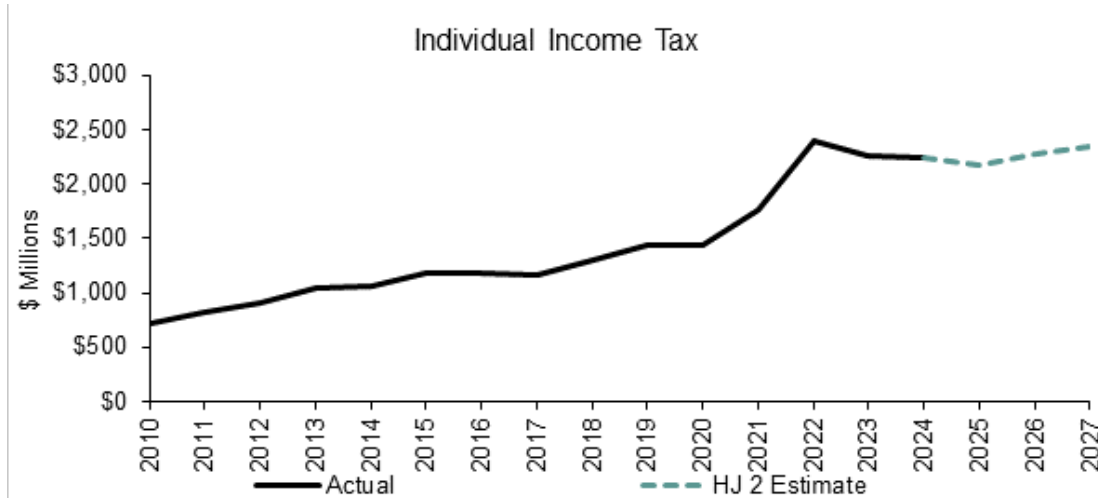
The largest seven sources of ongoing general revenues are individual income tax, property tax, corporate income tax, oil and natural gas taxes, vehicle taxes, insurance tax, and video gambling tax. In FY 2024, these sources accounted for 86.6% of general fund revenue. Details of all general fund and selected non-general fund revenue sources are contained in the Legislative Fiscal Division's [2027 Biennium Budget Analysis: Volume 2](#).

FY 2024 Ongoing General Revenues = \$3,810 million

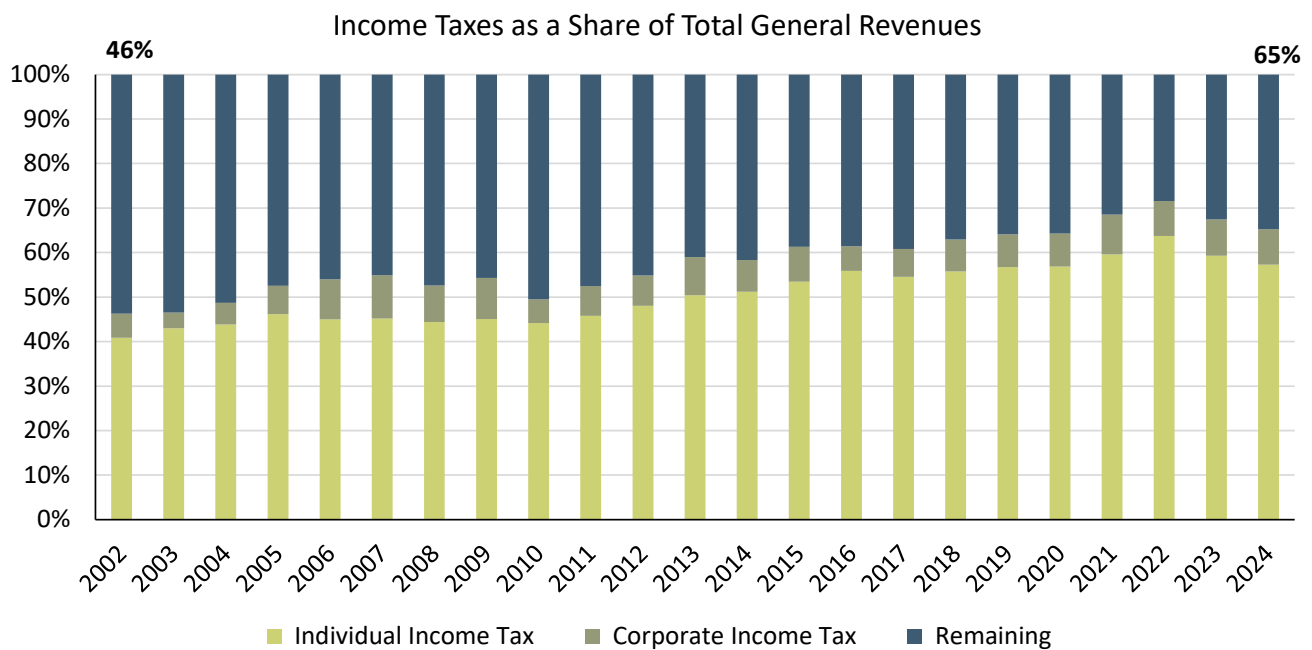


### Income Taxes and Revenue Risk

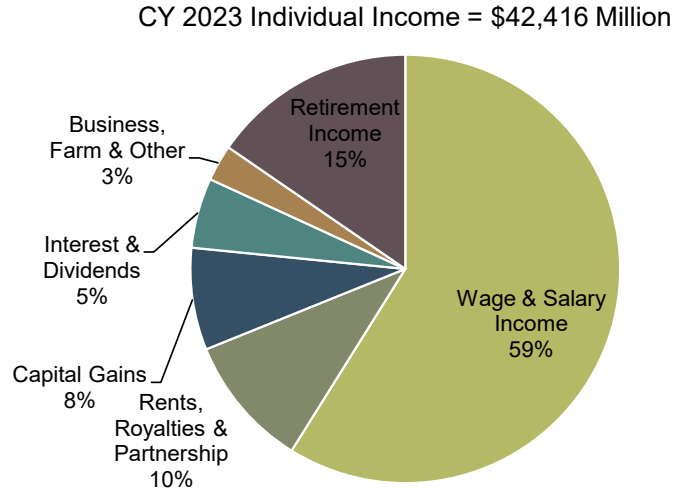
The graph below shows historical individual income tax collections, as well as the forecast adopted in HJ 2. The decreasing pattern in collections compared to FY 2022 are to some extent due to individual income tax reductions in the 2021 and 2023 Legislative Sessions. The full extent of these income tax reductions will be realized in FY 2025. After FY 2025, growth patterns are projected to be similar to the decade from FY 2010 to FY 2020.



Income taxes, both individual and corporate income, have continued to grow faster than other sources. As a result, they have steadily made up an increasing share of general revenues over the past two decades. In FY 2002, they accounted for 46% of general revenues; by FY 2024, they represented 65% of general revenues, as shown in the figure below. Based on the revenue estimates adopted by RIC, this share is expected to be 66% at the end of the 2027 biennium. Note that this share remains high, even after the impacts of income tax reductions from the 2021 and 2023 Legislative Sessions have been fully implemented.

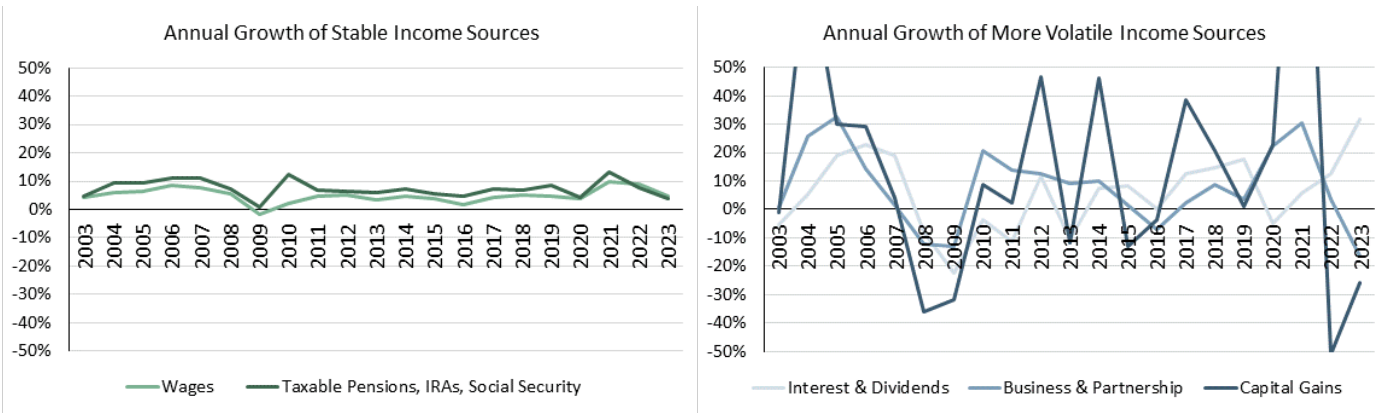


Not only do individual and corporate income make up an increasing share of general revenues, but they are also two of the more volatile sources compared to many other revenue sources. The figure below shows the proportion of income types claimed on CY 2023 tax forms. Note that additional data will be received during the Legislative Session, which includes late tax filers. It is likely that additional data will cause the capital gains and partnership-like income proportions to slightly increase.

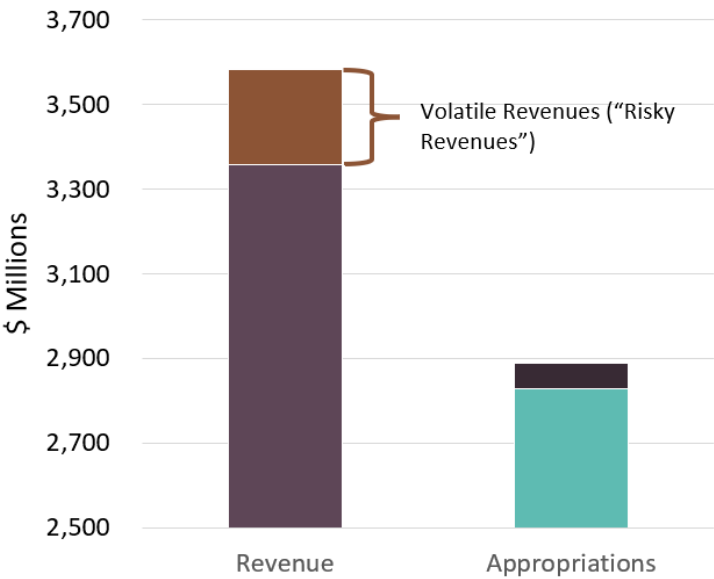


Since CY 2009, individual income tax has become more volatile as capital gains and partnership-like income grow faster than more stable sources of income like wage income and retirement income.

The two figures below illustrate the difference in annual growth between wage and retirement income compared to more volatile income types.



As the above charts illustrate, a material portion of individual income tax is ongoing, albeit extremely volatile. It may make sense to specifically define and quantify a portion of this volatile revenue, as in any given year it has the potential to increase or decrease dramatically. These swings could have a greater chance of leading to budgetary surpluses or shortfalls if they continue to grow faster than other income sources. Preliminary calculations suggest that the amount of volatile revenue within individual income tax is equal to approximately 6% of ongoing general revenues. The figure to the right illustrates this amount.

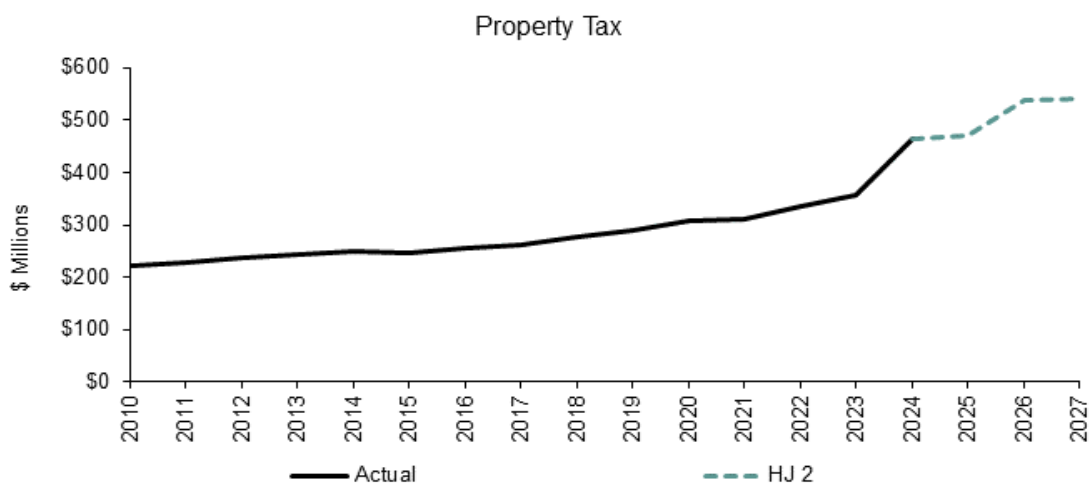




## PROPERTY TAX

Property tax collections were nearly identical to HJ 2 in FY 2023 and slightly above the estimate in FY 2024 due to higher-than-expected reappraisal values. Actual collections influence the updated forecast for FY 2025 but have less of an impact than the additional data for the two-year reappraisal impacts on class 4 residential and commercial property.

The forecast for FY 2026 shows another sharp increase in property tax collections, estimated to be about \$69.9 million dollars between FY 2025 and FY 2026. Much of this spike is driven by initial data suggesting that residential property values have increased between the 2022 and 2024 reappraisal dates. Residential property remains the most valuable and fastest-appreciating class of property, but value increases are also forecast for commercial, business equipment, and electrical utility property classes as well. The taxable value of many other classes of property are forecast to remain relatively stable, or to decline slightly.



Initial data from the Department of Revenue suggests that the taxable value of current residential property will increase by approximately 21.5% for the FY 2026 tax cycle. The Department of Revenue estimated commercial taxable value to increase by approximately 8.3% and agricultural taxable value to increase by 5.4% between FY 2025 and FY 2026. The Legislative Fiscal Division forecasts all remaining tax classes to increase by approximately 4.2% in aggregate.

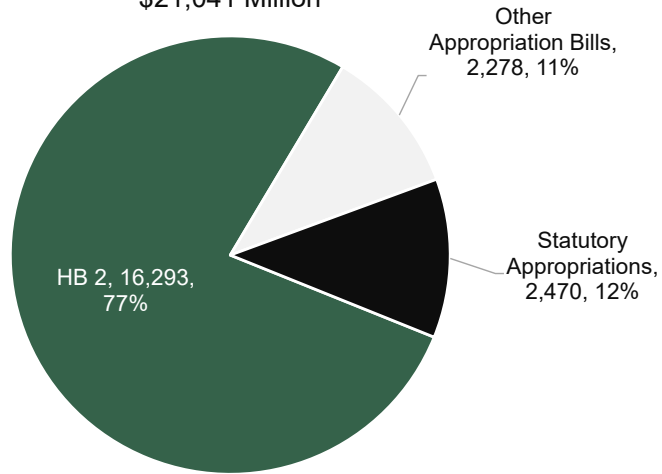
In addition to the mill-based tax on property, this revenue component includes collections from non-levy sources that are distributed based on mills levied by taxing jurisdictions. These non-levy sources include the state share of coal gross proceeds taxes, federal forest revenues, and other smaller revenue sources. The Executive has proposed shifting this from the General Fund to the school SEPTR account as was done with 95-mill revenue.

# STATE EXPENDITURES

## TOTAL EXECUTIVE 2027 BIENNIUM SPENDING REQUEST

The following pie chart demonstrates known appropriation requests. As shown in the following graphic, the 2027 Biennium Executive Proposal totals \$21.0 billion, which assumes additional state special spending for executive legislation proposals not available at the time of this publication.

2027 Biennium Executive Budget by Source of Authority  
\$21,041 Million

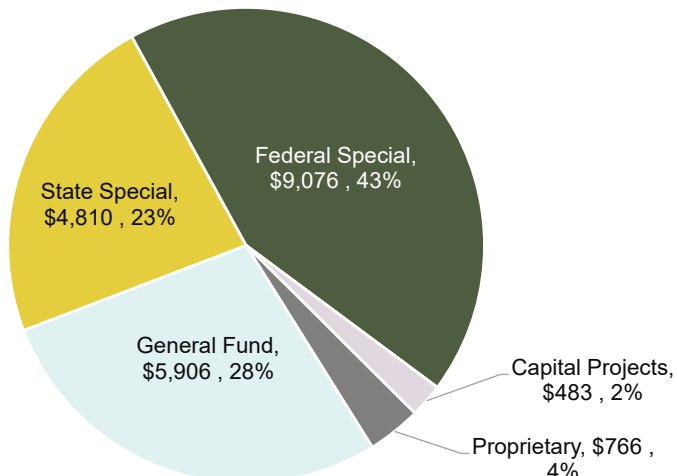


A more expansive write-up on HB 2 proposals is found on pages 16-19 of this report and follows this section.

The largest proposal for statutory appropriations is to switch the federal special funding for supplemental nutrition assistance program (SNAP) from HB 2 authority to a statutory appropriation.

Significant proposals in other appropriation bills are primarily for long-range infrastructure, technology, renewable resource and reclamation grants, and the employee pay plan (HB 5, HB 6, HB 7, HB 9, HB 10, and HB 13).

2027 Biennium Executive Budget Proposal by Fund Type  
= \$21,041 Million



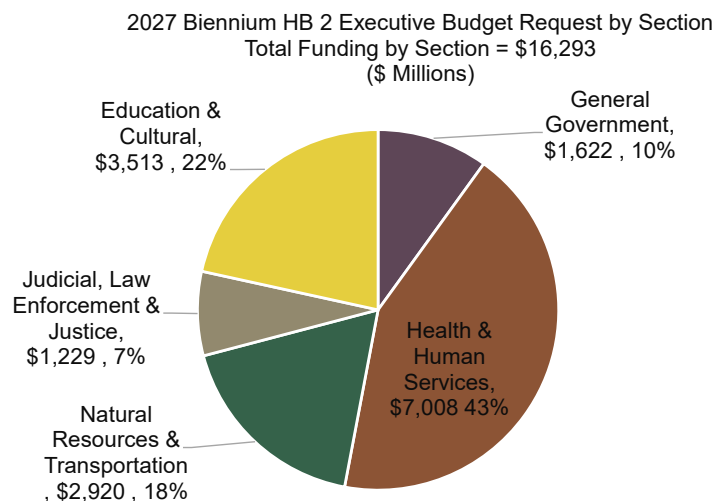
## Funding of the HB 2 Appropriations

HB 2 is the general appropriations bill, in which the executive proposes the majority of general fund and total funds appropriated by the legislature in the 2027 biennium.

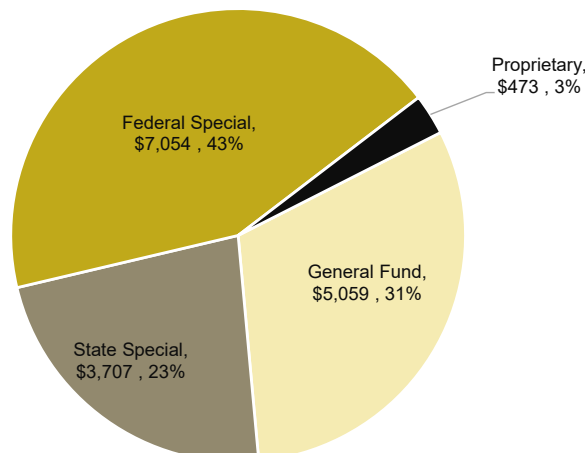
An interactive data visualization product based on the executive's budget submission provides a look at funding charts and appropriation comparisons between the 2025 biennium legislative appropriated budget and the Governor's proposed 2027 biennium budget. This tool does not include a breakdown of ongoing vs. one-time-only.

Use and view the data tool available at this location:

<https://app.powerbigov.us/view?r=eyJrIjojMDU5ZjNhMmEtYjU4Mi00ZTIiLWFjZTMtZTIyNzQ3OWQ5M2FiliwidCI6IjVmYzM1Mjk4LTQyMTEtNDA1NC04Njc4LWlzMjgxYzM5NzI2NyJ9>



2025 Biennium Legislative Budget by Fund Type  
Total Funds - HB 2 Only  
Total = \$16,293  
(\$ Millions)



## All Sections

### Contingency Fund for Executive Branch Agencies

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.

Executive Branch			
FY 2025 Personal Service Appropriations Compared to Contingency Fund Request			
	FY 2025	Requested	Percent of
	Personal Services	Contingency Funding	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	8,797,513	500,000	5.7%
Total	1,056,827,421	23,000,000	2.2%

\*as of November 27, 2024

## Vacancy Savings

The executive has proposed an applied rate of 5.0% vacancy savings for all agencies unless statute provides an exemption. For more information, please refer to a short brochure on [vacancy savings](#).

## STATUTORY APPROPRIATIONS

Statutory appropriations are in statute and are not part of the biennial budgeting process. They are not automatically reviewed by the legislature and are not subject to the priority setting process like temporary appropriations (such as those in HB 2). Since the appropriations are in statute, they remain in place until removed or changed by legislation. However, all statutory appropriations are available for the legislature to review and change if desired. For additional information on statutory appropriations, please refer to the statutory appropriations [guide](#) prepared by the LFD.

Valid statutory appropriations are contained in a list in [17-7-502, MCA](#). The list provides statutory citations for each statutory appropriation. Statutory appropriations are intended for limited situations, and guidelines for the appropriateness for establishing them are specified in [17-1-508, MCA](#). The Legislative Finance Committee periodically reviews statutory appropriations and sometimes sunset dates are included when new statutory appropriation legislation is adopted by the legislature.

# GENERAL FUND STATUTORY APPROPRIATIONS

The following table includes Legislative Fiscal Division assumptions.

Statutory Appropriations FY 2018 - FY 2027 (\$ Millions)						
	2024 Actuals	2025 (Estimate)	2026 (Estimate)	2027 (Estimate)	2028 (Estimate)	2029 (Estimate)
<b>General Fund</b>						
<b>Retirement</b>						
<a href="#">19-3-320 Statutory Appropriation to PERS</a>	\$35.330	\$35.683	\$36.040	\$36.400	\$36.764	\$37.132
<a href="#">19-3-319 Local Gov. Retirement Contribution</a>	1.376	1.421	1.467	1.515	1.564	1.615
<a href="#">19-6-404 MHP Retirement Transfer</a>	-	-	-	-	-	-
<a href="#">19-6-410 MHP Supplemental Retirement Transfer</a>	-	-	-	-	-	-
<a href="#">19-9-702 Police Retirement Contribution</a>	20.489	21.155	21.843	22.553	23.286	24.043
<a href="#">19-13-604 Firefighters' Association Contribution</a>	23.576	24.343	25.134	25.951	26.794	27.665
<a href="#">19-17-301 Volunteer Firefighter Fund Contribution</a>	3.519	3.801	4.105	4.433	4.788	5.171
<a href="#">19-18-512 Fire Department Relief Association Contribution</a>	0.447	0.447	0.447	0.447	0.447	0.447
<a href="#">19-19-305 Police (Non-PERS) Retirement Contribution</a>	0.160	0.154	0.148	0.142	0.136	0.131
<a href="#">19-19-506 Police Officer Pension Supplemental Contribution</a>	-	-	-	-	-	-
<a href="#">19-20-604 Teachers' Retirement Supplemental Contribution</a>	1.080	1.115	1.151	1.189	1.227	1.267
<a href="#">19-20-607 Teachers' Retirement System Contribution</a>	47.768	48.389	49.018	49.656	50.301	50.955
<a href="#">19-21-203 MUS Retirement Contribution</a>	1.970	2.009	2.049	2.090	2.132	2.175
<b>Subtotal</b>	<b>\$135.716</b>	<b>\$138.517</b>	<b>\$141.402</b>	<b>\$144.375</b>	<b>\$147.439</b>	<b>\$150.599</b>
<b>Economic Development</b>						
<a href="#">15-35-108(11)(b)(i)(A) Coal Sev. to Coop. Dev. Center</a>	0.065	0.065	0.065	0.065	-	-
<a href="#">15-35-108(11)(b)(i)(B) Coal Sev. to Growth Through Ag</a>	0.900	0.900	0.900	0.900	-	-
<a href="#">15-35-108(11)(b)(i)(C) Coal Sev. to MT Food &amp; Ag</a>	0.600	0.600	0.600	0.600	-	-
<a href="#">15-35-108(11)(b)(ii) Coal Sev. to Dept. of Commerce</a>	1.800	1.800	1.800	1.800	-	-
<a href="#">15-70-433 Biodiesel Tax Refunds</a>	-	-	-	-	-	-
<b>Subtotal</b>	<b>\$3.365</b>	<b>\$3.365</b>	<b>3.365</b>	<b>3.365</b>		
<b>Local Assistance</b>						
<a href="#">7-4-2502 Payment of County Attorneys</a>	4.003	4.121	4.225	4.332	4.441	4.553
<a href="#">15-1-121 Local Government Combined Distribution</a>	162.008	167.646	173.233	178.950	184.856	190.956
<a href="#">22-1-327 State Aid to Public Libraries</a>	0.542	0.542	0.542	0.542	0.542	0.542
<b>Subtotal</b>	<b>\$166.553</b>	<b>\$172.309</b>	<b>178.001</b>	<b>183.824</b>	<b>189.839</b>	<b>196.051</b>
<b>Other</b>						
<a href="#">10-1-1202 National Guard Death Benefit</a>	-	-	-	-	-	-
<a href="#">10-3-310 Incident Response Appropriation</a>	-	-	-	-	-	-
<a href="#">10-3-312 Emergency and Disaster Appropriation</a>	8.286	11.714	8.250	8.250	8.250	8.250
<a href="#">15-1-218 Out of State Collections</a>	0.149	0.200	0.200	0.200	0.200	0.200
<a href="#">16-11-509 Tobacco Enforcement</a>	-	-	-	-	-	-
<a href="#">17-3-106 Return of Federal Grant Interest</a>	0.005	0.005	0.005	0.005	0.005	0.005
<a href="#">17-3-106 Return of Federal Grant Money (GSD Only)</a>	0.311	0.310	0.310	0.310	0.310	0.310
<a href="#">17-3-106 Return of Federal Grant Money</a>	0.745	0.220	0.220	0.220	0.220	0.220
<a href="#">HB 676 2019 Session</a>	0.045	0.045	0.045	0.045	0.045	0.045
<a href="#">17-1-205 Loan to G.F. / other</a>	-	-	-	-	-	-
<a href="#">17-6-101 Banking Charges</a>	2.437	2.437	2.437	2.437	2.437	2.437
<a href="#">17-7-502(4) Bond Fees &amp; Costs (Debt Service)</a>	-	0.134	0.134	0.134	0.134	0.134
<a href="#">17-7-502(4) Bond Fees &amp; Costs (Issuance costs)</a>	0.073	0.073	0.073	0.073	0.073	0.073
<a href="#">Highways &amp; Engineering</a>	-	-	-	-	-	-
<a href="#">53-6-1304 SB 405 HELP Act</a>	-	-	-	-	-	-
<a href="#">DMA Disaster Emergency Funds</a>	3.345	4.000	4.000	4.000	4.000	4.000
<b>2023 Session</b>						
<a href="#">HB 222 &amp; HB 816</a>	144.258	191.395	-	-	-	-
<b>Subtotal</b>	<b>\$159.654</b>	<b>\$210.533</b>	<b>15.675</b>	<b>15.675</b>	<b>15.675</b>	<b>15.675</b>
<b>General Fund Total</b>	<b>\$465.288</b>	<b>\$524.724</b>	<b>\$338.442</b>	<b>\$347.239</b>	<b>\$352.953</b>	<b>\$362.325</b>

## ASSUMED ADDITIONAL GENERAL FUND STATUTORY APPROPRIATIONS FROM EXECUTIVE PROPOSED LEGISLATION

Not all legislation proposed by the executive was unavailable at the time of this writing. Based on conversations with LFD staff and Office of Budget and Program Planning staff and LFD assumptions, the following table shows additional and changes to statutory appropriation spending authority proposed by the executive.

Bill Number and Short Title		FY 2026	FY 2027
LCXXXX	Increase Governor's Emergency Fund	3,000,000	3,000,000
LC0446	Increase Entitlement Share	3,606,000	4,880,000
LC0282	Remove existing disaster & resiliency general fund statutory appropriation	(4,000,000)	(4,000,000)

## REMAINING STATUTORY APPROPRIATIONS

Remaining Statutory Appropriations - Legislative Fiscal Division Estimates						
(\$ Millions)						
State Special Funds	2024 Actual	2025 (Estimate)	2026 (Estimate)	2027 (Estimate)		
<a href="#">20-9-622 Guarantee Account to BASE Aid</a>	64.479	57.756	59.021	59.590	59.997	59.665
<a href="#">10-4-310 9-1-1 GIS mapping account created</a>	0.497	0.450	0.450	0.450	0.450	0.450
<a href="#">15-36-332 Oil &amp; Gas Distribution to Counties</a>	60.288	61.645	65.283	66.976	66.505	65.988
<a href="#">15-68-102 Lodging Sales Tax</a>	2.919	6.564	11.546	12.019	12.529	12.972
<a href="#">15-65-121 Lodging Facility Use Tax Distribution</a>	61.396	62.281	64.144	66.774	69.603	72.065
<a href="#">15-70-101 Fuel Tax to Local Governments</a>	47.577	47.612	48.441	49.318	50.188	51.188
<a href="#">17-3-241 Mineral Impact Account</a>	6.040	9.112	8.519	8.390	8.366	8.318
<a href="#">HB 141, 2023 session proposed 85-20-1504 Blackfeet Water C</a>	-	2.000	2.000	2.000	2.000	2.000
<a href="#">HB 67 2021 Session CC FTE Adjustment Account</a>	-	-	-	-	-	-
2023 Session						
HB 51 (81-2-203, Indemnity special revenue account )	0.01	0.01	0.01	0.01	0.01	0.01
HB 192 (extra in HB 816)	494.556					
HB 251	20.278	138.908				
HB 332				40.000		
HB 393	-	0.034	0.035	0.036	0.037	0.038
HB 852	0.023	0.023	0.023	0.023	0.023	0.023
SB 536	29.642	10.000	6.199	10.765	10.000	10.000
All Other State Special	135.542	114.337	117.432	119.598	121.728	118.274
State Special Total	\$923.246	\$510.733	\$383.102	\$435.950	\$401.436	\$400.991
Federal Special Funds						
<a href="#">53-6-1304 SB 405 HELP Act</a>						
<a href="#">53-6-148 Indian Health Services</a>	99.121	107.180	108.788	110.420	112.1	113.8
<a href="#">17-3-212 Federal Forest Funds to Counties</a>	13.397	4.682	4.802	4.958	4.958	4.958
<a href="#">17-7-502(4) Highway 93 Debt Service</a>	-	-	-	-	-	-
<a href="#">Coronavirus Relief</a>	-	-	-	-	-	-
HB 106, 2023 Session	0.626	1.030	1.030	1.030	1.030	1.030
All Other Federal Funds	53.304	26.240	29.128	31.362	34.506	34.908
Federal Special Total	\$166.449	\$139.132	\$143.748	\$147.770	\$152.569	\$154.653
Capital Projects and Enterprise Funds						
<a href="#">23-7-402 Lottery Prizes</a>	109.200	115.423	120.434	126.263	132.374	138.781
<a href="#">23-7-301 Lottery Commission/Fees</a>	17.221	18.060	18.831	19.822	20.866	21.965
HB 292 existing, 2023 session eliminates termination date	0.284	0.377	0.307	0.307	0.313	0.320
All Other	5.397	2.895	2.843	3.024	3.377	3.507
Capital Projects and Enterprise Funds Total	\$132.102	\$136.755	\$142.415	\$149.416	\$156.931	\$164.573
Total Statutory Appropriations (All Funds)	\$1,687.085	\$1,311.343	\$1,007.707	\$1,080.374	\$1,063.888	\$1,082.542

## ASSUMED ADDITIONAL STATUTORY APPROPRIATIONS FROM EXECUTIVE PROPOSED LEGISLATION

### State Special Authority

The executive proposes up to \$15.0 million annually for disaster and resiliency mitigation. This proposal includes a \$100.0 general fund transfer to establish a state special fund for this purpose.

### Federal Special Authority

The executive proposes switching funding of \$345.1 million from HB 2 federal special to statutory appropriation federal special authority for the supplemental nutrition assistance program (SNAP).

## GENERAL FUND TRANSFERS

The Montana Constitution requires that all money paid out of the state treasury, except interest paid on the public debt, be done with an appropriation. However, the state treasury consists of numerous accounts and – with proper legislative authorization – money may be transferred from one account to another without an appropriation. Like statutory appropriations, these transfers and their authorizations are in statute (or sometimes contained in un-codified legislation) and are not part of the biennial

budgeting process. However, they impact the amount of money available for the legislature to appropriate for specific programs.

### LFD Comment

In the past, the Legislative Finance Committee approved a policy that the legislature does not enact legislation that transfers general fund in an on-going manner to another account from which it can be appropriated.

## PRESENT LAW TRANSFERS

General Fund Non-Budgeted Transfers: LFD Estimates					
Statutory Reference	(\$ Millions)	2026	2027	2028	2029
	2025 Estimate	Estimate	Estimate	Estimate	Estimate
<b>Vehicle</b>					
<a href="#">15-1-122(1) Adoption Services Account</a>	\$0.247	\$0.272	\$0.299	\$0.329	\$0.362
<a href="#">15-1-122(2) Research &amp; Commercialization Account</a>	-	-	-	-	-
<a href="#">15-1-122(2)(a) Motor Vehicle Recycling &amp; Disposal Program</a>	1.864	1.880	1.895	1.911	1.926
<a href="#">15-1-122(2)(b) Noxious Weed Account</a>	1.889	1.905	1.921	1.937	1.952
<a href="#">15-1-122(2)(c)(i) Boat Facilities &amp; Off-Highway Vehicles</a>	0.579	0.584	0.589	0.594	0.599
<a href="#">15-1-122(2)(c)(ii) Snowmobile Facility Development &amp; Maint.</a>	0.126	0.127	0.128	0.129	0.130
<a href="#">15-1-122(2)(c)(iii) Motorboat Account</a>	0.202	0.203	0.205	0.207	0.208
<a href="#">15-1-122(3)(d) State Veterans' Cemetery Account</a>	0.250	0.253	0.255	0.257	0.259
<a href="#">15-1-122(2)(d) Veteran's Services Account</a>	0.770	0.776	0.783	0.789	0.795
<a href="#">15-1-122(3)e Search &amp; Rescue Account</a>	0.050	0.051	0.051	0.052	0.052
<b>Other Transfers</b>					
<a href="#">15-1-122(4) Sage Grouse</a>	-	-	-	-	-
<a href="#">15-1-122(3)(a) Livestock Loss</a>	0.300	0.300	0.300	0.300	0.300
<a href="#">15-1-122(3)(b) Livestock Loss (2021 session)</a>	0.100	0.100	0.100	0.100	0.100
<a href="#">17-1-511(2) Rural Physicians</a>	0.227	0.227	0.227	0.227	0.227
<a href="#">39-11-206 Commerce Training Account</a>	0.000	0.000	-	0.000	-
<a href="#">39-71-2352(6) Old State Fund Shortfall</a>	0.000	0.000	-	0.000	-
<a href="#">44-4-1607 DOJ Statewide Public Safety Communication System Account</a>	0.000	0.000	-	0.000	-
<a href="#">77-1-108(5a) Trust Land Adm.</a>	0.000	0.080	-	0.080	-
<a href="#">85-2-280 Water Adjudication</a>	3.200	4.000	4.000	4.000	0.000
<a href="#">85-2-527 Ground Water</a>	0.000	0.000	-	0.000	-
<a href="#">87-2-816 Purple Heart Free Hunting</a>	-	-	-	-	-
<a href="#">87-2-817 Military Free Hunting</a>	0.019	0.019	0.019	0.019	0.019
<a href="#">76-13-150(5) Fire Suppression Account</a>	49.368	-	123.1	-	98.80
<a href="#">HB 373 (2021 session)</a>	0.179	0.704	1.149	-	-
<a href="#">HB 374 (2021 session)</a>	-	-	-	-	-
<b>Subtotal of Ongoing Transfers</b>	59.371	11.481	135.021	10.930	105.729

### One-Time-Only Transfer

Under present law short term interest earnings are diverted from the general fund to the debt free and liability fund until the end of the 2025 biennium. By June 30, 2027, any unobligated funds left in the fund will be transferred with 50.0% going to the capital development fund and 50.0% going to the general fund.

General fund "excess revenue" is defined in statute 17-7-130, MCA, as "the amount of general fund revenue, including transfers in, for the most recently completed fiscal year minus adjusted compound annual growth rate revenue". The LFD assumes that when the 50.0% of unobligated debt free fund is transferred to the general fund, the excess revenue will trigger thereby transferring funding to the budget stabilization reserve fund (BSRF). LFD estimates the amount to be \$102.1 million. If the BSRF meets its statutory cap, then excess would flow to the capital development fund. If the capital development is at its statutory cap, then excess flows to the pension reserve state special fund. For a graphic that explains distribution of "excess revenue", please refer to the graphic on page 14.

## New Proposals – Transfers

The executive proposes a total of \$1.2 billion in general fund transfers. Please see the write-up on transfers proposals in the executive summary section of this report beginning on page 14.

Bill	FY 2025	FY 2026	FY 2027
Long-Range Building		\$75,000,000	\$75,000,000
Long-Range IT		\$19,851,423	\$19,851,423
Resiliency Fund Expansion	\$50,000,000		\$50,000,000
Transfer to Pension Fund	\$300,000,000		
Establish Water Trust		\$50,000,000	\$50,000,000
Local Bridge Fund	\$50,000,000		
Future State of the Corrections Plan	\$30,000,000		\$220,000,000
Revise Workforce Housing	\$50,000,000	\$50,000,000	
School Facilities Fund	\$81,046,000		
Revise Noxious Weed Trust	\$10,000,000		

## GENERAL FUND EXPENDITURE LEGISLATION

The preliminary executive proposed general fund expenditure legislation is included in the following table.

General Fund Proposed Legislation (\$) Millions				
LC number	Short Title	FY 2025	FY 2026	FY 2027
LC0707	Supplemental Appropriations	\$52.4		
LC0710	Long Range Planning		2.0	2.0
LC1374	Feed Bill	9.7	3.5	5.9
LC0718	Employee Pay Plan		26.3	53.2

### LC0707 Supplemental Appropriations

The executive requested \$52.4 million general fund in HB 3 supplemental appropriations for FY 2025. The following agencies have been included in the general fund request:

- Department of Revenue, \$1.7 million general fund for the property assessment division
- Department of Public Health and Human Services \$22.2 million general fund for the healthcare facilities division
- Department of Justice (DOJ), \$4.1 million general fund for the Montana Highway Patrol
- Office of Public Defender, \$12.5 million general fund for the conflict division
- Department of Corrections, \$11.5 million general fund for public safety division and \$380,000 general fund for rehabilitation and programs division
- Office of Public Instruction, \$26,655 in general fund for state level activities

### LC0710, Long-Range Planning

\$4.0 million general fund for the 2027 biennium for long-range infrastructure projects.

### LC1374 Feed Bill

\$19.1 million general fund. This legislation provides funding for operations of the legislature for the 2025 session and the interim period during FY 2026-FY 2027.

### HB0718 Employee Pay Plan

The executive proposes to increase employee pay by 2.5% in FY 2026 and 2.5% in FY 2027, with an estimated cost of \$79.5 million general fund for the 2027 biennium. In addition, the executive

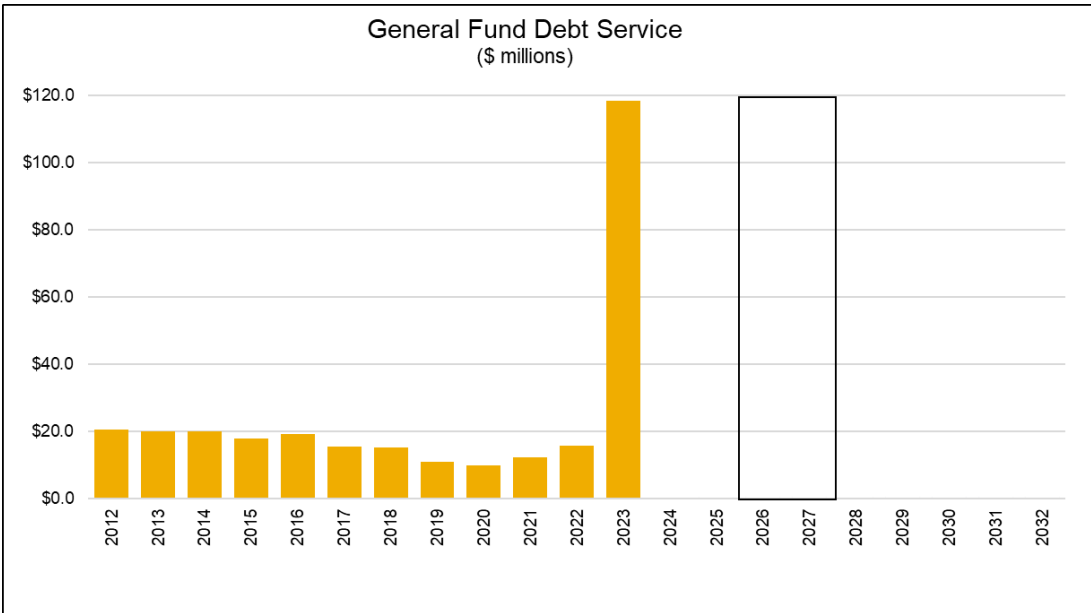


proposes an increase in employer contribution for group health insurance benefit costs of \$26 per month beginning January 2026 and \$27 per month beginning January 2027. This brings the monthly contribution to \$1,080 a month in 2026 and \$1,107 a month in 2027.

Also, the executive proposes a wage increase for legislators for participating in the 2027 session. The proposal determines the salary of each legislator by multiplying 80% times the average hourly wage for the state of Montana, all industry types as published by the U.S. Bureau of Labor Statistics. For legislators serving in the 2029 session, and subsequent biennia, the salary of each legislator must equal the average hourly wage for the state of Montana, all industry types as posted by the U.S. Bureau of Labor Statistics.

## DEBT SERVICE

Montana’s general fund debt liability was eliminated in 2023. HB 251, adopted by the 2023 Legislature, created the Debt and Liability Free Account which was used by the Executive to pay off the state’s existing general fund backed general obligation bond debt. The following table illustrates annual general fund debt service payments from 2012 through 2022, and the payoff of all outstanding general fund general obligation bond debt in 2023.



## PENSIONS

### UPDATE ON CURRENT VALUATIONS

Upon completion of the FY 2024 actuarial valuations, the unfunded liability across Montana’s nine retirement systems was approximately \$4.6 billion and all systems were scheduled to amortize in under 30 years as shown below. The two largest systems, the Public Employees’ Retirement System (PERS) and Teachers’ Retirement System (TRS) had actuarially calculated unfunded liabilities of \$2.4 billion and \$1.8 billion respectively.

Overall, compared to the FY 2023 actuary valuations, all systems’ funded ratios improved. Notably, the Highway patrol officers’, Sheriffs’, and Game Wardens’ systems improved significantly, a result of [HB 569](#) from the 2023 Legislative Session.

Montana Pension Systems Actuarial Valuations				
	Funded Ratio 2023	Funded Ratio 2024	Amortization Period 2023	Amortization Period 2024
Teachers' Retirement System (TRS)	72%	74%	24	21
Public Employees' Retirement System (PERS)	75%	76%	28	27
Judges' Retirement System	181%	184%	0	0
Highway Patrol Officers' Retirement System	67%	78%	25	24
Sheriffs' Retirement	78%	83%	25	24
Game Wardens' Retirement System	82%	94%	25	24
Municipal Police Officers	73%	75%	21	18
Firefighters' Unified Retirement System	82%	85%	10	8
Volunteer Firefighters	98%	107%	1	0

## NEW PENSION PROPOSAL

The executive proposes a one-time transfer of \$300 million by June 30, 2025 from the general fund to the pension state special revenue account. The proposal directs that interest earned in this state special account to be retained by the account. Beginning in FY 2028, it is proposed that the employer contributions for both the Public Employees' Retirement System (PERS) and Teachers' Retirement System (TRS) would increase by 0.2% each year through FY 2037. Interest earned and retained in the pension state special account would be used to fund these increased employer contributions.

The fund balance can only be used to transfer into a state-administered pension fund, the budget stabilization reserve fund, or the fire suppression fund. The principal of the fund below \$300 million is subject to appropriation only by a vote of two-thirds of the members of each house of the legislature.

If either the TRS or PERS inception-to-date market rate of return fall below the actuarially assumed rate of return for two consecutive fiscal years, up to 25% of the pension state special revenue shall be transferred to the systems. The amount is capped at the transfer amount necessary to bring the inception-to-date market rate of return up to the assumed rate of return.

## POSITIONS BUDGETED (FORMERLY KNOWN AS FULL-TIME EQUIVALENT)

[Positions Budgeted](#) (PB) is used to account for full and part-time employees of state government. The legislature does not appropriate PB per se, but instead uses PB and its individual attributes such as salary and benefits to build the personal services budget. The PB are also used to indicate which PB can be used to build the base budget in the next biennium.

The first table shows PB in HB 2 only.

Agency Summary (HB 2 Only)

		Requested New PB	
	Base Budget	NP 2026	NP 2027
General Government			
11040 LEGISLATIVE BRANCH	169.34	2.25	2.25
11120 CONSUMER COUNSEL	5.54	0.02	0.02
31010 GOVERNOR'S OFFICE	60.57		
32020 COMMISSIONER OF POLITICAL PRACTICES	7		
34010 STATE AUDITOR'S OFFICE	72.5		
58010 DEPARTMENT OF REVENUE	668.92		
61010 DEPARTMENT OF ADMINISTRATION	143.92	1	1
65010 DEPARTMENT OF COMMERCE	61.3		
66020 DEPARTMENT OF LABOR AND INDUSTRY	628.48		
67010 DEPARTMENT OF MILITARY AFFAIRS	234.66	15	15
General Government Total	2052.23	18.27	18.27
Health & Human Services			
69010 DEPARTMENT OF PUBLIC HEALTH & HUMAN SERVICES	2831.92	-72.3	-72.3
Health & Human Services Total	2831.92	-72.3	-72.3
Natural Resources & Transp			
52010 DEPARTMENT OF FISH, WILDLIFE, AND PARKS	711.91	30.35	30.35
53010 DEPARTMENT OF ENVIRONMENTAL QUALITY	367.04	3	3
54010 DEPARTMENT OF TRANSPORTATION	2019.77	26	26
56030 DEPARTMENT OF LIVESTOCK	137.87	8	8
57060 DEPARTMENT OF NATURAL RESOURCES AND CONSERVAT	553.61	6	6
62010 DEPARTMENT OF AGRICULTURE	119.56		
Natural Resources & Transp Total	3909.76	73.35	73.35
Judicial Br. Law Enf & Justice			
21100 JUDICIAL BRANCH	470.39	9.5	16.5
41100 DEPARTMENT OF JUSTICE	845.15	6.2	6.2
42010 PUBLIC SERVICE COMMISSION	38	2.5	2.5
61080 OFFICE OF STATE PUBLIC DEFENDER	310.44		
64010 DEPARTMENT OF CORRECTIONS	1280.67	25	25
Judicial Br. Law Enf & Justice Total	2944.65	43.2	50.2
Education			
35010 OFFICE OF PUBLIC INSTRUCTION	153.27		
51010 BOARD OF PUBLIC EDUCATION	3		
51020 COMMISSIONER OF HIGHER EDUCATION	50.22		
51130 SCHOOL FOR THE DEAF & BLIND	88.28	1	1
51140 MONTANA ARTS COUNCIL	7		
51150 MONTANA STATE LIBRARY	30.46		
51170 MONTANA HISTORICAL SOCIETY	78.84	1	1
Education Total	411.07	2	2
Grand Total	12,149.63	64.52	71.52

Agency Summary (All Sources of Authority: HB 2, Statutory & Non-Budgeted Proprietary)

	Requested New PB		
	Base Budget	FY 2026	FY 2027
<b>General Government</b>			
11040 LEGISLATIVE BRANCH	169.34	2.25	2.25
11120 CONSUMER COUNSEL	5.54	0.02	0.02
31010 GOVERNOR'S OFFICE	60.57		
32010 SECRETARY OF STATE	43		
32020 COMMISSIONER OF POLITICAL PRACTICES	7		
34010 STATE AUDITOR'S OFFICE	72.5		
58010 DEPARTMENT OF REVENUE	672.42		
61010 DEPARTMENT OF ADMINISTRATION	551.73	-	-
62030 MONTANA STATE FUND NEW FUND	290.75		
65010 DEPARTMENT OF COMMERCE	217.13		
66020 DEPARTMENT OF LABOR AND INDUSTRY	724.84		
67010 DEPARTMENT OF MILITARY AFFAIRS	241.78	15.00	15.00
General Government Total	3056.6	17.27	17.27
<b>Health &amp; Human Services</b>			
69010 DEPARTMENT OF PUBLIC HEALTH & HUMAN SERVICES	2836.92	-72.3	-72.3
Health & Human Services Total	2836.92	-72.3	-72.3
<b>Natural Resources &amp; Transp</b>			
52010 DEPARTMENT OF FISH, WILDLIFE, AND PARKS	793.99	46.93	46.93
53010 DEPARTMENT OF ENVIRONMENTAL QUALITY	422.54	2.00	2.00
54010 DEPARTMENT OF TRANSPORTATION	2152.27	29.00	29.00
56030 DEPARTMENT OF LIVESTOCK	142.62	8.00	8.00
57060 DEPARTMENT OF NATURAL RESOURCES AND CONSERVAT	616.51	6.00	6.00
62010 DEPARTMENT OF AGRICULTURE	123.44		
Natural Resources & Transp Total	4251.37	91.93	91.93
<b>Judicial Br. Law Enf &amp; Justice</b>			
21100 JUDICIAL BRANCH	470.39	9.50	16.50
41100 DEPARTMENT OF JUSTICE	859.15	6.20	6.20
42010 PUBLIC SERVICE COMMISSION	38	2.50	2.50
61080 OFFICE OF STATE PUBLIC DEFENDER	310.44		
64010 DEPARTMENT OF CORRECTIONS	1350.68	25.00	25.00
Judicial Br. Law Enf & Justice Total	3028.66	43.2	50.2
<b>Education</b>			
35010 OFFICE OF PUBLIC INSTRUCTION	180.8		
51010 BOARD OF PUBLIC EDUCATION	3		
51020 COMMISSIONER OF HIGHER EDUCATION	61.72		
51130 SCHOOL FOR THE DEAF & BLIND	88.28	1.00	1.00
51140 MONTANA ARTS COUNCIL	7		
51150 MONTANA STATE LIBRARY	36.08		
51170 MONTANA HISTORICAL SOCIETY	82.84	2.00	2.00
Education Total	459.72	3.00	3.00
Grand Total	13,633.27	83.10	90.10

# BIENNIAL COMPARISON, 17-7-151, MCA, DEC 15 SUBMISSION

The following table shows the December 15 executive submission biennial growth of the 2027 biennium executive budget request at 0.8% compared to the 2025 biennium budget. The appropriations included in this table follow the definitions in 17-7-150, MCA and appropriations are categorized differently than in other areas of the report. The comparisons used in this table are directed by 17-7-151, MCA.

**Not all proposed legislation was available at the time of publication and assumed appropriations may be lower or higher than estimated. Consequently, the overall biennial growth could be lower or higher than 0.8%.**

A few items to note: The executive proposes moving the supplemental nutrition assistance program (SNAP) from HB 2 authority to statutory appropriation authority, this move makes up the bulk of the 159.3% increase in federal special statutory appropriation authority. Also, the 2023 Legislature included HB 2 language appropriations as part of the base budget for HB 2, so those are no longer reported separately. Percentage increases of 1519.0 % for proprietary funds in HB 2 is primarily the result of liquor warehouse language appropriations incorporated into HB 2.

Biennial Comparison, December 2024 (\$ Millions)								
	Appropriated 2019 Biennium	Appropriated 2021 Biennium	Appropriated 2023 Biennium	Appropriated 2025 Biennium	Appropriated 2027 Biennium	2021 to 2023 Biennial Change	2023 to 2025 Biennial Change	2027 to 2025 Biennial Change
<b>Comparables</b>								
HB 2								
General Fund	\$4,063.2	\$4,275.5	\$4,541.2	\$4,349.1	\$5,058.6	6.2%	-4.2%	16.3%
State Special Revenue	1,513.2	\$1,599.4	\$1,831.5	\$2,936.7	\$3,707.4	14.5%	60.3%	26.2%
Federal Special Revenue	4,531.1	\$4,392.9	\$6,195.1	\$7,182.8	\$7,053.9	41.0%	15.9%	-1.8%
Appropriated Proprietary	24.3	\$25.5	\$27.3	\$29.2	\$473.2	7.2%	7.0%	1519.0%
Subtotal HB 2	10,131.9	10,293.3	12,595.1	14,497.9	16,293.1	22.4%	15.1%	12.4%
Transfers HB 2	(40.6)	(38.1)	(89.9)	(65.1)	(204.0)	136.3%	-27.6%	213.6%
Net Subtotal HB 2	10,091.2	10,255.3	12,505.2	14,432.8	16,089.0	21.9%	15.4%	11.5%
Statutory Appropriations (LFD Estimates)								
General Fund	626.0	592.0	626.2	904.3	692.2	5.8%	44.4%	-23.5%
State Special Revenue	493.8	530.6	488.8	1,466.3	849.1	-7.9%	200.0%	-42.1%
Federal Special Revenue	1,100.6	333.1	207.9	245.5	636.7	-37.6%	18.1%	159.3%
Appropriated Proprietary & Capital Projects	80.0	104.0	182.1	205.3	291.8	75.0%	12.8%	42.1%
Subtotal Statutory	2,300.4	1,559.8	1,505.0	2,821.5	2,469.7	-3.5%	87.5%	-12.5%
Transfers & Debt Service Statutory	(60.7)	(57.7)	(50.8)	(20.5)	0.0	-12.1%	-59.6%	-100.0%
Net Subtotal Statutory	2,239.7	1,502.0	1,454.3	2,801.0	2,469.7	-3.2%	92.6%	-11.8%
Other Appropriation Bills (2023 biennium includes ARPA)			3,090.2	2,071.1		33.6%	-33.0%	
Other Appropriation Bills (2023 biennium excludes ARPA)	397.0	2,312.9	452.7	2,071.1	917.6	-80.4%	357.5%	-55.7%
Net Subtotal Other Appropriation Bills (excluding ARPA)	397.0	2,312.9	452.7	2,071.1	917.6	-80.4%	357.5%	-55.7%
HB 2 Language Appropriations*	325.8	329.8	352.2	459.1	0.0	6.8%	30.4%	-100.0%
Transfers Language Appropriations	(102.0)	(102.0)	(116.3)	(440.6)	0.0	14.0%	278.9%	-100.0%
Net Subtotal Language Appropriations	223.9	227.8	235.9	18.5	0.0	3.6%	-92.1%	-100.0%
Total Comparables (including ARPA)	\$12,951.8	\$14,298.0	\$17,285.5	\$19,323.4	\$19,476.3	20.9%	11.8%	0.8%
*HB 2 Language Appropriations are included in HB 2 in the 2027 Biennium.								
<b>Non-Comparable</b>								
Subtotal Budget Amendments & Carryforward	228.4	-						
HB 4	238.7	239	401.7	1,110.9	1,283.6	68.3%	176.6%	15.5%
HB 3 (plus HB 835, 2023 session)	0.7	36	311.9	237.9	57.7	771.2%	-23.7%	-75.7%
HB 1 & other	12.8	12.1	13.0	16.5	19.1	7.6%	26.5%	16.0%
2019 Biennium Adjustments								
SB 261	(45.9)	-	-					
17-7-140	(139.2)	-	-					
SS Reductions	(61.6)	-	-					
Restore	45.7	-	-					
Total 2019 Biennium Adjustments	(200.9)	-						
Total Non-Comparable Items	\$826.7	\$286.6	\$727.0	\$1,365.3	\$1,360.5	153.6%	87.8%	-0.4%

Per 17-7-151, MCA non-comparable legislation includes the following: HB 1 Feed Bill, HB 3 Supplemental Appropriations, and HB 4 Budget Amendment Appropriations.